Microenterprise Development
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Abstract: Quantifying and measuring small firm performance is vital in our understanding of how internationalization influences firm performance. That is also important when attempting to grasp the mechanisms of the internationalization processes. There are few methods used for the evaluation of performance of Small and Medium-sized Enterprise (SMEs). These methods can be either macro or micro economic in nature. Hazard Modeling, Stochastic Models, and Learning Models are examples of macro economic models while Z-Scores, ZETA-Scores, Neural Networks, and the SIV® model are examples of micro models. Choosing the most suitable performance model is an essential step in order to maximize our knowledge in relation to firm performance. Utilizing SMEs performance measures without thinking about the category of model, will bias the outcome of the majority of SMEs studies. However, using firm performance diverse models in an efficient manner requires strategic thinking. In this paper, we are re-introducing a tool that can accommodate that aspect. Abouzeedan (2002) designated the new tool: the Arena of SMEs Performance Models or an ASPEM diagram. The horizontal axis in the diagram indicates the Information Intensity Requirements of the model. The vertical axis indicates the Coverage Intensity of the model varying from an individual firm up to a whole group of firms. By allocating each of the SMEs performance models, at the suitable region of the ASPEM Diagram, researchers can better build a sound strategy for the application of these methods.


Abstract: A number of firm performance models are available. Reviewing these models and pointing out their individual strengths and weaknesses, would help both academic researchers and professional users to understand and appreciate how and when to use these various models. The theoretical models for Small and Medium-size Enterprise (SME) performance can be divided into two categories: firm dynamics theories and performance prediction models. In the first part of this paper we review, in a condensed manner, the most relevant firm dynamic theories, i.e. SME’s performance models. These include: Stochastic Theories, Learning Model Theories and Hazard Modeling Theories. In the second part of this paper, we examine the performance prediction models of SMEs, which include Z-Scores, ZETA-Scores, Neural Networks (NN) and the SIV® models, among others. The strengths and weaknesses of each of these models are exposed and discussed.


Abstract: Effect of firm size on survivability of Small and Medium-size Enterprises (SMEs) is of great importance. Researchers have dealt with this issue using diverse analysis methods. The tool we used for such analysis in this work is the Survival Index Value (SIV) model. To our knowledge, this method has never been used before to study the issue of firm size and small firm survivability. We found that higher firm size do not enhance survivability of SMEs with a positive slope of their Survival Progression Indicator (SPI) line, neither it does that for firms with negative slope of the SPI line. However, no evidence was found to support the common understanding that reducing firm size would enhance
survivability of firms with negative SPI line. Increasing firm size was found to have positive effect on survival of firms with a slope of the SPI line close to zero.


Abstract: Microenterprises in low-income countries are the target of an increasing number of credit programs. These efforts resemble earlier problematic attempts to assist operators of small farms with credit. Similarities discussed include target group definition, assumptions, policies, and project justifications. Authors go on to list a dozen lessons from the experience with small-farmer credit that might apply to microenterprise credit efforts. Authors then conclude that debt is not an effective tool for helping most poor people to enhance their economic conditions, be they operators of small farms or microenterprises.


Abstract: This study explores micro-enterprise development, and how ADB can improve the effectiveness of its support to this emerging segment of the financial services industry. Reviews thematic issues and draws on country studies of seven developing member countries (Bangladesh, India, Indonesia, Mongolia, Nepal, Phillipines, and Viet Nam). Synthesizes many of the key findings and also examines the impact and effectiveness of support that was provided to the microenterprise sector by ADB through loans and technical assistance that were approved between 1988 and 1992. In detail, it investigates the role of microenterprises in the house-hold economy and their contributions to development in terms of reducing poverty, empowering women, generating employment, and general contributions to the development of the private sector; provides a picture of the diversity of micro-level enterprises; gives an overview of the financial services that are needed by the poor and the issues which these needs imply for institutions seeking to provide the services; presents a number of suggestions for funding agencies such as ADB; and, discusses the major features of the policy and institutional environment in a number of Asian countries. The study also highlights the importance of nonfinancial services in efforts to help develop microenterprises and provides a framework for donors for the further development of policy and operations to support microenterprise development.


Abstract: This paper explores the gendered influence on SME development under economic transition in Lithuania. Previous studies have shown that male and female business owners are more different than similar in terms of personal and business characteristics (Brush 1992). An analysis of 332 SME owners in Lithuania using descriptive statistics and regression analysis indicates that there are significant differences not only in objective criteria such as business size and business turnover but also in terms of subjective criteria such as perceived business financial 'success' and general business 'success'. Gendered expectations such as norms, values and social expectations (i.e. informal rules) that have been internalized or continue to exert external pressure seem to be at the heart of this discrepancy.

Abstract: When the Point Four Program was launched by US President Harry Truman in 1949, helping the world's poorest people help themselves became the primary aim of US development assistance. While much of the US Agency for International Development's (USAID) economic development work has concentrated on policy reforms, privatization and other measures aimed at strengthening overall economies, the very poor often are unable to share in the resulting economic growth. Although starting small businesses is an important way for people to work their way out of poverty, the poorest people usually lack the resources to get started and have no access to traditional loans. However, microenterprise financing is changing that by granting poor people loans to enable them to establish and expand microenterprises. It is noted that since 1990 USAID has provided well over US$1 billion to support more than 1000 institutions around the world that provide the very poor with small loans and secure, interest-bearing savings accounts as well as services to help them develop businesses. In turn, it is recorded that USAID-supported institutions have helped more than 10 million microentrepreneurs in Asia, Africa, Latin America, and Eastern and Central Europe build better lives for their families.


Abstract: This paper examines the role of a "Christian steward" in micro-enterprise development. It argues that micro-enterprise development should be integrated with the protection of the environment. The industrial revolution led to the deterioration of the environment. So there is a need to facilitate community organizations and environmental awareness for all the people in the community. The community needs to establish a basic management team that will respond to changing needs. Micro-enterprise is a revolution that provides economic development in poor communities. There is a need to provide ecological education to micro-entrepreneurs, and include ecological aspects in the business plan. The paper concludes by defining an eco-micro enterprise as an environmentally friendly small business, and explaining its features.


Abstract: Technology development, where it is understood to mean introducing machinery from abroad, may have the effect of weakening the skills and capacity to innovate of local small-scale entrepreneurs. 'Technology' includes both the hardware and the software aspects of production - both machinery and skills - and to neglect the latter is to ignore the capacity to innovate which is essential when entrepreneurs face changes in their environment. Women's technical skills and innovations are often ignored because they may relate to their domestic responsibilities, or because they do not have obvious income-generating potential. Those working with women need to be aware of these skills, however, partly to help women derive the maximum benefit from them, and partly because a recognition of their own technical capabilities is a considerable boost to women's self-confidence.

Abstract: In the reviewed region, an estimated 763,000 persons are employed in 408,000 small enterprises engaged in activities of transformation or commercialisation of forest products. On average, small forest-products enterprises provide employment for 17 out of every 1,000 people. The paper posits that the net number of forest-products enterprises is increasing and that enterprise birth rates are very high, but so are closure rates, particularly during an enterprise's early years. About half of enterprise closures occurring during the period surveyed were reported as the result of bad business conditions. Many entrepreneurs who closed their businesses, particularly those engaged in woodworking, subsequently started new enterprises. It concludes with implications for project and policy interventions in forest-products subsectors in terms of growth potential, raw material supplies, and needs during start-up and expansion.


Abstract: This paper describes a new cross-country database on the importance of Small and Medium Enterprises (SME). This database is unique in that it presents consistent and comparable information on the contribution of the SME sector to total employment and GDP across different countries. The dataset improves upon existing publicly available datasets on several grounds. First, it extends coverage to a broader set of developing and industrial economies. Second, it provides information on the contribution of the SME sector using a uniform definition of small and medium enterprises across different countries, allowing for consistent cross-country comparisons. Third, while we follow the traditional definition of SME sector as being part of the formal sector, the new database also includes size of the SME sector relative to the informal sector. This paper describes the sources and the construction of the different indicators, presents descriptive statistics, and explores correlations with other socio-economic variables.


Abstract: Although regulations may be a necessary part of collecting revenue, or ensuring health and safety at work, the staff time and paperwork entailed in complying with regulations are becoming more and more burdensome, especially for small businesses in developing countries. This article starts by outlining the various costs of regulation for society as a whole and for individual enterprises, then describes studies estimating compliance costs in various countries, as well as a detailed study from South Africa, which revealed that 6.5 per cent of GDP was spent on compliance costs. Finally, the prospects for reducing compliance costs are discussed.


Abstract: We face a future in which rapid technical change will affect developed countries as well as the modern sectors in developing countries; but in which the poor majority of developing countries will be excluded from most of the benefits of such change. As trade barriers are relaxed in the global market place poor small scale producers are obliged to
compete next to businesses with access to equipment and knowledge of a far greater
technical sophistication. This article points to the crucial role of technology for small-scale
businesses and argues that market forces alone will not deliver the technologies that the
poor need fast enough to prevent the gap widening between the modern sector (the
'included') and the traditional sector ('the excluded').

Barton, C. 1997. Microenterprise Business Development Services:
Defining Institutional Options and Indicators of Performance”, USAID -
Microenterprise Best Practices (MBP) Project.

Abstract: The paper reviews how have business development services performed and how
can they be improved. It identifies five principal areas that require additional investigation
to clarify the nature of best practices in the provision of business development services.
The paper concludes by noting that the jury is still out on the most effective roles for
development assistance programs in supporting business development services for MSEs.
However, the study notes that the premium which funding organizations place on
developing sustainable, demand-oriented services is providing a positive impetus for
efforts to improve program performance and service delivery. Wholly subsidised programs
led to services that were unresponsive to client needs and produced results that were not
cost effective. New approaches that apply the best of commercial practices, including
franchising, market opportunity and demand analyses, and information technology
applications, offer promising avenues for advancing the state of the art and identifying
best practices.


Abstract: This multiple-case study explores local government’s use of HUDfunded
microenterprise development assistance for job creation and self-employment of low-to-
moderate-income individuals. Respondent information was reviewed and then
supplemented with document analysis and interview materials from earlier research on
HUD microenterprise development assistance programs in upstate New York. Because the
number of local government respondents who self-identified as providers of
microenterprise development assistance was small, it was not possible to generalize
research findings to the overall public microenterprise development sector. However, the
study of this phenomenon, although limited, does have implications for government
microfinance instrumentalities and intermediaries and for future research on publicsector
microenterprise development efforts. Based on the participants’ self-report, it appears that
both urban and rural HUD-sponsored microenterprise development assistance programs
create jobs and self-employment opportunities for low-to-moderate-income persons using
a myriad of strategies.

Bates, T. and Servon, L.. 1998. “Microenterprise As An Exit Route From
Poverty:* Recommendations For Programs And Policy Makers”, Center for

Abstract: The objective of this study is to shed light on whether and how microenterprise
programs can be used as an economic development strategy to enable low-income people
to achieve self-sufficiency through self-employment. Our findings provide little support for
the notion that hard work and a small loan are sufficient ingredients for business success.
Viable small firms are usually headed by well-educated owners and/or those possessing
specific skills that serve as a basis for successful business creation and operation. Potential
entrepreneurs lacking assets, skills, and support networks are unlikely to support
themselves through self-employment earnings alone. As a poverty alleviation strategy,
microenterprise is not a panacea. Nevertheless, programs targeting the poor who do have
skills, resources, and support networks can be useful vehicles for helping some to escape
poverty.

Abstract: This paper explores the relationship between the relative size of the Small and Medium Enterprise (SME) sector, economic growth, and poverty alleviation using a new database on the share of SME labor in the total manufacturing labor force. Using a sample of 45 countries, we find a strong, positive association between the importance of SMEs and GDP per capita growth. The data do not, however, confidently support the conclusions that SMEs exert a causal impact on growth. Furthermore, we find no evidence that SMEs alleviate poverty or decrease income inequality.


Abstract: The authors explore the relationship between the relative size of the small and medium enterprise (SME) sector, economic growth, and poverty using a new database on the share of SME labor in the total manufacturing labor force. Using a sample of 76 countries, they find a strong association between the importance of SMEs and GDP per capita growth. This relationship, however, is not robust to controlling for simultaneity bias. So, while a large SME sector is characteristic of successful economies, the data fail to support the hypothesis that SMEs exert a causal impact on growth. Furthermore, the authors find no evidence that SMEs reduce poverty. Finally, they find qualified evidence that the overall business environment facing both large and small firms—as measured by the ease of firm entry and exit, sound property rights, and contract enforcement—infuences economic growth.


Abstract: This paper discusses credit scoring as a tool for lenders to improve performance and efficiency of their loan programs. It lists out some of the benefits of using credit scoring. These include delinquency reduction, increased consistency in decision-making, greater clarity in decision process, improved efficiency in lending process and implementation of risk based pricing. The paper further discusses correlation between credit bureau scores and repayment, ACCION USA’s approach to and experience with credit scoring, present benefits and future applications of credit scoring and critical issues in implementing credit scoring. The paper concludes that credit scoring holds a promise for microlenders seeking to make significant advances in the scale of lending operations.


Abstract: Poor women in developing countries often turn to self-employment as a way to support themselves and their families, but these small-scale activities rarely yield enough income to lift them out of poverty. Recently NGOs and donor agencies have sought to
assist these women by providing credit, which is otherwise largely unavailable to them. The broad aims of these programs vary, as do the strategies, which range from simply offering credit (a “minimalist” approach) to providing training and technical assistance as part of the credit package (a “credit plus” approach). The channels used (bank schemes, intermediary programs, parallel programs, or poverty-focused development banks) also vary. So far, the last three channels have been more effective than the first in improving women's access to credit. However, not enough is known about which strategies have the greatest economic impact for particular groups of women, and further evaluation is needed.


Abstract: Internet marketing is on the rise, and developing country export companies can use it to overcome some of their competitive disadvantages. This article describes a study of small and medium-sized exporters in the wine industry in Chile and the coffee industry in Costa Rica. In Chile, extranets were found to be useful for communicating with importers around the world and providing marketing materials; in Costa Rica, some exporters found online shops to be a good way of increasing turnover with higher margins. Constraints to the adoption of internet marketing are discussed.


Abstract: Microenterprise development has received much attention as being a participatory strategy that can potentially alleviate poverty by including the excluded in the process of development. But recent controversies regarding the purposes, processes and profitability of alternative microenterprise development techniques suggest that participation means different things to different people. A review of three types of microenterprise development institutions suggests that while some programme policies discourage participation, others encourage "inclusion" only in token. Only a few programmes support genuine participation of the entrepreneurial poor. Key policy issues related to the participatory principles, benefits and costs of microenterprise development are discussed.


Abstract: For small farmers in dry areas of India, the deterioration of the environment and the social structures are making the struggle for survival more grim every day. Crop yields decrease. The introduction of cash-crops such as oilseeds is a mixed blessing at best, often meaning greater indebtedness to traders. Those engaging in handicrafts or whose economy depends on the collection of minor forest produce find it difficult to obtain raw material. Forest agencies and Tribal Development Co-operatives set up to break the monopoly of traders, have grown into just such monopolies. Not surprisingly, many a rural person turns into a landless laburer, or is forced to migrate to the city. Grim as the situation is, it is not entirely hopeless, for rural people possess resources that have kept them going in many adverse situations. Group entrepreneurship captures and mobilizes these strengths and can bring rural life back to a state of sustainability; ecologically, economically and socially. This article is based on very limited experience in tribal areas of
Bihar and Orissa in India. The idea of group entrepreneurship comes from the people themselves and is now catching the attention of development workers around the world. Three points are covered: illustrations of recent group entrepreneurship; the reality of group entrepreneurship; and challenges involved in group entrepreneurship.


Abstract: This paper highlights the urban rural divide and macro-issues involved in rural development. It points that any impact assessment (IA) of rural enterprise development (RED) projects will have to take this division into consideration. It also addresses the key question of need and purpose of IA. The author talks about evolving better IA systems by looking at innovative practices and recognizing the key issues. He:

• Uses the illustration of a Ugandan banana farming system case to analyze the key institutional stakeholders with reference to their area of interest, importance of the enterprise, power over capital, levels of responsibility in the enterprise and their particular need for IA.
• Makes a distinction between the interest levels of stakeholders, and emphasizes the need for methodological improvements in IA.
• Identifies indicators that may be looked at along with quantitative techniques for accounting of benefits at the primary stakeholder level.

The paper also:

• Tries to identify the key elements for creating a framework for IA, which may include the Project Management Unit as the primary locus, needs of other secondary stakeholders, ownership issues and kind of arrangement between them.
• Highlights case studies and 10 innovative approaches for IA.
• Identifies indicators that may be looked at along with quantitative techniques for accounting of benefits at the primary stakeholder level.

The paper concludes by giving a collection of relevant documents for IA in RED


Abstract: Migration from Latin American, primarily to the United States of America, has generated a major source of income in the form of remittances to the migrants’ countries of origin, and in particular to their families, benefiting approximately 18 million families in Latin America who receive around 38 billion dollars per year. Various analyses show that large groups of emigrants overlap with the population segments to which microfinance institutions target their services. In view of the importance of remittances to their customers’ finances, (in average families are estimated to receive 2,000 dollars per family per year), the entities of the IMI network have decided to venture into this service. This article provides a view of the principal experiences accomplished in the framework of a joint project of the IMI network entities in Latin America under the sponsorship of the Multilateral Investment Fund, MIF. The program was carried out by the consulting company, Frontier Finance International, FFI, which in turn is part of the network of institutions headed by the IMI. The objective of the project was to introduce the remittance service and to link it to the institutions’ other services. This connection makes it possible to maximize the value of the resources received by improving remittance recipients’ access to financial services (banking), and by facilitating the transformation of short-term resources from remittances into long-term resources through credits or deposits. The project was initially developed at Financiera Calpià due to the benefits
derived from beginning operations in a market for which there are abundant sources of information. Later, in the second half of 2003, the activities expanded to Confía and Caja los Andes. Although there is a big demand for this service in Ecuador, the network decided to postpone operations in this country until 2004 in order to analyze in detail the special characteristics of the Ecuadorean market, which has a high rate of emigration to Spain and Italy.

Buckley, G. 1996. “Superstitions, the family and values in microenterprise development”, Small Enterprise Development, Volume 7, Number 4, pp. 13-21(9), December.

Abstract: There may be much more than a lack of finance, skills or demand that is preventing African microentrepreneurs from expanding. Family networks are strong, and they can on the one hand support the newly created enterprise with funds and labour, but on the other hand drain the profits of an established enterprise with requests for financial help and jobs for relatives. Cultural beliefs can also be a deterrent to entrepreneurship: in many cultures success in business is put down to the wielding of malign supernatural powers, and the entrepreneur can be isolated rather than admired in his or her community. This article describes research carried out in Africa revealing some unexpected cultural attitudes affecting business. It concludes that such attitudes take a long time to change, and that blue-print, minimalist solutions to enterprise development, dealing with one of a number of obstacles in the path of the growth of small enterprise, may have limited success.

Buechler, S. 1995. The key to lending to women microentrepreneurs Small Enterprise Development, Volume 6, Number 2, pp. 4-15(12), June.

Abstract: Micro-lending institutions, whether they are open to all microentrepreneurs or specialize in lending to women, are able to reach a large number of women if they establish simple premises and procedures, and train their staff to be accessible and friendly. This article describes the measures adopted by 12 leading micro-lending institutions to attract women borrowers. It also describes the moves by such institutions to increase their loan coverage and savings mobilization by strengthening linkages with the formal financial sector. The challenge is to reap the benefits of scaling-up, without compromising on the unbureaucratic approaches found to work in attracting women microentrepreneurs.


Abstract: MFIs in Eastern Europe and Central Asia, after an initial rapid expansion, now face competition for their best customers from consumer credit companies. At the same time, their customers, who include disadvantaged producers, find increasing difficulty accessing local markets because of the growing dominance of supermarkets. This poses a serious threat to the viability of both the small enterprises and the MFIs who lend them money. This paper examines these issues, and presents some lessons from one experiment in gaining market access for poor producers, by creating dedicated retail outlets for their products, and creating a fair trade brand.

Abstract: Donor organizations have supported projects aimed at expanding income-earning opportunities for poor women in the third world since 1975. Although differing objectives have influenced donors' choice of interventions, they have generally favored income-enhancing projects in the informal economy carried out by nongovernmental organizations. More recently, donors are shifting toward strategies that influence policy or emphasize sectoral action. Donors' efforts have helped to mainstream women's issues in employment and microenterprise development policy and strengthen organizations that open poor women's access to capital and other assets. Major challenges remain: support for measures that expand the demand for women's labor; research that incorporates the opportunity costs of women's time; and integrating the concerns of poor women into the antipoverty agendas of major donors.


Abstract: This article examines efforts to stimulate entrepreneurship among Aboriginal people in Australia and Canada. It describes the history of the relationship between Europeans and Aborigines in the two countries, including past efforts at economic development, and then compares two quite different approaches being used in the two countries to encourage entrepreneurial ventures among native peoples. Both approaches are in the experimental stage, so it is too early to draw firm conclusions about their usefulness. Preliminary indications are that each approach has strengths which might serve as valuable input to policy-making in the field of economic development strategy.


Abstract: In the first winning entry of our 'Is small still relevant?' competition, Andrea Chartock charts the rise and fall of BDS as it was aimed at small enterprises. One problem that the BDS MD approach has faced is stimulating demand for services in remote markets and among smaller enterprises. However, the principles behind both BDS and small enterprise development are still needed, as the field moves in new directions.


Abstract: The paper presents practical methods and concrete measures for assessing the impact of microenterprise services on individuals and addresses conceptual and methodological issues regarding impact at the individual client level, particularly the impact on individual women. It argues that in measuring the impacts of microenterprise services, it is common to focus on the impact on the client's household or on the client's enterprise. However, even when the household as a whole experiences improvements in economic or social welfare, the individual client may not. Or, even when the client's enterprise does not show impact, the client may experience an improvement in his or her economic and social welfare. Thus, in order to capture the range of potentially significant impacts of microenterprise services, the focus of measuring the impacts should be broadened to include an assessment of impact at the individual client level. The paper outlines a mixed methodological approach, combining quantitative survey and qualitative case study methods. Variables relating to participation, mediation and impact can be measured and used to test hypotheses of impact at individual level.


Abstract: International trade liberalization often implies increased potentials for export production. In order to invest in increasing capacity in agriculture, farmers need to have credit access. However, farmers in Central Europe and East Africa, among other places, are credit constrained, due to collateral reasons. Ad mode illustrates the additional producer gains from having access to credit; the gains are composed of a price effect, an investment effect, and a social-capital externality. The model and empirical findings suggest that improvements of agricultural credit can be achieved by relying on existing social structures, such as farmers’ social capital. The paper concludes that such externalities need to be addressed when designing optimal agricultural credit institutions.


Abstract: Canadian support to microfinance and microenterprise development (MFD/MED) is an important component of CIDA's mandate to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable and prosperous world. Within CIDA's policy framework, MFD/MED figures prominently as a programming mechanism to meet CIDA's priorities - most directly in private sector development, but also in basic human needs, the integration of women in
development, human rights, democracy and good governance, the improvement of infrastructure services, and environmental sustainability. For the fiscal year 1998-99, CIDA allocated $122.2 million to MFD/MED or about 5% of Canada's International Development Assistance budget. This represented an increase of 20% compared to 1997-98. The geographic branches (Africa and the Middle East, Americas, Asia, and Central and Eastern Europe) allocated over $70 million for 80 MFD/MED projects in 42 countries. These projects provided support to strengthen the enabling environment for microfinance institutions and microentrepreneurs, to build institutional capacity (education, training and skills development) and to provide direct support to microfinance and microenterprise institutions to expand their activities and reach new clients. The Canadian Partnership Branch programs provided $10.2 million of support to Canadian NGO's and institutions involved in D/MED programming in developing countries and countries in transition. Multilateral branch contributions to the International Financial Institutions (World Bank, Inter-American Development Bank, Asian Development Bank and the African Development Bank) and the International Fund for Agricultural Development represented a further $42 million in MFD/MED programming.


Abstract: This paper discusses some of the issues raised by previous research on the relation between finance and small and medium-sized enterprise (SMEs) development. It identifies some of the gaps in knowledge and points to newer areas that can be researched. The paper examines the impact of policy reform, in the arena of agricultural price liberalisation, import liberalisation and devaluation, industrial policy reforms, pubic sector reform, and particularly financial sector reforms on SMEs, delving into the implications in the context of low income countries. It also examines the issues raised by the effects of reforms on both the demand and supply of finance. Having identified some gaps in knowledge, the paper concludes that research is needed on the

- forms of finance used by small and medium-sized enterprises and made available by lending institutions and investors
- relationship between different financial forms and firm level performance
- the behaviour of small and medium-sized firms with different forms of finance
- supply side of finance, involving formal and informal sector lending institutions and savers, and the macroeconomic environment, including economic policies, promotional policies and the role played by private, international and non-governmental organisations


Abstract: This study examined the output quality of a US microenterprise training program created to help entrepreneurs develop business plans for their ventures. The program concludes with the entrepreneurs’ plans being scored by a panel of experts. Hypotheses were developed and tested to determine the importance of feedback, key components of business plan scores, and differences between teams and solo entrepreneurs. Timely feedback on business plan homework was the most significant driver of business plan quality, contributing to higher scores on the written plan and on the plan’s presentation to the expert panel. Plans developed by teams also scored higher than those prepared by solo entrepreneurs.

Abstract: The paper explores the extent to which social capital is advantageous to small and medium enterprise (SME) growth. Social capital is a communal property involving civic engagement, associational membership, high trust, reliability and reciprocity in social networks. It is capable of being identified in social, political and economic contexts, often associated with strong communities. However, not all strong communities exert the effects of social capital in respect of business activities. This paper assesses government programmes to promote collaboration amongst SMEs for improving innovation capacity by increasing social capital through networking. It shows that, for a sizeable proportion of programme-funded firms in Denmark, Ireland and Wales (U.K.) social capital building was associated with enhanced business, knowledge and innovation performance. Of particular importance was the opportunity afforded to firms for linkage with external innovation networks, and the build-up of embeddedness, or the institutional basis for the enhancement of social capital. As a consequence of discovering the advantages of social capital, over a third of respondents planned to continue to develop it in future, in many cases funding such activities privately rather than calling on the public purse.


Abstract: The author studied the contract design problem facing microfinance-lending organizations (MFOs) that want to maximize the impact and outreach of their lending activities to a target population of poor borrowers while remaining financially sustainable. Tradeoffs between outreach, sustainability and financial leverage are shaped by the endogenous monitoring and delegation costs that arise within a chain of agency relationships subject to moral hazard between borrowers, loan staff, MFO equity-owners, and outside investors. All else equal, sustainable MFOs that target poorer borrowers must charge higher interest rates, have higher staff costs per dollar loaned, and are less leveraged. Analysis of data for 72 MFOs tends to support the findings.


Abstract: To what extent is it possible for organizations to reflect honestly on their own performance, draw appropriate conclusions and then act on them? For many microfinance organizations this is now a question of survival. This paper argues that formal impact assessment can assist in the transition from donor controlled replication projects to autonomous and adaptable organizations – but that it also often fails to do so. Pitfalls include inadequate attention to methodological detail and to the links between impact assessment and wider aspects of organizational change. The paper starts by highlighting the complexity of the overall task to which impact assessment is expected to contribute. It then critically reviews methodological options – why do impact assessment, what indicators to use, how to collect data, how to analyze it, who should be responsible for which tasks? It concludes that the key to success is the quality of the relationship between microfinance managers and impact assessment specialists. A prerequisite for this, in turn, is the transfer of more responsibility for managing impact assessment from donor agencies to the leaders of microfinance organization themselves.

Abstract: This presentation presents the views of Mary Coyle on microenterprise and the microfinance sector, wherein she discusses some of her influences and learnings and concludes with a statement on the challenges for the future. In the presentation, some of the reasons presented by the author for supporting micro enterprise are:

- Employment and income;
- Strong forward and backward economic linkages with other sectors of the economy;
- Potential to improve social and political stability and cohesion in communities by reducing income inequalities;
- Reduction of income leakages from communities.

The author then traces the history of micro finance and provides some institutional examples that deliver microfinance services. To conclude, the author cites some challenges faced by the micro finance practitioners, such as

- The microfinance sector globally is only reaching approximately 4% of the potential 600 million poor microentrepreneurs’ market;
- There are only a few large-scale entities such as Grameen Bank serving the market;
- Successful microfinance schemes need to grow, proliferate and adapt;
- Capable leadership needs to be identified and developed;
- The sector needs to ensure that even the most difficult to serve, of the difficult to serve, are provided with services;
- The sector requires the greatest innovation and creativity.


Abstract: Foreign exchange risk remains a significant problem for microfinance institutions (MFIs). Many sources of potential funding for MFIs remain untapped due to the high risks of currency devaluation faced by these funding sources. Specifically, debt capital is available for MFIs but foreign exchange risk is a potential deterrent. This paper reviews current practices in the management of foreign exchange risk for and by MFIs. The advantages and disadvantages of these practices are discussed and alternative practices proposed.


Abstract: This paper begins with a background discussion about unemployment and poverty in rural areas and why low income persons seek self-employment as a viable option towards building social and human capital to work towards poverty alleviation. It moves on to a discussion of a qualitative analysis the impact of the Vermont Kitchens project on participants personal, family, and community life, changes in skills, knowledge, and attitudes, successful outcomes, and the development of human and social capital. Utilizing these findings, a model of capital gains through microenterprise training is discussed, suggesting that microenterprise development is a viable options for capital gains, poverty alleviation, and community economic development.


Abstract: This paper assesses the progress made by FINCA Incorporation to achieve increase in income and productive employment opportunities for microenterprises. This is to enable them to better contribute to and share in the benefits of economic growth in El Salvador. The project was funded by USAID. The project implementation involved the
creation of village banks that are peer groups of 20-40 members who receive three critical services by using a community-based system. This system is based upon mutual support and seeks to encourage self-worth. The important services this provides working capital loans to finance self-employment, mechanism to promote savings and other need based financial services. Using information from a survey of 225 clients of the village bank and 80 clients of the microenterprise program, the paper undertakes a detailed study of the various activities taken up during the course of the project. In conclusion, the paper recommends for improving the efficiency of the village-banking program and the microenterprise-lending program; ensuring financial sustainability of village banks; and managing efficiently the village banks.


**Abstract:** Based on a review of previous studies and data from 448 microenterprises in Zimbabwe, this paper examines five alternative measures of profits and five alternative measures of net worth. The results show that the single-question proxies are too difficult for proprietors to answer, whereas the most complex profit measures generate many negative estimates. The best measure of profits, based on three questions, could be answered by all proprietors and it avoids recall problems associated with sales and expenses. Among the net worth proxies, all of the measures are positively correlated. Nonetheless, the proxy based on fixed assets, accounts receivable, debt and inventory, showed the highest correlation with the full measure of net worth.


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**Abstract:** Globalization creates opportunities as well as obstacles for small producers in the countries of the global South. This paper describes the attempts of four BDS initiatives - AKILI (Kenya), USSIA (Uganda), SITE (Kenya) and SEEDS (Sri Lanka) - to help small producers exploit emerging opportunities to reach new markets within and outside their countries. Considerable success was achieved in helping client producers access new, higher-value markets and to link up with private sector BDS providers, including packaging firms and standards certification agencies, thus enabling the producers to supply supermarkets and other non-traditional markets. However, such successes were often limited to the minority of more advanced small businesses, the so-called 'stars': more difficulties were encountered when working with the less sophisticated majority of microenterprises and small businesses (MSEs), especially where a significant leap in product quality was required for them to access the new markets. The greatest potential for widespread outreach and poverty alleviation lies in the adoption of sub-sector approaches, where there is greater potential for leverage. There is still an important role
for support agencies to identify market opportunities thrown up by globalization, of which small producers are often unaware.


Abstract: Both as a result of ideological factors and from sheer necessity, international agencies and governments in developing countries have been looking increasingly in recent years towards the small-scale industrial (SSI) sector as a source of growth. In countries throughout the South, studies have been commissioned, strategies planned and policies implemented to promote the sector. A common feature of most of these strategies is a heavy emphasis on supply-side inputs, that is on the provision of a variety of services to small firms to encourage their development. Conversely, relatively little attention has been paid to the wider, macroeconomic environment and to its role in fostering or hindering the sector's growth. It is not the aim of this paper to argue that there is no role for government to play in fostering SSI by means of an improved package of assistance. On the contrary, much can be achieved in this field. Rather, the suggestion is that the scope for development of the sector is conditioned more by macroeconomic factors, particularly the strength and position of large firms, than by the level of government assistance. It is, consequently, proposed that an appropriate diagnosis of the problems faced by the sector must be based on an analysis of the role played by SSI within the macroeconomy and its linkages with other sectors, particularly the large-scale industrial sector.


Abstract: This article deals with one specific intervention strategy to promote small businesses and microenterprises - the provision of credit to small entrepreneurs. The supply of credit as such is just one of many means of intervention possible under targeted programmes. Contrary to the amount of attention given to the supply of credit, it is not the 'panacea', not the overriding solution to the question of how best to stimulate small-scale activity. Credit is very popular with the donors, largely because it depends on the availability of money, which donors have in large quantities and are anxious to dispose of. By relying too heavily on credit extension, donor interventions can sometimes destroy more than they build up; it is therefore imperative that strict criteria are observed for any form of credit extension to small-scale enterprises. In this article the role of credit with regard to commercial development will be briefly touched upon, especially where small enterprises are concerned. An outline will be given of what is available, both in the formal and in the informal sector, and several experiences of interventions in the financial markets will be analysed. The article ends with policy recommendations.


Abstract: When small enterprise practitioners 'help out' their client businesses by supplying their own labour and project resources free of charge, are they in reality compromising the self-help principle? In a thought-provoking article, the author points to ways in which small enterprise practitioners gloss over the hidden flaws in their projects, and delude themselves about the long-term impact of their work. He forecasts a bleak outlook for the small enterprise development field unless advisers can learn from real businesses. We would welcome comments and responses to the questions raised in this article.

Abstract: The issue of developing the motivation and capability of graduates to pursue careers in entrepreneurship is of concern to many governments world-wide: there are a variety of programme approaches being used, few of which are substantially successful. This is because such programmes fail to embody some of the lessons that can be learned from observation of the development of enterprise culture, the ways that enterprise in individuals can be stimulated by the environment, and implications for the design of educational activities. The paper briefly explores the concepts of enterprise, enterprise culture and their relationship to small business. It proposes guidelines as to how approaches for entrepreneurship education might be developed. It then embodies these guidelines into a 'total' approach, drawing out implications for the student, the teacher, the organizer of the learning institution and the mode of learning adopted. It concludes that unless a comprehensive approach is adopted, then entrepreneurship education in Malaysia, and indeed elsewhere, is certain to have limited results.


Abstract: This article explores the issue of gender-differentiated patterns of growth: do female and male entrepreneurs have different interests in their business strategies and display different patterns of growth? If they do, what factors explain these differences? This article provides evidence supporting the hypothesis that women more often than men use available resources to increase the diversity of their enterprise portfolios rather than the size of a single firm. These tendencies toward 'occupational multiplicity' (Massiah, 1988), it is argued, have important implications for research and intervention design. They suggest that research which measures growth solely in terms of firm size underestimates the earnings of women's enterprises. Additionally, interventions aimed at promoting the growth of firm size may fail in assisting female entrepreneurs, who focus on different goals. This paper was originally written for the research component of the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, which provides training, economic research, and information to USAID missions and organizations involved in microenterprise development world-wide.


Abstract: This paper explores the concept of risk and how microenterprise clients try to handle and reduce risks. Study analyzes interactions between risk, household income levels and microenterprises. Risk is defined as the chance of loss, called "ex ante," or the loss itself, called "ex post". The decision-making environment of low-income households is characterized by imperfect or incomplete markets, multiple and interlinked production and consumption activities, and vulnerability to risks from numerous sources. Households may use risk reduction strategies like selecting low-risk activities, though these activities may be typically less profitable; diversifying their income generating activities and building insurance mechanisms like accumulating savings and assets, maintaining non-market kinship relationships so as to access resources and spreading risk through sharing, and establishing access to credit. Management of losses tends to occur in stages. Households turn first to reversible strategies, such as increased labor sales, temporary migration, reduced consumption and liquidation of self-insurance assets. If these are inadequate, households may be forced to dispose of key productive assets, Microenterprise services can
assist households by improving the effectiveness of both their risk reduction strategies and their loss management strategies.


Abstract: This paper presents a case analysis of an entrepreneurship training and education program designed to prepare low-income women to start their own businesses. The purpose is to evaluate initial program outcomes in comparison to program goals. Results indicate that the training: empowered participants to begin to achieve economic self-sufficiency; helped them start to build strong business and life management skills; may have an influence on the growth of locally controlled businesses and has helped create new job in the inner-city neighborhoods. Results also indicate the need for changes and improvements in the program, such as: revising the level of time spent developing the business; providing greater support in the form of additional mentoring, networking and workshops; composing classes with greater diversity; and providing greater access to computers and computer training. Implications for practice and research are also included.


Abstract: The paper outlines practical steps that make up five "tools" to be used in designing a microenterprise development programme with a partner. Aimed at NGOs and similar organizations looking to work in partnership with local organizations. Tools are to guide NGO staff in the process of identifying and assessing potential partners, analyzing institutional needs and how they will be met, and creating a plan for programme and partnership implementation. The five "tools" are entitled as institutional mapping tool, partner selection tool, joint program design tool, tool for defining the partnership and partnership action plan. Tools are described including how they are organized and relate to each other, and assumptions are made about how they will be used. Also discusses how the characteristics of individuals using the tools might affect their outcome. A foundational document called the institutional capacity framework is also included to help staff understand and effectively apply the tools.


Abstract: Only a few studies so far have focused on the relationship between effective training and technical assistance, and client success at starting, stabilizing, or expanding a business. The Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) project selected five U.S. microenterprise organizations to increase the industry's understanding of what makes for effective training and technical assistance. What follows is a summary of key findings in two categories: those that address the relationship between the characteristics of clients and their business success, and those that address the relationship of business skills training and client success.


Abstract: Over the last decade, development aid has increasingly used a more collaborative model, with donors and recipients both contributing ideas, methods and goals. Though many examples of collateral aid projects exist in agriculture, business administration and banking, few have found their way into health care and health education, a typically donor-dominated model. The following case report describes a
collateral project in health care education. This case report analyzes data-inducing project proposals, personal interviews and project reports obtained through standard archival research methods. The setting for this joint project was the collaboration between international nongovernmental (NGO) aid foundations and the faculty of a major sub-Saharan African Medical School's Department of Anesthesia. The initial goal of this project was to improve record keeping for all anesthetic records, both in the operating theatres and outside. Analysis of the data was performed using ethnographic methods of constant comparative analysis. The purpose of the analysis was to critically evaluate both the goals and their results in the Department of Anesthesiology. The findings of this analysis suggested that results included not only quality assurance and improvement programs in the department but also advances in the use of critical incidents as teaching tools, hospital-wide drug and equipment utilization information and the initiation of an outreach program to district hospitals throughout the country for similar projects.


Abstract: With the move to a market economy the number of small businesses has grown substantially in most transition countries. However, complicated tax laws and the lack of a culture of voluntary compliance provide strong incentives to operate outside the formal economy. This article gives an overview of the development and key design features of simplified, presumptive tax systems designed to encourage the number of small businesses registered for taxation in the region. It also attempts to evaluate the effectiveness of these systems, and finds that though the numbers of businesses registered for these systems has increased, the tax revenue deriving from them is very small as a proportion of total tax revenue. Nevertheless, these results are preliminary in nature, since in many transition countries the process of developing a stable tax system and a culture of voluntary compliance has not yet been completed.


Abstract: Evaluating the performance of organizations undertaking small enterprise development is usually the preserve of NGO evaluation specialists. This article describes the social accounting methodology, whereby all the recognized stakeholders of an organization are involved in measuring the performance of the organization against its defined social objectives and ethical values. The origins of these methods in the West are described, followed by an outline of the steps involved in a social audit. Three case studies are given of social accounting procedures being introduced into developing country small enterprise development organizations. Finally, social accounting is distinguished from evaluation in that the latter is usually concerned with fulfilling the objectives of an external agency, rather than all the organization's stakeholders.

Eversole, R. “Solving Poverty for Yourself: Microenterprise Development, Microfinance and Migration”.

Abstract: Microenterprise development and microfinance have been widely adopted as anti-poverty strategies internationally. They are popular because they provide a meeting-point between neo-liberal advocates of private enterprise and the market as creators and distributors of resources, and grassroots practitioners’ focus on local agency and the on-the-ground problems of poverty. Thus, like the category 'informal sector' before it, microenterprise finance has become a "category for both the management of growth, and for the management of equity" (Peattie, 1987, p. 855). Now, migration and the significant economic transfers represented by migrant remittances are coming to the attention of
international development policy-makers and researchers interested in poverty reduction (Adams and Page, 2003). This paper traces these international development trends, and reflects on both the potential and the dangers of current attention to migrant remittances as a source of anti-poverty development finance, given the blind spots and biases that have plagued earlier anti-poverty efforts.


Abstract: A rich panel data set from Mexico is used to study the patterns of entry, exit, and growth of microenterprises and to compare these with the findings of the mainstream theoretical and empirical work on firm dynamics. The Mexican self-employment sector is much larger than its counterpart in the United States, which is reflected in higher unconditional rates of entry into the sector. The evidence for Mexico points to the significant presence of well-performing salaried workers among the likely entrants into self-employment, as opposed to the higher incidence of poorer wagemakers among the entrants into the U.S. self-employment sector. Despite these differences, however, the patterns of entry, survival, and growth with respect to age, education, and many other covariates are very similar in Mexico and the United States. These strong similarities suggest that mainstream models of worker decisions and firm behavior are useful guides for policymaking for the developing-country microenterprise sector. Furthermore, they suggest that, as a first approximation, the developing-country microenterprise should probably be viewed as they are in the advanced countries as offering potentially desirable job opportunities to low-productivity workers.


Abstract: This article defines the central themes and issues on which research is most important to understand the role of small-scale enterprises (SSEs) in developing countries and how their contribution to economic growth and social welfare can best be enhanced. The purpose is to provide a common framework and direction for agencies and researchers interested in development of SSEs, with an emphasis on improving their environment and access to support institutions. Suggestions for research priorities are made on the basis of gaps in the existing literature; although no attempt is made to review that literature, some especially pertinent studies are cited as examples of each theme. Four broad categories of research can be identified:
○ Characteristics and dynamics: descriptive studies that build empirical understanding of the nature and role of SSEs (Themes 1 and 2);
○ Economic and social issues: analytical studies that help to understand how SSEs and efforts to assist them interact with their economic and social environment (Themes 3-5);
○ Support mechanisms: the principal financial and non-financial approaches to assisting SSEs and analysis of their rational and effectiveness, differentiating among different target groups as one moves along the continuum from self-employment of the very poor to microenterprises and small and medium-scale firms (Themes 6 and 7);
○ Enhancing assistance: ways of improving and extending the different types of assistance provided to SSEs and of enhancing SSEs' ability to use it effectively (Themes 8-12).


Abstract: A decade ago the specialized rating of microfinance institutions (MFIs) was hardly more than an idea. But the concept grew, and in the past five years has gained increasing attention from a wide variety of market participants. The investors with money
in play in microfinance wanted more information about the risks they face and the effectiveness of their investments. Theoretically, the goal of specialized rating was to create an enabling market mechanism that would reduce information asymmetries, help bring perceived risks in line with actual risks, and increase capital flows to the emerging microfinance sector. Given that ratings had proved useful to describe some aspects of investment risk in financial companies in developed markets, their adaptation and application to microfinance seemed a logical step. But the differences between microfinance and commercial banking have made the necessary adaptation more than superficial. Behind these differences lie the answers to how specialized rating has become what it is today, and where it might be headed in the future.


Abstract: This paper presents core concepts, definitions of key terms and a logical diagnostic process for donors and facilitators to design programs that seek to develop markets for business development services (BDS) for micro and small enterprises (MSEs). It argues that markets matter to donors and facilitators as a means to achieve their goals of MSE development; and also to MSEs as a means of sustainable access to the business development services. Further, the paper discusses a framework for understanding the relative effectiveness of the market for a BDS; the anatomy of a transaction between a consumer and a service provider; key characteristics of effective demand and supply; and implication of demand and supply-side characteristics on effective BDS intervention for MSEs. Finally, the paper suggests that market analysis should precede intervention. One must understand the weaknesses in supply and demand to understand market failures in serving MSEs. Interventions should be tailored to the weaknesses of supply and/or demand and should minimize long-term distortions by limiting subsidies and planning clear exit strategies. Sustainability measurements should be based on a dynamic BDS market where transactions are ongoing and increasing and not on the success or failure of an individual organization.


Abstract: The marketing concept fails to explain marketing behaviour of small firms. Similar comments are now being made of large firms. This gap between theory and practice is even more significant in non-profit and arts organisations where sector specific philosophies often determine how marketing is embraced, with its underlying notions of the customer and profitability. Many of these organisations must overcome severe resource constraints by thinking creatively. This paper investigates the relationship between art, marketing, entrepreneurship and creativity in order to reach a clearer understanding of how creativity can assist both the arts organisation and those involved in researching the sector. There have been increasing calls within the academic marketing community to instil a creative philosophy within the research process. This call has not resulted in much research on the phenomenon within marketing, and certainly not from a nonprofit perspective. This paper discusses creativity as a concept drawing on a diverse range of literatures outside the management discipline. The link between creativity, marketing, entrepreneurship and art is analysed. Justification of the incorporation of creativity in the research process is presented for practitioners and theorists in marketing and the arts, so that they can learn from each others' disciplines. Implications for future
research are presented, where creativity is viewed as the centre of a non-linear, free thinking understanding of artistic truth.


Abstract: Macroeconomic instability is largely detrimental to microenterprises. An unstable economic environment generates inflation and thus hits small business and the poor more severely than the more formal, wealthier segments of the population. Stabilization policies, which eliminate these disadvantages of instability, can help microenterprise. While healthy macroeconomic factors can positively influence the informal economy, the so-called “informal sector” can strengthen the macroeconomy. Given proper underlying conditions, microenterprise may prove as an engine of growth for an entire economy, and not just a small subsector of only marginal macroeconomic importance. This article discusses the effects of these macro-micro links with a special focus on IMF-style macroeconomic stabilization policy. It argues that macroeconomic instability imposes high costs on microentrepreneurs. Therefore—contrary to popular belief in the development community—macroeconomic stabilization can ultimately be very beneficial to microentrepreneurs, although it can be costly in the short run.


Abstract: The paper is a review of a few microenterprise credit impact assessments. It covers eleven studies carried out in Asia, Africa and Latin America. Focuses on sample design and execution, temporal issues, analytical technique and control methods for eliminating other explanations for changes. It explains issues of selection bias and fungibility, meaning that financial and other resources including credit/profits from microenterprise projects may move between and among various household activities making it difficult to track impacts. The recommendations include-

- sampling for assessment should occur within control groups from programme sites and a control population from matched non-programme sites
- statistically equated control groups may be used for individual controls
- in programme sites, eligible non- borrowers should be used for individual controls
- sample size of 500 allows for effective use of control variables and for dealing with problems of longitudinal analysis

The paper suggests that assessment should give consideration to time and longitudinal impact, and recommends 18-24 month intervals for data collection since the point at which impacts first begin to occur and the length of time that impacts are sustained are subjects of debate.


Abstract: The Bank should maximize opportunities to expand the use of leasing as an approach to financial intermediation in Bank projects to promote the development of small businesses and microenterprises. In most developing countries, capital markets are relatively undeveloped and banks are often unable or unwilling to undertake term lending. And banks prefer to lend to larger, established businesses with well-developed balance
sheets and credit histories. Operations in microenterprises and small businesses are cash-flow-oriented but rarely have organized historical financial records or the assets needed for collateral for conventional bank financing. Gallardo explores the potential of leasing as an option to expand small businesses' access to medium-term financing for capital equipment and new technology. In a lease-financing contract, the lessor-financier retains ownership of the asset, lease payments can be tailored to fit the cash-flow generation patterns of the lessee-borrower's business, and the security deposit is smaller than the equity stake required in conventional bank financing. Different types of small businesses require different financial services. It would be worthwhile to encourage development of a range of institutions using special methods to service particular market niches. Most small businesses that generate extra income for a household or employ nonfamily members need simple access to financing to augment their working capital needs. Microfinance appropriate to their needs will feature short cycles of repayment and borrowing. Other small businesses require medium-term financing to acquire the tools and equipment needed to support production growth and expansion. For these businesses, leasing is an attractive new financing option. Gallardo examines and compares the Bank's experience. This paper - a product of the Development Research Group - is part of a larger effort in the group to identify appropriate policies for environmental regulation in developing countries. The study was funded by the Bank's Research Support Budget under the research project The Economics of Industrial Pollution Control in Developing Countries (RPO 680-20).


Abstract: This paper attempts to understand NGOs as strategic institutions and as such to describe their interaction with governments and the private sector (with specific reference to the situation in Asia). In their relationship with governments, NGOs are called upon to demonstrate more clearly their use to the poor, to better utilize governments for broader impact, and to move more readily into the policymaking arena. In their relations with private donor agencies indigenous NGOs must be able to show more support from their local constituencies, and must develop their own local resource bases; and donor agencies must devote more effort to capacity building of indigenous NGOs. The author predicts that in future, indigenous NGOs generally will begin to advocate significant institutional changes at the policy level, will need to create alliances to work for structural change, and will develop Third World leaders who will leave the NGO sector for government.


Abstract: Microenterprise can be defined as development from the bottom-up. Many current economic intervention practices stem from the failed economic policies of developed nations, which rely primarily on structural adjustment as the dominant aspect of international (money lending-based) support for development. This approach is still popular, even while the number of people in the world who fall below the poverty level is increasing. HRD microenterprise processes concentrate on empowering individuals to take ownership of their means of subsistence and development, while working towards an end, because they care about the goals and own the processes to achieve these goals. HRD microenterprise processes facilitate participation by ensuring that all stakeholders will be heard in the decision-making processes, thus decreasing dependency. The microenterprise phenomenon, however, does not consist of unfamiliar activities; much of what is described
in this paper is integral to well-established Human Resource Development processes, ethics and values, utilized in developed countries.


Abstract: In an exploration of two different types of microenterprises via 16 cases from the Philippines, the authors identify fundamental distinctions relevant to the provision of micro-credit services. Lower barriers to entry and intense competition prevent many ‘livelihood’ activities from becoming microenterprises. Livelihood enterprises are usually a source of secondary income, provide psychological as well as economic value to workers, exhibit evidence of savings, and benefit from growth via access to credit. As such, the main rationale for providing credit and other assistance to livelihood programmes is poverty reduction. The authors conclude that small and microenterprises do not live by credit alone.


Abstract: This article focuses upon the importance of creating the ‘cultural’ climate for support of small enterprise development. It might well be a waste of time and resource to concentrate SME development efforts on entrepreneurs and their immediate ‘support’ agencies unless equal consideration is given to investing in the development of an ‘enterprise culture’ in the broader SME stakeholder environment. It is this environment that shapes the ‘level (or skewed) playing field’ for small enterprise development. In recognition of the fact that the words ‘entrepreneurship’ and ‘enterprise culture’ are frequently confused in the rhetoric that surrounds development, they are first defined. The enterprise culture derives from the ‘life world’ of the entrepreneur. Sensitivity to this world and its underpinning values lies at the root of creating conditions for ‘effective’(as opposed to socially deviant) entrepreneurial behaviour. Entrepreneurial values and beliefs contrast sharply with those of government and corporate bureaucracy. Therein lies the root of the problem. Key SME stakeholders, and in particular donors, are likely to embrace bureaucratic cultures. Yet they are dominant ‘supply side’ customers for local development agencies, and as such they are capable of exercising a pervasive bureaucratic influence on the behaviours and values of such agencies, threatening their culture and more important their potential for long-term sustainability. The threat to the enterprise culture may paradoxically come from those who seek to support it. There is therefore an imperative to develop strategies for creating an enterprise culture among key stakeholders. This can only be achieved by a process of strategic partnership learning. How this might be achieved is discussed.


Abstract: Small Business Membership Organizations (SBMOs) have been of increasing interest to donors because of their potential to deliver services according to the needs of small businesses and in a way that is useful to their members. The following article, based on a survey of SBMOs in Africa and South Asia, reveals that SBMOs often lose this responsiveness as they grow too large and bureaucratic. Donor finance itself has sometimes contributed to this loss of direction. The article outlines the findings of the survey, suggests how donors can identify the most useful SBMOs, and points to ways of supporting them without overwhelming them.

Abstract: SMEs often fail to benefit from adequate investment because they are too large for assistance from charitable organizations but too small to interest commercial investment companies. This article describes the work of the Small Enterprise Assistance Funds (SEAF), which brings together private sector mechanisms, public sector funds and not-for-profit sector motives to assist SMEs in Central and Eastern Europe and the former Soviet Union. It provides a number of recommendations on how to assist as well as finance an investment partner, and thus to help the development and growth of budding entrepreneurs.


Abstract: Much has been written about microenterprise support in diverse settings around the world. They tend to address the issues faced in setting up small businesses where there are certain desirable pre-existing conditions, such as access to essential supplies, a stable and functioning economy, the availability of support services, financial institutions offering credit facilities, and so on. This article describes the experience of microenterprise promotion in a post-emergency context where such conditions do not exist. The ‘Projeto de Iniciativa Comunitária - Malange’ (PICM) is a ‘development relief’ programme which extends microenterprise and skills training opportunities to the poorest members of society as part of a wider effort to reactivate the local economy which is in ruins after a prolonged and devastating civil war. It will be shown that while a microenterprise programme may be inappropriate on purely economic grounds, it still has a valid contribution to any attempts towards normalizing life after the conflict-based emergencies faced today.


Abstract: We thank Michael Tribe, Andrew Sumner and an anonymous referee of this journal for useful comments on a previous version of this paper. In addition, useful comments were obtained from participants at the DSA study group meeting on 50 Years of Development Economics held at ODI in July 2003, and the inaugural seminar of the ESRC Research Seminars on Finance for Development and Poverty Reduction, held at the University of Birmingham on 29 November 2003. We take responsibility for remaining errors.


Abstract: This document provides a list of guiding principles for microenterprise and environment, developed at the Microenterprise and Environment conference held at Valley Forge, Pennsylvania in July, 2004. The principles state that environment is a sacred trust: The earth and all its life are interconnected and sacred. Environment and human integrity are inextricably linked. Improving inner human quality results in improving the environment. Protecting environment is an opportunity: Environment protection makes good economic sense. Creating financially cost-effective solutions is vital. It benefits and costs are both short and long term. True costs include environmental costs. Agencies should identify, account for and mitigate environmental costs. Environmental benefits created should be recognized. But costs of creating environmental benefits should not be
borne solely by microfinance institutions (MFIs) or clients. Creating partnerships is crucial: Partnerships with stakeholders is a key to appropriate environmental protection in development. Participation is for everyone. Participation must be inclusive, equal and fair. The document concludes with a list of signatories who endorsed the above mentioned principles.


Abstract: Vocational training in developing countries is now at least as much about enterprise development and self-employment as it is about its traditional role of preparation for employment. There is, however, little evidence that the hard-earned lessons of enterprise development are being effectively incorporated into the process of vocational training reform. This article presents an approach to supporting the enterprise transformation within vocational training for self-employment. Key influences are identified, and particular attention is given to the growing body of enterprise development best practice. These elements are used to formulate a ‘Conceptual framework for vocational training for self-employment’. This regards the training process as being in three stages- selection, training and self-employment-each of which should be orientated towards enterprise formation: selecting only those with potential for self-employment, conducting training as far as possible in the workplace, and stimulating enterprise networks to support new startups. All of these principles have implications in terms of cost, relevance and equity and these are discussed in a table of ‘Planning and assessment guidelines’.


Abstract: How can microenterprises foster the development of an industrial sector featuring a dynamic medium or large enterprise sector? We propose two possible mechanisms, graduation of microenterprises and savings by microentrepreneurs. We examine the barriers to both mechanisms and reexamine policies designed to aid the sector. Projects aimed at the enterprise level are not likely to remove barriers to firms graduating or saving. Changes in macro policy may have a positive effect. Reforms of the legal and regulatory environment may be very important, and should be rethought with the mechanisms of the seedbed role specifically in mind.


Abstract: Microfinance Institutions (MFIs) are special financial institutions. They have both a social nature and a for-profit nature. Their performance has been traditionally measured by means of financial ratios. The paper goes beyond simple financial ratios using a data envelopment analysis (DEA) approach to measure the efficiency of MFIs. Special care is taken in the specification of the DEA model. We take a methodological approach based on multivariate analysis. We rank DEA efficiencies under different models and specifications; e.g. particular sets of inputs and outputs. This serves to explore what is behind a DEA score. The results show that we can explain MFIs efficiency by means of four principal components of efficiency, and this way we are able to understand differences between DEA scores. It is shown that there are country effects on efficiency; and effects that depend on non-governmental organization (NGO)/non-NGO status of the MFI.

Abstract: This article describes a general framework for monitoring and evaluating small enterprise promotion efforts. Recognizing the reluctance of many projects to spend time and money on evaluation the proposal uses a simple Client Registration Form to collect a minimum amount of data on current income. The same form is then used at the end of the project. From these data the client’s increase in income as a result of the project is determined, allowing for alternative sources of income foregone as well as the expansion of the local economy. A benefit-cost ratio is also determined which helps project staff get an idea of where their efforts are most effectively directed. This system of evaluation follows the emphasis of CARE’s Small Economic Activity Development unit.


Abstract: Perhaps the single most important hindrance to increasing the flow of credit to the microenterprise sector is the lack of reliable information about borrower credit. Borrowers’ repayment histories, as well as their current debt profiles, predict future ability and willingness to repay. Without this information, financial institutions and other creditors must offset risks by relying on solidarity group lending, collateral, and uniformly high pricing or fees. Credit bureaus help solve this problem. They provide detailed information that allows financial institutions, including microfinance institutions, to evaluate a borrower’s ability and willingness to pay.


Abstract: This article highlights that indigenous entrepreneurship is an integral part of balanced development, and that the participation of the indigenous population in the local business community is a prerequisite for promoting economic growth and maintaining social and political stability. It examines the impact and effectiveness of affirmative-action policies and specialist programmes introduced by politicians to prompt the indigenous business community in three different countries, and the implication of such policies for enterprise developers and funding agencies in light of the increasing politicization of the enterprise development process.


Abstract: This article discusses two innovative approaches to fostering group entrepreneurship to address the urgent employment and income needs of urban and rural workers in developing countries and countries undergoing privatization and structural change. One approach called ‘group entrepreneurship projects’ (GEP), is a rudimentary pre-cooperative approach to enterprise creation that is designed to assist the rural poor in developing countries. Another approach called ‘co-operative entrepreneurship for enterprise development’ (CEED), is designed to boost the economies and employment levels of rural and urban communities in both developing and industrialized countries.
through the systematic organization of modern worker-owned joint-production co-operatives in the industrial and service sectors. These two collective approaches to group entrepreneurship provide the basis for a dynamic employment and enterprise development strategy.


Abstract: Old-style, subsidized, farming finance has largely disappeared and has been replaced by 'new paradigm' microfinance. This article examines the characteristics of a standard microfinance loan and compares them with the frequency, seasonality and loan size requirements of typical microfinance borrowers, including farmers and petty traders. It also examines data on the rate of return from investments for a number of micro-enterprises and compares them with the rate of return from a number of farming investments to discover whether these businesses make sufficient profit to cover the interest payments on the loan. It concludes that microfinance institutions will have to bring their interest charges down and introduce new loan products to meet the needs of farmers.


Abstract: Public services such as education, health care and electricity do not reach most poor communities in developing countries because there is too great a gulf in understanding between the public sector and the recipients. This document suggests that whereas privatisation may not provide the solution, 'micro-privatisation' is increasingly providing an alternative and successful form of management as public service providers license microentrepreneurs to provide services such as street cleaning, drinking water supply, primary education or public call offices to their local community. A range of examples is given of such services operating successfully around the world. The author argues that micro-privatisation can make an important difference to the lives of many poor people and need not involve major policy changes. Micro-privatisation has wide applications to almost any situation where the large-scale provider of a public service is failing to deliver the service to small communities. Whilst there can be no universal prescriptions for success the document concludes with a number of principles that have generally been followed in successful cases. As a final recommendation the author notes that as most such initiatives start 'from the bottom', micro-privatisation is often already happening, unofficially but effectively without depending on "official permission". It has only to be recognised, regularised and replicated.


Abstract: The book addresses the issues of effectiveness and impact of small enterprise development (SED) programmes. Systematically evaluates, measures and reviews the cost and benefits of SED programmes through a range of examples of best practices from within the field. It discusses the evolution of SED evaluation and provides an insight into appropriate evaluation techniques for a diverse range of small enterprise support activities, including training, credit and technology. Recommends that evaluations should be undertaken if they are useful and provide quality guidelines for practical action. It concludes that it is possible to measure and compare the costs and benefits of small enterprise development programmes, and that donors, NGOs, tax-payers, and small
business people should demand those responsible for such programmes to demonstrate they are providing value for money.


Abstract: The charging of interest on loans to small businesses is condemned under Islam, but in many Muslim countries alternative financing schemes have arisen. Musharaka is a form of partnership financing not very far in principle from venture capital, and it has been used in the Sudan to finance small businesses and even microenterprises. In situations where there is trust and understanding between bank staff and the local business community musharaka often provides reasonable returns for the investment of both parties, and an option that can lead to self-sustainable banking.


Abstract: Co-operatives have been promoted vigorously in many countries, but more often than not these efforts have resulted in failure. The existence of successful co-operatives suggests, however, that given the right circumstances this form of enterprise can succeed. This article describes a survey designed to find out what are the critical factors associated with the successful running of co-operatives. No universal prescriptions can be derived from the results since the success of each institution depends to some extent on individual circumstances, but some issues


Abstract: Often the cooperation behavior of enterprises is described as a rational, conscious, and planned process. If so, a model should be able to identify distinguishing features that have a significant impact on the propensity for inter-firm cooperation. The proposed model analyzes the influence of the firm’s, the entrepreneur’s, and the industry-specific characteristics on the cooperation behavior via a single model that can be used to explain different kinds of cooperation. In this context, the model utilizes five year panel data to identify significant differences with regard to the place of cooperation and the origin of cooperation partners.


Abstract: Small and medium enterprises (SMEs) comprise a substantial part of the economic activity of both developed and developing countries. In the U.S. SMEs employ about 55 percent of the workforce and contribute over half the Gross Domestic Product (GDP). In developing countries, the role of SMEs is often relatively greater. For example, in Latin America, the vast majority of firms are micro or small enterprises and they employ approximately two-thirds or more of the labor force. Access to finance by small firms is a common problem and tends to be especially acute in developing countries. There are many causes for this including the cost and difficulty of evaluating the credit worthiness of small firms. Credit scoring tools are widely used in consumer credit markets to reduce the time and costs associated with loan evaluations but only recently have begun to be used for small business lending. Given the success of small business credit scoring (SBCS) in the developed world, commercial banks as well as the World Bank and other multi-lateral development agencies have been working to adapt the technology for use in developing
country markets. This article evaluates what SBCS is, and is not, and discusses some of
the potential benefits from adoption of SBCS tools. In particular, the role of pooled data
SBCS models is discussed, as they may provide a cost-effective approach to adoption of
this technology in some emerging markets. Actual experiences of banks in both the
developed and developing world with SBCS tools are also presented, to highlight the
advantages of a SME lending strategy involving SBCS as well as existing constraints and
limitations to greater reliance on scoring tools.

Enterprise Development”, Economics Working Papers wp03-18 School of
Economics and Information Systems, University of Wollongong, NSW, Australia.

Abstract: The authors review the policy arguments in favour of assisting SMEs in various
areas of their operations. Our review suggests that many of the arguments put forward for
subsidising SME activities (as distinct from some activities of firms regardless of size) are
not economically justified. Nonetheless, it is widely acknowledged that SMEs suffer from
disadvantage relative to large firms, principally in the areas of access to information and
technology. They then study the possibilities offered by networks in helping SMEs deal
with the disadvantages they experience. Their examination indicates that there are
benefits that firms can derive from participating in networks. Further, because networks
can assist firms overcome some of their inherent disadvantages, they can become less
reliant on public assistance and more able to compete on an equal footing with larger
firms once the initial impetus is provided for the formation of cooperative networks that
can enable firms to compete more effectively.

Advice Services”, Regional Studies, Vol. 27, Issue.8, pp. 835-842, January.

as an Industry: What is the Difference?”, IDS - Institute of Development
Studies at the University of Sussex.

enterprise development” Small Enterprise Development, Volume
8, Number 1, pp. 23-31(9), March.

Abstract: Franchising has been an extremely popular means in the developed world
expanding the geographical coverage of successful businesses, often in the retail sector.
This article identifies the factors that make franchising a potentially useful tool for small
business promotion in developing countries, including the existence of large numbers of
unemployed people with training but not necessarily entrepreneurial experience. It
describes some indigenous franchises that have been a success, and suggests ways in
which governments could promote franchising.

Federal Reserve Bank of Chicago, March.

**Abstract:** This paper provides an overview of the role of Small and Medium Sized Enterprises (SMEs) in employment generation in both advanced and developing countries and a critique of the ‘job generation’ literature in both contexts. It sets out an analytical approach to the question of SME growth based on a synthesis of theories emphasising internal management and external market failures as growth inhibitors in SMEs. The paper emphasises the need for SMEs to develop efficient managerial and organisational strategies if sustained enterprise employment growth is to occur.


**Abstract:** This report describes USAID’s (U.S. Agency for International Development) progress in 1997 towards meeting the commitments made in the Agency’s Micro enterprise Initiative. It also highlights USAID’s priorities for micro enterprise programs and the emerging issues in this field. The report discusses the role of micro enterprise in poverty alleviation and the need to reach out to the very poor, while at the same time building sustainable institutions. In conclusion, the report explains how USAID has spearheaded donor cooperation initiatives and created the Consultative Group to Assist the Poor (CGAP), which has 27 multilateral and bilateral donors as members.


**Abstract:** This paper reviews the monitoring and evaluation systems of four nongovernment organizations (NGOs) providing business development services to microenterprises in developing countries. It compares their approaches to data collection and analysis, uses, and types of impact indicators. While the diversity of microenterprise programs makes it difficult to specify a standard set of indicators, the paper provides examples of the questions that can be addressed and suggests ways in which such systems could be improved.

Ibrahim, B-E-D. A. 1999. “Can musharaka financing of SMEs be applied to the interest-based banking system?”, Small Enterprise Development, Volume 10, Number 3, pp. 38-43(6), September.

**Abstract:** It has already been established that Islamic partnership finance has potential for SME financing, even though some outstanding problems have to be solved if it is to be widely adopted. The methods of musharaka (Islamic partnership finance) may also be of interest to conventional financial institutions, however, since there are only a few differences between musharaka and conventional partnership arrangements. This article describes the principles and methods of musharaka, and the problems encountered in its application. It is argued that if the profit-and-loss sharing formula of musharaka is taken as one form of venture capital, rather than an ideological concept, it may have a great deal of universal application, especially as a supplement to interest-based credit financing of SMEs.

Abstract: The microfinance industry is currently undergoing a gradual but fundamental transition toward mainstream finance. This transition holds the promise of increased access to commercial sources of funds that will allow the industry to continue its present expansion. However, the transition will also put new demands on the industry. In order to attract these new sources of funds, the microfinance institutions will have to provide a high degree of disclosure to potential creditors and investors. Disclosure can pose a significant challenge to many microfinance institutions whose historic reliance on donor financing and internally generated funds has not encouraged the use of standard financial indicators nor a general culture of transparency. In the long run though, as donor resources become ever scarcer, few institutions will have the luxury of not adopting such a culture.


Abstract: Microenterprise is experiencing a fundamental shift from a means for the poor to earn their livelihood, often accompanied by charity, to a business. This paper outlines the Banks strategy, MICRO 2001, which aims to support this transition. Also, it recalls important lessons learnt in microenterprise development to date. The sector is a heterogeneous continuum of different types of businesses, requiring different types of development support. Lack of access to institutional financial and non-financial services, such as technical and marketing assistance, is a major obstacle. Appropriate policies are key to the success of investment programs supporting microentrepreneurs. Building permanent institutional capacity to serve microenterprises is more important than disbursing loans or giving one off training. It includes case studies of programs such as the Voucher Training Program in Paraguay in Peru.


Abstract: This document was prepared by the Microenterprise Unit to explain and justify the need for reform of one of the Bank's smallest but most visible programs. This program, previously called the Small Projects Program and now the Social Entrepreneurship Program, was initiated by the Bank in 1978 to support the productive activities of the microenterprise sector in Latin America and the Caribbean. The new operating policy, described at the end of the document, defines the framework of the new program in areas such as terms and structure of financing, eligible activities and institutions, and project approval authority. The Bank's Board of Directors approved the new operating policy, as well as new administrative procedures for the Program, on December 2, 1998.


Abstract: It provides a brief summary of a number of experiences in support of microenterprise development in which the Inter-American Development Bank has played a role as catalyst. Results are documented particularly in terms of institutional evolution, with a special effort to identifying elements having potential benefit to those involved in the field of microenterprise development, whether as donors, intermediary institutions or microentrepreneurs. These case studies should contribute to a greater awareness in the region of the latest methodologies, institutional performance, and other parameters of an extremely dynamic field in which innovation is key to achieving sustainable delivery of effective financial and non-financial services in support of microenterprise development.

Abstract: This document puts forward the rationale, objectives and main components of the Inter-American Development Bank’s (IADB) microenterprise strategy. It also outlines the problems that the IADB seeks to address, the strategic directions for bank investment and other activities in the sector. The document states that IADB will seek to expand economic opportunities in Latin America and the Caribbean through sustainable, dynamic microenterprise development. IADB will develop a five-year program, MICRO 2001, to promote policy and regulatory reform to create an enabling environment for microenterprise development, support the creation and strengthening of formal and non-formal institutions that provide business development and financial services to microenterprises on a sustainable basis. It will also use its resources to catalyze the infusion of private investment in microenterprise development by linking NGO and commercial investors, and promoting the formalization of microenterprises. Finally, the document discusses operational instruments for supporting the strategy; resources available to implement the strategy; and organization structure to implement the strategy.


Abstract: This Technical Guide was developed to provide rigorous analytical methods and standards for the design, management, monitoring and evaluation of finance institutions specialized in servicing micro and small enterprises. This guide is a management and evaluation tool that not only establishes a technical basis for the analysis of microenterprise finance institutions, but also the design of the externally-funded programs through which they are supported. The guide covers topics like data preparation-presenting raw data, adjusting data, calculating a base for financial performance indicators; financial analysis: level of cost coverage, cost-structure analysis, analysis of operational cost structure. It analyses of operational efficiency: analysis of historical data, productivity analysis of program operations. Also. target group orientation: general indicators for target group orientation, distribution of portfolio by gender and economic activity, analysis of the financial product, interpretation of the data; interpreting the results: credit technology, credit terms, management information systems.


Abstract: There are numerous current disadvantages facing SMEs in the region, such as:
- high transaction costs
- difficulty in complying to regulations and limited access to policy makers
- lack of accessibility to debt and equity, skilled workers, technologies and information, production inputs, domestic and international markets

To overcome these problems and increase the competitiveness of SMEs, the Bank is formulating a strategy which will focus on two main areas:
- creation of a level playing field, by reducing institutional and regulatory barriers biased against SMEs
- compensation for unfavourable position, by lowering transaction costs of businesses, targeting programs on a cost sharing basis and transfer of techniques and institution building

Individual Country Enterprise Development Strategies (EDS) will be developed within the framework of the regular Bank’s country programming process.

Abstract: The paper reviews selected methods for measuring microenterprise and household income. It discusses the value of income as an indicator of enterprise stability or growth, of household welfare and poverty status, and the difficulty of obtaining accurate and reliable data on income. Information is presented on a number of different approaches for measuring income. They are classified into categories of simpler, middle range and more complex and advantages and disadvantages of each are delineated. Alternative indicators of household economic well-being, such as assets and expenditures, are also discussed. Each approach is reviewed in terms of major strengths and weaknesses, including the accuracy and reliability of data that can be collected, and the cost and feasibility of gathering the data. The author concludes that no single approach can overcome all the constraints that affect measurement of economic status or well-being of the microenterprise or household. In choosing an approach, there seems to be a trade off in terms of human and financial cost and the degree of detail and accuracy produced as a result. The selection of a measurement approach should be based on the extent to which the approach can produce accurate and reliable data on income or an acceptable alternative economic impact indicator, the relative cost of the approach, and whether the method is compatible with other data collection approaches already in use.


Abstract: With 39.4 million people HIV-positive or living with AIDS around the world, AIDS is having a huge economic impact on households, businesses and national economies. This article examines the effects that the illness has on large firms, micro and small enterprises (MSEs) and on households. MSEs already face constraints to market access, and the difficulties of sustaining MSEs affected by HIV/AIDS in supply chains is discussed, using the case of the Kenyan green beans sector as an example. The article describes promising approaches to addressing these constraints and mitigating the impact of HIV/AIDS on MSEs, such as asset protection via financial and legal services, workplace programmes and horizontal linkages through producer associations.

James, R. 1990. “Enterprise promotion - cultural eradication or survival?” Small Enterprise Development, Volume 1, Number 4, pp. 53-57(5), December.

Abstract: Enterprise promotion programmes often receive severe criticism for the damaging effects they inflict on the local culture. A 'Western capitalistic' model for growth which rewards greed and self-interest is being imposed on countries, permanently maiming traditional ways of life. Some even accuse business development of causing the eradication of cultures. At first glance there appears to be a fundamental clash between two of the most fashionable issues in development: the preservation of indigenous cultures and the promotion of small-scale enterprise. However in the Mosquitia, a remote region of Honduras, Central America, rather than being diametrically opposed these two issues are inextricably linked, as business development is proving to be one of the vital means of ensuring the survival of Indian culture.

Abstract: Recent research attributes rural industrialisation to the enhanced competitive performance of rural small and medium-sized enterprises (SMEs). Central to much of this work has been a desire to acknowledge empirical diversity in business behaviour and performance between different rural spaces. Drawing on the tenets of critical realism the authors develop a conceptual framework which permits the diversity of behaviour exhibited by rural SMEs to be more fully recognised and understood. This highlights the role of generic 'structural' influences on the performance of rural enterprises, yet emphasises the need to investigate the precise 'local' conditions through which these mechanisms are mediated and experienced. In this way, the form of competitive behaviour exhibited by rural SMEs is posited as an outcome of the interplay of structural influences (or mechanisms) and the unique circumstances (or contingent conditions) prevailing at the level of the individual enterprise.


Abstract: It is widely accepted that microenterprises are an important source of goods and services, income, and employment in developing countries, particularly for low-income groups. This is illustrated by the growth in recent years of the numbers of programmes which target credit particularly at the enterprises of low-income people. This article discusses the importance of technologies to the survival, growth, and expansion of those all-important production and processing microenterprises, and argues that credit alone is insufficient to generate the productivity increases needed for long-term economic growth and poverty alleviation. The article analyses how external assistance can support technology innovation and dissemination, and examines the role of technological assistance in microenterprise programmes and ways in which development agencies can provide this assistance.

Jones, L., Quigley, J. and Foster, J. 2006. “Vouchers revisited - can small enterprises save government programmes?”, Small Enterprise Development, Volume 17, Number 4, pp. 43-51(9), December.

Abstract: In Tanzania, where malaria is the biggest killer and pregnant women and small children are particularly at risk, the challenge of bringing insecticide-treated nets to poor, remote rural areas is a considerable one. This article describes how microenterprises and small businesses are providing a cost-effective retail service to the public sector, receiving their usual commercial mark-up as payment for this service. Vouchers are the vehicle of exchange throughout the system, enabling target clients to acquire nets, and providing the means for tracking the impact and outreach of the programme. As results are being monitored, there is evidence that not only is the public-private partnership a success, but that the commercial distribution of unsubsidized insecticide-treated nets has been strengthened and widened.

Jones, L. 2006. “We may not be big, but we're small”, Small Enterprise Development, Volume 17, Number 3, pp. 8-10(3), September.

Abstract: The changing environment in the nonprofit sector has subjected microenterprise programs to a new paradigm that emphasizes rationality principles. These principles ask practitioners to increase their outcomes while minimizing costs and to demonstrate that they are doing so with outcome-assessment measurements. This paper presents a case study of what happened to 11 microenterprise programs that adopted outcome assessment. Factors affecting the adoption of outcome assessment were changing norms in the nonprofit sector, demands from state legislators for information on program outcomes, and mandates from funders. A funding formula was implemented; program responses included going along, adopting practices to fit the formula, embracing outcome assessment as a way towards program improvement, and possibly eliminating ineffective programs. Unintended consequences and ways to avoid them are discussed.


Abstract: This article discusses the reasons for conducting gender impact assessment in microfinance and microenterprise. Although women are increasingly being targeted in microfinance and microenterprise projects, this does not necessarily mean that gender relations are being taken into account. Rather, targeting women raises a host of questions about the context in which women are operating their businesses or handling finance. Assessing gender impact in microfinance and microenterprise can help answer the questions in order to understand whether women are able to use the services and make the anticipated improvements in their livelihoods. Moreover, several approaches are suggested: 1) establish a gender baseline; 2) consider the potential impacts of the project on gender relations; 3) establish the information and indicators required; and 4) collect and analyze the data using tools and techniques appropriate to the task. However, in the context of gender relations there remains much ground, which often cannot be openly discussed. The discussion of how people organize their financial and economic affairs inside the household is usually a delicate area. Hence, it is suggested that such matters should be handled very carefully and to consider the composition and dynamics of the research team itself.

Kanders, K. 2001. “Making microenterprise easier”, Communities and Banking , pp. 4-9, Federal Reserve Bank of Boston , Summer.


Abstract: The Paper explains the intricacies of information systems and how they work in the context of micro-enterprise lending programmes. It describes the series of processes and actions involved in capturing raw data, processing the data into usable information and disseminating it to users in the form needed. Gives insight and step-by-step instruction on how to create an effective information sharing system. It also covers information subsystems including strategic, management, operational and external subsystems; processing of information through the components of an office system; stages in creating and refining a management information system including definition, research, design, development, and integration; the role of computers, time and expense considerations and the role of people, staffing and training.

**Abstract:** Examines alternative ways to foster microenterprises in developing countries. Microenterprises, in contrast to maquiladoras (assembly or processing plants), contribute to just relationships in the workplace and to human development. In today’s global economy, US corporations have established a number of maquiladoras in Latin America and the Caribbean that have benefitted them as foreign owners but have had some deleterious effects on the workers and economies of the countries. US financial institutions and non-profit organizations are providing micro-financing, training and organization to promote microenterprises in developing countries. These enterprises, though small, contribute to self-sufficient development at the grassroots level.


**Abstract:** Helping the poor to generate their own income through running their own businesses is a relatively new approach in international development aid. Nothing is wrong with that. In some countries the proportion of female-headed households reaches 30 per cent or even higher; and income generated by women is more likely to be spent for the benefit of their families, especially their children, than income generated by men. Assistance given to women will be put to good use. As one Zambian business-woman put it: ‘Help the women and you will help the country’. The question is whether the ‘help’ offered really matches women’s needs.


**Abstract:** As the former socialist countries begin to recognize the role small enterprise can play in their economies, many are trying out business incubators as a means of helping start-up small businesses through the early stages. This article outlines the essential features of business incubators - their office facilities, accommodation, and advisory services - and their potential for creating technology-based enterprises, as well as describing their shortcomings. Operations in the U.S. are reviewed, together with recent applications in China and Poland. The applicability of the incubation system in eastern Europe and central Asia is analysed.

Levitsky, J. 1997. “Credit guarantee schemes for SMEs - an international review”, *Small Enterprise Development*, Volume 8, Number 2, pp. 4-17(14), June.

**Abstract:** In view of the growing interest in microfinance, small enterprises with growth potential, as opposed to microenterprises, may be missing out on donor credit programmes. Credit guarantee schemes can be seen as filling this gap, since they are aimed at the SME sector, and are intended to help banks learn about lending to SMEs, while being cushioned from the risks involved. This article describes how credit guarantee schemes are being implemented all over the world, and points to some of the problems faced, as well as the advantages of such schemes.

Abstract: Governments in developing countries have in the past directed their support for small and medium enterprises (SMEs) through centralized public institutions providing advice and training. These have often had limited impact on the small business community who perceive them as distant and removed from their situation. Private sector membership associations are seen to be closer to the ethos of SMEs, and this article examines the contribution they could make to SME promotion. Drawing on the experience of developed countries where private sector membership associations play an important role, the article suggests how such organizations in developing countries might strengthen their position and increase their support for SMEs.


Abstract: A recent stocktaking exercise has been examining the performance of the microenterprise assistance programmes funded by USAID. The programmes can be divided into three categories: enterprise formation, enterprise expansion and enterprise transformation. They have been evaluated according to the criteria of graduation into the formal sector, cost-effectiveness of funding and financial sustainability.


Abstract: A better understanding of the dynamics of microenterprise growth can help in targeting microenterprise assistance programs. This paper examines these dynamics at four levels: the individual; the enterprise; the economic subsector; and the economy as a whole, including intersectoral linkages. For each level, the paper reviews existing theoretical approaches and empirical information, outlines major issues, and suggests research questions and analytical approaches.

1. The section on the individual focuses on the personal characteristics of the entrepreneur, the interactions between the entrepreneur's business and his/her other activities; the movement back and forth between activities as a worker and as an entrepreneur; and gender issues.

2. At the firm level, the paper explores the life cycle of firms with respect to firm size, age, location, and subsector, and the characteristics of the entrepreneur. Also discussed are methods for collecting and analyzing data.

3. At the subsectoral level, the paper examines patterns of change among firms engaged in producing and distributing related products, with particular attention to mechanisms that link the stages in the production process. Frames of reference include suppliers of raw materials and of intermediate products as well as producers of finished products.

4. At the intersectoral level, the study examines actual or potential sources of dynamism in the economy and explores the extent to which these sources reinforce intersectoral linkages. At the related macro level, the central interest is in the changing relative importance of enterprises of different sizes and types.

Abstract: Emphasis is often placed on the promotion of small enterprises in developing countries, particularly as a means of improving the lot of unskilled workers. This focus raises questions about the relationship between establishment size and the pattern and efficiency of factor use, and about the nature and effects of price differentials in factor markets. This article goes some way toward answering these questions with data from surveys of small manufacturing enterprises in India and Colombia sponsored by the World Bank and relevant material from other countries. The article also examines India's long-standing policy, unusual among developing countries, of providing special support and protection for small enterprises. Analyses based on disaggregated data found that small firms are not reliably more labor-intensive than their larger counterparts; nor are they consistently more technically efficient in their use of resources. In light of these findings and an analysis of factor markets, this article discusses the general implications of the research results for industrial policy in developing countries.


Abstract: Rural producers' access to formal finance has often been limited by their inability to provide collaterals, particularly in the form of registered or certified land titles and tenancy contracts or assets which are actionable as well as by laws that make foreclosure difficult. This paper reviews some of the alternative institutional arrangements (possibilities) for reducing and overcoming collateral requirements such as third party guarantees, ownership of tradeable assets, credit guarantee schemes, group lending, credit-savings linkages, incremental and loan repayment-dependent lending, portfolio diversification and an efficient legal system for contract enforcement. It also specifies the land policy and tenure reforms that are desirable, especially in the direction of formal land titling or legally specified rights to the use and ownership of lands, the consolidation of land holdings and the provision of proper cadastres for land and assuring that titles are secure.


Abstract: The Trickle Up Program is a US-based organization engaged in microenterprise development for very poor households in 14 core countries, including India. Because it targets the most vulnerable sections of the population, such as the rural landless, women-led households, people with disabilities, and economically disadvantaged minorities, TUP employs a seed capital grant strategy to facilitate its clients’ movement from absolute poverty toward economic self-reliance. TUP clients cannot risk taking a loan because they have no spare income to make payments if their enterprises do not generate an immediate profit. A conditional grant, in contrast to credit, exposes its recipients to less risk and allows them to grow a business with a longer payback period. This paper draws from a recent study of the Alternative for Rural Movement, one of TUP’s partner agencies in rural Orissa, India, and shows that its TUP clients moved successfully from a position of extreme vulnerability to one of significantly improved economic self-reliance.

Mahajan, V. and Dichter, T. W. 1990. “A contingency approach to small business and microenterprise development”, Small Enterprise Development, Volume 1, Number 1, pp. 4-16(13), March.

Abstract: A number of retrospective reviews have derived important lessons from the experience of a wide range of enterprise development organizations. Most concentrated, however, on the experiences of the agency commissioning the particular study, rather than examining what kind of enterprise development strategies organizations should adopt.
in different situations. In this paper the authors assert that the strategy for enterprise development is contingent upon certain variables which they proceed to define. They then describe the critical tasks which must be addressed to match the requirements of each type of situation, and examine the capabilities an organization must have to address these tasks.


Abstract: The paper reviews subsector approach used by four financial institutions in Ecuador, Indonesia, Ghana, and Bangladesh to develop nonfinancial micro and small enterprise (MSE) assistance strategies. The subsector approach focuses on firms that share common products or inputs rather than all firms or MSEs in a given region. A basic premise of the subsector approach is that entrepreneurs from different sectors may face different constraints. It concludes that approaches adopted by the four institutions led them to the development of interventions that reached many MSEs quickly and effectively.


Abstract: The paper tries to find out if there is a trade off between financial sustainability and targeting the poorest. It aims to clarify rather than resolve poverty lending issues that are provoking debate in the microenterprise development field. It explores two approaches to microenterprise development- the Poverty Lending (PL) approach, which advocates lending to the "poorest of the poor", with the example of the Grameen Bank and the Financial Systems (FS) approach, which articulates how to better meet the financial needs of the poor through the development of viable financial institutions, with the example of Badan Kredit Kecamatan (BKK). Then it finds that successful micro-enterprise financial programmes regardless of approach have similar features-targets a niche not served by traditional commercial lenders succeeds in reducing transaction costs, takes a form of group-lending and operates in densely populated areas with relatively well-developed physical infrastructure.


Abstract: Mutual guarantee associations (MGAs) can be a viable solution to the problem of access to credit from banks for those small entrepreneurs who cannot offer sufficient collateral, in particular for artisans. After providing a general description of an MGA, the most successful model in Europe, both in number and in volume of guarantees, is considered and its factors of success are analysed. Findings from Europe as well as from some developing countries are presented. Some applications of the MGA scheme in a few African countries are described and potential ways to improve the current situation of those MGAs are highlighted. An MGA is an association comprised of entrepreneurs who join together to create an organization which establishes a dialogue with banks. The association plays the role of an intermediary between artisans and banks: small- and micro- enterprises (SMEs) join the association to obtain credit from banks and the association negotiates with banks to secure loans for its members. Successful MGAs strengthen private initiatives and SMEs, which is widely regarded as a key ingredient to development and poverty-alleviation in most countries. They may become strong entities which can deal with banks on an equal level, helping SMEs gain access to credit that is normally unavailable.
Mayoux, L. 1995. “From Vicious to Virtuous Circles?: Gender and Micro-

Abstract: The paper critically reviews some of the past and current experience of micro-
terprise programmes for women: training, credit and producer groups and co-
operatives. Although there are some successes, the evidence indicates that the majority of
programmes fail to make any significant impact on women's incomes and cannot be
assumed to have a beneficial impact on gender inequalities. The diversity of the small-
scale sector on the one hand and the complexity of constraints posed by poverty and
inequality on the other make the likelihood of any 'blueprint' extremely slim. There is a very
delicate balance between the need for more effective participation, resource-efficiency and
scale. What is clear however is that micro-enterprise cannot be seen as the 'all-win'
bottom-up' solution to a wide range of development problems as the rhetoric would imply.
It cannot be seen as a substitute for welfare programmes, direct efforts to support women
workers or to address gender inequalities


Abstract: In this paper the author outlines USAID's strategies for microfinance. The author
highlights:
- Only 5 percent of low-income households, globally, have access to financial services.
- Access to microfinance is now at the forefront of global anti-poverty strategy.
- The United States supports the international financial institutions to complement its
investment in the microfinance sector.
- In some countries, support for microfinance has transformed the national financial
landscape and changed the way mainstream banks do business.
- The success of microfinance has proved that poor families can repay their loans and
microfinance can rival the performance of most high-performing banks.

The strategies in the paper cover:
- Responding to lending realities by supporting microfinance institutions (MFIs) to:
  - Do a careful market research before introducing new financial services;
  - Charge interest rates enough to cover lending costs;
  - Develop collateral substitutes like stepped and group loans.
- Linking financial institutions with markets by:
  - Investing in diverse retail financial institutions to cater to different markets;
  - Supporting the creation of 'market leaders', to encourage other commercial
    players to enter the markets;
  - Providing young MFIs access to specialized technical assistance and training;
  - Offering loan guarantees and other credit enhancements for MFI to access
    local and international capital markets.
  - Supporting market infrastructure and regulatory reform;
- Supporting growth of successful micro enterprises by:
  - Targeting small and medium sized firms that require more funds than MFIs can
    provide.

USAID - U.S. Agency for International Development.

Abstract: This paper explores USAID's involvement in microenterprise (ME) development
and in this context details the relevance of Business Development Services (BDS) to
MEs. The presentation cites the reasons for USAID’s association in ME development:
- To add to assets and quality of life of poor and very poor households;
- To enhance specific sectors;
- To speed private sector development in transition countries;
- To empower women;
- To improve assets and quality of life of poor and very poor households.

The paper overviews USAID’s BDS market development approach detailing:
• Challenges for BDS;
• Relevance to the smallest and the poorest MEs;
• Problems with past approaches;
• Implications of BDS Market Development Approach;
The paper concludes by highlighting:
• Goals in both microfinance and BDS;
• Policy level for micro enterprises.


Abstract: Programs that support poor women’s income earning can use four measures of effectiveness. These are: meaningful, sustainable increases in income levels for large numbers of participants; policy and regulatory changes that expand economic choices for the poor; increases in aggregate employment, economic growth, and diversification of the local economy; and “empowerment”—evidence that women mobilize and gain more control over their social, political, and economic lives. Using these criteria, the paper analyzes the strengths and weaknesses of three strategies for addressing the problems of self-employed individuals and microenterprises: the area-, sector-, and function-focused approaches. It concludes that the sector- and function-focused strategies offer the most promise for helping women to make significant economic gains and deserve further experimentation and donor support.


Abstract: This study uses the Business Development Services (BDS) Performance Measurement Framework (PMF) to compile trends, lessons learned, and challenges facing BDS practitioners who help small and medium enterprises (SME) and smallholder farmers gain access to markets for their products and services. PMF uses a common set of indicators to assess the performance of BDS programs. It enables the user to compare program performance objectively across a range of common goals and indicators. The framework is structured around the concept that business development services are a commodity and that the overall goal of any BDS program is to develop a sustainable, competitive, well-functioning market. It outlines three sub goals and indicator categories for this overall vision:
• Increasing program scale and outreach - measured by assessing the development of a BDS market;
• Developing program sustainability and cost-effectiveness - measured by assessing the performance of BDS supplier institutions;
• Assessing the program’s impact on SME customers.
Finally, the paper reveals interesting observations about performance, such as:
• Programs focusing on market infrastructure development reach a larger scale than other programs.
• Reaching the poor is a matter of choice, not of sustainability.
• Large programs seem to have less of an impact on clients than do small programs.
• Cost-effectiveness is unrelated to scale or program model.
• Marketing businesses reach sustainability more easily than other models.
• Small programs reach sustainability more easily than large programs

Abstract: The study evaluates programs of Action for Enterprise:Agricultural Cooperative Development International and Volunteers in Cooperative Assistance (ACDI/VOCA), the Marketing Action Research Team (MART) - a CARE-India partner, and CARE-Egypt plus reviews of literature. These programs were chosen as they are representative of three different marketing models:

- brokers: who purchase products from microenterprises and sell them at a markup and who often also offer market research, product development, training, input supply, and access to technology to the producers
- ancillary service providers: who help microenterprises reach markets through services such as providing information, training, and links to buyers, without brokering the products for them
- market infrastructure developers: who develop institutions in the market aimed at helping microenterprises access markets permanently

It assesses performance of programs and draws tentative conclusions:

- performance measurement is a challenge
- programs focusing on market infrastructure development reach a larger scale
- many sustainable programs work with the poor, while some programs working with medium-sized enterprises are not sustainable
- larger programs may have less intense impact on clients
- cost- effectiveness is not related to scale or program model
- brokers reach sustainability more easily than other marketing service providers, but these other providers also are developing strategies for financial viability
- smaller programs reach sustainability more easily and quickly than larger programs

It further explores in depth the lessons and challenges of four basic marketing issues: program design and management, market research and positioning, product development and production and sales.


Abstract: The number of people engaged in micro and small enterprises increases as a result of new enterprises being started and through an expansion of existing activities. As a partial offset to these increases, employment declines when existing businesses cease operations. This article draws on recent survey work to examine the magnitude and determinants of enterprise births, closures and expansions. It explores the ways in which these different sources of change are influenced by the state of the macroeconomy, and examines policy and project implications.


Abstract: Enterprise dynamics have three dimensions: births, survival, and growth. This article argues that the policy environment affects enterprise growth differently in each of these dimensions. The principal problems small firms face at start-up concern access to working capital and to markets. Only in particular localities and sectors have government registration procedures significantly constrained new start-ups. With regard to survival, of those enterprises that closed as business failures, issues of access to credit and inputs were important parts of the explanation. In the case of growth, again, issues of markets and demand, of credit and finance, and access to raw materials and machines were the main problems holding back more rapid expansion. Legal and regulatory reforms must address these constraints if they are to succeed in promoting small enterprise growth.

**Abstract:** This article explores the transition which takes place when fully integrated household enterprises increase their specialization by restricting the range of functions performed by the microenterprise. This increase in specialization has often resulted in a rise in productivity and in increasing levels of income. Three cases are described from which this generalization is drawn; the article then compares these cases and other similar ones to see common characteristics of this evolutionary pattern, the conditions necessary for it to happen, and the problems that arise from it. The article then discusses some implications of this pattern of change for the identification of cost-effective means of promoting MSEs. Following this article is a short note by Matthew Gamser, Deputy Director of the GEMINI Project, putting sub-sector analysis in the context of other methods of assisting MSEs, and highlighting its strengths.


**Abstract:** Questions how can microenterprise strategies help create or substitute for the social safety nets that are not there? How can they function pre-emptively to strengthen the ability of clients to survive emergencies when they hit? How can they help people suffering from the most serious disasters overcome them? The paper approaches researching this question using a conceptual framework that looks at the relief to development continuum. This continuum recognises that many of the people which microenterprise practitioners try to serve live at risk of loss due to a variety of disasters: chronic and acute, natural and man-made. It also places development efforts within a larger framework of assistance efforts that overlap. Therefore, rather than discrete activities, disaster mitigation, relief, reconstruction and development are modes of intervention that blend over time, and need to be implemented in ways that are mutually supportive. The paper suggests that it is important to note that there are strong differences between those disasters that are naturally- caused and those caused by man-made effects. Due to which there is a need for further research in the area of disaster relief and development continuums. The paper concludes that as a number of SEEP practitioners actively apply microenterprise in emergency conditions, MBP could keep abreast of learning and innovation through contact with SEEP members. While there is no working group within SEEP solely devoted to this issue, many of these institutions participate in SEEP's Poverty Lending Working Group, and that segment of this group could serve as a focal point for review of papers, and additional information. It is also proposed that MBP use some of its learning and dissemination resources to convene a session on these issues, particularly related to natural and complex emergencies. In addition to the regular enterprise practitioners, it is recommended that participants from OFDA, International Rescue Committee, Red Cross and leading researchers focused on disaster relief practice be invited to share insights regarding how best to apply microenterprise assistance in these situations. This type of dialogue would allow for a joint creation of frameworks and practical lessons that would be helpful in documenting this aspect of the field.


**Abstract:** The purpose of this report is to compare specific legislation that impacts microenterprises in Colorado. The report addresses critical issues that are barriers to microenterprise success, compares legislation that regulates health insurance, workers’
compensation, and business personal property taxes in New Mexico, Arizona, Nebraska and Kansas with that of Colorado. It highlights effective legislation designed to confront barriers to success for microenterprises and small businesses. The cost and availability of health insurance is one of the greatest hindrances for maintaining a successful micro-business. All the five states in this study have enacted legislation to alleviate the problem of scarce availability and high costs of small employer group health plans. The employees receive compensation if injured on the job. This is an expensive obstacle for employers. All five states have enacted legislation that aims to protect the employers from false claims. All five states have encouraged business growth by providing tangible property exemptions. The note concludes that despite a lack of micro-enterprise legislation, state governments have attempted to alleviate the burdens face by small businesses. Greater tax breaks can advance economic development, and since most micro-enterprises are stable entities, the growth of this sector will benefit the economy.

Millard, E. 1996. “Appropriate strategies to support small community enterprises in export markets”, Small Enterprise Development, Volume 7, Number 1, pp. 4-16(13), March.

Abstract: Many small enterprises have been established with the primary aim of promoting employment and income in the community. In recent years they have benefited from innovative strategies by manufacturers and trading organizations working with them. Changing consumer behaviour in the 1990s is providing a more favourable marketing environment. However, products will only sell if they meet a need in the market and if they are not sub-standard. This article describes various strategies that have been employed by Fair Trading Organizations and by Fair Trade Sealing initiatives to bring secure employment to producers and to satisfy the 'caring consumer'.


Abstract: This report, the first of two, presents and review’s USAID’s Microenterprise Best Practices (MBP) grant portfolio. Sixty-seven grants made between March 1997 and March 2000 for exchange visits, capacity building, and innovation in the microenterprise field are analyzed. This report covers the grant-making process and performance of the grant portfolio, and substantive contributions made by individual grants to the field of microenterprise.


Abstract: This document is the second of the two reports on grants made by the Microenterprise Best Practices (MBP). It provides briefings on the 67 grants made between March 1997 and 2000 to various institutions for the following purposes such as capacity building, exchange visits, innovation. The report points out that as per the standard format, the briefings cover the following aspects of each grant like problems that the grant sought to address, outcomes that it proposed to achieve, interventions made by it and actual results that were achieved. The report also comments whether the grant accomplished its specific objectives, contributed towards meeting the MBP contract performance standards. Further, the report suggests that the companion report “Microenterprise Best Practices (MBP) Grant Portfolio Review—Part One: Background, Implementation, and Performance of MBP Grant Facility” would help readers gain a comprehensive understanding of MBP grants.

Abstract: A number of studies have explored the relationship between uncertainty and savings behaviour amongst resource-poor farmers. This paper describes the results of such a study for five villages in the Ibai area of Igalaland, Kogi State, Nigeria. Savings behaviour over a 20-year period was examined in the face of two severe types of shock: flooding and land war. The results suggest that although the macroeconomic climate in Nigeria could explain some general trends in savings behaviour, some clear peaks in activity were not due to shocks but to operational changes introduced by the non-government organization facilitating the savings scheme - the Diocesan Development Services (DDS). The results suggest that great care needs to be taken when interpreting such time-series data, especially as one peak in savings activity corresponded with the period of the land war.


Abstract: Over the last 15 years, the microfinance markets have become much more highly developed. While most of the markets for microfinance services could still be described as classic supply-driven markets only a few years ago, today they are being shaped to an increasing degree by the demand side, i.e. by the needs of those who use microfinance services. This, together with the increasing levels of competition in the microfinance market, is reflected in the growing sophistication of the institutions operating in those markets, which are now serving their target groups on an increasingly large scale, offering a wider array of products and in a more efficient manner.


Abstract: Microenterprise finance has generated enormous enthusiasm among aid donors and nongovernment organizations (NGOs) as an instrument for reducing poverty in a manner that is financially self-sustaining. Although something of a consensus has emerged concerning the principles by which such institutions should be designed, however, we know little about their impact. The paper reports on a research project which estimated the impact of 13 microfinance institutions in seven developing countries on poverty and other target variables, and attempted to relate such impact to the institutions' design features. For each of the institutions studied, the impact of lending on the recipient household's income tended to increase, at a decreasing rate, as the recipient's income and asset position improved, a relationship which can easily be explained in terms of the greater preference of the poor for consumption loans, their greater vulnerability to asset sales forced by adverse income shocks and their limited range of investment opportunities. There are significant outliers to this general pattern (in particular, very poor people who have been able to achieve significant loan impact); but they are the exception rather than the rule, and the relationship is significant at the 1% level for all the institutions studied except the Malawi Mudzi Fund. This relationship defines, in the short term, an "impact frontier" which serves as a tradeoff: lenders can either focus their lending on the poorest and accept a relatively low total impact on household income, or alternatively focus on the not-so-poor and achieve higher impact. The position and slope of the estimated impact curve vary however with the design of the institution: for "well-designed" schemes impact, at all levels of income, is higher than for ill-designed schemes. Hence for many lender institutions the tradeoff can often be moved by appropriate
innovations in institutional design, in particular modifications to savings, loan collection, and incentive arrangements for borrowers and staff.


Abstract:
We examine a range of six African microfinance institutions with a view to assessing and if possible enhancing their poverty impact. The impact of microfinance loans is variable between institutions, with a tendency in particular for savings services to be taken up by people well below the poverty line, especially in South Africa and Kenya.

However, many benefits to the poor from microfinance programmes, in Africa at least, are likely to come via an indirect route, via ‘wider impacts’ or ‘spin-offs’, rather than by through direct impacts on borrowers. We examine, here, three of these indirect routes:

(i) Microcredit to the nonpoor can reduce poverty by sucking very poor people into the labour market as employees of microfinance clients. This mechanism is important in three of our survey countries in particular (South Africa, Uganda and Kenya);

(ii) Microcredit, whether or not the proximate recipient is poor, often enhances human capital through increased expenditures on education and related improvements in health, which may then extend to poor individuals through intrahousehold and intergenerational effects.

(iii) Microcredit, whether or not the proximate recipient is poor, often improves the household’s risk management capacity through the enhancement of social capital, partly achieved by deliberate training and capacity-building efforts and partly through fungibility of loan proceeds into the building up of social networks. This in turn may lead to ‘poverty externalities’ through the extension of credit groups to include poor people, and through the stabilisation of village income, which reduces the vulnerability of the poorest to risk. In all of our case studies, many male and female beneficiaries are members of farmer groups and/or business associations; they share information on markets, prices and technology and cut costs by pooling resources for transporting goods to and from markets and by sharing storage facilities; often borrowers invest in this form of social capital, on which drawings can be made by poor people outside the borrower population, using the proceeds of their loan.

We examine, in a non-rigorous way, the magnitude of these ‘wider impacts’, and in a concluding section examine how they may be developed and expanded by means of institutional and policy initiatives.


Abstract: Economists have observed that informal credit markets may mitigate micro-entrepreneurial rationing in formal credit markets. While informal credit markets may have that effect, the uniformity and magnitude of the mitigation is not apparent. We analyse micro-enterprise credit rationing on the Pine Ridge Indian Reservation in the United States. We find that micro-entrepreneurs have virtually no access to formal credit markets and that informal credit markets have differential impacts on micro-entrepreneurs' rationing in formal credit markets. Informal markets appear to ease credit rationing the most for the mid-size micro-enterprises in our sample, with the smallest and largest micro-enterprises still facing severe rationing constraints. We also find that micro-enterprises of all sizes face a positive probability of credit rationing.

Abstract: By examining three different institutional frameworks and performances, this paper portrays the challenges and potential for microfinance programmes to solve some of the key constraints in the field today. Tracing the growth of BancoSol, a new, private Bolivian commercial bank dedicated almost exclusively to microenterprise, many lessons about the institutional development of profitable micro-lending organizations emerge. The Kenya Rural Enterprise Programme provides evidence of the complementary roles technical assistance and other NGO services play in the strengthening of both microenterprises and microfinance programmes. Finally, the long track record and diverse lending programmes of Thailand's Bank for Agriculture and Agricultural Cooperatives draw lessons in the criteria and methods of effective financial intermediation. Elements of success and differences among the cases are highlighted.

Ngwira, A. B. A. 1995. “'Small enterprise' or the 'informal sector'?”, Small Enterprise Development, Volume 6, Number 1, pp. 49-52(4), March.

Abstract: The following article describes the various criteria used for classifying small-scale enterprises and points to anomalies in their use. The author concludes that often a simple employment-size criterion is preferable to trying to define the term 'informal sector'.


Abstract: The donor community has enthusiastically embraced the concept of microfinance as a promising mechanism to attain the objectives of poverty alleviation and microenterprise development. Amid the high expectation, a myth has been inadvertently created that they could be the ultimate solution to poverty reduction. The objective of the paper is to examine the nature of support rendered by the donor community to microfinance programmes and the effectiveness of this particular outlet of official aid for microenterprise development and poverty alleviation. To this end, the paper first examines economics of microfinance as an instrument of microenterprise development and poverty reduction as well as its delivery mechanisms. The paper then assesses empirical evidence of the performance of microfinance institutions and their impacts on poverty alleviation and microenterprise development. Given this background, the paper discusses main features and trends in donor support and policy implication of the analysis for the donor community.


Abstract: In many cities of the developing world, the water supply distribution network does not extend to the informal settlements of the poor, and these inhabitants rely on small water-providing enterprises (SWEs) to bring their water to them. This article arises out of ongoing research into SWEs and describes how SWEs operate in Khartoum, Sudan. Water customers there pay a considerable portion of their income to SWEs, but the rates charged by SWEs are reasonable considering the costs involved and seem to be competitive. The research aims to identify and test strategies that could enable SWEs to deliver a more acceptable water service to poor urban consumers by building partnerships between SWEs and water utilities, based on mutual benefits.

**Abstract:** Women entrepreneurs, in particular, may not be able or wish to reveal increases in their income resulting from a project intervention such as training. This article describes an evaluation method evolved to assess the effectiveness of the Grassroot Management Training programmes run by the ILO in three African countries. The method involves assessing changes in attitudes towards relevant learning among the participants of the training seminar, compared with the changes in attitudes of a control group over the same period. Participants are also asked how much they would be prepared to pay for another seminar of a similar type, as a proxy measure of the estimated benefits accrued by the participants. From this a cost-benefit ratio can be derived.


**Abstract:** Over the last several years, OECD governments have invested millions of dollars in microenterprise development programmes in OECD and lesser developed countries (LDCs). Microenterprise development is based on a couple of underlying premises: 1) self-employment is a key component in creating economic opportunities for low-income persons with otherwise....


**Abstract:** The book is a review of contemporary challenges in the area of microenterprise finance, setting principles for future work in this field. Major ideas in practical microfinance are systematically reviewed. The book explores the relationship of programmes and their beneficiaries, offering tips for effective and efficient management of microenterprise finance. It presents ideas that are crucial to the transformation of microenterprise finance and looks at techniques for providing financial services to the poor with its unprecedented positive results in scale and outreach, while building self-sufficiency. It also demonstrates that microenterprise finance has the potential to enfranchise a major part of the population highlighting the necessary ingredients and recipe for building healthy microfinancial institutions for the poor. At the same time, it advances ideas that are remarkably different from conventional wisdom of banking which held that microenterprises were too risky and too costly for any one to serve profitably. It includes case studies of programs in Indonesia, Kenya, Bolivia and Colombia.


**Abstract:** Microenterprise programmes can be excellent vehicles to foster savings among poor populations, with considerable benefits both for those saving and for the programmes themselves. The purpose of this article is to explore issues related to savings mobilization from the vantage point of projects that seek to reach poor people who are self-employed in productive activities. Microenterprise development projects in particular are the focus of this study. The first section provides background for the discussion, asking why people save, and what sort of savings schemes prevail among poor populations. The second section turns to examples of savings mobilization in microenterprise programmes to
identify the factors that contribute to success. Finally, the article identifies the circumstances under which mobilizing savings makes economic sense, and provides some approaches for future microenterprise lending programmes.


Abstract: Given certain circumstances, microenterprise programs can be excellent vehicles for capturing savings among low-income populations. Such efforts to mobilize savings can have considerable benefits both for those saving and for the program. This document highlights the main issues related to savings mobilization. It supplies examples of savings schemes in microenterprise programs, including the Grameen Bank and the ACCION Network. It also provides a rationale for engaging in savings mobilization among low-income populations. Finally it suggests guidelines for structuring a savings component in a microenterprise assistance program.


Abstract: The findings described in this report indicate that the current policy context can make it difficult for TANF recipients who are interested in self-employment to pursue microenterprise training. In addition, policy constraints can pose barriers to TANF recipients who are attempting to stabilize a business during the early start-up months. As a matter of equity, self-employment should be treated as an option comparable to wage employment. TANF recipients engaged in self-employment should have a reasonable chance to build their businesses to the point at which they can achieve self-sufficiency. The policy options outlined above could substantially increase opportunities for TANF recipients to pursue self-employment and to move beyond work to economic self-sufficiency.


Abstract: This paper proposes a new approach for measuring the social performance of microfinance institutions. The key to developing sustainable social performance measurement (SPM) systems and practices is to consider their design from the perspective of the organizational mission. The fact that the SPM system is built on the organizational mission ensures its cost-effectiveness and facilitates its institutionalization. It not only stimulates an MFI to verify the fulfilment of its social mission and to innovate in the search for optimal solutions to address development needs in a given intervention context, but it also can improve its financial condition through client segmentation and risk management leading to increased efficiency, better product development, and strategic decision-making on the competitive microfinance markets.

Abstract: The last decade has seen a rapid increase in the use of income-generating programmes (IGPs) to alleviate poverty by national governments, official donors and NGOs. This article summarizes the findings of a study commissioned by Save the Children Fund to examine the impacts of IGPs on children. An underlying assumption of most IGPs is that if household income (HHI) is increased, then the welfare of all household members, and thus children, is enhanced. The article argues that in many contexts this assumption may be invalid and points out how little empirical material is available to substantiate or refute the proposition. For most agencies children are 'invisible': they are 'not seen and not heard' in programme plans, reports or evaluations. The article points to the need to remedy this situation and also lists a number of tentative conclusions about how IGPs might be modified to help improve their welfare impacts.


Abstract: Microfinance has become a popular part of poverty reduction agendas of policymakers, development advocates, and multilateral institutions since its inception roughly 30 years ago. Despite dramatic growth, however, many microfinance institutions face low penetration rates. It turns out many potential borrowers choose not to participate. Current explanations for this phenomenon largely focus on skill, arguing that high skill entrepreneurs have expected returns above the borrowing rate and select microfinance while low skill entrepreneurs do not and stay away. In this paper I contend these explanations are insufficient because they ignore risk altogether, a fundamental driver of poor household’s behavior. I propose consideration of vulnerability, defined as the inability to smooth consumption across negative income shocks, as an additional factor driving microfinance selection. I outline a model in which the risk level of projects and a household’s ability to manage risk help determine whether or not a household can “afford” microfinance. Using data from ACP, a large, profit-oriented microfinance institution in Peru, I find positive evidence that vulnerability is significant in determining microfinance participation. These results suggest risk and vulnerability should be incorporated into subsequent analyses of the effectiveness of microfinance as a poverty alleviation tool.


Abstract: The paper looks at the capacity of small financial institutions (SFIs) to deliver financial services to low-income groups in Indonesia. It also discusses low-income sector's demand for financial services, including savings and credit. Covers issues such as interest rates, institutional safety, the interaction of savings and loan recovery, essential credit and savings policies and procedures, and product mix. It delves into macroeconomic environment and highlights the role of infrastructure, financial and monetary policies, population density, and externalities such as drought. It reviews institutional frameworks and supervision and policy, discussing the roles of donors and government. It concludes that SFIs can reach far down the socioeconomic ladder on a financially self-sustaining basis.

Abstract: During the 1990s, 300 000 jobs were lost in South Africa's mining industry. Mineworkers' Development Agency was set up to create jobs through small enterprise in the rural areas from where the mineworkers originated: areas which are now largely without a culture of production. This article describes why MDA moved from supporting cooperatives to individual enterprises. The support encompasses cost-covering business supply centres, as well as product development, marketing, training and counselling, which are covered by user fees and subsidies. MDA aimed to diversify the local supply market by offering training in a wide range of skills; however, only a narrow range of training was taken up, and impact assessments showed that the returns to the enterprises started were very low. MDA then attempted to help businesses reach new, higher-value markets, and is currently developing the production and marketing of marula oil. The role of the agency, and the need to hand over marketing to local private traders is discussed.


Abstract: Home-based workers are not easily identified as either self-employed or dependent workers because these categories of employment status fail to capture gender subordination which is particularly salient in the case of home-based work. Yet development practitioners tend to treat home-based workers as self-employed microentrepreneurs, providing them credit and training. Unions, on the other hand, consider them exploited workers, push for the enforcement of labour laws and sometimes have begun to organize homeworkers and bargain collectively on their behalf. We present the cases of the Self-Employed Women's Association of India and the West Yorkshire Homeworking Group of Great Britain as examples of successful organizations which support home-based workers by combining microenterprise development and union organizing.


Abstract: This article examines what can be done to support networking among small businesses when sectoral clusters do not already exist. A UNIDO project in four countries - Bolivia, Jamaica, Honduras and Nicaragua - has fostered networks among small businesses in a given subsector by preparing groups of businesses; consolidating groups and supporting an initial joint project; identifying weaknesses; and helping to implement joint strategic projects. Many of the changes in ways of working that have occurred have resulted in improvements to product quality and reliability, enabling the groups of businesses to move up market. Networks of businesses are also more easy to assist with training and other forms of support than individuals. Associations of networks can also represent their members' interests at the national level by lobbying.


Abstract: There has been a significant interest in the microenterprise movement regarding its effectiveness as a welfare-to-work strategy. A decade’s worth of program results, demonstration projects, and research strongly suggest that the benefits of microenterprise development for welfare recipients outweigh the costs and risks. The state of Iowa has
been a leader in promoting microenterprise development as a welfare-to-work strategy. Iowa was the first state in the US to incorporate microenterprise-development training as an eligible activity in its welfare-reform program. Since 1993, the Iowa Department of Human Services (IDHS) has contracted with the Institute for Social and Economic Development (ISED), a statewide microenterprise development organization, to help welfare recipients become self-sufficient through self-employment. IDHS requires an annual third-party evaluation of the program. The purpose of the evaluation is twofold: (1) to document program implementation and results, including goal attainment and participant characteristics; and (2) to analyze participants’ movement toward self-sufficiency, as compared to that of welfare participants not enrolled in the program. This article reviews ISED’s program and summarizes the findings of the first five years of the program. Among other findings is the fact that the program has experienced a three-year business survival rate of 56.


Abstract: In order to promote economic development in backward areas, many developing countries have offered incentives to businesses starting up or moving to these regions. This article surveys the kind of regional incentives offered in several developing countries, and then takes India as a case study, and examines the schemes available there. It asks whether there is widespread knowledge of the incentives in the business community, and whether they are sufficiently attractive to overcome the disadvantages of moving business location.


Abstract: The paper reviews five lending institutions that provide loans and training to support microenterprise transformation, analysing their programmes design, lending methodology, financial performance and impact. It summarises the key lessons learned:

- microenterprise lending programmes can serve the needs of transforming enterprises in a financially viable way
- successful transformation lending programmes have characteristics in common with successful providers of credit, such as simple procedures and good information systems
- successful programmes have developed lending methodologies or policies that differ from programmes that provide only short-term capital
- although methodologies for lending to expanding firms differ from those for lending to transforming firms, the same institution can still serve both sectors
- transformation lending programmes have developed two different methods for identifying microenterprises that can successfully undergo transformation
- targeted training programmes may support microenterprise transformation but they are not necessary parts of successful transformation lending
- lending institutions can support microenterprise transformation and still reach a large number of beneficiaries at low cost
- preliminary evidence shows that transformation lending programmes do support growth in assets, employment, and productivity of microenterprises, helping them to transform into small businesses


Abstract: The paper examines the building blocks of institutional competence for microenterprise finance by comparing several of the largest and most successful
microenterprise finance organisations: Grameen Bank in Bangladesh, Bank Rakyat Indonesia’s (BRI) Unit Banking System in Indonesia, Banco Solidario, S.A. (BancoSol) in Bolivia; and Actuar Bogota in Colombia. It finds that even though the operating environments, missions, and corporate cultures of these organisations are quite different, they share certain common characteristics in institutional competencies. These represent principles for the provision of microenterprise finance and are summarised as follows:

- **Scale**: leading institutions have achieved active portfolios from several million dollars to hundreds of millions, and serve more than 10,000 clients; delinquency is held well below 8 percent and long run loss ratios are less than 4 percent

- **Financial structure and institutional type**: institutions can have many different origins and institutional types; mature organisations gain access to funding from the local financial system and from their own clients; development of formal financial institutions is emerging as a trend

- **Operational structure and productivity**: retail units are designed to fit closely with methodology and usually comprise standardised staff functions and routines; the superstructure functions both as a service provider and a control mechanism; retail units focus on achieving high productivity; costs as a percentage of average portfolio range from 12 to 25 percent

- **Managing information**: institutions focus at all levels on a few key indicators of performance; evolution to a focus on profits internalises concerns with cost control and provides incentives for high productivity; high quality information systems are timely, relevant and accurate, and serve all levels of the institution; computers are not synonymous with information systems

- **Human resources**: recruit young people with little prior job experience; in house training; employ a wide range of staff motivators

- **The living organisation**: strong leadership; an active board of directors and competent senior staff; high growth based on horizontal expansion into new geographic areas, innovation requiring attention to product and market identification, delivery system design, and organisation wide implementation; resilience in coping with inevitable crises, and swift and sure policy action


Abstract: Growing consumer pressure in the West is directing retailers to attempt to establish ethical supply chains from firms and their subcontractors in developing countries. This article describes the steps that are usually taken to achieve 'ethical sourcing', pointing out that understanding local conditions and assisting suppliers to improve conditions is better than suddenly ceasing to do business with those considered to operate under poor conditions.


Abstract: Through a path regression analysis of data from the Vermont Micro Business Development Program, this study examined the relationships between client characteristics, program activities, interim outcomes, and impacts, to understand factors
that lead to and mediate client success in microenterprise development programs and as entrepreneurs. Statistics demonstrated excellent model fit to the data. The interim outcome of improved personal well-being was related to more sources of capital, course completion, being partnered and younger. Starting a business was related to having more financial resources and mediated by improved well-being. Clients who experienced an increase in income had previous business experience and an increase in assets. Increased income was mediated by improved well-being and business start. Reduction in public assistance was related to course completion, more sources of capital, not being in poverty, and increased assets. Increased assets were related to more education, not being in poverty, and more sources of capital. Being older, more sources of capital, a larger family, and improved well-being led to job creation. Overall, access to more financial resources enabled clients to meet personal and business goals and work towards self-sufficiency. The results suggest implications for public policy regarding business training and loan financing.


Abstract: This article follows on from one in 2001, which dealt with the emergence of a network of microenterprise banks. The German consulting firm IPC has been involved with setting up microenterprise banks 'from scratch', first in Latin America in the early 1990s, and then in south-east Europe, and most recently in Africa. This article describes how IPC formed the investment company, IMI, owned by private and public shareholders, and has made investments in 18 microenterprise banks in the last six years. It argues that having the same shareholders within IMI makes it easier to apply the same business model consistently across all the banks and to transfer knowledge and resources between the banks.


Abstract: In this paper, the author states that the founding of micro-enterprise banks, that are both socially and commercially oriented, has been the most promising concept to have emerged in the development scenario. The paper highlights some of the learning from the experiences:

- It is possible to grant micro loans, with tolerable costs and a very low repayment default rate.
- A bank must be capable and willing to go in for far-reaching decentralization of decision-making, agree to performance-related pay, and offer skilled employees credible job and promotion prospects to be successful at granting small-scale and micro-loans.
- It is possible to upgrade an existing institution and transform it into an efficient bank for 'small' customers.

The author feels the success of the new banks has promoted their employees' commitment and loyalty and strengthened the link between investors and sponsors. To conclude the author cautions towards some of the weaknesses of the new system, these include:

- The success of microfinance banks requires a great degree of commitment and mutual trust, but trust is largely an interpersonal factor and is therefore transient.
- The coalition of international investors, sponsors and donors creates barriers to market entry and restricts competition, which is very necessary for healthy growth of any sector.
- To plan the retreat of the international investors from the newly-founded banks at this early stage would throw the incentive into doubt at all levels

Abstract: IDAs provide matches for savings used for microenterprise and other asset-building purposes and are being tested in several high-income countries. In the United States, microentrepreneurs have indeed used IDAs to build assets. IDAs are also a promising innovation for low-income countries. For politicians and donors, IDAs are popular. For programs, IDAs are simple to target and—compared with loans—IDAs can reach more people and poorer people. For poor people who are willing and able to save, IDAs provide not only a “hand out” (matches) but also a “hand up” (structured assistance with saving). Matches help motivate participation and also turn small amounts of savings into larger amounts of assets. This paper recommends that matched savings for microenterprise in low-income countries take the form of high-interest savings accounts labeled for microenterprise. Of course, matched savings are not a cureall, and not all poor people are in a position to save, but access to highly rewarding savings structure should improve the long-term well-being of many poor people.


Abstract: Sparked by examples from Bangladesh, Bolivia, Indonesia, and other developing countries, hundreds of microenterprise programs have been started in the United States. Will these US efforts be successful? This paper reviews the evidence and concludes that microenterprise development is much more difficult in the United States than in the developing world. The paper suggests some ways to address the challenges of US microenterprise development.


Abstract: This paper argues the need to exercise caution in carrying out micro enterprise evaluations. It informs that most evaluations are partly subjective in nature and focus more on process, ignoring the impact. The author suggests improvement in the evaluations by adoption of a more rigorous estimation of benefit and cost. This is to improve transparency and to help in logically deriving judgments. The author reports the following drawbacks in the present method of evaluations:

- The cost component is not completely included;
- Benefits of micro enterprises are overstated;
- Reporting of cumulative flows conveys little information about the participation;
- Incomplete reporting of information, such as information on non positive measures and the dropouts, is omitted.

Based on the results of four major evaluations of micro enterprises in the United States, the author concurs that micro enterprises have had a positive impact. However, the evaluations still need to make a complete assessment of the impact of micro enterprises on the lives of the poor. Finally, the paper makes some recommendations for improvement in the evaluations:

- The analysis must account for both benefit and cost.
- The incentive structure for evaluators should reward learning
- Output and cost must be compared to judge performance of micro enterprise program.


Abstract: In this paper the author highlights the differences between the First and the Third World poor and suggests how microenterprise (ME) can develop in the First World.
As per the author, ME development is more difficult in the First world; unlike the Third World entrepreneurs, First World entrepreneurs are more often constrained by lack of savings rather than lack of credit. Most microenterprise programs can do little to facilitate savings; because many First World entrepreneurs lack skills, more programs focus on training, and due to the cost-revenue structure, these programs are non-sustainable; abundant wage jobs and a safety net weaken the push toward self-employment; more measurements of costs and benefits create incentives to improve; the need to attract funds sometimes tempts advocates to hype potential and hide problems. A ME program should hire former entrepreneurs, professional loan officers and teachers. ME practitioners should search for ways to monitor efforts toward self-employment that do not require attendance at classes or indebtedness. ME programs should search for ways beyond self-employment to connect people to the workforce. A good ME program often discourages self-employment in favour of more education or job training. Policy should insist that banks make loans themselves in the hope that the banks might learn to serve this niche for their own self-interest.


Abstract: This paper is a seminal review of evidence on the effects of the material conditions for microenterprise in the US and the Third World. It concludes that microenterprise for the poor is more difficult in the United States. Microenterprise does work for a few extraordinary low-income people, but wage employment, additional education, and job training are still the most common paths out of poverty. It offers an analysis that shows that:

- U.S. microenterprise programs face challenges unknown in the third world
- abundant wage jobs and a safety net decrease the push toward self-employment
- even small ventures are complex and must comply with regulations, pay taxes, and compete in global markets
- group loans do not work well in the United States, and private lenders take the best individual borrowers
- low-income entrepreneurs need to build human and financial capital, but the sheer width of training is costly, and microenterprise programs can do little to facilitate savings

Full recommendations and conclusions outline:

- incentives faced by microenterprise programs derive from the incentives faced by within government and private donors. These structures are difficult to adjust, but a first step might be to give administrators long-term contracts renewable each 10 or 15 years after a strict evaluation based on the long-term results of experiments after their 3-to-5 years of funds ran out. A second step would be to measure the output of administrators not as funds disbursed but rather as the number of microenterprises served. This reward funders who seek programs that make an effort to control costs
- measurement of costs and benefits creates incentives to improve outputs and decrease costs
- the goal of community development is not more microenterprise but rather more human welfare, and microenterprise may or may not be a means to that end. Advocates for the poor must seek not more microenterprise but rather more human development, defined as greater capability of people to do and to be the things they have reason to want
- the low-income self-employed in the United States are constrained more by lack of savings than by lack of loans. Individual deposit accounts and minimum savings are tools that underpin or underwrite new ventures
- for low-income communities in the United States, microenterprise is not a panacea but a vitamin
• a microenterprise program should hire former entrepreneurs and professional loan officers and teachers
• long-term on-call advice helps more than general, up-front classes and enterprise training
• class attendance or loan repayment might be good proxies for self-employment effort, and microenterprise programs may want to develop direct monitoring techniques such as having business counsellors visit clients once a week at their place of work
• microenterprise programs should search for ways beyond self-employment to connect people to the workforce- most of the poor will climb to the middle class just like most of the middle class did, through education and wage jobs
• incentives for not-for-profit programs for financial innovation are low, and banks do not learn whether their perceptions of losses in the microfinance market are true nor whether innovations could change those losses into profits


Abstract: Microenterprise programs aim to foster self-employment among the poor, those on welfare, and the unemployed. The only experimental test of their impact is the Unemployment Insurance Self-Employment Demonstration (UISED). UISED did shorten unemployment spells, but most other impacts were small and the most disadvantaged did not choose to participate. Although UISED provides some weak evidence that long-term income support, long-term work-search waivers, and on-call advice may increase total employment (but perhaps not self-employment) more than capital infusions and up-front classes, UISED does not reveal the best design for microenterprise programs or whether such programs are good social investments.


Abstract: Few of the many manuals and training courses on small enterprise promotion in developing countries even mention occupational health and safety, let alone regard it as an essential area of knowledge for successful enterprise. In an attempt to begin to redress this neglect, this article examines the available evidence of the state of the occupational health of workers in small-scale enterprises in developing countries. The range of hazards that can be present and the factors which can determine their effects are then described. Finally the author considers how measures to improve health and safety can be successfully introduced by small-scale enterprises.


Abstract: This paper is the final report of a workshop conducted on pro-poor oriented small enterprise development. It synthesizes the key issues and points out some topics specially related to micro and small enterprise development in the perspective of poverty alleviation. The key issues that the paper presents include:
• Income enhancement and employment of the marginalized is not the priority for SMEs. Therefore focusing on SMEs does not necessarily lead to competitive, effective economic structures for the poor;
• Broad scale poverty reduction strategy strengthens the entrepreneurial and negotiation capacities of the poor. This may hinder effects on income and employment creation;
• Subsidies are necessary for awareness creation, business development and market development, but not for production and operational costs.

The paper also presents the approach followed by USAID, DFID and other donor agencies. However, the core elements of their intervention strategies are:

• Support to the marginalized must integrate the characteristics of family businesses since business activity is only one of several survival strategies of poor families.

• Delivery should happen through a ‘group’ approach (client groups, clusters, networks) for facilitating the market development.

• Though the marginalized do not have a coherent business strategy, yet they have to be considered as clients with a range of different business needs.

The paper concludes by highlighting the results from the panel discussions and summarizing the lessons learnt.


Abstract: Debates issues involved in improving impact assessment methodologies. Focuses on lower-cost IA approaches that generate credible and useful results for both donors and practitioners. Argues that current standards of academic rigor are neither practical nor affordable, and advocates use of lower-cost, "middle-range" approaches to assessment. A middle-range assessment is defined as an inquiry to estimate the amount, pattern or direction of change that can be plausibly associated with the intervention. Critical elements of an impact assessments are credibility and reliability. Several key issues surrounding the design and implementation of a credible, middle-range impact assessment are discussed in the paper, such as, establishing clearly defined objectives and a target audience, selecting a conceptual framework, keeping to a small set of key hypotheses, including variables with demonstrated validity and determining reliable measures. A credible impact assessment can generate data which links client-level impact and microenterprise program performance. Paper suggests seven ways that impact information can be useful for improving institutional performance. Conclusions share lessons learned from recent assessments and propose guidelines for conducting middle-range impact assessment.


Abstract: The paper presents a preliminary framework for evaluating how microenterprise interventions contribute to household security, enterprise stability and growth, individual well-being, and the economic development of communities. This approach departs from convention by starting with the household. It recognises that decisions about microenterprises can be understood more clearly when considered in relation to the overall household economy. Not only do microenterprises belong to a larger portfolio of household economic activities, but they also depend to varying degrees on their households for capital, labour, and other inputs. Furthermore, income generated by microenterprises is used for family consumption and investment. The framework permits the analysis of four intervention strategies like financial services; social intermediation which helps marginalised clients connect to more formal financial institutions through village banking, solidarity groups, and other organisational forms; economic policy, regulatory reforms, or other subsector interventions; and, technical and management assistance such as training and business advisory services. It recognises a need for impact studies that are conceptually grounded, yet methodologically practical. Projects studied should be mature so that impacts are discernible. Such studies should determine the difference that microenterprise interventions make to the client, his or her household, the enterprises, and the community; generate information useful for improving the design and

Abstract: The paper summarises the key findings from 32 research and evaluation reports on the impacts of microenterprise credit services, with special attention to impacts on household economic security, enterprise stability and growth, and individual control over resources. It identifies two main types of beneficiaries- richer beneficiaries who use credit for capital deepening, which increases their expectations of income and risk at the same time; and, poorer beneficiaries who use credit for capital widening, which involves unchanged risks and income, or even reduction of risks and vulnerability. The paper also reveals that programmes effectively reach large numbers of poor households and women but have a differential effect on groups within the poor; have varying degrees of positive impacts on participants, most notably in terms of increases in household and enterprise income and assets; and show mixed effects upon employment, children's schooling and women's empowerment. It concludes that it is unusual for credit to trigger a continuous increase in technical sophistication, output, or employment, as long term borrowers are preoccupied with household survival. The paper closes with a discussion of factors other than programme interventions which influence impacts on clients, their enterprises, and household, including the economic and policy context, gender, sectoral differences, and the poverty level of borrowers.


Abstract: In the past, credit programmes including subsidies and neglecting savings mobilization have undermined rural finance. In recent years, the number of countries has been growing in which banks mobilize savings and practise commercial banking; but the rural poor still have to rely on informal financial institutions, which are better adjusted to local conditions. During the early 1980s, a novel approach entered into the debate: linking informal and formal financial institutions, with financial self-help groups acting as intermediaries between microentrepreneurs and the banks. This reduces transaction costs substantially, for the benefit of both. Within APRACA (Asian and Pacific Regional Agricultural Credit Association), Indonesia has been the first to implement such a pilot project. In a favourable policy climate, a project was designed which incorporates the major features of sustainability, such as reliance on institutional capacity, co-operation between governmental and private voluntary bodies and pre-existing grass-roots organizations, domestic resource mobilization, market forces, flexibility and socio-cultural adjustment. In 1989, 30 bankers, 30 PVO staff and 815 self-help group staff were trained. From May to September, a first set of some 20 bank units, 10 PVOs and 100 self-help groups entered into their initial financial transactions.

Abstract: A sub-sectoral approach to enterprise development has the capacity to identify particular factors limiting the incomes of poor producers in the manufacturing chain of a particular item. In dealing with such bottlenecks it is sometimes possible to have a much wider impact upon poor people's incomes than other approaches to poverty alleviation, which may be limited to a geographical area. A further advantage of the sub-sectoral approach is that rapidly growing sub-sectors may be identified and poor producers enabled to take over more profitable elements of the manufacturing chain, so as to benefit from the growth. This article describes the work of PRADAN in north India, and gives case studies of how a sub-sectoral analysis of production has enabled disadvantaged groups to increase their skills or change their working patterns and to sell higher-value produce, thereby earning a better income.


Abstract: The paper gives an overview of funding, sustainability and management issues in US microfinance. It finds that if there is public funding support for the microenterprise strategy, this can create opportunity for new and innovative relationships. The longer a relationship has been around, the more likely it is to become stable. Practitioners and funders should publicise the impact and success of the microenterprise strategy in the appropriate circles. U.S. programs are unlikely to be self-sufficient and most program officials and field experts now acknowledge that programs will continue to need funding from outside sources in order to sustain their operations. Private foundations seem most likely to provide these two kinds of support. A new piece of legislation--the PRIME--if enabled by financial appropriations, will help to fill the gap in operating support. The paper gives a set of policy recommendations:

- **shift funding from demonstration to sustainability**: public funders need to assume the responsibility of long-term funding of the U.S. microenterprise strategy
- educate policy makers about the merit of the microenterprise strategy: these relationships help contribute to the long-run sustainability of these programs
- **integrate the microenterprise strategy into larger policy solutions**: co-ordination of services to the unemployed must occur at the local, state and federal levels
- **support state-level networks such as intermediaries**: these organisations relieve some of the burden of fundraising from microenterprise programs by securing federal, state and local dollars; they also relieve some of the burden that funders face in having to choose which particular programs to support
- **evaluate programs with appropriate measures**: traditional metrics of performance (number of jobs created, return on investment) are not sufficient to adequately measure the impact of microenterprise development on individuals and communities. Appropriate program evaluation should be encouraged
- **the microenterprise field must look beyond current arrangements**: merging with other programs, increasing fees and raising interest rates, marketing their services more broadly, making larger loans, and cost-sharing with other public programs

Conclusions show that U.S. microenterprise programs obtain their funding from a variety of sources including public, private for-profit and private non-profit organizations. This diversity of funding sources means that the structure of program/funder relationships varies from funder to funder and from program to program. Programs work hard to sustain these relationships and keep funders on board from one year to the next. Time and continued upkeep help to institutionalise these relationships.


Abstract: DFID is committed, with other donors, to work towards halving the proportion of people living in extreme poverty by 2015. This article by the Secretary of State for International Development describes the support given by the British Government to small enterprise development and microfinance by fostering an efficient and hospitable enabling environment for enterprise. DFID’s bilateral, multilateral and central initiatives are outlined briefly.


Abstract: This document presents USAID’s policy on microenterprise development, which employs poor people to help expand economic opportunities for many poor people. The Policy Paper specifies requirements that must be met by all USAID microenterprise development activities signed after September 30, 1995. The policy also incorporates key principles of market development and best technical practice. Microenterprise development helps the economic development of many countries. The majority of microentrepreneurs are women who therefore depend heavily on microfinance for capital and income from business activities for welfare. Finally the paper concludes that USAID may assist a variety of institutions, such as NGOs, microfinance windows of commercial banks, credit unions, etc. In selecting its partners, USAID operating units must mainly consider an MFI’s potential to achieve broad outreach (reaching large numbers of poor people) and/or deep outreach (reaching the very poor), on an institutionally and financially sustainable basis.


Abstract: A successful microenterprise support programme is one defined in terms of outreach, financial sustainability or socio-economic impact, and is likely to be designed and implemented for effective operation in its particular environment. The type of data collected on programme structure and environment may be important for its success. Suggests top priority should be given to the collection of qualitative information and statistics that provide clear, accurate and comprehensive descriptions of the operations of the microenterprise support programme, addressing factors such as structure and history of the institution undertaking the programme; management style and practices in services provided; financial outcomes over at least the past three years; and economic environment, government policies and regulation. The paper concludes that an effective and sustainable microenterprise support programme should be context specific.


Abstract: In this paper, we explore two of the most relevant theories that explain financial policy in small and medium enterprises (SMEs): pecking order theory and trade-off theory. Panel data methodology is used to test the empirical hypotheses over a sample of 6482
Spanish SMEs during the five-year period 1994-1998. The results suggest that both theoretical approaches contribute to explain capital structure in SMEs. However, while we find evidence that SMEs attempt to achieve a target or optimum leverage (trade-off model), there is less support for the view that SMEs adjust their leverage level to their financing requirements (pecking order model). En este trabajo, exploramos dos de las teorías más relevantes que explican la política de financiación de la pequeña y mediana empresa: la selección jerárquica y el equilibrio estático. El contraste de hipótesis se lleva a cabo con metodología de datos de panel, a partir de una muestra de 6482 pymes españolas, que presentan información financiera a lo largo del periodo 1994-1998. Los resultados indican que ambos enfoques contribuyen a explicar la estructura de capital de las pymes, si bien mientras que se confirma la existencia de un endeudamiento objetivo que estas empresas tratan de alcanzar (modelo de equilibrio estático), no parece quedar claro que ajusten su nivel de deuda a sus necesidades de financiación (modelo de selección jerárquica).


Abstract: This paper uses a spreadsheet financial model to identify key financial policy parameters that influence the performance of self-help groups (SHGs) whose primary activity is microfinance. The focus is on long-run (ten-year) performance. There is bad news for those policy makers and practitioners who focus unduly on growth as measured by loan activity. A conservative financial policy that does not inject external funds into the SHG in the initial years and, when it does, does so with moderation, seems appropriate in the long run. Additionally, a high loan interest rate policy produces SHGs that are strong financial institutions.


Abstract: This book sheds light on ways of managing delinquency in microenterprise credit programmes and gives some insights on the cost of delinquency and how to measure and monitor portfolio quality. It argues that microenterprise credit programmes themselves control their levels of delinquency. With few exceptions, poor portfolio quality is more a reflection of a flawed credit programme, rather than "bad" borrowers or an unfavourable economic context, suggesting strategies that can help microenterprise credit programmes control their delinquency. It points out weaknesses in the way that delinquency is currently treated in the microenterprise credit field, and encourages the use and of appropriate and well defined measures of portfolio quality. The book discusses the many different definitions and formulas currently used to report on delinquency and portfolio quality. It recommends how to present an accurate and understandable picture of portfolio quality; demonstrates that microenterprise credit programmes can control their portfolio quality; examines the implications that portfolio quality has for credit institutions and their borrowers; identifies causes of delinquency and suggests strategies for effective control. The book provides recommendations that can help microenterprise credit programmes minimise their levels of delinquency.
Stewart, F. 1990. “Macro-policies for small-scale industry and Appropriate Technology”, Small Enterprise Development, Volume 1, Number 3, pp. 4-16(13), September.

Abstract: Macro-policies are those that concern aggregates in the economy, like the level of taxation, public expenditure, money supply, or exchange rate, while meso-policies are those that concern the distributional consequences of any given macro-policies, e.g. the sectoral distribution of public expenditure or the tax rates on different types of activity. The macro- and meso-policy environment is of critical importance in determining technology choice and technology change. Yet most efforts to promote small-scale enterprises and Appropriate Technology (AT) have been concentrated at the micro-level, in industrial estates supporting small enterprises and in projects to develop ATs. Despite a wide range of interventions, including, for example, boat-building, mini-cement plants and solar energy (see Carr (ed.), 1986), for a survey of a number of AT interventions), the effects have been confined mainly to a small number of firms and to particular areas. ATs have rarely been disseminated widely and in most countries the small-scale sector has not been a dynamic source of output growth. The main responsibility for this lies in a generally hostile policy environment, the negative effects of this environment outweighing the positive effects of special schemes to support the small scale sector. This paper explores how the macro- and meso-policy environment has impinged on the small-scale sector and on technology choices. It then considers whether small-scale technologies are efficient, and goes on to discuss how the policy environment affects technology decisions, surveying evidence on ways in which policies have discriminated against AT and small-scale production in a large number of areas. In the light of these findings, a summary of the macro- and meso-policies identified as favouring the small-scale sector and AT is presented.


Abstract: Training is commonly regarded as a BDS which it is difficult to provide sustainably since MSEs are unwilling to pay the full costs. This article takes the starting point of private sector training which is provided without public subsidy, and draws out some lessons about how this operates and covers its costs. The author then examines the demand side of MSEs as trainees, to identify major key obstacles for market development. Finally, a hypothetical model is suggested for the development of a training market for MSEs, which leads to key recommendations for future interventions.


Abstract: Training for co-operative managers, or for the staff of co-operative departments, in many developing countries used to be dominated by a theory-based, examination-oriented and long-term study structure. In 1978 the MATCOM (Materials and Techniques for Co-operative Management) project was launched by the ILO to introduce training materials for co-operatives that focused on skills-formation and were of immediate and practical use. This article describes not only how the materials were designed and what they consisted of, but also the process by which key individuals among the countries covered by the project were introduced and sensitized to the new methods, and involved in the overall project. Eventually the training manuals have been translated into local languages, adapted to local conditions and used to create flexibility in training sessions.

Abstract: The FIT programme (Farm Implements and Tools) is working to strengthen local capacity for action research, specifically in the field of non-financial services for micro- and small-scale enterprises (MSEs). High priority is being placed on the development of services which can be self-sustaining in the long term. If the services are self-sustaining, it is argued, then they are presumably in demand by the beneficiaries. They could also achieve considerable outreach in a cost-effective way, if they can be copied by others. At the same time, monitoring the impact of those services has been of great importance to both FIT and its partners, to understand what is actually happening, and in particular, to ensure that the ultimate effects have indeed been beneficial, for example in the creation of high-quality opportunities for employment. This article gives a brief description of the FIT programme; it then considers the demands of MSEs for services, and the impact achieved by some pilot activities to meet those demands. The needs of the end-users of MSE products, and the situation for the partner organizations, are also discussed. Finally, conclusions are drawn about demand, impact monitoring and the design of future activities.


Abstract: Better co-ordination can improve the effectiveness of aid, but it is only the first step on a long and difficult road and it is not itself without problems. Formal arrangements can only be successful if they are the result of a process which has its roots in a growing consensus regarding the issues and topics at stake. In actual practice this implies that practical working arrangements form both the beginning and the end of co-ordination and that formal co-ordination will prove at best to be the outcome of such growing common understanding; at its worst attempts to impose co-ordination may prove to be yet another obstacle. The real victim of such co-ordination mismanagement will prove to be the host country for which the whole exercise was set up in the first place and without which no co-ordination can hope to succeed in the long run! This paper reviews co-ordination for SSE development between donors. The effectiveness of such co-ordination presupposes a degree of harmony within the recipient country and between donor and recipient. Donor co-ordination is reviewed here in terms of its scope, level and type. This should help to increase (formal and informal) donor co-ordination for SSE development. Some tentative suggestions along these lines are given in the final section of this paper.


Abstract: There is much agreement on the importance of small and microenterprises in developing countries and this has led to research and the establishment of specialized programmes and institutions in this area. However, certain issues still need more thought and research before policy is made. This article deals with four main problems requiring attention: savings-promotion, fraud, appropriate training, and promotion of medium-sized non-microenterprise. Although other disciplines have produced some solutions, these have not been readily adopted by the small industrial sector.

Abstract: Since 1979 GTZ has been experimenting with an approach to development that borrows heavily from behavioural psychology and personal development, as well as from business management and entrepreneurship development. The approach goes by the acronym of CEFE, which stands for Competency-based Economies through the Formation of Enterprise. The approach is now used in many different countries and is applied to many different situations related to enterprise development. This article has been prepared by two people who have been involved with its conceptual elaboration and dissemination; it is a personal analysis and is not intended to represent the views of all those who are using the approach. This article briefly reviews the evolution of entrepreneurship promotion and identifies the key considerations for the sustainable replication of practical and cost-effective enterprise promotion programmes in emerging economies. It concludes with the presentation of the CEFE method of enterprise promotion which is now used in 50 countries in Eastern Europe, Asia, Latin America and Africa.


Abstract: This paper attempts to probe into the fact that with the promotion of suitable microenterprise and appropriate training, women microentrepreneurs can be empowered. It is observed in the course of this study that microenterprises are highly location-specific. Nonetheless, the role of training is important in economically empowering rural women microentrepreneurs, as a result of which they enjoy greater efficiency in promoting and managing the enterprise, and thereby, enhance their income. Thus, selecting the right type of microenterprise and imparting necessary training to the rural women to start such enterprises will enable rural women to become economically and socially independent. Based on the findings, a range of strategic interventions such as cheap credit facilities, information about microenterprises suitable for that specific area, appropriate training for production and management and marketing links have to be provided to the women in the rural setup so as to empower them.


Abstract: In the backdrop of prevailing gender inequity in our society and emphasis laid on women empowerment in general and rural women in particular, a study was undertaken on micro-enterprise as a step towards empowerment of rural women. The basic hypothesis in undertaking the study was that the empowerment process begins with and is supported by economic independence of women. Field data were collected from rural women in three categories such as micro-entrepreneurs, non-entrepreneurs and housewives in undivided districts of Puri and Phulbani in the state of Orissa during the year 2000. A comparative data analysis has been done to throw light on whether entering into micro-enterprises has helped in reducing the extent of gender inequity prevailing in the family and has helped in their empowerment. The findings of the study results are that education has a stake on women's involvement in decision-making process of the family and it is the women micro-entrepreneurs who participate comparatively to a greater extent than the non-entrepreneurs and housewives. Further, so far as equity in the food consumption pattern and asset ownership in the family is concerned, micro-entrepreneurs are better placed compared to the non-entrepreneurs and housewives. However, the extent of gender inequity in workload burden is seen to have been prominent among working women than housewives. Thus, empowerment of rural women achieved through micro-enterprises
indirectly imposes a burden on women in the form of loss of leisure for them. Based on the findings, it is suggested that there is a need for expansion of educational facilities, both formal and informal for women in the rural areas to improve their involvement in the decision-making process. Promotion for more and more micro-enterprises among rural women through policy initiatives could help in their empowerment.


Abstract: The number of microfinance institutions (MFIs) making small loans to the developing world’s poor has grown to over 7,000. With growth has come increasing competition for scarce funding. Few MFIs have reached self-sufficiency, and fewer still have made the transition to regulated financial institutions. Comparing the performance of MFIs that have attained self-sufficiency with those that have not and comparing both to regional commercial banks in developing countries on selected financial ratios reveals self-sufficient MFIs are strong performers on ROA and ROE. The majority of MFIs, however, are very weak and in need of continued subsidies. Providing financial services to the poor is an expensive proposition and may mean numerous MFIs will not reach self-sufficiency.


Abstract: A few microfinance institutions (MFIs) have implemented best business practices and made the tranistion to fully regulated financial institutions. Many more are in the process of undertaking this transformation or at least considering it. Rising competition among growing numbers of MFIs for both funding and clients has made improved financial performance a necessity for most if not all MFIs. Financial ratios of 17 Latin American MFIs are compared to benchmark performance ratios for the industry and with commerical Latin American banks. This small sample of data, while useful, also underlines the need for more widespread MFI reporting. Complicating reliance on financial comparisons is a complete lack of standardized measures on how well the poor are being served.


Abstract: This paper describes US Agency for International Development's (USAID) microenterprise development strategy. It also includes highlights of the USAID support to microenterprise development in the financial year 2001. The paper states that USAID is committed to pursuing a strategy that reflects the most pressing needs of the microenterprise development field. The approach focuses on linking microenterprises to greater opportunities for growth; and, bringing the benefits of microfinance and business development services to poorer enterprises and households. The paper details activities of USAID regarding three building blocks for successful microenterprise development:

- **Microfinance**
  - Scaling up microfinance programs;
  - Reaching out to poorer;
  - Improving the quality of services;
  - Accomplishing sustainable impacts.
- **Business Development Services (BDS)**
  - Back up services that increase microenterprise income;
Encouraging suitable services for poorer clients;
Supporting sustainable markets.

- Enabling environment for microenterprises
- Reforming government laws, policies, and regulations.

The document concludes by suggesting that both microfinance and BDS are financial tools that improve the microentrepreneurs, businesses and organizations that serve them. USAID is helping to build stronger, more democratic societies through its commitment to microenterprise development.


Abstract: The paper reviews the Microfinance Initiative of USAID for the fiscal years 1994 to 1996, and outlines its renewal for the fiscal years 1997 to 1998. The expected results of the renewed Initiative are
- To ensure that at least half of the microenterprise clients of the institutions USAID supports are women and that at least two-thirds of clients receive loans of less than $300;
- To devote half of all microcredit funding to poverty lending;
- That average repayment rates for the institutions USAID supports will be at or above 95 percent, and every organisation will have charted a clear path to cover its costs within a reasonable time while maintaining the value of its loan capital;
- To set a target for average growth of 15 percent per year in the number of clients served by microfinance programmes USAID supports;
- To strengthen the measurement systems for monitoring these results and reporting to Congress.


Abstract: The paper outlines the importance of credit union institutional development in order to provide enhanced services to small and micro entrepreneurs. It recommends institutional development of credit unions in the area of safety and soundness, financial stabilisation and savings mobilisation:
- improve regulation, supervisory and monitoring systems in order to protect members’ savings by reducing risk caused by unsafe and unsound practices and/or failure to accumulate adequate institutional capital
- develop systems, procedures and controls which promote member confidence
- increase member savings by improving the quality and variety of savings products and services, their pricing and related marketing programmes

It concludes that institutional development of credit unions is the first necessary step in generating greater operational capacity to provide needed services to SMEs. Once promotional activities begin to mobilise greater volumes of savings, new loan products must be simultaneously offered.


Abstract: The paper provides an overview of findings, including a description of typical female-owned businesses, gender evidence on new starts, closures, expansions, and the relationship between the macroeconomy and gender-differentiated growth. MSEs headed
by females are numerous, often in the majority, but typically tend to be concentrated in a few low-return, home-based activities. It concludes there are:

- a large numbers of potential female clients of MSE programs, but many have been overlooked because they are home-based
- MSE programs must be aggressive in identifying and approaching female clients by actively seeking them out
- careful consideration should be given to the types of interventions particularly appropriate for non growing enterprises
- for those female entrepreneurs who wish to grow their enterprises, attention must be focused on more lucrative product lines


Abstract: The paper outlines the credit delivery features of solidarity group programmes, comparing with those of rotating savings association and credits associations. Solidarity groups are peer group lending schemes. Members receive loans and then make regular weekly or monthly payments, with all group members providing a mutual guarantee of loan repayment. This method differs from rotating savings and credit associations in which group members make regular deposits and then take turns in receiving the total amount of the deposits. It identifies that solidarity groups have three principal goals, such as, providing services to the poor, attaining financial self-sufficiency, reaching a large numbers of clients etc. Solidarity programmes that are successful have a strong commitment to management efficiency and strive to be responsive to their market.


Abstract: The paper explores policy goals, reform, and microenterprise development. It states that most governments appear to have a broad set of policy goals that apply to business in general and are independent of business size. Some governments supplement these general rules with specific policies and programs aimed at helping micro and small enterprises (MSEs) overcome perceived weaknesses. Other governments make occasional exceptions to general rules to provide benefits to MSEs. However, most governments share a set of common goals that take precedence over specific or targeted goals pertinent to groups within the economy. It concludes that the government should also develop:

- financial policy that provides for a safe monetary system and for careful supervision of financial intermediaries
- competition policy which establishes rules against monopolies and anti-competitive group behaviour that can take place in cartels (groups of businesses acting together to control output and prices)
- a human capital development program that calls for universal basic education and for reasonable access to college education or to advanced vocational training for those with the skills and drive to be successful in these areas
- an infrastructure development programme that provides the communications network, roads, water and sewer systems, and ports needed to facilitate business transactions
- a set of policies that establish a favourable climate for the start-up of new businesses and for the growth of businesses
- policies that establish and enforce clear rights to property and clear rules relating to the performance of contracts


Abstract: There are several way to link agribusiness and microfinance:
• broaden and revamp agriculture credit programs/institutions to meet rural financial demands
• identify and build on microenterprise linkages that already exist: Microenterprises play a critical role in production efforts, but these linkages are mainly undocumented. Identifying backward linkages with microenterprises is the first step in determining where microenterprises can be improved to increase the quality and scale of larger agribusiness activities
• support value added microenterprise activities: an example would be to promote specialty food production, such as making mango chutney or drying mangos
• unleash microenterprise constraints: larger firms can lessen space and financial constraints of microenterprises through direct assistance. Working with microenterprises through intermediaries who broker microenterprise networks of production, packaging and transport, reduces costs

The paper concludes that microenterprises can be helped considerably through increased access to information, technology and a larger, higher income market. Efforts to increase the degree and value of linkages to larger agribusiness firms in high growth areas will contribute considerably to the growth of microenterprises.


Abstract: This report lays out the basic parameters of the USAID microenterprise development program, including definitions, operational goals, and the range of activities USAID includes under the term "microenterprise development". Also, it provides guidance for USAID assistance to microfinance programs, emphasizing the need to ensure that assisted programs maintain a focus on the target population and encourage their steady movement toward full financial sustainability as a means to achieve large-scale impact and institutional viability. It spells out reporting requirements applicable to all USAID-assisted microfinance programs; mission and USAID/W responsibilities for measuring program results; country and organizational characteristics affecting the prospects for program success; and guidelines on structuring assistance to microfinance institutions. It provides parallel guidance for assistance to organizations providing only non-financial assistance, and assistance to those offering both financial assistance and non-financial services.


Abstract: The paper discusses institutions scaling up non-financial services on the back of a large, pre-existing client network. They lower transaction costs through building training and technical assistance services for a captive audience. Such large networks are not common but where they exist, they have evolved through considerable investment, sometimes for microenterprise finance, sometimes for other social development programs. Therefore this pathway for developing non-financial services is an interesting, but limited one. Forthcoming GEMINI briefs will consider alternative non-financial assistance strategies for situations where piggybacking is not possible.


Abstract: The paper suggests in order to avoid the high-cost, low-impact trap common to firm-level non-financial assistance, support should not be aimed at individual microenterprises directly, but at intermediaries (usually larger firms) that can work with large numbers of smaller firms. These larger firms generally do not need help in bookkeeping, motivation, or marketing - the standard aid package for direct microenterprise training and technical assistance. They are more likely to need assistance in technological innovation and in the creation of new forms of business linkages with smaller firms that can help them and their collaborators access new markets. Therefore, technology and business linkages are promising areas for indirect assistance. However,
this does not mean that organisations that work on technological change or linkage promotion will be more cost-effective than others working in more "classical" assistance areas, such as firm-level training. It concludes that the key to cost-effective indirect assistance is working with existing markets and making changes with the right actors in a way that helps both the larger and the smaller firms use their comparative strengths to achieve market gain.


Abstract: The paper examines credit unions that are heavily involved in this type of lending in most LDCs. Aim of the paper is to establish preliminary estimates of the extent of credit union participation in savings mobilisation and small-scale enterprise lending. It discusses the differences between credit union and non-credit union approaches to enterprise lending. The paper summarizes the lessons learned from more than thirty years of credit union operations in developing countries. It presents recommendations on how credit union enterprise lending activities can be improved, and, explores opportunities for collaboration between credit union and non-credit unions in microenterprise development. Finally, it suggests future research and investigative needs


Abstract: This meta-analytical review of empirical studies of the impact of schooling on entrepreneurship selection and performance in developing economies looks at variations in impact across specific characteristics of the studies. A marginal year of schooling in developing economies raises enterprise income by an average of 5.5 percent, which is close to the average return in industrial countries. The return varies, however, by gender, rural or urban residence, and the share of agriculture in the economy. Furthermore, more educated workers typically end up in wage employment and prefer nonfarm entrepreneurship to farming. The education effect that separates workers into self-employment and wage employment is stronger for women, possibly stronger in urban areas, and also stronger in the least developed economies, where agriculture is more dominant and literacy rates are lower.


Abstract: Developed countries and countries of the Third World look to South East Asia as a model of regional economic vigour, where the small-scale business sector has flourished. This article suggests that positive aspects of the region's economic success, such as cooperation and linkages between firms in a sector, need to be emulated, rather than the low levels of work-force organization, which have kept labour costs down at the expense of poorly paid workers. The article describes the great potential of clusters of entrepreneurial small firms to transform a city or region through strategies that have been described by concepts of 'flexible specialization', the 'new competition' and 'industrial districts'. An alternative industrial development strategy is suggested, combining elements of all these ideas.

**Abstract:** Micro-enterprise efforts have focused mainly on economic development, although ignoring the social and environmental consequences can jeopardize success. This essay examines the characteristics of successful groups and the barriers they face. The lessons learned from successful micro-enterprises suggest that the key is to bring together the elements of sustainable development with the importance of the key fact that the micro-enterprises are community based. The thesis proposed is that micro-enterprises can foster sustainable development if, and only if, they are integrated in a view of community development that links the social, economic and environmental dimensions.


**Abstract:** Small firms fund themselves through a wide variety of sources, many nontraditional. According to the World Business Environment Survey only 29 percent of small Latin American firms have access to bank credit, while other sources show that 55 percent of small and medium enterprises (SME) use their own suppliers and clients as a financial source in their early development stages. Thus, to better understand the financing of SMEs, one must take a closer look at the commercial credit offered by other actors along the productive chain. In the most widespread type of commercial credit suppliers provide credit to their buyers, allowing them to pay in installments. An annual survey of the Banco de México indicates that in the first half of 2004, 76 percent of Mexican firms gave credit to their customers, and that this figure is higher. Client financing to suppliers, on the other hand, often takes place through cash or in-kind advances from buyers to suppliers or through financial instruments such as factoring. However, the weak regulatory environment and the lack of credit records makes it difficult to expand the use of these commercial credit instruments in Latin America. As a result, SMEs use alternative financing schemes based on their forward linkages with processors, wholesalers and final clients. This article outlines three of these alternative mechanisms and examines the strengths and obstacles in each case: three craft exporters that sell their products in the United States; Hortifruti, a fruit and vegetable wholesaler in Costa Rica; and the experience of the Manos Campesinas coffee producers association in Guatemala.


**Abstract** The paper states that there are two forces propelling successful microenterprise finance programs toward some kind of formalization: deposit mobilization and leverage. The paper explores a variety of issues surrounding the formalisation and regulation of informal microenterprise finance programs that wish to leverage themselves by borrowing from other financial institutions or taking deposits from the public. It looks at a possible core of agreement -- in particular, the provision of more adequate information by microenterprise finance. Certain characteristics typical of most microenterprise finance programs (e.g. special characteristics of clients, types of loans and capital structures) are examined to see what implications these might have for an appropriate regulatory approach. The paper observes that even in the richest countries where major resources have been devoted to regulation and supervision, costly failures have nonetheless occurred (e.g BCCI) and, further, that in poorer countries adequate regulatory and supervisory resources often do not exist to cover fully even the commercial banking sector. It concludes that a careful balancing will be required of the potential benefits from prudential regulation and supervision against the costs of inhibiting innovation and outreach by microenterprise finance programs. Successful microenterprise finance
programs will and should continue to leverage themselves by obtaining external borrowed funds to expand outreach to their low-income clients. Attention to accurate financial information for effective management and control is clearly a key starting point for microenterprise finance programs wanting to transform themselves into financial intermediaries.


Abstract: The progression of microfinance NGOs from small, money losing operations to large providers of banking services to the poor involves many risks. Unless these risks are managed successfully, the conflict between the objectives of outreach and sustainability becomes destructive to both. Several analytical tools based on accounting data and financial analysis can monitor progress toward sustainability with expanding outreach:

- The value of project cash flows to the institution providing services
- Accounting profit or loss;
- Independence from subsidy;
- Sources of funding;
- The ‘constancy’ of outreach.

This article outlines how measures are to be tested and suggests they should be routinely applied by microfinance providers and by donors that sponsor them.


Abstract: This book provides a practical and systematic assessment of the positive and negative linkages between microenterprise development activities and health and presents programmatic innovations and ways to maximize the health impact of microfinance. Microenterprise development for better health outcomes showing that economic development and public health, often thought of as distinct, are both interdependent and dependent on social and political conditions, this book provides an appreciation of the close relationship between microenterprise development and health in developing countries and argues for a conceptual and practical relationship between microenterprise development and household health, nutrition, and sanitation. The authors examine specific actions for harnessing the power of microeconomic development to improve health and human development and support their with data from case studies carried out in Latin America, Asia, and Africa. The book challenges the reader to cross disciplinary and professional boundaries to not only understand the interrelationships between health and income generation but to use available tools to enhance those interrelationships.

Webster, L. 1990. “Fifteen years of World Bank lending for small and medium enterprises”, *Small Enterprise Development*, Volume 1, Number 1, pp. 17-25(9), March.

Abstract: What makes a small enterprise loan work in one country where success would appear to be unlikely, while a loan with seemingly high potential in a country primed for success founders? What determines success in small and medium enterprise (SME) assistance programmes? These questions are among those addressed in a new World Bank study of 70 small and medium enterprise projects in 36 countries. These projects received US$3.2 billion in World Bank loans spanning the period from 1973, when SME lending was initiated in the Bank, to 1989. The primary objectives of World Bank projects for small enterprises are: strengthening the financial and technical institutions that serve SMEs; job creation at relatively low cost per unit of capital invested; and the correction of imperfections in financial markets that constrain small borrowers’ access to credit. The underlying premise is that increasing small firms’ access to services normally available
only to larger, established firms furthers both industrial growth and income distribution in developing countries. The review evaluates the performance of the Bank’s SME projects, highlights particularly successful approaches to the provision of credit and technical assistance, and identifies key factors for success. The study deals neither with overall policy reforms nor with the impact of projects at the firm level. Rather, the focus is on how to build viable and sustainable financial and technical assistance programmes for small enterprises.


Abstract: The focus of the study is threefold:
• to determine the nature and extent of women’s participation in the informal sector as owners and operators of small- and micro-scale enterprises by examining activity sectors, business sizes, ownership patterns, types and numbers of employees, profitability, failure rates, financing, assets, production levels and markets
• to identify the constraints and problems faced by women entrepreneurs in the informal sector, specifying those that they share with men and those that are special to women
• to suggest interventions or changes in the policy or institutional environment that would alleviate the constraints faced by female entrepreneurs and improve their opportunities

It presents empirical evidence on the way women distribute their resources and balance business and domestic priorities, and the way their business growth patterns compare to those of men. It makes recommendations for enhancing opportunities for female entrepreneurship in existing and proposed Agency projects, including identifying and approaching women clients, assisting female entrepreneurs and attracting qualified female loan officers.


Abstract: The results achieved by microfinance institutions in Latin America over the past ten years have captured the imagination of policy makers, community activists, academics and donor organizations the world over: many believe substantial poverty alleviation would follow if financial services could be extended even more widely in the microenterprise sector. In Latin America and the Caribbean alone, an estimated 130 million people –59% of the total workforce of 217 million– depend on microenterprises for their livelihood. However, there is growing concern that microenterprise activities may damage the environment through lax or non-existent pollution controls. In the short-run, on a case-by-case basis, the damage may not be significant. But some worry that over time the cumulative effects could become serious. If there turns out to be a tradeoff between environmental protection and microenterprise development, then national governments, donor organizations and the private sector will need to face the problem and implement cost-effective pollution mitigation strategies. Microfinance institutions, which each have direct relationships with thousands of microenterprises, will likely find themselves in the center of any efforts to improve environmental conditions in the sector. But what can microfinance institutions really do? The search for the most effective strategy begins with an appraisal of the problem: how pervasive is pollution in the microenterprise sector?


Abstract: Rural finance is getting a fresh look, thanks to recent innovations and successful examples of sustainable rural financial services. In some notable cases, institutions have managed to overcome or neutralize some of the difficult challenges characterizing rural markets. The history of rural finance is littered with failed state banks and agriculture credit programs. Government attempts to channel subsidized resources to the sector have
overwhelmingly failed to alleviate poverty, reduce inequalities, or promote sustained agricultural growth. To the contrary, much of the disbursed credit has been diverted to non-agricultural ends and higher income clients have tended to benefit more than poorer clients. Moreover, the financial institutions administering the programs have suffered from high delinquency rates and low profitability. In short, the financial viability of many participating financial intermediaries has been compromised. Today there is a renewed interest in rural finance. In spite of the discouraging experiences of the past, some recent developments hold promise for sustainable rural finance. In some cases, microfinance institutions have successfully modified technologies used in urban areas. In other cases, marketing companies and non-profit institutions have stepped in as intermediaries between banks and farmers to form inter-linking financing schemes. In still other cases, financial institutions have developed new and innovative products as a way to enter rural markets.


Abstract: The eight cases presented in this publication involve organizations that have achieved recognition for their success in adapting their products to the microentrepreneurial market by applying the criteria of institutional efficiency and sustainability. In each study, the reader is provided with an analysis of the institutional structure, a brief description of the credit methodology used, and an example of a client representing a successful case from the stand-point of the institution involved.


Abstract: Interest in credit unions as a source of microfinance is growing throughout Latin America and the Caribbean. There are three reasons for this renewed interest. First, with approximately $2.6 billion in microenterprise loans, credit unions are far and away the largest source of formal and semiformal credit to microenterprises in Latin America. Second, even though credit unions are not exclusively oriented toward serving the poor, they nevertheless reach large numbers of such people. Third, despite being the dominant supplier of microfinance, credit unions are far from what they could be; they have enormous potential to expand and grow. However, this potential has remained largely unrealized because of a number of weaknesses that characterize most credit unions. This article highlights four key issues that credit unions must grapple with today to become effective financial institutions: rehabilitation, supervision, governance, and consolidation.


Abstract: There is a growing interest in reforming the business environment as a means to stimulating economic growth. Unlike other interventions, business environment reforms have the advantage of potentially benefiting the entire business sector, rather than individual enterprises; however, it is less easy to attribute new growth to particular reforms. To counter this, a number of tools are being developed to measure and compare the business environment in different countries. It is also apparent that strong domestic institutions are needed to carry out effective ongoing reform programmes, and that new skills are needed among the donor community if it is to provide sound advice and add value to domestically driven reform programmes. These and other challenges are outlined.
in this article and are being discussed at a conference of the Donor Committee for Small Enterprise Development in Cairo in November.


Abstract: The President of the World Bank outlines the contribution made by the Bank to reducing poverty through promoting small enterprises and microfinance. The World Bank has been active in the Consultative Group to Assist the Poorest (CGAP), which promotes best practice in the microfinance industry and funds selected institutions to bring financial services to the poor. The new Small Business Development Initiative aims to benefit small and medium businesses by, among other things, supporting the market for private-sector business development services. A major role of the World Bank is to gather together and distill the knowledge of many donors and, in publishing these lessons of experience, Small Enterprise Development plays a part.


Abstract: Entrepreneurship is important for the continued dynamism of modern economies and for job creation. Policymakers need to know how new firms get started and what financial and institutional factors promote entrepreneurial activity. A new cross-country, time-series data set shows a strong correlation between entrepreneurship and the quality of the legal and regulatory environment, ease of access to finance, and prevalence of informality. This finding tells policymakers what they can do to promote entrepreneurship.


Abstract: Helping small and medium enterprises (SMEs) forge business links with larger partners supported by the International Finance Corporation (IFC) is an important strategy for promoting local enterprise-and thus economic development-in frontier economies. But what does it take to design and manage an effective linkage program? Success depends in part on whether appropriate steps are taken before a program is launched.


Abstract: Successful microfinance institutions (MFIs) ultimately will be those that are “market-driven.” A key element of being market-driven is the development of client-responsive products. This paper outlines some of the basic questions and issues that MFIs should address prior to embarking on the product development process. Effectively conducted, systematic product development will result in products that are popular with clients and more cost-effective operations for MFIs. It will also contribute systematically to the long-term sustainability of MFIs.

Wydick, B. 2002. “Microfinance among the Maya: Tracking the Progress of Borrowers”,


Abstract: Many microentrepreneurs lack basic numeracy skills and are also too poor to afford professional financial and accounting assistance. This article describes the simplest procedures to keep track of the business cash flow, including the 'two-box' system and the use of representative icons in cash-flow statements. It also analyses the circumstances in which these procedures are sufficient for a reliable business assessment, and when a higher level of accounting understanding is necessary for the business manager to avoid being misled.


Abstract: More than 24 countries operate separate boards and exchanges aimed at small and medium-size enterprises (SMEs). Equity markets play a critical role in fostering economic productivity by financing innovation. But only a few SME exchanges function properly, providing coveted fresh capital and liquidity. What steps are key to building an efficient exchange to provide risk capital for SMEs? Creating an SME-friendly market architecture supported by effective institutions and forging links to policies that foster a new class of investable equities.


Abstract: Because of their contribution both to employment and productivity, small enterprises are vital to development. While small is not always beautiful, small firms are often more efficient in total resource use than the larger ones in sectors where the small predominate. Moreover, small enterprises are often productive in spite of policies that are biased against them, particularly agricultural, financial, and trade policies. While there are no policy panaceas, important patterns are apparent. Policy strategies, including large- and small-scale enterprise emphases, are discussed for 'hard' and 'soft' states and for Africa. In countries with very low incomes and untapped agricultural potential, the reform of agricultural policies must often receive top billing. Policy reforms should be pursued through donor and host country collaboration.


Abstract: This report discusses the critical role of USAID over the past two decades in creating and advancing an approach that meets the needs of individuals and entrepreneurs for financial and business development services; and promoting policy changes that facilitate the creation of an enabling environment for micro enterprise. The paper argues that USAID’s partnerships with U.S. private voluntary organizations (PVOs) and other micro enterprise practitioners have also demonstrated that these services can contribute to poverty alleviation in a commercially viable way. The report concludes by detailing results from USAID-supported micro enterprise institutions in 2002.


Abstract: Improved technologies for small businesses have the potential to increase productivity, improve product quality and develop local skills. 'Appropriate technology' has generally been considered to be cheap, robust and simple; usually able to be manufactured locally and generating products with a local market. This article asks the question whether technology that satisfies these criteria necessarily satisfies small
business requirements. If more attention is paid to the market demand for the product, rather than to the technology used in its manufacture, would the choice of technology be any different?
Asia

Bangladesh


Abstract: A microenterprise is modeled on Islamic epistemological premises to bring out its extensively applied perspectives using community-based participatory instruments of Islamic law (Shari'ah). The case study is for Bangladesh, but the model developed has universal implications. Various organizational features of such a microenterprise model with a strong human resource development focus at the grass roots are explained in detail, keeping in view the process-based systems perspectives in the knowledge-induced learning process that is embedded in the model of the Islamic microenterprise.


Abstract: The difficulties of providing poorer microenterprises with BDS may sometimes be overcome by encouraging them to form groups and market their produce collectively. This article describes the experience of the USAID-funded JOBS Project in Bangladesh as it worked with three groups of microenterprises – the Bogra Handicrafts Association, the Modhupur Pineapple Association, and the Shafipur and Mirpur footwear producer groups – to improve their market linkages. Perhaps surprisingly, a greater degree of independence and market strength was eventually achieved with the pineapple farmers and the shoemakers, for whom the JOBS Project intervened directly to arrange technical assistance and marketing linkages, than for the handicraft workers, who received BDS through an NGO/MFI. How these three projects shed light on ideas about building the market for BDS for microenterprises is discussed.


Abstract: As well as providing financial services, BRAC (Bangladesh Rural Advancement Committee) offers members of its Rural Development Programme wishing to start businesses in a range of sectors a package of skills training, input supply and technical assistance. This paper examines two issues: the impact of skills development training and other BDS on women's income growth, and the cost-effectiveness of BDS from both the service providers'as well as the service recipients'point of view. Results show that, as well as benefiting from credit, those who received skills training in their chosen activities earned significantly higher income than those who did not. Regarding cost-effectiveness, case study results show that, for the service recipients, the additional amount gained through their new business exceeds by many times the amount paid to BRAC as a service fee, so for the service recipients BRAC is highly cost-effective. On the other hand, for BRAC, the amount it charges covers only 47 per cent of its total cost.

Abstract: This paper presents findings from a study of Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC), two programs that provide credit to poor rural women in Bangladesh. The programs were found to have significant effects on eight different dimensions of women's empowerment. The authors use a combination of sample survey and case study data to argue that the success of Grameen Bank, is particular, in empowering women is due both to its strong, central focus on credit, and its skillful use of rules and rituals to make the loan program function.


Abstract: The importance of NGOs in grass-roots development is now widely recognized. This article attempts to define the types of NGO, to explore their role in entrepreneurship development and to characterize the main features of successful NGOs in promoting enterprises. This model is then tested against five well-known Bangladeshi NGOs and suggestions are made as to how the model might enable both managers and those who finance NGOs to make their operations more effective.


Abstract: The quantitative impact assessment of microfinance programmes, like the programmes themselves, originated in Bangladesh. This essay reflects on the significance and usefulness for present day researchers of the analytical advances made in Bangladesh since the beginning of the 1990s. Particularly in the area of selection bias, fungibility and the assessment of wider impacts, it argues, those advances are crucial, and need to be borne in mind by all practitioners; but financial sustainability remains an unresolved problem.

Lewis, D. J. 1996. “Understanding rural entrepreneurship in a Bangladesh village — individuals, roles or structures?”, Small Enterprise Development, Volume 7, Number 4, pp. 22-31(10), December.

Abstract: Despite the centrality of small enterprise development to current development practice among donors and NGOs, the concept of entrepreneurship has only rarely been examined since the heyday of modernization theory. Moving beyond the emphasis on key individuals and special qualities and instead focusing on ideas about structure and context, we can use the concept to understand how people gain access to new non-cultivating roles in agriculture in rural Bangladesh. Processes of technological change under privatization and structural adjustment have created new opportunities leading to the creation of new forms of technology-based enterprise in rural areas. These need not always be captured by local élites. For NGOs and other development agencies there may be new openings for innovative support to enterprise efforts by the poor.


Abstract: A policy achieves little if its implementation is weak. This article looks at what policies have done for small business development in Bangladesh. A review of the policies
reveals that they have not primarily aimed to bring about dynamic changes in the small business sector, and that bureaucratic control and administrative complexities have stifled what small business promotion efforts there have been. It is proposed that a coherent, comprehensive small business development policy must be formulated, and that ways to implement the policy effectively must be considered.


Abstract: This article examines a program that seeks to reach Bangladesh’s “hardcore poor” by combining elements of livelihood protection (food aid) with livelihood promotion (skills training and microfinance). Bangladesh Rural Advancement Committee’s Income Generation for Vulnerable Group Development Program has deepened the outreach of its poverty-reduction activity and achieved impressive results. Detailed local-level fieldwork revealed, however, that program practice differed markedly from program plans. This is found to have important implications for both future program design and the understanding of “who” does not benefit from such innovative programs. We conclude that while such programs, mixing livelihood protection and promotion, should be a major focus for anti-poverty strategies there will remain a role for more traditional social welfare schemes.


Abstract: Multivariate analyses of data from a recent study in rural Bangladesh suggest that women's access to credit provided by two organizations, Grameen Bank and BRAC, augments use of contraception. This effect increases with the duration of the women's involvement in the credit programs. Although three of eight measures of women's empowerment have statistically significant effects on contraceptive use (women's economic security and contribution to family support, freedom of mobility, and relative freedom from domination by the family), these variables account for surprisingly little of the effect of credit on contraceptive use. The authors present qualitative data describing how the credit programs empower women, and speculate about other paths through which participation in them may influence contraceptive use.


Abstract: The basic objective of this study was to look at the profit rates made by VO members once they have made investments in projects financed through BRAC loans. BRAC’s twin objectives of employment and income generation as part of its poverty alleviating strategy hinge crucially upon the success of its micro credit programme. Although weekly loan repayments may originate from a variety of sources, the intended channel is via the profits made on their individual micro-enterprises. This study took a sample of seventy households divided equally amongst seven different microenterprises. The projects investigated were paddy cultivation, potato cultivation, goat rearing, bull fattening, grocery shop, net making and poultry. The profit rates were calculated using detailed structured questionnaires which collected information on revenues and costs of the project. Information on time spent on the microenterprise was also collected in order to measure the opportunity cost of time.

Abstract: This paper presents a comparative perspective of the pattern of technological innovations carried out by small enterprises in the engineering industry in Bangalore of India and Northeast England of the UK. Despite differences in the policy support extended to technological innovations of small enterprises in the two countries, the overall pattern of technological innovations carried out by small enterprises appears to be similar. Radical product innovations emerged due to internal factors whereas incremental product innovations emerged due to external factors in both the regions. This is true despite the fact that UK is recognized as a 'technology leader', whereas India is identified as a 'dynamic adopter' of technologies. However, the two regions have similar features such as concentration of engineering industries and Bangalore, in addition, is a centre of professional colleges and R&D institutions, which would have facilitated 'innovation stimulating environment' similar to that of UK. But the 'insufficient' spread of previous inventions and innovations, low R&D intensity of small industry as well as that of Indian economy, which is reflected in India's low technology achievement index (TAI) as well as lack of technical background of entrepreneurs explains the lesser extent of radical and incremental innovations of small enterprises in Bangalore relative to that of Northeast England.


Abstract: India was one of the first countries to adopt a clear policy to support small-scale industry 50 years ago, as a means of promoting employment. This article describes the elements of India's Small Industry Policy with specific reference to protective measures, and reviews its impact on the growth and efficiency of the sector. India's small industry liberalization is making quiet progress, characterized by a dilution of protective measures on the one hand and a strengthening of development measures on the other, aimed at boosting the efficiency and competitiveness of small industry to the international level.


Abstract: It has been argued by David McClelland that the levels of growth which a country attains are explained by the presence or absence of a 'need for achievement' ('n Ach') in the population. Since this need for achievement can be developed and reinforced, growth can be accelerated by influencing the behaviour and supply of a country's entrepreneurs. One can debate the issue raised by van Arkady that 'theories that emphasize deep-seated psychological or cultural characteristics do not seem particularly relevant for policy, as these variables are unlikely to be subject to policy influence over any useful time horizon.' Indian entrepreneurship development training programmes (EDTPs), being the first and most widely replicated, have the potential to exemplify McClelland's theory and to demonstrate effective ways of enhancing entrepreneurship.
through policy intervention. The objective of this paper is to present a synoptic view of EDTPs in India. It focuses on training processes and procedures as they currently exist and offers some suggestions for their improvement. The first section discusses the evolution and scope of the Indian EDTPs, and the specialized agencies which conduct them. The second section describes the Indian EDTP package, followed by an evaluation. A limitation of this paper is that it does not address the debate on the comparative efficiency of the 'training-alone approach' vis-à-vis the 'training-plus approach'. Another limitation is that it is based on the author's observations rather than rigorous scientific evaluation. Unfortunately, the vast literature on Indian EDTPs does not include any scientific evaluation.


Abstract: Funding agencies for entrepreneurship development programmes (EDPs) in India are currently re-appraising their support for such programmes, and questions on the cost-effectives of EDPs are being raised. The need for more exacting evaluations is apparent given that most EDPs go no further than discovering whether or not trainees have started businesses after the programme. This article describes some past and present evaluations of Indian EDPs which were presented at a one-day 'National Consultation on the Evaluation of EDPs' at Bhubaneswar, Orissa, in March 1992. The consultation ended with some recommendations on how EDPs could collect data to make evaluations easier in future, and for EDPs to be prepared for funding institutions to expect trainees to pay part of their fees in future.


Abstract: Microenterprise success is often evaluated solely in terms of economic outcomes. These evaluations do not recognize how opportunities for success may differ across groups and contexts, and disregard the importance of power and control as factors in success. This article investigates the determinants of a two-dimensional concept of microenterprise success for women in Ahmedabad, India, by analyzing data from a 1998 study of home-based garment producers. Growing economic success for these garment producers decreased empowerment outcomes, which suggests that evaluating both economic and empowerment outcomes and their interactions is important to understanding the process of achieving success. Improving the economic outcomes of women's enterprises via better training and access to markets, credit, and capital equipment does not necessarily facilitate women's empowerment. Microenterprise scholars and practitioners must focus on improving women's status within their homes, so they may contribute to and benefit from the decisions made about how to use their resources.

Phansalkar, S. J. and Sriram, M. S. “Business development services for small enterprises - a study of Hyderabad, India”, Small Enterprise Development, Volume 12, Number 2, pp. 44-54(11), June.


Abstract: In spite of the reluctance of municipal authorities to recognize them, microenterprises continue to increase in number in urban areas. Trading entrepreneurs in Hyderabad, South India, value the availability of lockup storage space near the market to safeguard their stock at the end of the day. Such stores mean that traders do not have to
commute home with their stock every day; they provide a number of other advantages as well, such as toilet facilities and a place to rest. Renting arrangements for such stores are not formalized, however, and there are insufficient lockup stores available. This article describes how the municipal authorities’ attempts to provide small shops have become uneconomic, and calls for recognition from the authorities of the storage needs of microentrepreneurs.


Abstract: The authors examine the legal and business environments, financing channels, and governance mechanisms of various types of firms in India and compare them to those from other countries. Despite its English commonlaw origin, strong legal protection provided by the law, and a democratic government, corruption within India’s legal system and government significantly weakens investor protection in practice. External financing of firms has been dominated by nonmarket sources of financing, while the characteristics of listed firms are similar to those from countries with weak investor protection. The evidence, including results based on a survey of small and medium-scale private firms, shows that alternative financing channels provide the most important source of funds. The authors also find that informal governance mechanisms, such as those based on reputation, trust, and relationships are more important than formal mechanisms (such as courts) in resolving disputes, overcoming corruption, and supporting growth.


Abstract: Microentrepreneurs are most familiar with government policy in the form of regulations such as municipal licences, sales tax, planning permissions and so on. What microentrepreneurs are subject to according to the statute book and what they are obliged to pay in practice are, however, often very different things. This article describes the results of a survey in a city in India looking into how slum-dwelling microentrepreneurs were affected by various pieces of government regulation. The article also asks to what extent taxes, fines and the confiscation of goods may be hindering the expansion of small business.


Abstract: Sustained very high rate of growth (above 8% in the context today in India) would be able to achieve (since a labour productivity growth of 4 to 4.5 % is to be factored in) a labour absorption rate of 3.5 to 4% which is about a percent above the growth in the rate of the workforce. But slower growth of around 6% which is what India seems to be achieving in the 90s on an average would keep disguised unemployment alive for long. Similarly, the transformation of firms and especially SMEs which have little autonomous capacity is itself a function of growth oriented policies. In the nineties labour has been sufficiently flexible to allow rapid growth whenever demand was high. In any case the unorganised workers, did not have the ability to resist hire and fire. Demand has been lower than possible otherwise since the rupee especially in comparison to the East Asian currencies has not been aggressively priced. Lacking a very rapid growth in the
market sufficient to overcome disguised unemployment, the transformation of these industries has itself been affected. Similarly the continuation of tariff inversion, high and uncompensated energy taxes hurt manufacturing and especially the small and medium sector whose dependence on relative factor cost is higher. The slow movement towards de-reservation has further attenuated the process. The dynamic inefficiencies and distortions are far more significant than the static efficiency penalty that the economy pays in the continuation of reservation. Without these corrections the move to have “free-trade” agreements with the ASEAN countries would hurt manufacturing in India and especially the SMEs. Many of the traditional small firms are in clusters, and a cluster oriented approach would be important for their success. A strategy based on leveraging trade names /brand names, many of which could be argued to be “geographic indicators”, with much equity world wide, would require immediate changes in our intellectual property rights regime. Costs of excise registration and dealing with excise authorities are too large, and there is a 'fixed' component to this cost which cannot be spread over a large value of turnover. Only significantly lower excise rates for small firms could compensate them sufficiently. The criteria of "with and without the use of power" in the Factories Act, be entirely dispensed with. All units with more than 50 employees including the entrepreneur and family labour, be brought /retained under (all) the provisions of the Factories Act. And all other units be entirely exempt from its provisions. Credit is the single most important constraint for small firms. Incentivisation of priority sector targets is the solution. The policy of directed lending to small firms (the targets for priority sector lending) ought to shift from targets or quotas to incentives to banks for lending to small firms. Responsible risk taking in lending would have to re-emerge. Tax based incentives for banks and financial intermediaries are possible. Statutory Reserves based incentives for banks too are possible. Concessions on interest rates are dysfunctional, though the margin above PLR rates ought to be subject to a ceiling. State Finance Corporations which could play a crucial role in financing of SMEs would have to go through quick restructuring and refocus on promotion of new enterprises typically where vast positive external effects are anticipated, such as in technology based small firms, promising industries, nodal industries, industrial estate corporations, in exchanging specific infrastructural support to existing clusters of small firms, etc. Investments in infrastructure especially general roads, power, railways, and water supply would help to improve the performance of small firms significantly. For all small firms power and water continue to remain constraints shamefully after nearly 10 years of reform. These can easily come down at least for export industries if the taxes and cross subsidies on them are made vattable. Despite the Electricity Act 2003, it is shameful that open-access has not been extended to SMEs. Technology based and skill labour using industries such as IT, BT, pharmaceuticals and auto oriented industries, also need to be exploited. In automobiles taxes are still very large and the inverted tariffs / high cost of materials and energy that are uncompensated hurt the prospects of India emerging as a base for manufactures. In IT, Biotechnology, pharmaceutical industries and other related offshoring activities the challenges lie in bringing about better IPR regimes that reduces the risk faced by foreign firms in their operations in India. IPR regimes requiring much insight would have to be worked work out that is able to balance the interest of Indian firms and yet lead to much industrial relocation. The addition of a petty patent register could considerably enhance the extraction of value from the many innovations that take place in the SME sector. Municipal infrastructure is inadequate and its correction in at least a few cities is of crucial importance to the growth of the off-shoring activities and growth in these industries. Financial institutions could usefully develop strong venture capital arms to finance innovative small firms that have a good potential to emerge in the near future in many industries. Problems with government procurement which are ‘designed to fail’ keeps alive a very large market for shoddy goods among SMEs. Merging of the umpteen laws and regulations into one wherever feasible can reduce the currently large costs of SMEs in dealing with government.

Abstract: This paper discusses the growth and transformation of microfinance organizations (MFO) in India. Issues that have triggered transformation include size, diversity, sustainability, focus, and taxation. Transformation experiences in India are few. To move to the mainstream, non-governmental organizations (NGOs) choose from three popular forms of organizations: non-banking finance companies (NBFCs), banks, and cooperatives. It appears that there is no ideal path for spin-off. Regulatory changes are needed to allow MFOs to graduate to other legal forms as they grow organically. NGOs must be permitted to invest in the equity of MFOs, as is the case in Bolivia and Africa. Norms for setting up MFOs under current legal forms should not be eased. Regulations should ensure that they help genuine MFOs and not others masquerading as MFOs.


Abstract: The paper reports gender as being a crucial variable when considering microenterprise in India since women make up a large proportion of microentrepreneurs. It analyses constraints facing women's access to formal credit in northern and central Hindi-speaking states. The paper includes an overview of the Microenterprise Initiative of the American bilateral agency, USAID; global overview of microenterprise initiatives; details on microenterprise and NGOs in India; gender dimensions of microenterprise in India, with specific focus on USAID's Women's Initiative Project; discussion of poverty as it relates to microenterprise and gender; and, USAID's options and strategies for microenterprise in general and for women specifically.


Abstract: This paper presents the findings of two national surveys completed in Nepal and Pakistan on women entrepreneurs who are micro-finance clients. It documents and analyses the impact of micro-finance and microenterprise development on the economic and possible social empowerment of women in the two countries, highlighting differences and similarities. The main factors determining the level of women’s economic and social empowerment in a country are its cultural and legal environment, and national policy on women’s rights and poverty alleviation. Initiatives organized by micro-finance institutions for the provision of financial services and for policy and legal reform are key elements for achieving greater economic and social empowerment. This paper emphasizes the role of micro-finance and microenterprise development in improving the status of women entrepreneurs in Nepal and Pakistan. To state that this type of development can bring about a complete social change may be somewhat unrealistic. However, the findings reported show that micro-finance and microenterprise development may serve as a catalyst towards social change and improve the political and social status of women.


Abstract: Although not well known in poorer countries, evidence from Network Leasing Corporation in Pakistan and from elsewhere suggests that leasing may well have a significant part to play in enabling micro and small enterprises (MSEs) to buy equipment which would otherwise be unavailable to them. Experience so far suggests that leasing is particularly useful for small and larger microenterprises, but the potential for reaching
subsistence enterprises is still to be explored and remains untested. This article seeks to answer four questions: What is MSE leasing? Why is MSE leasing of particular interest? What is the experience of Network Leasing Corporation? What is the further potential for MSE leasing?


Abstract: Highly successful industrial clusters exist outside Italy and the developed world. Sialkot, in Pakistan, is the location of a thriving surgical instrument manufacturing cluster, dominated by small business and mainly exporting to high-quality markets in Western Europe and America. Clustering has allowed small businesses to become highly specialized, and to benefit from external economies and joint action. This article describes the origins of the cluster in Sialkot’s history, analyses the extent and benefits of vertical and horizontal co-operation, and indicates how external institutions have supported the growth of the surgical instruments industry.


Abstract: The Aga Khan Rural Support Programme (AKRSP) has very recently introduced a commercial credit package to assist individual entrepreneurs. Having operated in the Northern Areas of Pakistan for over ten years it was decided to use established village organizations to gain information about suitable borrowers and to apply communal pressure to ensure loan repayment. Although the programme is in its early stages there are already some encouraging results as well as some areas of concern.


Abstract: This paper examines the role that microfinance and business development services could play in improving the economic status of the hill-districts in mid-west and far-west regions of Nepal. Although, Nepal has an overall per capita income of US$240, with 42% of the population earning less than $100 a year, the situation has worsened in the hilly regions because of the following reasons:

- insurgency related conflicts,
- government policy restricting interest rates at 24% per annum which is insufficient to cover costs,
- lack of basic infrastructure,
- limited access to financial services leading to a credit squeeze for microenterprises,
- lack of market centric training services,
- poor access to market information,
- other constraints such as gender discrimination against women and caste-based restrictions which retard economic activities.

The paper makes various recommendations to overcome these constraints. The paper makes a specific recommendation to USAID to take a lead role in coordinating with successful local NGOs to provide microfinancial and business development services.


Abstract: The paper examines the extent of donor, government and NGO activity in the area of microenterprise development in Nepal. Aims to make recommendations for the
implementation of the American bilateral agency USAID’s proposed programme intervention. It reviews current programmes supporting small and medium-sized enterprises. Findings include current programmes to support microenterprise have not catered to needs of the extreme poor nor the needs of rural women; high operating costs in rural areas have prevented formal financial institutions from servicing microenterprises; greatest need for rural enterprises is a market for their products; enterprises have a need for guidance in product design and quality control; urgent need for increased management capacity in NGOs; microfinance institutions need to set positive real interest rates; and, need for differentiation among financial institutions, especially those registered as NGOs. Further recommendations are made in the areas of policy, use of NGOs and other resources, programme evaluation and donor coordination.


Abstract: The article reports the results of field surveys conducted in Sri Lanka’s leather industry and Tanzania’s furniture industry. It outlines an approach to learning how small and medium enterprises (SMES) perceive the impact of financial, regulatory, technical, marketing, and other input constraints, and to evaluating the results in relation to other empirical indicators. Lack of access to finance emerges as the binding constraint for smaller, less established firms in Sri Lanka and for all of Tanzania’s SMES—not only is informal financing limited for Tanzania’s firms, even firms of adequate size and experience have difficulty borrowing from banks, and, if they do borrow, have difficult relations with their lenders. In Tanzania, regulatory and tax constraints appear largest for the smallest firms, declining somewhat as firms grow: because enforcement is comprehensive, the bureaucratic burden of negotiating with government officials is greatest for small firms. By contrast, in Sri Lanka the regulatory burden rises with firm size, because enforcement is more stringent for the larger and more visible firms. Constraints on physical inputs continue to inhibit Sri Lankan SMES—a legacy of excessive vertical integration by parastatals. Technical constraints are appraised as most significant by relatively educated entrepreneurs with some involvement in high-quality market niches.


Abstract: A survey is undertaken to assist in developing and expanding a microenterprise strategy. It reveals the current situation in Sri Lanka:

- the vast majority of microenterprises are occasional or periodic income-generating activities by one person based in the household
- savings in rural areas are three times the volume of borrowing
- supplier credit is an important source of financing for many microenterprises
- the government of Sri Lanka, as well as bilateral and multilateral donors, provide assistance through programs aimed at poverty alleviation or microenterprise development

With regards to assistance programs, finds that:

- building of institutional capacity to administer the programs is required
- recovery rates for credit are higher when emphasis is placed on meaningful savings mobilisation prior to lending
- MEDP savings and credit societies are not providing financial services at the community level
- it is more cost-effective to use intermediaries such as NGOs to encourage group participants to identify and develop their own business ideas for start-up
- a donors agenda for credit volume and disbursement exceeds the capacity of institutions such as NGOs
- NGOs have insufficient information

It recommends that:
• if sufficient funding is available, support research and advocacy for policies, extend financial services to those not served by the existing formal banking sector; provide larger scale and more effective outreach programs to rural women and revitalise the regional rural development banks
• in the case of insufficient funding, add microenterprise components to existing projects or strengthen existing microenterprise outreach components


Abstract: The microenterprise earnings of microfinance clients in southeastern Sri Lanka are linked to their initial incomes. Poorer clients face geographic, financial and sociocultural barriers to entry to the most promising microenterprise occupations, leading them to select low-value activities with poor growth prospects. In semi-urban areas, poverty impacts could be strengthened by supplementing loans with nonfinancial interventions encouraging poor clients to select higher-value occupations. In arid rural areas, where microenterprises face severe market and infrastructure constraints, microenterprise development is unlikely to facilitate poverty exit.

Others


Abstract: Until the late 1970s Korean Government policy had been to promote the growth of large-scale industry. A growing demand for parts and components by heavy industry, however, has been met by small and medium enterprises, supported by a number of government measures. More recently the government has also supported investment in and research by SMEs involved in technology-intensive industries, where the value-added is greater. This article reviews the policies that have been implemented and comments on their success.


Abstract: Since the 1980s the Korean Government has actively promoted the growth of small and medium enterprises (SMEs) as a complement to larger corporations. One of their policies has been to reserve a number of products to be manufactured by SMEs rather than by large corporations. These products are components or machinery which are then supplied to the large corporations. This article describes such sub-contracting operations and the mutual benefits which can accrue. It also outlines a successful credit guarantee scheme which benefits SME suppliers recommended by the large corporations.

**Abstract:** In many developing countries, small- and medium-scale enterprises (SMEs) account for a large part of national employment and income. Therefore, governments have used various strategies/policy instruments to develop human resources for SMEs and improve their productivity and national welfare. In the literature, however, there has been little effort to assess their effectiveness. The government of Korea has adopted various policies including financial incentives to encourage private enterprises in general and SMEs specifically to undertake training of their workers voluntarily. It has been proved, however, that various financial incentives alone did not make much impact on SMEs, and only large enterprises benefited from them. To redress this regressive situation in human resources development, the private sector, in collaboration with the government and non-governmental organizations, undertook a pilot SME training consortium project, which resulted in successful achievements. The pilot project provided SMEs with, in addition to the financial incentives, institutional and technical assistance for their human resources development activities. SMEs actively participated in training of their workers and benefited from productivity increases. The pilot project has already been replicated on a national scale, and many other developing countries would also be able to benefit from the lessons learned.


**Abstract:** This paper provides an overview of the evolution of the small and medium enterprise sector in Korea during the past quarter century. It shows how the industrial structure of Korea has changed dramatically over this period reflecting much greater shares in employment and value added by SMEs. It reviews the evidence on SME dynamism showing that SMEs have contributed to the enormous transformations that have taken place in the Korean economy since 1975, especially with regard to exports, foreign investment and productivity performance. It discusses the role of subcontracting as well as that of government and non-governmental institutions in supporting SME development. Finally, it examines the link between variations in the economic importance of SMEs, as measured by their shares in employment, and aspects of growth and inequality to assess whether SMEs function as business cycle shock absorbers and inequality-reducing mechanisms.


**Abstract:** Korea's policy of promoting technology-based small- and medium-sized manufacturing companies has required a new approach to financing. The government has actively promoted the formation of venture capital companies which are prepared to take on the risk of investing in new companies in return for a share in their potential high growth. This article describes the different kinds of venture capital companies that have been set up and the extent to which they have already provided finance to this growing sector.


**Abstract:** This paper discusses the role of clusters and subcontracting as factors in the evolution of small and medium firms in Indonesia during the last quarter century. It is
argued that a number of such firms have become successful exporters of rattan furniture, wood furniture and garments on the strength of subcontracting relationships with foreign investors and buyers as well as agglomeration economies achieved by clustering in selected locations. Examples are provided to show that clustered enterprises are more likely to be in the exports business and to adopt product and process innovations as compared to more dispersed firms. Public policy support for fostering subcontracting links and cluster formation is also discussed.


Abstract: This paper discusses the development of small and medium enterprises (SMEs) in Indonesia before and during the crisis. It argues that SME productivity has risen substantially, at rates not far from those of larger firms. Case studies indicate that various mechanisms are at work, such as technology diffusion through foreign buyers and subcontracting. The prevalence of SME clusters suggests that they benefit small and medium enterprise development. SMEs are found to have been weathering the crisis better than larger companies, though many have been hit hard too. Being less reliant on formal markets and formal credit, SMEs are able to respond more quickly and flexibly than their larger counterparts to sudden shocks. The paper argues that, rather than providing direct assistance to smaller firms, government should concentrate on creating a business environment conducive to small and medium business growth, and promoting provision of business development services by the private sector.


Abstract: Credit is often the missing link for low-income families that try to make a living by operating small microenterprises. At the same time, the presumption that lending to the poor is very risky, the costs of operation are high, and the low repayment rates for such loans limit bankers’ willingness to extend credit to the poor. This article, however reports on the results of a microcredit program in Indonesia which suggests that when agencies, government and non-government, in a developing country make credit available to low income women, they can reduce the costs of delivery, greatly increase repayment rates, and substantially improve the well-being of poor families. Other studies also suggest that such credit tends to increase women’s participation in decision making, reduces fertility, substantially improves household nutrition and raises aspirations for children’s education. Our case study confirms these results.


Abstract: Donor agencies and governments are committing increasing resources to microenterprise credit programs, much as they earlier funded rural credit. Yet few programs embody the lessons from this earlier experience. Central Java's Badan Kredit Kecamatan program shows considerable promise in providing the access, convenience, and flexibility desired by poor borrowers while assuring the financial viability of the credit institution by minimizing administrative costs and imposing interest rates sufficient to
cover costs and prevent capital erosion. Recent progress has also been made in mobilizing voluntary savings. Strong political support from the government has been crucial to the program's success.


Abstract: Donor agencies and governments are committing increasing resources to microenterprise credit programs, much as they earlier funded rural credit. Yet few programs embody the lessons from this earlier experience. Central Java's Badan Kredit Kecamatan program shows considerable promise in providing the access, convenience, and flexibility desired by poor borrowers while assuring the financial viability of the credit institution by minimizing administrative costs and imposing interest rates sufficient to cover costs and prevent capital erosion. Recent progress has also been made in mobilizing voluntary savings. Strong political support from the government has been crucial to the program's success.


Abstract: Small-scale and cottage industries often occur in clusters in Indonesia, and the government aims to help enterprises in clusters through its BIPIK programme of technical assistance. This article describes a survey of enterprises from six subsectoral clusters which attempted to discover how much the enterprises benefited from BIPIK's training and assistance with equipment. Only those enterprises belonging to 'dynamic' clusters appeared to have greatly benefited from the training: they have strong links with markets through buyers who are able to inform them about customer preferences. Enterprises in more 'dormant' clusters frequently sold their produce themselves, and were unaware of how to reach new markets with improved produce, hence they showed little interest in upgrading their technology.


Abstract: This paper focuses on the impact of Indonesia's economic crisis on small and medium-sized enterprises (SMEs). It shows how the performance of SMEs during the crisis varied widely even in the same industrial subsector, and found that the factors most affecting performance have been market orientation and the linkages that the SMEs have formed with the buyers of their products. Well-performing SMEs were found to have utilized putting-out linkages with wholesalers which enabled them to switch to products having better markets. On the other hand, the SMEs which had subcontracting linkages with assemblers or contracting linkages with user-factories (with the exception of SMEs having export-oriented linkages) suffered badly in the crisis because of specificity of products with little room for switching. The paper also found that exposure to debt due to borrowing for investment has been another factor affecting performance, but that enterprise size has had no linear correlation with performance.

Abstract: This paper shows the importance of clustering at early stages of development, when clustering is still largely a rural phenomenon and may serve as a survival strategy. It argues, first, that dismally poor but clustered rural microenterprises may have a seedbed function for industrial development, and, second, that clustering policy has brought about some success in Indonesia. Data on more than 4,000 rural clusters provide insights in the various forces behind cluster gestation, prosperity and dissolution. It is argued that social capital is crucial for the achievement of transaction cost reductions, which attract traders to the clustered enterprises. Ubiquitous search and reach advantages in marketing trigger clustering processes, but these advantages diminish with overcrowding. Further external economies arise from specialization and technical indivisibilities, but vary significantly by subsector. Consequently, only specific clusters might benefit from public intervention in technology and organization.


Abstract: Government-backed loan schemes have been introduced in many countries to enable SMEs to have access to funding at a reasonable cost. This article evaluates the schemes offered in Malaysia by the Credit Guarantee Corporation (CGC). Three key areas are explored: the relationship between small firms, banks and the CGC; the level of finance additionality in evidence; and the level of economic additionality generated. In each of these areas, the CGC's effectiveness in meeting the needs of SMEs, banks and the wider economy appears to have been limited. A new scheme introduced by the CGC is then described and the question is asked whether this scheme will enable the CGC to achieve its objectives, notably a greater degree of financial and economic additionality. Finally, the implications of the CGC's experience for other developing countries are summarized.


Abstract: This paper compares the performance of small and medium size subcontractors in the machine tools industry in two different states of Malaysia, Penang and Kelang Valley. It is shown that while Penang has developed a fairly successful small and medium subcontracting industry, Kelang Valley has not. The difference in performance (measured by value-added) is due in part to differences in the extent and quality of government-business coordination. In contrast to Kelang Valley, the relatively autonomous state government of Penang took a pro-active approach to business development and provided support to its small and medium enterprises (mainly Chinese-owned) in the form of public training and market-information exchange.


Abstract: Based on anthropological fieldwork among urban Chinese household businesses during 1987,1988 and 1989, this article addresses the issue of employment generation and economic growth in the Chinese individual economy. Although a vast potential evidently exists, it is argued that the cultural conditions for small private enterprise in Chinese society must be accounted for alongside the objective, economic conditions when estimating overall growth potential. Small private enterprise is still faced with ideologically
founded discrimination coinciding with widespread social debasement. Private businesspeople were earlier stigmatized as capitalist-roaders and turned into scapegoats for retarded development, and similar trends have survived under the disguise of decentralized control. While central government has engaged in massive media campaigns to encourage private enterprise, insufficient attention has been given to the development of a legal framework, the allocation of resources, housing, medical care etc. (World Bank, 1985. p. 4), which were all left in the hands of local authorities, less open to reform. In spite of the convincing incomes it generates, private enterprise is still highly controversial in Chinese society.


Abstract: Since 1978 the People's Republic of China has allowed small businesses in rural areas under the title township and village enterprises (TVEs). These were intended to absorb excess rural labour and initially they used locally available agricultural and industrial raw materials. Since the 1980s TVEs have expanded dramatically and they now employ 27 per cent of the rural workforce, and contribute half China's industrial value added. This article discusses how this remarkable growth came about, and charts the rising contribution of TVEs to the rural economy, and the importance of the TVEs to the economic growth of China. The TVEs can be classified into three patterns of growth. Comparison between TVEs and state-owned enterprises shows that although TVEs have received little subsidy and financial support over the years they have higher economic efficiency.


Abstract: Since the 1980s the Government of China has encouraged schools to run their own businesses to provide an opportunity for pupils to learn practical skills and to boost school funds. Since that date much of the funding of schools' budgets has been transferred to local government, and the contribution from school businesses to school running costs has been substantial. Rural schools receive less government funding per pupil on average, and the impact of successful school businesses is even more important. This article describes the evolution of China's school businesses and gives some examples of school businesses, including some rural schools that have received some assistance from Save the Children UK. Some guidelines are suggested for the successful introduction of such programmes in other countries.


Abstract: Township enterprises (TEs) in China are undergoing rapid change. With drastic and sustained reduction in the incidence of poverty, the priority of TEs is shifting from income and employment generation for the poor to product-quality improvement and cost reduction. TEs in some strategic industries such as automobiles and electronics, are to be recast by national industrial policy to function as group members with large enterprises as their nuclei in order to build competitive strength with an increasing focus on world markets. This article seeks to present an overview of the growth of the TE sector and its place in China's industrial policy.

**Abstract:** This paper adopts the context-embedded approach to examine the marketing practices of 307 small and medium enterprises (SMEs) in the People’s Republic of China by comparing the survey findings with that of Hong Kong and Guangdong SMEs. Chinese SMEs focus on regional markets to avoid direct competition with Hong Kong SMEs in the international markets and also their Guangdong counterparts in the turbulent nationwide market. To market their own brands, Chinese SMEs have to analyze the market and use superior marketing strategies in the competitive markets. Chinese SMEs do not attain the superior competitive positions as that of their Guangdong counterparts, but they use customer satisfaction surveys and claims investigation to help develop excellence in product performance. Also, Chinese SMEs have to provide value-added products and services and also a well-rounded marketing competitive strategy to gain market shares. The traditional state-owned enterprise structure in China facilitates the development of hierarchical organizational structure and joint decision making process. Thus, care should be taken in assuming that marketing tools and techniques are equally applicable across all places, even in similar cultural contexts. Socio-cultural influences and mediating environmental factors should be considered when attempting to understand the marketing practices of Chinese small firms, specifically when China is in transition to a socialist market economy.


**Abstract:** Ratings for the Enterprise Reform Project for China were as follows: the outcome was unsatisfactory, the sustainability was unlikely, the institutional development impact was negligible, and the Bank and borrower performance were both unsatisfactory. Lessons learned from the project: For a technical assistance project of this nature, Bank staff needs to devote more time to prepare and design better the activities to be funded by the project. Careful design should be carried out for projects which are part of an overall package of assistance, especially with the sequencing of activities to be implemented and the coverage of each project in the package. Adequate supervision activities are needed for projects with a dominant technical assistance component and with many participating entities so that there is better guidance, coordination, and cooperation with the counterparts to overcome obstacles and difficulties in timely manner. There should have been an effort to prepare the implementation report to assess the original activities of the Enterprise Reform Project before management decided to reallocate the proceeds to accommodate new components.


**Abstract:** In the last decade China's rural enterprises, including those run collectively by villages or townships as well as those owned by individuals, have expanded at a remarkable rate. This article describes the government policies that have been designed to promote rural enterprises during the period 1978-91, as well as pointing to the discrimination that rural enterprises have often suffered compared to large-scale urban-based industries. The urgent need for employment outside agriculture for a huge rural population provides an overriding justification for rural enterprise and the most recent
evidence is that government policy is increasingly turning towards the promotion of rural enterprise.


Abstract: Key findings of the study on the future of information and communication technologies (ICTs) based business services to micro and small enterprises (MSEs) are:

- MSEs will continue to demand basic telecommunications services through common service facilities. Finding the right mix of features is key to satisfying and building MSE demand for these services
- telecommunications services (internet, fax, cellular, HFRadio, email, web, telecentres) facilitate business transactions. However, high end ICT services are used more for business development and do not fit well with transactional services when combined into a single business service model
- the private sector is generally successful in meeting the need for telecommunications services from MSEs. However, competitive pressures between providers may result in lower coverage in lower-income, less densely populated areas. Donors could experiment with lower cost business models that would be more viable in these areas
- internet-based information services fit well with other business development services because they help MSEs grow their businesses
- donors are needed to support experiments in the provision of market-oriented, internet-based information services targeted toward MSEs


Abstract: SMEs have been the object of economic and political support from donors and national governments. The Philippines are no exception. This article reveals, however, that import protection measures, such as quotas and tariffs, designed to stimulate home-grown industries, have had the effect of promoting large industries over small. Comparing a number of Asian countries with different levels of open trade policies, as well as the effect of different policies as they were applied over 30 years in the Philippines, the authors argue that import restrictions often prevent the growth and employment generation of the SME sector.


Abstract: This note explains how the United States Agency for International Development (USAID) and the Philippines funded ‘Rural Bankers Association of the Philippines – Microenterprise Access to Banking Services (RBAP – MABS) Program’ is helping its clients receive national recognition. The note documents the cases of the following two national award winners: Imelda Brutas, a manufacturer of “kakanin” won the Citigroup National Microentrepreneur of the Year Award and, Luciano Mendonza Jr, a manufacturer of ice cream sticks, won the Luzon Maunlad Award. The note concludes by providing more information about the RBAP – MABS Program.

**Abstract:** The paper outlines the steps an agency and its board of directors should take in order to make wise and fully informed decisions throughout the complex and important process of determining whether to become a formal financial institution. It analyses the vision, the problem, the benefit and the costs. It also highlights pre-feasibility studies, and the creation and funding of a project management team. Finally, it concludes that the creation of a sophisticated new financial institution will require single minded dedication, professional skills and adequate funding.


**Abstract:** The paper remarks how access to credit is a crucial problem for small and microenterpreneurs which governments and donors have tried to overcome with generous credit guarantees. However the overall track record of credit guarantee funds in Third World countries is poor. It draws on findings of the World Bank:

- in the Philippines, commercial banks continued to insist on collateral, thus thwarting the main aim of the guarantee scheme to enable entrepreneurs with good projects but inadequate collateral to have access to loans
- recommends government credit guarantee schemes praising them as a viable alternative to unviable subsidised credit programs
- attributes high rates of loan default, among others, to "lax loan appraisal and collection by PFIs because of loan guarantee schemes". There is one exception to this rule: joint liability groups at the grassroots level which operate along self-help and self-reliance principles
- the government should explore the possibility of using informal rural lenders and farmers' organisations as guarantors, providing them with a guarantee fee for guaranteeing the loans of small farmers

With viability and sustainability in mind, only two alternatives can be recommended. Leave risk management either to the banks or to small and microenterpreneurs through their own solidarity groups. However it is the governments task and prerogative to provide a liberal policy environment in which banks, non-formal financial institutions, and linkages between them, can freely operate.


**Abstract:** In this paper we provide evidence on the survival and growth of small and medium-sized enterprises (SMEs) in Vietnam relying on three partly overlapping enterprise surveys sampled during the period 1990-2002. Our empirical results indicate that classical determinants of performance including firm age, firm size, location, ownership, degree of capital intensive production and the type of activity are also important in Vietnam. In addition to the traditional indicators we analyze the effect of government support. Government credit assistance during start-up contributed significantly to the growth of Vietnamese SMEs in the late 1990s, but the importance of this kind of support may be diminishing as new firms do not seem to benefit from this form of support. In contrast, the importance of legal advice appears to be increasing.

Abstract: Vietnam stands at an important crossroad in its transition from a planned to market-oriented economy. Since the implementation of economic reform starting with Doi Moi in 1986, supplemented with further reform from 1989, the economy experienced rapid economic growth during the period of the 1990s until 1997. Since this time GDP growth has noticeably slowed, partly due to the onset of the financial and economic crisis to afflict the region in 1997-98, and partly due to a disconcerting, and related, decline in foreign direct investment flows. Despite this adverse development there has been a remarkable transformation of the economy that has seen it become more globally oriented, as exemplified by a rapid growth of both exports and imports and with a significant contribution to the economy from the foreign invested sector. For Vietnam to once again re-establish high and sustainable rates of economic growth will require further restructuring and reform efforts. In particular, this will require further progress in: establishing the institutional framework necessary for a market economy; ownership reform; encouraging foreign direct investment; allowing the private sector a larger role in the management and ownership of currently state owned enterprises; allowing unviable state owned assets to be liquidated and their assets put to more productive usage; and encouraging fair competition between different ownership forms, with the state, as a buyer, not discriminating against any form of ownership. These should form the core of the country’s competition policy. This paper focuses upon the need for competition policy to encourage the nurturing, growth and development, specifically, of private sector small and medium enterprises (SMEs). Private entrepreneurship and enterprise reform can play a crucial role in the reform of the Vietnamese economy. Establishing a dynamic non-state manufacturing sector, with an emphasis on SMEs, will be a precondition for attaining the twin objectives of (1) restructuring and slimming state enterprises and (2) expanding non-farm employment and income opportunities. SMEs have the potential for job creation, contributing to sustainable economic development, allocating resources more efficiently, expanding exports, achieving a more equal distribution of incomes, and assist in rural and regional development.


Abstract: This article argues that business format franchising is a form of entrepreneurship development that provides the franchisee with the necessary knowledge and practice as well as supplies and service support to run a viable business. It discusses the various scenarios under which a franchising arrangement may help develop entrepreneurship successfully and provides case illustrations. The first relates to the modernization of traditional local retail businesses which enables them to hold their own in the face of competition from the entry of larger international retail businesses into the Singapore market. The assistance given to such existing small businesses is equally relevant in developing the business knowledge and skills, as well as the much-needed business contacts, of a new entrepreneur. The second case relates to overseas business expansion which involves the development of franchisee entrepreneurs abroad. The sprouting of copycat entrepreneurs resulting from such franchises can also be seen to have a developmental effect on entrepreneurship. The third case relates to the promotion of intrapreneurship, which in practice resembles a franchising-type arrangement.

Abstract: In the early days of Singapore, immigrants started their own small businesses as a means of making a living as well as a way to riches and success. Over time, particularly during periods of economic depression and difficulties, many of these small businesses remained in business for family survival and living. Now small enterprises are needed as support industries for the activities of the MNCs, to make Singapore a more attractive investment destination for them, and to benefit more from their presence; and as Singapore approaches the status of a developed nation, small enterprises are increasingly seen as instruments to benefit from the globalization of the Singapore economy.


Abstract: This paper is a part of a series of six papers under ILO/UNDP project on micro and small enterprises (MSEs) development in Thailand. This paper reviews international best practices in the area of business development services (BDS) and assess the potential for replication of some of the promising approaches in Thailand. The BDS that this paper covers include:

- Access to various types of information;
- Consultancy services;
- Skill and business training;
- Marketing services;
- Technology transfer and development.

The types of BDS providers that the paper reviews and assesses include both institutional and not-for-profit and commercial and for-profit providers. The paper also describes the criteria for assessing the effectiveness of BDS instruments and performance. These criteria relate to the outreach, efficiency, effectiveness and institutional and financial sustainability of various BDS instruments and providers. The author concludes by hoping that the paper will be useful in deciding the types of BDS instruments and services that should be promoted in Thailand.


Abstract: The authors examine how Japan's public and private sectors support small and medium-size enterprises (SMEs). They focus on technical, financial, and marketing assistance. Their findings are based on a survey of 107 firms; 40 that produce silverware, 33 engaged in synthetic textile weaving, and 34 that manufacture auto parts. Each sector represents a distinctive form of industrial organization, but they also share several characteristics: each industry is concentrated in a particular region, each involves close subcontracting relationships, and each has overcome difficulties and achieved a certain measure of industrial success. Technical support for these SMEs came largely through private channels, including parent firms, equipment suppliers, and other firms in the same line of business. Public institutions played only a subordinate role. Marketing support also came largely from parent firms, trading companies, and other private sources. Producers of intermediate goods in particular - such as auto parts and synthetic textiles - relied heavily on subcontractors. Most loans for Japan's SMEs were provided under competitive market conditions but three sources of directed credit - loans from specialized parastatals, loans channeled through local governments, and loan guarantees - accounted for about 20 percent of all SME borrowing and 35 to 60 percent of investment borrowing. Default rates averaged less than one-half of one percent of outstanding loans, and real interest rates were positive. The majority of firms surveyed used and valued directed credits. The
smallest firms in particular valued them. Public institutions complemented the private
marketplace in all three areas. Public technical and marketing support helped create and
maintain private networks. In finance, Japan successfully embedded directed credit in a
well-functioning, predominantly private, competitive, and prudential financial system.
Through partnerships, public support continues to play both a direct and an indirect role in
supporting the development of SMEs in Japan.

the Prospects for Small Enterprise Development in Kazakhstan”, USAID -
U.S. Agency for International Development.

Heeks, R. 1999. “Small Enterprise Development and the 'Dutch Disease'
in a Small Economy: The Case of Brunei”, IDPM - Institute for
Development Policy and Management.

Abstract: This paper investigates issues relating to small enterprise development in small,
rich economies, choosing the case of Brunei as the main example for discussion. The
paper points out:
- Oil has played a dominant role in the Bruneian economy, since its first commercial
  exploitation,
- 90% of government revenues derived from oil and related exports have enabled the
government to spend around US$ 8000 per capita, on building social, human and
physical infrastructure in the nation.
- Today the government, Royal Brunei Airlines and Brunei Shell Petroleum are the
largest employers (more than 50% of 300,000 Bruneians) in the country with very
generous pay and retiral packages.
- With the population growth rate of 2.5% per annum with more than one third of the
population under 14 and half under 20, employment in public and oil sector
stagnating, and unemployment figures rising, there is an urgent need for
diversification.
- Private enterprise distribution figures of 1992 show only 3502 enterprises employing
around 50,000 people.
- Brunei has small enterprises in services as well as manufacturing sector, their start up
and growth rate is dismal. Most of these businesses have been started by Chinese (5%
of population, non-citizens) with Malays as sleeping partners.

The paper concludes by quoting the Trinidad and Tobago example to recommend that the
government provide incentives and promote small enterprises and secure the future of this
small nation.

Timor-Leste”, World Bank Policy, Research working paper no. WPS 4177.

Abstract: Like many low-income countries, Timor-Leste faces challenges in providing
employment for and increasing the skills of its labor force-challenges made more acute by
high fertility rates, a very young population, and the capacity constraints of a new nation.
However, there is limited information for policymakers to formulate appropriate policies.
The paper presents findings of the first urban enterprise survey in independent Timor-
Leste. It explores several aspects of the Timorese urban labor market, including the profile
of formal and informal enterprises, their behavior in terms of employment and wage-
setting practices, and constraints on firm growth. It also presents findings on the skills and
training needs of urban employers, and constraints faced in overcoming skills shortages. It
finds a highly informal urban enterprise scene, where even "formal" enterprises are largely
micro-enterprises. While there has been considerable action in terms of new firm creation
since independence, there is already surprisingly low job creation or destruction. This is
driven by a number of constraints inside and outside the labor market. With respect to
wages, the impacts of the informal minimum wage policy inherited from the interim
international administration suggest the need for caution in future wage policy
development. While employers identify many skills gaps, basic literacy, numeracy, and language skill needs dominate, and employers appear to value short courses and less formal modes of skills training to address their needs. The paper concludes with suggestions for addressing the key constraints identified.


Abstract: Over the past decade the economies of East Asia, and APEC more generally, have been opening up their markets and in the process have achieved significant gains in exports and economic growth. In conjunction with this increased economic integration there has been increased recognition by regional governments of the potential for a substantial increase in the participation by small businesses in the generation of regional income, employment, exports, investment and expanded economic growth. Advances in information and communications technology add credence to this potential. In addition, developing economies are especially seeing small businesses as potential instruments for the alleviation of poverty. This viewpoint has been given further stimulus since the financial and economic crisis of 1997-98, arising from which there has been a growing recognition of the need for the East Asian economies to engage in comprehensive restructuring of their corporate sectors, with the objective of achieving transparency, improving corporate governance and developing globally competitive enterprises. The small and medium enterprise (SME) sector can play a key role in the attainment of such objectives. This paper reviews the contribution of the SME sector to the growth and development of the regional (East Asian) economies, and their increasing importance in the attainment of a sustained recovery of the region in terms of economic growth, employment, trade and investment and the development of globally competitive economies. It also identifies: barriers to their development; key factors essential for their capacity building; strategies to enhance their competitiveness in the global marketplace; and key components relating to their export success.


Abstract: The economic and social crisis that afflicted East Asia from mid 1997 produced the biggest setback to poverty reduction in the region for several decades, as well as aggravating social vulnerabilities. There were many dimensions to this, including: falling incomes; rising absolute poverty and malnutrition; declining public services; threats to educational and health status; increased pressure on women and children; and increased crime and violence. The objective of this paper is to analyse the potential contribution of one subset of small and medium sized enterprises, micro-enterprises and the role of micro-finance more generally, to regional economic recovery and poverty alleviation.


Abstract: Enthusiasm for microcredit programs has increased during the past decade. The attention these programs have drawn stems philosophically from progress in cultivating self-sufficiency among those in abject poverty, and practically from the viability and high loan repayment rates of many microfinance institutions. A basic assumption of the programs is that lack of capital is the main barrier to the economic progress of the poor. However, the lack of entrepreneur business management experience and training may create a barrier equally as powerful and limit the growth potential of microenterprises.
Microcredit programs could foster even greater economic progress by ensuring that clients receive appropriate human capital development. Without adequate training of microentrepreneurs, microcredit loans may allow the poor to move from abject poverty to subsistence income levels, but limited skills leave the opportunity for substantial further firm growth untapped. The potential of these firms to employ others also remains unfulfilled. This paper reviews relevant microcredit and microenterprise literature, and then argues for increased microentrepreneur training based on the case of a Manila microentrepreneur.


Abstract: For some years, a number of Asian developing countries have promoted the growth of small enterprises through direct assistance, at the same time as allowing the macro-economic environment, such as trade and exchange rate policies, to favour large-scale industries. This article examines the cases of Nepal, the Philippines and Bangladesh, and identifies the areas of discrimination, such as the tax structure, registration, access to finance and utilities. It concludes that while macro-environmental conditions are now more favourable for small enterprises than in the past, micro-level policies, such as assistance programmes, still need to be improved in their implementation.


Abstract: The regional workshop organized by infoDev and the Ayala Foundation, with the support of corporate sponsors, brought together 183 participants representing 14 countries from the private sector, including business incubators, ICT-enabled small and medium size enterprises (SMEs) and investors, as well as the public sector, including policy makers and donor agencies to discuss the opportunities and challenges for promoting innovation and entrepreneurship in Asia. The workshop explored the challenges facing entrepreneurs in the region through three tracks, covering the views of both the private and public sectors and concluded with a final session on opportunities for collaboration. This paper contains the following headings: Summary Report; introduction; session summaries; opening activities; track 1 - challenges and strategies; track 2 - the role of the public sector; track 3 - innovation and entrepreneurship in Asia - strategies and partnerships; track 4 - professional development for business incubators and SMEs; and Asia regional network -: next steps & action plan.

Abstract: This article compares the performance of selected South African microcredit nongovernmental organizations (NGOs) that have a poverty-alleviation focus against various benchmarks drawn from the MicroBanking Bulletin. Donors, governments, and many analysts regard sustainability as the benchmark of microfinance institutions’ (MFIs) performance. However, the most relevant question is whether microcredit NGOs are doing as well as they can in their context. Of particular contextual importance is income inequality in a society. South Africa has the world’s second worst income inequality, after neighbouring Botswana. This creates a situation in which microcredit NGOs must recover “First World” costs, particularly salaries, from revenues based on clients who can only afford loans on a par with Third World countries. Compounding this situation are structural obstacles to microenterprise in South Africa, as well as obstacles to productivity in microcredit NGOs. South African MFI managers face significant obstacles to improving productivity to compensate for the divergence between staff and client living levels. These include an inadequate skills base, the small scale of the market, rapid labor turnover, and limited resources for capacity development. South African MFIs face the options of moving upmarket (which many have done), adopting methodological innovation or new product development, or closing. Of these, there is a strong argument to be made for supported savings and credit approaches as an alternative to NGO-based microcredit. Such an approach has the advantages of greater voluntary input and social capital formation.


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savings and credit approaches as an alternative to NGO-based microcredit. Such an approach has the advantages of greater voluntary input and social capital formation. 1 Coordinator, Community Finance Network (CMN) and Director, Bay Research and Consultancy Services, Muizenberg, South Africa. Thanks to the Ford Foundation for funding for the CMN. Thanks also to Elizabeth Littlefield, Anton Simanowitz, David Porteous, Michiel le Roux and the CMN participants for their comments on earlier drafts of this article. As always, responsibility for the contents rests solely with the author.


Abstract: In one of the poorest areas of South Africa, Small Enterprise Foundation (SEF) runs a microfinance programme targeted at poor women. For about six years SEF has run an impact monitoring programme using in-depth interviews aimed at improving SEF's performance as a developmental MFI. The emphasis is on predicting trends in client well-being rather than objective indicators of client poverty levels. SEF uses ongoing monitoring tools such as client-level indicators, drop-out monitoring, vulnerable groups and centres, and a management information system (MIS) which readily identify problems before they become serious, such as increased client drop-out associated with negative client impact. This article describes some of the client impact results produced by this impact management programme, and outlines how the system works. It describes how SEF was able to take corrective action when increased levels of drop-outs were identified in 2002, and demonstrates that the preventive action stimulated by the programme more than covered the costs of the impact management programme itself.


Abstract: Nkwe Enterprise Finance, a financial service to fund microenterprises in the North West province, suspended its operations after just over two years of lending. This happened against the background of three significant events. First, a new apex for pro-poor microfinance was designed, which resulted in the need to reconsider the nature of Khula's ongoing role as wholesaler to microfinance institutions. Second, the Financial Services Charter was signed in October 2003, in which banks committed to targets for so-called empowerment lending, including black small and medium enterprises. Third, a large number of microfinance initiatives continued to fail to reach sustainability and scale. This article investigates the reasons for the suspension of Nkwe's activities and draws conclusions on the lessons that should be learnt for the future development of microenterprise funding in South Africa. 1 Respectively, Senior Adviser, Consultative Group to Assist the Poor (CGAP), Washington, DC; and Senior Financial Adviser, Department for International Development (DFID), London. Report on a visit carried out in the week of 8 March 2004, for FinMark Trust, Johannesburg. FinMark Trust, established by the DFID in 2002, is an independent trust that aims to promote and support policy and institutional development towards the objective of increasing access to financial services by the un- and under-banked of southern Africa.


Abstract: The paper argues that growth oriented donors have promoted investment strategies in Africa that typically exclude women, due to the commonly held view that women's enterprises are concentrated in undynamic subsectors that have little potential for contributing to the growth of the macroeconomy. It explores female entrepreneurs'
growth patterns using census survey data collected in Lesotho, Swaziland, South Africa and Zimbabwe. The findings and conclusions of the paper include that:

- the survival and death rates of women's enterprises are similar to those of men's
- employment growth rates of women's enterprises are significantly lower than men's
- even within the same subsector, women's enterprises grow more slowly than men's
- women's enterprises remain the same size, at one or two employees, regardless of urban/rural location and sector. Men's enterprises show a fairly regular increase in number of employees with increase in market size
- most cited problem of female entrepreneurs is inadequate market demand. For males, financial problems are more important
- females have not translated access to credit and training into increases in firm employment to the same extent that men have
- a larger percentage of women's enterprises are home based than are men's which are more likely to be based in central business districts
- women's enterprises are concentrated in a narrow range of subsectors
- women's firms do appear to be concentrated in far more traditional and less dynamic product markets than men's

It investigates explanations for this relative lack of growth and suggests this may be due to:

- the burden of domestic responsibilities
- siphoning of profits into household consumption and investment in human capital and health of children
- having different business strategies - growing laterally through diversification in order to spread risks as the issue of security is all important
- being at a disadvantage in accessing markets

It recommends that research on business and investment strategies of women be undertaken. Further suggests that donors make efforts to improve the income generating potential of women through enabling access to credit and training. However this will not be sufficient unless women are also helped to access lucrative product markets and given the inputs to do so.


Abstract: The basic premise of this study is that enterprise linkages, export marketing, and sunk costs significantly affect the propensities to export and intensities of exporting of small and medium manufacturing enterprises in South Africa. The hypothesis tested was that small and medium manufacturing enterprises break through into foreign markets with relative ease when involved in linkages because they facilitate information flows, thereby easing the international marketing burden on the shoulders of individual enterprise units. A theoretical perspective adopted by this study was that small- and medium-sized enterprises involved in enterprise linkages that have intermediaries are in a better position to enter and exit international markets. Empirical testing using survey data confirms this. This study, therefore, recommends that export promotion initiatives should take these factors into account. There are many possibilities discussed in this study. The important point is that there is now clarity about the main hindrances to probabilities of exporting and export intensities of small and medium manufacturing enterprises in South Africa. By implication, export market intelligence should be prioritized.


Abstract: It is obvious that there is a great need for small business and self-employment in both developed and developing countries. This article looks at the situation in South Africa, in particular, where there is an urgency to create a good environment for potential entrepreneurship among the black communities, and suggests change, using the
experiences of programmes in the UK. Two placement and training programmes are analysed for their potential in raising student awareness of small business, and it is proposed that much could be adapted to suit the situations in developing countries.


Abstract: With the exception of Angola, and newly created Namibia, all independent states in Southern Africa have programmes to support small industries. Such programmes and the institutions supporting them came into existence in: Tanzania 1973, Botswana 1974, Swaziland 1974, Lesotho 1975, Malawi 1982, Zambia and Zimbabwe 1983, and Mozambique 1988. These organizations are generally parastatals dependent on government financing and policy guidance. UN agencies such as the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO) and the International Labour Organisation (ILO) have played key roles in the different countries in helping to establish these promotional institutions. The institutions have generally been organized on the Indian model which was considered successful after 20 years of operation. UNIDO considered the Indian experience relevant to African and Asian countries. Later on, through bilateral aid programmes, the promotional institutions received the support of donor agencies in various forms, but generally governments have failed to adequately finance these institutions and so they have proved incapable of fulfilling their planning and promotional objectives for small industries.


Abstract: Findings from baseline surveys of MSEs in seven Southern Eastern African countries include:
• overall magnitude of employment in MSEs in the region is very large, providing work for substantially more people than the formal sector
• great majority of MSEs are in rural areas, more so than in other parts of the world, mainly concentrated in manufacturing activities
• although the majority of MSEs do not grow at all, a minority of MSEs grow at impressively high rates, which leads to high employment growth

Results can be used in follow-up activities such as:
• providing a baseline for monitoring future changes
• identifying potential target groups for future interventions
• undertaking sectoral comparisons across countries which can identify situations out of line with normal patterns in the region
• addressing and resolving problems reported by entrepreneurs, such as availability of work space and transport services


Abstract: The paper presents a survey of small enterprises conducted in two black South African townships-Mamelodi and Kwazakhele. It provides information on the size and importance of these businesses:
• about 2,752 small enterprises are estimated to exist in these townships
• they provide employment for approximately 16,400 persons
• more than one quarter of all households in the townships are engaged in some form of small-scale activity
women play an important role in township enterprises. Females comprise 53 per cent of the small enterprise labour force, and two-thirds of all small firm proprietors are women.

- several characteristics of these township businesses differed markedly from those found in their counterparts located in other countries

It concludes that:

- the primary perceived problems involved funds or credit shortages, along with market difficulties
- small enterprises are an important aspect of the economic life of the two South African townships surveyed

The paper recommends expanded credit programmes as an intervention to address lack of working capital, the most pressing problem cited by the proprietors.


Abstract: Expansion of employment in small enterprises has absorbed over 40% of the increase in the labor force in five countries of sub-Saharan Africa (Botswana, Kenya, Malawi, Swaziland and Zimbabwe). Most of this increase has come through start-ups of new enterprises. With regard to expansion among existing businesses, most do not grow. Among the 25% that have added to their work force, most grew only a little, but these small increases made a significant contribution in terms of job creation. While only about 1% graduated into intermediate size, this process also contributed substantial numbers of new jobs while providing the starting point for about half of today’s intermediate-sized enterprises.


Abstract: Apart from finance from savings and from family, hire purchase was the most commonly used source of business finance for microenterprises, according to a survey in South Africa. The advantages to the microenterprise are the speed and low administrative costs of processing the loan using trade references to establish credit-worthiness. Hire purchase is also valuable to retailers and manufacturers to boost sales. This article suggests that, as computerization increases in developing countries, speedy credit searches, as used successfully for hire purchase agreements in South Africa, could become much more widespread in the processing of micro-credit.


Abstract: Ntinga LINK aims to improve business linkages in the construction sector to the benefit of microenterprises in the sector. This article describes how the sector was identified as one with positive potential, and how surveys established the main constraints affecting microenterprises seeking contracts. Ntinga’s approach was to improve the services of existing business service providers and also to identify and publicize the existence of 'embedded services', such as costing and technical advice, provided by materials suppliers.

Abstract: This study focuses in particular on the question of whether incentives and support programs have: (a) been correctly targeted to address the diverse and specific needs of small, especially micro, enterprises; (b) been implemented efficiently by the responsible agencies in terms of their delivery and impact, and (c) have been effective in helping smaller firms access a wider market for their products and services. The findings of the micro-enterprise survey, the review of the various incentive programs and the value chain analyses indicate that: (a) among specific constraints faced by the small, micro and medium enterprises (SMME) sector, the skills gap and the issue of access to finance are of particular relevance; and (b) while the economic rationale that existed in 1995 for SMME support remains valid, there is a need to find cost-effective and well-targeted programs that meet that rationale. The issue of skills development, in particular, is central to the medium-term agenda as a means of raising productivity and, hence, employment in segments of industry - both in the formal and informal sectors. As regards the Department of Trade and Industry (DTI) programs, there is a need to improve the effectiveness of promotion, strengthening selection criteria, and modulate the process of scaling up of individual programs. As regards other incentives, implementation of the Duty Credit Certification Scheme (DCCS) incentives has not been highly effective in ensuring the compliance of beneficiaries with the training and skills development requirements of the scheme; and this will need to be tightened up in the future.


Abstract: The objective of this study was to look at some of the key factors impacting on the micro, small and medium enterprise (SMME) sector in South Africa and to be able to assess whether incentives have, in fact, been correctly targeted. The paper addresses the main constraints facing the SMME sector, whether these constraints have been efficiently dispensed, whether they have had the desired impact, and the nature of the barriers actually faced by small firms in their efforts to integrate into the wider economy. Thus, the study focused on identifying investment climate constraints, the economic impact of implementation, and the key competitiveness challenges that would have to be overcome to achieve wider integration. The study also gives conclusions, recommendations and principal lessons drawn from this study.
Other Countries


Abstract: Kenya has pursued a business deregulation programme as part of a wider policy of liberalizing the economy and encouraging enterprise development. One component of this deregulation programme has been a transition from a system requiring enterprises to hold multiple business licences covering each of an enterprise's activities to a simplified system under which each enterprise requires only a Single Business Permit (SBP). This article reports the findings from a study of the impact of the transition. Interviews with over 300 enterprises, split between local authorities which had already made the move to SBP and authorities still using the old system, generated a substantial sample including over 200 microenterprises and small businesses (MSEs). We estimate the compliance cost savings for this sample of the transition and compare these savings with changes in licence fees occurring over the same period. The reform has reduced the costs to small enterprises in Kenya of complying with the licence process, but at least in some areas these savings are more than offset by an increase in the licence fees charged. The move to simplifying business licensing has been to some degree undermined by a parallel effort to revitalize local authority finances.


Abstract: The paper summarizes findings of a survey of micro and small enterprises (MSEs) in Kenya. Shows that though these enterprises are often thought of as a homogenous group helped by one type of credit approach, this is a fallacy. Different sizes and set-ups among enterprises with 1-50 workers require different kinds of support. Findings are grouped under four headings: employment growth, income earned, access to training credit and other forms of assistance, and capital invested in the enterprise. Only a small minority of MSEs benefitted from any form of credit or non-financial assistance such as informal advice. Among those that did get outside funding the most frequent source was rotating savings and credit associations (ROSCAs). Use of outside credit was positively related to enterprise size as well as level of education of the entrepreneur. Problems faced by the simplest enterprises are more likely to centre around credit whereas more dynamic enterprises generating higher returns have more complex problems and simple credit programmes would not serve their needs. Other results show:

- total employment in MSEs is growing at a rate of at least 10 percent per year
- there is rapid turnover in the sector
- whether jobs are generated from new enterprise establishment or existing enterprise expansion depends on state of the macro economy
- MSEs account for an estimated 12-14 percent of Kenya?s GDP
- two-thirds of enterprises generate income equal to or below minimum wage
- income per worker is higher in urban area MSEs and where workers have more education or technical training
- majority of MSEs make a significant contribution to poverty alleviation, and a significant minority contribute to growth of the economy, that is, help participants move substantially above a poverty minimum
- most MSEs start with very limited amounts of capital

**Abstract:** This article examines the key features of group-based savings and credit programmes in Kenya. There is a growing desire for sustainability and independence among Kenyans as well as donors, but how can the NGOs running such programmes achieve sustainability in the long and short term? The article discusses the importance of group formation in African culture, and how NGOs can meet the expansion, training and development needs of enterprise development, and it concludes by commenting on the future prospects for NGO credit programmes.


**Abstract:** This short paper arises from revisiting Kenya from time to time over the period 1989–1995 in order to research how its informal sector had fared over the past 25 years (King, 1996). The concerns in that exercise were to revisit the informal sector we had researched back in the early 1970s, and to attempt to establish some of the changes over these two and a half decades. Naturally, the priorities in such a project were to re-analyse the sector within a Kenyan perspective. Accordingly, the kinds of questions we were addressing covered such matters as technological change, technological confidence, new products, new capital goods, assessments of income and of the human resource levels deployed in the sector. One of its principal interests was to try and judge what it meant to be successful as an operator in the informal sector. Did it mean graduation from the informal to the formal sector? Was it a question of graduating from the roadside, and from under the hot sun (jua kali) which had given the Kenyan informal sector its now current name to a permanent stone-built workshop? Or was it to do with exporting some of one's production to neighbouring countries? In other words we were examining change and development of the informal sector within a particular historical, cultural and social context.


**Abstract:** The nature and role of the so-called “informal sector” are re-examined, on the basis of a detailed country study, using different data sources relating to Kenya which have recently been published or become available. Specific Kenyan phenomena are identified and commented upon, particularly the importance of “divided households” obtaining their living in both agriculture and the urban informal sector, and the tendency of informal sector manufacturing enterprises to form “agglomerations.” The informal sector is seen as a heterogeneous set of activities, urban or rural, which have the common features of catering (not uniquely) to the mass of low-income consumers, existing competitively due to the low supply price of labor, and being capable of retaining an important role in economies with widely varying levels of development so long as this supply price remains low.


**Abstract:** Few of Nairobi's small and medium-sized garment enterprises actually grow. Understanding why this should be so requires recognition both of their common problems and of the variations in their organization and market relations. Two factors appear critical for the growth of all of the producers: demand for new clothing and the firm's initial
capital. Other growth constraints differ according to the type of firm. Space constraints are highlighted as especially important for businesses presently operating in market stalls. The design of policy and donor interventions needs to consider both the commonalities and the differences among firms.


Abstract: Disabled people worldwide face barriers to formal employment. One possible solution for disabled people with entrepreneurial skills is self-employment. The establishment and expansion of small businesses by persons with disabilities, however, tends to be restricted by limited access to credit markets and by inadequate business training. This article focuses on a UNDP-funded and ILO-administered business training and credit guarantee scheme established in Kenya to facilitate informal sector self-employment for disabled microentrepreneurs. The sense of independence and self-esteem derived from such schemes make them of interest to disabled people in developed as well as developing countries, and the article includes recommendations for establishing self-employment schemes in developed countries.


Abstract: The important role played by the informal sector in most economies in less developed countries is now recognized by governments and international agencies. However, enterprises in the informal sector continue to encounter various legal barriers that prevent them from attaining their full potential. This paper examines the performance of small-scale enterprises in three neighborhoods in Nairobi, Kenya. The study reveals that government intervention and donor funds are essential to enable small-scale enterprises to attain their full potential. However, government and donor agencies provide more assistance to enterprises located in neighborhoods that have security of tenure and open space available for development. The study also demonstrates that with the installation of basic infrastructure, and the elimination of both rigid regulations and the threat of demolition, the enterprises perform more efficiently and new enterprises come up diversifying neighborhood economies and creating job opportunities. This highlights the need for urban planners to allocate land and provide basic infrastructure for the informal sector. Government intervention and funds from donor agencies are, therefore, crucial in enhancing the performance of small-scale enterprises and creating jobs.


Abstract: Groups formed by rural women in Kenya have a long history. The activities of these groups have often been studied and the resulting literature, in general, ascribes to them a welfare orientation. Since the 1970s, this orientation has changed and the concept of income generation became incorporated and encouraged by policymakers and field extension officers. These two paradigms have been a common basis for policy towards the development of women’s groups. This article argues that women’s groups are increasingly incorporating small-scale enterprises into their group activities, and that the characteristics exhibited by the women’s groups are consequently entrepreneurial in nature. They are innovative, they take risks, and they invest and reinvest accumulated capital through their enterprises. The types of enterprises in which the women’s groups engage is outlined, and then the entrepreneurial characteristics of the women’s groups in a study conducted in a rural district in Kenya is discussed.

Abstract: The paper outlines main characteristics of the MSE sector in Kenya:
- heterogeneity
- the MSE population is larger than estimated
- the vast majority of enterprises have 1-10 workers, with an average of 2.3 workers
- the population shows a great deal of dynamism and growth which can only be attributed to a minority of enterprises given that 38 percent of businesses are expanding while another 58 percent are not
- the SME sector is dominated by commerce and trade activities, most of which are retailing or vending of agricultural products
- enterprises are most likely to close in their first three years
- enterprises currently in existence have an average age of five years
- low demand in the market is the most important constraint facing enterprises
- women constitute 46 percent of entrepreneurs and 40 percent of employment in the sector
- enterprises based in commercial and industrial areas are larger on average, tend to be concentrated in manufacturing or services, are male dominated, and expand more rapidly

Key implications for policy makers are:
- any strategy to assist the sector should focus on assisting enterprises with 1-10 workers
- any attempts to reach this population must try to reach both rural businesses and home-based enterprises
- understand the unique set of constraints that women entrepreneurs face
- realise that, in the short run, microenterprise development will be tied unavoidably to the development of the agricultural sector


Abstract: When we think of a 'strategy' we usually think of something large and bold, something sharp and clear, in short a blueprint. So when the German Corporation for Technical Co-operation (GTZ) was asked by the International Labour Organisation (ILO) to become involved in developing a strategy for small enterprises in Kenya, there were some reservations about making a blueprint for a sector so notoriously difficult to define. On the other hand here was a situation where there was unanimous agreement among policy-makers, the private sector and donors that a strategy was needed if Kenya was to prepare itself for the coming decade - political will, institutional capacity and available resources, all were to be mobilized to make small enterprises the largest source of employment in the foreseeable future. Many other countries have stressed the important role that small businesses play in their economies but few have gone even so far as to give it the prominence which it currently enjoys in Kenya. Why has the sector suddenly emerged as a virtual panacea for unemployment?
Wakelin, O. 2004. “Can ICTs address the needs of small enterprises?”, Small Enterprise Development, Volume 15, Number 4, pp. 45-52(8), December.

Abstract: Oasis is a website that is aimed at overcoming the shortage of relevant business information for micro and small enterprises (MSEs) in Kenya. The design and updating of the website is carried out centrally, but to encourage the dissemination of information to MSEs, a group of 'infomediaries' were trained to download the information at internet bureaus, and to sell it to MSEs. Experience in two towns shows that MSEs were willing to pay for the information from Oasis, and that infomediaries were able to cover their costs. The time taken to research and upload useful sector-specific information centrally is considerable, however, and as yet income from sponsorship and advertising does not cover this cost. The article recommends that business information that is researched for Oasis could also be used in other outlets, such as radio programmes, and costs could be shared in this way.


Abstract: The article reviews the development of business incubators in a developing country, namely Nigeria. The current operational status of the seven existing incubators are highlighted as well as the successes and shortcomings associated with the implementation of the programme. This is followed with an assessment of the needs to be addressed before incubators can make the desired impact in stimulating entrepreneurship development and technological innovation. Finally, policy recommendations are made to guide the future development of business incubators in Nigeria so that they can make effective contribution to the goal of promoting small and medium scale enterprises.

Adegbite, O. 1997. “SME development under the structural adjustment programme in Nigeria”, Small Enterprise Development, Volume 8, Number 4, pp. 4-17(14), December.

Abstract: Many initiatives have been tried to stimulate SME development since the structural adjustment programme was introduced in Nigeria in 1986. This article describes the various programmes and points to the obstacles that have arisen in successfully implementing them. Frequently banks have been unwilling to lend to small businesses, and often the money allocated to specific projects has been inadequate because of the high inflation rate. Suggestions are made as to how programmes might be consolidated and better co-ordinated.


Abstract: This paper examines the determinants of technical and allocative efficiency of micro-enterprises in the Nigerian economy, using cross-sectional data collected on 180 micro-enterprises selected from blockmaking, metal fabricating and sawmilling enterprises. The Nigerian government has put in efforts at promoting productivity and efficiency in both the public and private sector of the economy. As a developing country, Nigeria has immense potential for better economic growth, both in the short and long run. It then becomes important to know the current level of efficiency within the sector. Quantitative estimates obtained from the stochastic frontier production function indicated a wide variation in technical and allocative efficiencies within and across occupational groups and across operational scale. The wide variation in the level of efficiency is an indication that there is ample opportunity for these enterprises to raise their level of efficiency. While the level of education of enterprise owners was found to be highly
significant in affecting the level of efficiency of the micro-enterprises, the age of enterprise owners was found to be negatively related to their level of efficiency. These variables are important factors that government policy should address so as to improve the current level of efficiency in the sector.


Abstract: The theory behind structural adjustment policies implies raised agricultural incomes in rural incomes, fewer regulatory constraints on small enterprises and greater opportunities to import and export. In this article a survey of small businesses in Nigeria reveals a less buoyant situation. Falling incomes have led to falling demand for the goods of small businesses, few businesses were able to afford imported inputs, and many domestically produced materials which were formerly available were now in short supply because they were being exported. A few enterprises have been able to occupy high-income niche markets, but the majority are facing falling demand and increased competition.


Abstract: The paper investigates 212 African firms founded in southern Nigeria during the period 1917 to 1961, with data series from 1960 to 1962 and 1991 to 1993. It examines:
• workings and evolutionary potential of the small enterprise sector
• intergenerational entrepreneurial dynamics and its impact upon growth of the individual firm
• survival rates of enterprises since 1961 and approximate determinants of those rates

Policy implications drawn are:
• in those areas where closure rates are low, it makes sense to strengthen firm-specific managerial capabilities and extend loans for acquiring new equipment and expand physical premises
• where closure remain high, short-term working capital loan schemes which maintain current employment and output, will have the highest pay-off
• where a sizable proportion of individuals from closed firms seek further employment within the small enterprise sector, individual-specific technical training may have a positive social rate of return.


Abstract: This study seeks to contribute to the little awareness of the significance of metal and wood crafts in socio-economic development. It is a secondary analysis of an empirical study on craft enterprises in Nigeria's informal sector. The first part of the study aims at providing a better understanding of:
• The socio-demographic attributes of microentrepreneurs in Nigeria's secondary sector;
• The entrepreneurial history and associated start-up problems;
• The characteristics of craft enterprises - size, equipment and production, success, and income or economic integration.

The paper further includes a sample survey of 493 small and microenterprises with 1-15 employees, operating in different branches. The survey:
• Discusses the kinds of strategies informal sector entrepreneurs pursue to cope with business environments characterized by uncertainty and extreme scarcity.
• Examines environmental constraints and operational problems faced by crafts in Nigeria. It identifies the major problems of small and microenterprises as:
• Inadequate policy framework for the small business sector;
• Lack of support by indigenous policymakers and insufficient representation of the interests of the target groups;
• Insufficient support by the banking system;
• Low efficiency level of project holders;
• Limited broad effects and sustainability of projects and limited markets.

The paper finally concludes that the findings of the survey are relevant for those who are concerned with the formulation of policies for the development and improvement of craft enterprises in the informal sector.


Abstract: Although microenterprises and small business (MSEs) may sometimes serve as a 'seedbed' from which larger enterprises emerge, very often certain factors constrain them from expanding. Using longitudinal data covering a period of 30 years, this article examines the 'graduation' problems of 37 MSEs in Eastern Nigeria. It shows that the rate of graduation of these enterprises was not only unimpressive, cases of stagnation and failure were numerous. An evaluation of the case histories of the 'graduated' firms indicates that they had been able to adopt innovative management strategies which were not only absent in the non-graduated firms, but are also uncommon amongst the MSEs in Africa.


Abstract: This article looks at the extent to which financial liberalization under the recent structural adjustment programmes in Nigeria has affected the chances of microenterprises and small businesses (MSEs) obtaining credit from financial institutions. The 'pro-state' and 'pro-market' views regarding access to formal credit by MSEs are contrasted; then the article describes how financial liberalization has affected the banking system in Nigeria. A discussion of the changing patterns of credit sourcing by MSEs from formal financial institutions during 1980-90 follows. This reveals that the credit available to MSEs from commercial and merchant banks has risen sharply during the period, both in volume and as a proportion of the total credit available to all sectors.


Abstract: After three years of experimenting with, and developing, mechanisms which will directly benefit the rural poor, CARE Maradi in Niger has decided to narrow its activity focus down to credit and technical training. It is these two components that have generated real client interest, shown the best results, and have the greatest promise for sustainability. The second phase of the project will now consist entirely of improving the effectiveness and efficiency of these activities and developing them into two sustainable institutions: a rural bank and a vocational training facility. This article describes some of the lessons learned from the first three-year phase, current programming and an analysis of the future prospects for the project.

Soetan, F. 1997. “Entrepreneurship and Nigerian women — is there any meeting point?”, Small Enterprise Development, Volume 8, Number 1, pp. 41-46(6), March.

Abstract: In spite of their considerable involvement in the trading and service sectors, the work contribution of Nigerian women has largely been ignored in official statistics. The majority of their microenterprises are too small to come within the government's size categories, so they do not qualify for official assistance. This article describes the obstacles
women microentrepreneurs face, and emphasizes their critical role in helping families survive in the current economic climate.


Abstract: Delivery of microcredit to operators of small and micro enterprises (SMEs) in developing countries is increasingly being viewed as a strategic means of assisting the so-called “working poor” (ILO, 1973). Over the past decade, a considerable amount of multi- and bilateral aid has been channeled into microfinance programs in the Third World with varying degrees of success. Like all development interventions, donors, governments, and other interested parties demand evaluations and impact assessment studies to ascertain the achievements and failures of these programs. This paper reviews two such studies conducted in Ghana and South Africa that focused mainly on impact results. The outcomes of the two case studies have established that microfinance interventions have achieved significant improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly women.


Abstract: Little success has been achieved in financing assistant programmes for contractors in developing countries. This paper focuses on the experience of the Bank for Housing and Construction (BHC) of Ghana. Factors accountable for underachievement of its programme include: contractor's lack of managerial and technical capability; inability to obtain contracts; persistent delayed payments by major clients; and the deliberate refusal to repay loans. Suggestions offered for improving the effectiveness of programmes, on the academic and practical front, relate well with developments in small and medium-size enterprise (SME) finance. A survey in Ghana found that there was a strong desire to establish a contractors' bank. There would be the need for the contractors association to reform before it could play a meaningful role in the proposed bank. The importance of effective governance in achieving success cannot be overemphasized, likewise the role of government and donors in encouraging the setting up of a conducive regulatory framework.


Abstract: Growing cash shortages and technical problems experienced by large state-owned palm oil milling plants in Ghana have caused serious problems for small farmers: they have lost up to 40 per cent of their crops due to the lack of effective processing capacity. The NGO, TechnoServe, has worked with communities to develop a model for village-based, small-scale processing. This involves the introduction of appropriate technologies, and the establishment of effective management systems and management training. The model has proved highly successful and has stimulated significant increases in income and productivity among farmers and producers, as well as wider social and economic benefits. It is currently being widely disseminated in conjunction with the Government of Ghana and the World Bank.

Abstract: Woodworking microenterprises and small businesses (MSEs) have not benefited from structural adjustment policies in Ghana where export orientation gives relatively few enterprises better access to the raw material base as well as the financial and enterprise support infrastructure. The subsector approach to small enterprise promotion is used in this article to explore the effects of export production and related factors on the emergence of opportunities and constraints facing MSEs. On this basis, it is determined that export production is a major factor influencing the supply of wood to woodworking MSEs, that a large number of MSEs could partake in the opportunities presented by the production of value-added products for export overseas, and that policy and project intervention to promote enterprises in the subsector could be more effective if they fostered greater links between enterprises producing for the domestic market and those producing for export.


Abstract: This article explores the cultural issues affecting the rural entrepreneur in Ghana. It is based upon the results of an enterprise development needs assessment tour conducted by the authors in Ghana for the Food and Agriculture Organisation, the objective of which was to assess the cultural factors which must be accounted for in the implementation of subsequent projects in the region.


Abstract: The paper presents the baseline findings of a two-stage assessment of the impact of microenterprise services on clients, their households and enterprises in Zimbabwe. Findings highlight similarities and differences between new Zambuko programme clients, repeat clients and non-client microentrepreneurs. It concludes that Zambuko clients are microentrepreneurs from low-resource, low-income households. Repeat clients tend to be significantly different from new clients and non-clients. They are better off economically than the new clients and non-clients, probably because initial loans proved useful in stimulating a net increase in enterprise income. Loan funds permit the majority of clients to make purchases which they otherwise would not have made. Provision of client business training by Zambuko has resulted in positive business changes. Overall results establish that participation in microenterprise programs leads to improvements in the economic welfare of households, enterprise growth or stability, increases in empowerment of women and strengthened social networks.


Abstract: Country-wide survey undertaken to produce detailed statistics on the MSE sector. Facts revealed include:
- about 845,000 micro and small scale enterprises exist which provide regular employment to just over one-quarter of adults
- activity is largely based in rural areas
- sector is dominated by small manufacturers
- typical MSE is a one man operation
- activity is mostly centered in the proprietor’s home
• 67% are run by women and 32% by males
• a typical enterprise grew 7.4 percent a year from beginnings to time of survey
• main perceived problems of proprietors are related to market, finance, stock, raw materials, tools and machinery
• few proprietors had access to credit or training


Abstract: Using case studies, explores the nature and extent of linkage activities in three subsectors in Zimbabwe: garments and textiles, metal products, and leather and footwear. The paper argues that by providing access to larger and more dynamic markets, business linkages offer a means of pulling smaller and less sophisticated producers into the mainstream of the economy, thus acting as a mechanism for the promotion of small enterprise. Reliance on such linkages allows for increased specialisation and particularly benefits firms who are suppliers in the market. If firms specialising in different aspects of production and distribution are linked this creates well functioning markets, thereby raising the overall efficiency of economic system. It recommends that, to advance efforts in expanding business linkages for the benefit of both large and small enterprise, it is important to understand what is currently happening in the arena: what linkage activities are in place, what has led to their establishment, and what constraints limit their growth. It concludes that business linkages could lead some businesses to be more open to relying on commercial dealings between large buyers and small suppliers


Abstract: Women running microenterprises face long hours with low returns, and often accumulate debts. This study of women entrepreneurs in Cameroon revealed that a poor choice of business venture often means that they run at a loss; however, many women value their businesses for non-financial reasons, such as the fact that they get them out of the house. In spite of their low returns, women's businesses are critical to the survival of their households through the current economic crisis, and as such are important for the national economy. The author makes a number of recommendations as to how women's entrepreneurship could be better channelled and supported.

Abstract: This article assesses the performance of small-scale manufacturing enterprises during the process of structural adjustment in Cameroon. It seeks to determine whether all segments of the industrial sector have been similarly affected by down-scaling, or whether some categories have adapted better to the liberalization of trade and regulatory parameters. Survey results show that a large segment of the manufacturing sector, mostly larger-scale units originally established within a highly subsidized and protected economic environment, is experiencing difficulty in adapting to liberalization measures. On the other hand, small-scale enterprises, which did not benefit from the same kind of protection as their larger counterparts, are experiencing growth. However, if current trends are maintained, the vitality of the small-scale sector will probably not be sufficient to prevent deindustrialization of the country.


Abstract: The paper summarises the result of a nationwide survey on micro- and small-scale enterprises (MSEs) in Botswana. Provides information on various characteristics of existing MSEs including their magnitude, composition and location. Findings reveal that the sector consists of forty eight thousand enterprises employing over eighty-eight thousand people. Up to fifty four percent of MSEs provide fifty percent or more of household income in both urban and rural areas. Finance and marketing problems were consistently reported as primary constraints of MSEs at start-up and during growth. MSEs in Botswana are growing at an average rate of 7.8 per cent. It concludes that in order to assist the MSE sector, it is necessary to understand the composition of enterprises, their growth patterns, problems and constraints.


Abstract: This paper focuses on the role of information and information-handling technologies within the many rural microenterprises that currently lack access to ICTs. On the basis of field research in Botswana, it finds that poor rural entrepreneurs rely heavily on informal, social and local information systems. While highly appropriate in many ways, these systems can also be constrained and insular. Priorities for breaking this insularity will be greater access to shared telephone services. ICTs may play a supplementary role. They will need to be based in intermediary organizations that can provide complementary inputs of finance, skills, knowledge and other resources.


Abstract: Despite the proliferation of micro and small enterprises (MSEs) in sub-Saharan Africa (SSA), most have difficulty surviving, let alone expanding their operations. Using empirical evidence from two Ugandan towns we explore the impact of investments in water supply infrastructure on MSEs. Our findings suggest that, despite perceptions among firm owners that water supply is a binding constraint, economic benefits to MSEs of
supply improvements may be limited. Current water infrastructure planning strategies may be based on erroneous assumptions about the relative demand for improved water supply by firms and households, as well as the feasibility of cross-subsidies between groups of users.


Abstract: This presentation explores the relationship between the youth and microfinance. The presentation studies a youth program in Uganda. It lists the main sources of capital for young clients of MFIs. The presentation states that a good youth-oriented program would engage in:

- Qualitative and quantitative research;
- Myth busting;
- Building on their assets.

It concludes that research matters in understanding what young people’s assets are, what they want to do, what they need in order to achieve their goals and to earn money. There is a need for holistic approaches that link organizations, families, and communities.


Abstract: Following the introduction of an economic recovery programme, Uganda is beginning to meet its inflation and growth targets. In order to promote rather than stifle growth in the small business sector, the Uganda Revenue Authority and the government's Tax Policy Division have been attempting to listen to the concerns of this sector, as voiced through representative groups such as the Uganda Chamber of Commerce. Attempts are being made to simplify tax returns, to educate small businesses to carry out self-assessment, and to lessen the blow of a lump-sum tax demand by allowing payment by instalments.


Abstract: The evidence from case study research suggests that ABA's credit operation has many strengths, including strong customer service, excellent delinquency management, effective relationship with banks and excellent MIS system. However it appears that the achievement of operational sustainability of ABA may have come at the cost of long-term developmental impact. The author concludes that it is possible that ABA may not be meeting the needs of a special niche in the marketplace. As a result of its focus on repayment at all costs, ABA may be inadvertently damaging its outreach potential. As ABA tightens its hold on sustainability, the danger is that the organization will start to loosen its hold on real demand and go for those targets that pose the least threat to sustainability. If this happens, the putative beneficiaries will end up serving the purposes of the helping organization, rather than the other way around.


Abstract: The paper describes one year pilot project undertaken to field test methodology based on experiences of institutions such as Grameen Bank, BKK and Helwan (Egypt) Housing and Community Upgrading Program. Loan officers went to villages to make loans and open savings accounts. Results show that project exceeded expectations and more than twice number of targeted number of loans made. The success can be attributed to
leadership of project manager but particularly motivations of small entrepreneurs. The demand has already lead to break even point in operational income and expenses. It recommends that project can be replicated in Cairo in current form if minor modifications done to credit delivery system.


Abstract: Small-scale industries in Tanzania are facing serious financing problems that arise from the small size of banks' resources and institutional difficulties within the economy. These have created difficulties in the expansion of the small business sector. This paper looks at the problems of capital supply to rural small-scale industries in Tanzania and the means to alleviating them. Only the co-operative sector is discussed: because of a limitation of time and resources, private individual entrepreneurs were not deal with in spite of their importance in the economy, which is now being liberalized by the government.


Abstract: In one of the poorest countries in Africa, AMKA assists small-scale producers to export to markets in rich countries. AMKA selects clients whose operations accord with principles of 'fair trade', thereby aiming to have a greater impact on poorer people. The article points out, however, the tension between reaching poorer producers who require greater levels of assistance, but cannot pay high fees, and achieving sustainability. One possible option is identified: dividing the organization into two and carrying out the more developmental work through a not-for-profit trust, while offering the more profitable services such as brokering through a trading arm. A number of lessons are drawn from AMKA’s experience: the need for a good information system to make effective decisions on which services to concentrate upon; the advisability of staying focused on a sector; and the strong sense of ownership within AMKA which has been fostered by participatory relationships with its main stakeholders, Traidcraft Exchange and DFID.


Abstract: This article reports the findings of a survey conducted among village women in Tanzania during the summer of 1989. The survey was part of the planning phase of an action-research project for training in entrepreneurship. The aim was to identify the extent to which rural women are engaged in income-producing activities, and the significant characteristics of women entrepreneurs and their enterprises in a Tanzanian village. In addition, the survey sought to discover the type of assistance they had already received from the government, and what they needed, especially in terms of training. Studies on the informal sector or the microenterprise and small-scale business (MSE) sector in Africa abound, but none could be found for Tanzania that focused on rural areas, targeted women, included all types of enterprises run by women, as opposed to only those run by groups or with the help of certain agencies, and assessed training needs. This study, therefore, helps shed light upon the impact of economic reform measures on the most vulnerable part of the population (rural women and their children) and provides guidance for future policy changes. Time and budget constraints did not permit a survey comprehensive enough to permit national inferences. Nonetheless, the findings provide a reasonably accurate picture of the role of MSE in the life of typical village women, and present some patterns that can be tested by further research.

Abstract: The paper presents a country-wide survey of micro and small non-farm enterprises employing 50 or fewer. Findings reveal that:
- nationally, nearly 40 per cent of Swazi households are involved in some MSE activity
- MSEs account for about a quarter of the national labour force and females account for more than 70 per cent of the total MSE labour force
- the number of micro and small enterprises (MSEs) and the amount of employment they provide have been growing. The average growth rate of employment per firm is estimated to be 6.6 per cent per year
- among the major problems constraining proprietors are lack of competition, bad debt, shortage of working capital due to lack of access to bank credit, and sometimes lack of raw materials

It concludes that Swaziland?s MSEs paint a picture of a vibrant and important sector of the economy.


Abstract: The relationship between governmental regulations and small and micro enterprises is the subject of increasing interest in developing countries. This paper examines the determinants of small and micro enterprise registration in Niger and Swaziland using a logit framework. Our surveys show that although virtually all firms in these countries are required to register, many do not. Several firm-specific factors are significant in explaining the probability of registering, including sector, location and size. Although Niger and Swaziland were reputed to possess differing regulatory environments, there is no evidence that the likelihood of registration depends on the country in which the firm is located.


Abstract: The United States Agency for International Development is committed to strengthening the status of women in Eritrea. This approach is consistent with overall USAID policies, which emphasize the need to pay attention to gender issues as part the provision of equitable, effective development assistance. The Government of the State of Eritrea also has adopted relevant policies of its own, including sections of the national Constitution and recent legal reforms. In addition, women ex-soldiers and the National Union of Eritrean Women have worked to raise awareness of gender concerns and increase their influence in the policy arena. USAID/Eritrea recently requested that the Women in Development Technical Assistance Project (WIDTECH) provide a social scientist with expertise in gender and microenterprise development to carry out two tasks. These were a review of USAID/Eritrea’s Investment Objective on human capacity development (IO3) and the development of recommendations for activities that the USAID/Eritrea mission could undertake to enhance women’s participation in the workforce, with a focus on the microenterprise sector. The fieldwork was carried out in Asmara, Eritrea, from April 25 to May 13, 2001, in close collaboration with Carol Horning, Director, General Development Office at USAID/Eritrea. Findings and recommendations for future USAID/Eritrea activities are incorporated into the final report of the team that worked to develop IO3. The first part of the following report describes and analyzes the role of women in Eritrea with regard to both the microenterprise sector and the formal economy and then identifies major issues involved in the economic empowerment of women in Eritrea. The second part of the report is a proposal for a USAID program that could support female
microentrepreneurs and workers and contribute to the development of information and awareness on gender issues.


Abstract: Where feasibility studies are carried out on microenterprises the data is often 'extracted' from the client by field staff, leaving the client with no greater understanding of his or her business. This article describes participatory methods developed in Eritrea to help sometimes illiterate clients work out and forecast their own cash flows, or identify production bottlenecks. It also describes attempts to assess and monitor the social coverage of a microfinance programme using wealth-ranking techniques.


Abstract: The paper discusses the possibility of creating an apex institution that would serve as a vehicle for expanding the small enterprise development (SED) program of Catholic Relief Services in Senegal. It draws on the experience of the Association Grupos Solidarios de Colombia (Association of Solidarity Group of Colombia) in creating apex organizations. Also, it presents a brief description of the SED program, the village bank methodology that it employs, and the organizations that implement it. The paper describes the main program accomplishments, strengths, and weaknesses to date. It analyses the advantages and disadvantages of expanding through apex organizations that already exist. Outlines the different issues involved in creating an apex institution to support the expansion of village banking program in Senegal. Finally it concludes that the success of an apex in Senegal is likely because of the strong interest of the NGO's in participating in the SED effort and current partners expanding. It also proposes an apex organization model for the CRS/SED program in Senegal, covering specific components such as the organisational and administrative structure, management information systems (MISs), services to be provided, staffing needs, and financial sustainability. Suggests expansion strategies based on the abilities of partner institutions to implement the program, the methodology to be used, support systems available to the program and geographic saturation.


Abstract: The devaluation of the CFA franc in January 1994 was economically necessary in order to initiate a reorientation of patterns of consumption and production and thus to improve international competitiveness in the African franc zone countries. The example of Senegalese small and medium-sized enterprises shows that, contrary to initial expectations, the favourable effects of the devaluation in terms of market share and employment at enterprise level have remained limited even after two years of adjustment. The openness of the economy, price movements independent of the devaluation, certain accompanying measures of the government as well as unresolved structural problems have restricted the enterprises' room for manoeuvre in factor and product markets. Moreover, intermediary institutions have often failed to play their role as catalysts of structural change. Thus, established socio-political structures at the various levels have once again proved to be barriers to desired economic effects.

Abstract: The 50 per cent devaluation of the CFA franc (FCFA) in January 1994 has led to an economic revolution for francophone Africa. This article examines the impact of devaluation on a dynamic part of the Burkinabè economy, the small enterprise sector, where the effects were supposed to be positive. Against expectations, the conclusions of this research reveal that most of these enterprises have been in crisis since 1994: their real turnover has decreased by 22 per cent and their margin by 24 per cent. The manufacturing of substitute products is still a long-term objective.


Abstract: The paper presents a comprehensive structural and comparative study of small-scale enterprises (SSEs) in Lesotho. Findings reveal that:
- there are 102,968 SSEs employing 161,248 people in Lesotho which corresponds to 20 per cent of the country’s labour force
- almost four-fifths of the enterprises are found in rural areas
- about half of SSEs are involved in manufacturing, close to a third in trade or commerce, and the remainder in service activities
- the most prevalent SSE activities are beer brewing, knitting, and vending
- women play a dominant role in SSE sector. They account for two-thirds of the labour force in all SSEs and own almost 75 per cent of them
- over the years the number of SSEs in Lesotho has increased significantly

It concludes that SSEs proprietors have two major problems: lack of working capital and inadequate product demand/market. Very few of them have had any formal assistance.


Abstract: This paper surveys the status of microenterprise development in Ethiopia and identifies the issues and constraints to rural microenterprise development. It further identifies the opportunities and options that are available to support long-term development of the sector. The paper studies the above by data collection through field visits to stakeholders (clients and service providers), document review, and rapid assessments of potential partner institutions through site visits. The study is based on discussions and analysis around five major thematic issues: training support services, technology development and dissemination, markets and marketing channels, rural micro financing, and, policy and institutional issues affecting the microenterprise sector. Further, the paper presents the findings of the study which are lack of basic rural infrastructure, limited access to appropriate technical/ business skills training services, limited access to appropriate market information and market opportunities to promote local, regional, interregional and international trade, barely existent microenterprise technology development and dissemination, nascent private sector development for potential business linkages, inappropriate and insufficient production of cost-effective technologies, limited access to financial services, inconsistent and inadequate policy and regulatory framework for the microfinance/ microenterprise sector. Finally, the paper suggests that adoption of market demand led development (MDLD) approach for the microenterprise sector and development of market opportunities to improve money inflow and to initiate the process of micro and small enterprise development in rural areas.

Abstract: The paper presents the microenterprise (ME) sector in Zambia. It states that assistance is necessary to enable this sector to expand in order to generate income and employment. It outlines credit, training and extension services for business management, technical skills, common site facilities and incubators, technology development and dissemination, and institutional capacity building are needed. Finally it concludes that in most cases, MEs produce lower-cost products that are more appropriate for low-income consumers; and MEs are important in generating income and employment since they generally rely on labour-intensive technologies. They can help mitigate the adverse social effects of the structural adjustment programme and the current policy environment is favourable for ME growth.


Abstract: CARE International is a nongovernmental agency which works to improve the quality of life of people throughout the world. The overall goal of CARE PULSE is to increase household income, economic security, and employment opportunities among the families of poor microenterprise owners in peri-urban areas of Lusaka, through the provision of sustainable savings and credit services. The CARE PULSE (Peri-Urban Lusaka Small Enterprise) project is a membership organization. Participants are required to undergo an eight-week training course as a group, before being admitted as members. CARE PULSE provides short-term loans to individuals through mutually liable groups. CARE PULSE project has successfully built on informal financial systems already being used by the microentrepreneurs, thus ensuring the acceptance of the methodology by the participants. There was a high level of client participation in the decision-making and credit delivery process. Loan transactions are documented in their management information system. The Loan Insurance Fund is a technique that has ensured high loan repayments and encouraged participants to develop institutional saving habits. The experience has confirmed the importance of program flexibility, of timely disbursement, of networking, the value of a strategic plan, and the value of careful recruitment process and orientation training.


Abstract: The paper looks at the impact of change in the business and policy environment on small- and medium-scale enterprise (SMEs) in Malawi. It identifies impacts such as:
- reduction of the government deficit has resulted in decreased rates of inflation
- less crowding out of private sector firms with respect to credit
- liberalisation of the mechanism of foreign exchange allocation has increased availability of foreign exchange
- streamlining of agricultural policies has now allowing small farmers to produce cash crops

It concludes that the SME sector in Malawi demonstrates a great deal of change. If growth is not only at the individual firm level but also at the aggregate level, then it appears that the sector in general is growing. Part of this growth and change may be in response to an improving business and policy climate. Some adjustments to the economy are still being implemented and other changes already implemented have not yet had time to come to fruition.

Abstract: In the crowded cities of many developing countries, the requirements of street sellers and craftsmen for space to work and sell their produce are regarded as a nuisance by the local authorities. This article argues that urban developers need to catch up with economic planners in recognizing the important role of small businesses and the informal sector in developing countries. Drawing lessons from the case of Kassala, Sudan, it is argued that planners should adopt an urban management approach by which small businesses are enabled to grow, and their requirements are recognized, rather than being constantly restricted and evicted.


Abstract: The war in Mozambique has left towns in Zambezia Province with crippled infrastructure and populated by displaced people. A project initiated by Save the Children Fund has established associations of artisans which have been organized to supply the basic requirements of the population in return for wages. Conceived primarily as a relief and rehabilitation project, the associations have some potential to foster entrepreneurship among their members, although the transition to self-reliance and autonomy is seen to be problematic.


Abstract: In previous post-conflict contexts, donors and practitioners have successfully provided grants and loans to affected populations to spur economic growth and reconstruction, promote the sustainable return of refugees and rehabilitate ex-combatants. However, recent experience demonstrates that if the provision of grants and loans is not well-managed, well-intentioned donors and practitioners can undermine the development of a healthy credit culture, delay the transition from relief to development and harm communities in the long run. This note is offered as a practical tool for donors and practitioners working in post-conflict situations to maximise the positive impact from both grant and loan programmes for microenterprise development. These principles, based on emerging best practices from development and post-conflict environments, are designed to promote rapid reconstruction while laying the foundation for economic growth. This note was developed by donors and practitioners for use in Liberia, as a test case to see if cooperation among stakeholders will lead to the proper use of grant and credit interventions.


Abstract: This article explores reasons for the success and failure of small-scale enterprise programmes for rural women in the Sahel sponsored by a Malian NGO. The CILCA Mali programme has assisted projects in rainfed crop production, vegetable production, sheep fattening, poultry raising, and soap and textile production based on a revolving credit scheme operating both for collective and individual loans. They have also placed heavy emphasis on training village women, on helping make viable village women's organizations, on health and sanitation activities and on preschools. Their eclectic approach, with its underlying emphasis on economically viable microenterprises in agricultural, animal husbandry and manufacturing activities, has been quite successful. It
seems that the project has benefited village women both in terms of status and in terms of family welfare. The “integrated” approach to development which tries to do everything simultaneously has often been criticized. In this case, though, the many non-economic activities seem to have been important assets reinforcing the success of the micro-enterprises. The generalist/technician character of the women's technical team and their back-up from the rural technical institute are also factors in CILCA-Mali's success. CILCA-Mali may be seen as a useful example of what can be accomplished for and with village women in the poorest circumstances and the worst possible climatic conditions by a microenterprise strategy embedded in a broader village system approach.


Abstract: Between November 1989 and March 1990, the Club du Sahel of the OECD commissioned the author to carry out a state-of-the-art study of small business promotion initiated by donor agencies in Africa’s Sahelian countries. The study involved field visits to Senegal, Mali, Burkina Faso, Niger and Chad. The following article draws from the findings of this work.


Abstract: This article is based on research undertaken on microenterprises in the informal sector in Kenya, Malawi and Ghana. It seeks to provoke critical reflection on the uncritical enthusiasm that lies behind much proselytizing of microfinance for informal sector microenterprise. It questions whether the extensive donor interest in microenterprise finance really addresses the problems of microentrepreneurs or whether it offers the illusion of a quick fix. It suggests that the real problems are more profound and cannot be tackled solely by capital injections but require fundamental structural changes of the socioeconomic conditions that define informal sector activity and a fuller understanding of the “psyche” of informal sector entrepreneurs.


Abstract: It is obvious that there is a great need for small business and self-employment in both developed and developing countries. This article looks at the situation in South Africa, in particular, where there is an urgency to create a good environment for potential entrepreneurship among the black communities, and suggests change, using the experiences of programmes in the UK. Two placement and training programmes are analysed for their potential in raising student awareness of small business, and it is proposed that much could be adapted to suit the situations in developing countries.


Abstract: The paper examines the dynamics of small- and micro-scale manufacturing enterprises in LDCs, particularly in Africa. Discusses:
• the creation, evolution, and disappearance of firms
how such patterns vary by country, stage of development, industrial sector, and policy environment.

It reviews the evolving role of finance in this process and financial sources, particularly informal ones. Emphasises the importance of integrating informal and formal financial markets.


Abstract: Most enterprise development efforts in Africa have had little impact in terms of producing fast-growth enterprises that generate jobs. This article suggests ways in which African governments and donors could learn from other countries, where increasing competition in the markets has spurred governments, among other things, to develop policies to promote modern SMEs, to foster subcontracting, and to develop financial packages for expanding successful small businesses.


Abstract: This report provides an overview and analysis of the microenterprise sector in urban French West Africa. The key success factors of microenterprises are evaluated as well as major issues impeding their development.


Abstract: This discussion presents the findings of a survey of modern indigenous African entrepreneurs. Far from being what has been described as 'the missing middle', these entrepreneurs can be seen as the true pioneers of development in sub-Saharan Africa. With the proper support, this productive sector can be expected to grow, and with that expansion, help alleviate poverty and stimulate social progress. The intended audience consists of policymakers, aid donors, and advisers concerned with African economic development, and the report addresses some key issues of strategy and policy as they are seen through the eyes of modern African entrepreneurs. It is hoped that this different perspective will be helpful in designing programmes to foster African entrepreneurship.


Abstract: This article reports the results of a survey on the socio-economic characteristics of enterprises and their operators in Mathare Valley, a major slum area in Nairobi. It describes their potential to generate profits, employment and to impart skills; the inter-linkages between these enterprises and other business areas; and the problems and constraints that they and their operators encounter.

Abstract: This document provides details of the African Microenterprise AIDS Initiative conceived by Opportunity International and its seven African Partners. The initiative intends to provide women and their families with the resources and skills necessary to combat the spread of HIV/AIDS. The foundation for this new program will be "Trust Banks", pioneered by Grameen Bank in Bangladesh. The document states that the African Microenterprise AIDS Initiative will:

- Directly benefit one and a half million people in its first five years, five million over the next ten years, and millions into the future;
- Give women the choice to say no or negotiate safer sex;
- Reduce the rate of infections among formerly impoverished women and provide economic support to AIDS widows and orphans;
- Impede the spiraling economic consequences of the AIDS pandemic.

It concludes that:
- Opportunity International and the African Microenterprise AIDS Initiative will bring dignity to disadvantaged women and families;
- They will help these people see that their lives can be different and that change is possible;
- By joining together with one another in Trust Banks, women in thousands of communities will transform desperate societies.


Abstract: The aim in this article is to examine the ingredients of ‘success’ in the small enterprise development experience of Africa. More specifically, it seeks to review and selectively highlight issues of the successes of the African small enterprise development experience and to identify the key factors or agents of change with a focus upon the record of sub-Saharan Africa. Overall, this paper focusses on identifying (1) the elements of successful enterprises, (2) the ingredients of successful clusters of enterprises, and (3) the best practices of policy support for small enterprise development in Africa, in terms of both finance and business development services.


Abstract: The changes faced by African business people over recent years have provided opportunities in the form of increased export markets and threats in the form of competition from new labour-force entrants. This article, which is adapted from the keynote speech of the conference of donor agencies for small and medium enterprises in Abidjan in 1993, outlines some of the changes that have taken place in many African countries following structural adjustment programmes. It describes changes in the markets in which firms operate, in the business environment and in the institutions affecting small enterprises.


Abstract: The regional workshop, organized by infoDev and Busy Internet, brought together business incubators, tenant companies, financial institutions, policymakers, donor agencies and others working on small and medium-sized enterprise (SME) development
and business promotion in Africa. The 79 participants from 14 countries explored key challenges to business innovation and SME development in Africa and the potential of business incubation as a tool to address these challenges. Participants shared strategies and experiences and identified opportunities for future joint action, laying the groundwork for the establishment of the African Innovation and Entrepreneurship Network, as an ongoing forum for discussion and support for ICT-enabled incubation and new business creation in Africa. Compared to other regions in the world, incubation is in its infancy on the African continent and opportunities for networking, with a focus on innovation and entrepreneurship, are not as developed as in regions with a longer history of incubation, for instance Asia, Eastern Europe and Central Asia and Latin America. Participants worked together at sub-regional levels (East, West and South African groupings) identifying challenges and developing practical strategies and priorities, which came together and were endorsed on the final day as a draft action plan for the African Innovation and Entrepreneurship Network.


Abstract: A joint IDA-IFC Micro, Small and Medium Enterprise (MSME) Pilot Program for Africa was launched in December 2003 to deliver an integrated package of products to MSMEs in Africa. During the IDA14 replenishment discussions, Deputies requested a review of the Program for the IDA14 Mid-Term Review. This paper responds to that request. The paper is structured as follows: Section 2 provides the background of the Program. Section 3 offers a snapshot of IDA-IFC MSME projects to date. Section 4 reviews projects by examining whether they are aligned with the originally stated objectives of the Program. Section 5 points out a few internal and external implementation challenges. Section 6 concludes by laying out the next steps.
Europe


Abstract: Two of the central challenges faced by Cape Verde at the present are the high level of unemployment and the increasing proportion of the population living in (relative) poverty. Microenterprise development can be an effective means of addressing both problems in a developing country like Cape Verde, where microenterprises account for about 50% of employment. In this paper we provide a detailed profile of Cape Verdean microenterprises and microentrepreneurs and investigate the relationship between their characteristics and the resort to outside seed capital. We find a cluster of factors—the microentrepreneur's age, gender, level of education and reason for being self-employed—which influence significantly the probability of being in need for external start-up capital. The policy implications of these findings for the design of a specific microfinance program for Cape Verde are discussed.


Abstract: This paper looks at micro-enterprise development as an effective means of addressing the problems of unemployment and poverty in the developing country of Cape Verde, where micro-enterprises account for about 50% of employment. The paper argues that several barriers discourage potential borrowers from participating in microcredit programs. In order to increase the rates of participation and success in microcredit programs, it is essential to tailor microcredit programs to the characteristics of micro-enterprise owners. Providing a detailed profile of Cape Verde's micro-enterprises and micro-entrepreneurs, the paper investigates the relationship between their characteristics and the resort to outside seed capital. It utilizes the results obtained in the paper for defining appropriate microfinance strategies to support the creation, development and survival of micro-enterprises in Cape Verde. The paper concludes that most micro-entrepreneurs in Cape Verde have been women, created their firm before they were 40 years old, worked alone or with one employee, operated in the trade sector in urban areas, a low level of education and started their businesses voluntarily. Micro-enterprises in rural areas are significantly different from those in urban areas. Most micro-entrepreneurs resort to outside capital due to insufficient savings. The paper recommends:

- Development of adequate financing mechanisms;
- Adult education programs;
- Reservations for non-government organizations in microcredit programs;
- Provision of technical assistance;
- Training in management skills.


Abstract: In the mid-1990s, small fruit and vegetable farms in Italy were faced with the challenge of trade liberalization. To help them, the European Union introduced incentives for farmers to sell their produce collectively and to improve their farming processes. This article describes the work of an association of farmers and farming co-operatives, ASSOFRUlT, which has been successful in collectively marketing farm produce. The association's services include the pooling of produce to meet the requirements of large buyers such as supermarkets, directing EU subsidies to improve farm production and move into higher-value crop production, and accessing crop loans. ASSOFRUlT includes a few very large farmers who continue to market some of their produce themselves, and this is seen to benefit the association as a whole. The large farmers' knowledge about prices, market outlets and new opportunities are passed on to the association. The association's success is also attributed to the dynamism of the management team, which is always looking out for new projects for which it can secure funding.


Abstract: Assesses the status of small enterprise development in the Vladivostok region and identifies constraints to establishing and expanding small businesses. Discusses issues relating to target groups, small business credit programmes, training and technical assistance, business advisory services, gender, privatisation, legal and regulatory issues, and agribusiness. Recommends an integrated and comprehensive programme for addressing the complex problems facing Russian's emerging entrepreneurs. To address skills development through training, problem solving through hands-on technical assistance, limited access to financing through credit programmes, and problems at both the macroeconomic and the subsector levels through targeted technical assistance. These recommended activities have short-and long-term components, and are designed to encourage and foster sustainability by Russian counterparts.


Abstract: The paper examines the need of small business in Nizhny Novgorod, Russia, between 1991-1993. It gives an insight into the types of problems faced by the entrepreneurs and the assistance offered by international agencies. The analysis looks at the characteristics, problems faced, raising of capital and business needs of these entrepreneurs. As per the author, the average entrepreneur was married, 30 years of age, white male, who lived above the official poverty line and had an average formal education of 6.9 years. Most of the businesses were self owned or were in partnership, either local or foreign and were engaged mostly in retail or wholesale trade. They also employed 47 people on an average. Some of the key problems faced by them were raising capital, high interest/taxation rates, getting professional advice for the changing business laws, excessive Government paperwork, cost of infrastructure, language skills etc. While 78% of people seeking loans were successful, many exaggerated their requirements as banks did not favor small businesses. The author concludes by saying that technical assistance to business was not widely used or desired by these entrepreneurs. They required professionals who could advise them in the matter or law and accounting which the international aid agencies could not provide. This profile offers a rare view of microenterprise development.

Abstract: Russian SMEs face an unstable economic climate, difficulties in attracting investment, and inexperience on the part of their managers in running private enterprises. This article describes how the Federal and Regional authorities are trying to simplify tax procedures for small businesses and establish networks of agencies to support and advise them.


Abstract: This article examines the use of social networks by Russia’s new entrepreneurs during venture start-up. After outlining the general historical context of economic transformation in Russia, I describe four patterns of transition to private enterprise ownership by individuals with different professional skills, different amounts of initial financial capital, and different types and extent of social networks. This description is based on an original set of data I collected during interviews with owners of small- and medium-size businesses in Russia in the late 1990s. I conclude with a discussion of how such factors as access to the initial financial capital, history of past employment, and extent and type of personal social networks mediate the risks of starting a new venture.


Abstract: In Russia, compliance with the rules and regulations that govern almost all aspects of economic life has created a hostile environment for microenterprises. More serious than the regulations per se, however, is the potential niche they create for opportunistic behavior by regulatory authorities. In Russia, the regulatory state has created a corrupt cadre of government bureaucrats who frequently engage in rent-seeking behavior while enforcing regulations. Firms are not uniformly affected by corruption, however. This paper shows empirical evidence of differential incidence of extortion, based on firm and entrepreneurial characteristics. Corruption in Russia is similar to a regressive tax, and acts as a disincentive to innovation and growth, it may induce technologically inefficient production decisions, and can dilute economies of scale and scope.


Abstract: The European Bank (EBRD) has, over the last three years, established programmes with various financial intermediaries in Central and Eastern Europe and the former Soviet Union to provide financing for small SME projects. The Bank participates in venture capital funds, takes equity in local banks to increase their capital base and strengthen corporate governance, provides bank to bank loans, co-finances local projects with foreign and local banks, and provides Apex credit lines under sovereign guarantee. Some of these activities are aimed primarily at finding investments and providing support to SMEs, but the majority of the programmes take a broader approach and have interrelated goals: funding SMEs, and creating the long-term capability of the local banking system to provide small firms with access to bank services.

Abstract: Private sector manufacturers in St Petersburg, Russia, operate in highly unstable macro-economic conditions, with an unsatisfactory banking system, and often have a close relationship with public sector enterprise. The following article, extracted from a longer report, describes the manufacturers and their firms, identifies constraints to their growth and offers some suggestions about how private sector manufacturing might be supported. The situation for entrepreneurs in St Petersburg is also compared with those in Hungary, Poland and the former Czechoslovakia, where research was also carried out.


Abstract: This paper argues that microenterprise development (MED), as a development tool, has the potential not only to provide financial resources, but also to help to rebuild and create new communities in post-conflict situations. The paper examines three microfinance institutions (MFIs) in Kosovo, in order to assess the use of MED as a tool in making the transition from emergency relief to sustainable development and the potential impact MED has in creating a sense of community in post-conflict situations. The paper is based on informal interviews with individual staff members and clients of KosInvest, Baselidhja/Zavet and Adie International.


Abstract: A commercial banking system was re-established in Hungary in 1987, after four decades of socialist government. This article describes a situation where finance for small and medium enterprises is very hard to access, even though there are a number of schemes for microenterprises and for business start-ups. Several credit guarantee schemes have started in the 1990s, however, which are aimed at meeting the financial needs of SMEs, and establishing their credit relationships with banks.


Abstract: The paper summarises the problems of small businesses:
- absence of capital for productive investment
- knowledge and information gaps among business owners
- a public policy environment that does not adequately support private enterprise

It recommends that USAID undertake a project targeted specifically at SME problems, to be implemented in five counties in Hungary, which would build on services of local savings co-operative banks, technical assistance providers and local governments. Further program objectives could include:
- linking local credit providers to the larger financial system
- expanding access to equipment leasing for SMEs
- creation of commercially operated small business incubators
- use of franchising
- promotion of regional initiatives with strong growth prospects
- installing internet linkages into local government and technical assistance organisations

Expected outcomes from the project are twofold: upgrading of the quality of financial and non-financial services available to SMEs and strengthening local institutions that provide
those services to businesses. The ultimate goal of the project would be to enhance the ability of Hungarian small business to compete.


Abstract: The development of a strong and dynamic private sector capable of meeting the challenge of the market economy and taking over and operating the productive capacity of the Central and East European countries is a key element in the reform process. The liberalization in the Polish economy has led to many new entrepreneurs establishing their own firms, while those already in business have now better prospects for expansion. In recent years, it is small and medium enterprises (SMEs) which have led the way in new job creation and economy growth in most market economies. This article looks at the development of SMEs in Poland, and the general trends in the sector.


Abstract: The authors test competing theories of capital structure choices using firm-level data on firm borrowings. The majority of firms in the dataset are privately owned, young, micro or small and medium enterprise (SME) firms concentrated in the service sector. In general, the financing pattern of firms is low leverage ratios and, in particular, low levels of intermediated financing and long-term financing. Average firm growth rates decreased during the five years of the sample period. Average profitability growth ratios are also negative across age and sectors and large firms have the highest negative profit growth rates. Statistical tests find a positive firm size effect on financial intermediation. Larger firms have higher leverage ratios (both short term and long term), including higher use of trade credit. There is also a negative influence of profitability on leverage ratios (more profitable firms use less external financing), which supports the "pecking order" theory that in environments with greater asymmetric information (such as weaker credit information) firms prefer to use internal or inter-firm financing. Finally, firms operating in a competitive environment have higher leverage ratios. For instance, young, small firms are the most active employment generators in the Polish economy. In particular, the authors find that although SMEs seem to be very active in creating jobs in recent years. This suggests that a new type of firm is emerging that is more market and profit-oriented. But at the same time, these firms appear to have financial constraints that impede their growth. Improvements in the business environment, such as better credit and registry information, could help promote growth in this sector.


Abstract: The paper analyses the small- and medium-sized enterprise sector in Poland, seeking to answer the question of whether SME development along current lines is sufficient to assure the sustainable development of the Polish economy.


Abstract: The paper uses a rapid diagnostic technique to examine opportunities and constraints for women in small businesses. It suggests that there are significant similarities in the constraints faced by both female and male entrepreneurs. Besides the constraints confronted by all entrepreneurs, Polish women appear to face additional
inequalities at home and work. Women are beginning to recognise their situation and to organise themselves. It recommends:

- efforts to document gender-related trends in the transition economy should be made by the government, donors and the Polish private sector
- it is vital to determine whether regions showing high unemployment correlate with larger numbers of unemployed women and poor women
- a more formal study of both male and female small entrepreneurs should be undertaken to shape future policy and action
- the hypothesis that fewer women than men have access to credit should be explored in future financial system assessments
- gender to be considered in SME policy and legislation, financial sector reform and SME financial services


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Abstract: The principal aim of this paper is to test how firm characteristics affect Small and Medium Enterprise (SME) capital structure. We carry out an empirical analysis of panel data of 6482 non-financial Spanish SMEs during the five years period 1994–1998, modelling the leverage ratio as a function of firm specific attributes hypothesized by capital structure theory. Our results suggest that non-debt tax shields and profitability are both negatively related to SME leverage, while size, growth options and asset structure influence positively SME capital structure; they also confirm a maturity matching behaviour in this firm group.

Abstract: The principal aim of this paper is to test how firm characteristics affect Small and Medium Enterprise (SME) capital structure. We carry out an empirical analysis over a panel data of 6482 non-financial Spanish SMEs along the five-year period 1994-1998, modelling the leverage ratio as a function of firm specific attributes hypothesized by capital structure theory. Our results suggest that non-debt tax shields and profitability are both negatively related to SME leverage, while size, growth options and asset structure influence positively on SME capital structure; they also confirm a maturity matching behaviour in this firm group. El principal objetivo de este trabajo reside en estudiar cómo determinadas características empresariales afectan a la estructura de capital de la Pequeña y Mediana Empresa (PYME). Para lograr este objetivo, se lleva a cabo un análisis empírico sobre un panel de 6482 PYMEs no financieras españolas a lo largo del lustro 1994-1998. El ratio de endeudamiento se contempla como una función de aquellos atributos específicos de las empresas que han sido identificados por la teoría de la estructura de capital. Los resultados obtenidos sugieren que, tanto los escudos fiscales alternativos a la deuda como la rentabilidad empresarial, se encuentran negativamente relacionados con el endeudamiento de las PYMEs, mientras que el tamaño, las oportunidades de crecimiento y la estructura de los activos influyen de forma positiva en la estructura de capital de las PYMEs. Estos resultados también confirman un comportamiento tendente a la conciliación de vencimientos de activos y pasivos en este grupo empresarial.


Abstract: Evaluating policy implementation involves assessment of the institutional performance of the institutional system in its locale. This paper highlights the importance of local conditions for effective policy implementation. Current literature suggesting that civic culture is an essential precursor to successful institutional performance is rejected, instead it is argued that policies need to be better adapted to local strengths and institutional forms. A mis-match between the policy design, the socio-cultural environment and the institutional structures can lead to problematic institutional performance and implementation outcomes. Insufficient institutional capacity also places strains on institutional performance and implementation capacity. Policies and institutions need to build on the strengths of a locality and be tailored to the prevailing socio-cultural environment for effective policy delivery. Implementation difficulties can be resolved by allowing policy design to better fit the exigencies of local areas, while simultaneously reinforcing regulatory solutions where this can improve implementation capacity.


Abstract: The paper investigates the major factors affecting Ukraine’s business climate and finds that these include the macroeconomic and political environment, the availability of financial services, the legal and regulatory framework, and the public and private institutions that provide services to business. The business environment is further affected by reforms such as privatisation and by changes in social values. It recommends a national SED programme for Ukraine aimed at alleviating these constraints and assisting the development of small private enterprises involved in the production of good and services. The interventions would focus on:

- training for entrepreneurs and bankers to strengthen business and banking practices
technology transfer to improve and facilitate access to information, technology, and equipment by small enterprises

credit and financial services to stimulate investment in small business and to expand the range of services to entrepreneurs


Abstract: This article explores the potential for creating small enterprises out of large in Central and Eastern Europe (with the accent upon Eastern Europe). It argues that most small enterprises have been 'internalized' within the old command economy structure. Breaking up large units will not therefore just be a function of privatization but, if undertaken carefully, can lead to the creation of a small-medium-sized business sector. It firstly surveys the small business scene in Central and Eastern Europe and then explores the view that large organizations can be characterized as an agglomeration of small businesses, looking at the arguments, strategic, production and management, for and against externalization. It then applies this model to the Russian situation with the help of a case from the Chuvash republic. The case is a result of monitoring the Prompribor company since 1989 and reviewing the various problems confronted and the attempted solutions. Finally the paper draws out the implications for Western management development assistance.


Abstract: There is currently a large interest in understanding firms'access to finance, particularly in the financing of small- and medium-size enterprises (SMEs). But the financing patterns of SMEs across countries is not well understood. For example, little is known about the relative importance of equity, debt, and inter-firm financing for SMEs across countries. The authors use the Amadeus database, which includes financial information on over 97,000 private and publicly traded firms in 15 Eastern and Central European countries. The Amadeus database allows the authors the opportunity to provide a new analysis of the general financing patterns of private firms across a large sample of Eastern European countries. The summary statistics show that the size of the SME sector (as measured by the percentage of total employment) in Eastern European countries is smaller than in most developed economies. Although the authors find in almost every country in the sample a large number of SMEs as a percentage of total firms, the SMEs in Eastern Europe are generally small and hire few employees. However, SMEs seem to constitute the most dynamic sector of the Eastern European economies, relative to large firms. In general, the SME sector comprises relatively younger, more highly leveraged, and more profitable and faster growing firms. This suggests that a new type of firm is emerging in transition economies that is more market- and profit-oriented. But at the same time, these firms appear to have financial constraints that impede their access to long-term financing and ability to grow.

Abstract: This paper examines the application of “micro enterprise development” (MED) to Central and Eastern Europe, and considers innovations that can help sustain both the poverty-alleviation mission of MED while potentially securing sustainable institutional capacity. The paper discusses:

- The emergence of the new poor in Central and Eastern Europe and the poverty of opportunity;
- The necessity for innovations in the delivery of MED services in order to increase their sustainability and outreach;
- The emerging strategy of market access;
- Retail system changes and the implications for small businesses;
- Procurement changes as a result of a shift from small national retailers to large multi-national retail chains;
- Changes in other retail formats;
- The “Integra Market Access Model” (IMAM) and its prospects for sustainability.

It concludes that:

- The extent to which Central and Eastern Europe can develop commercially sustainable approaches to alleviating poverty is still uncertain;
- The IMAM offers an initial pathway, but faces limitations.
- The paper offers the following recommendations for the future:
  - The market must be creatively engaged, because government programs do not have the capacity to meet the level of poverty that exists;
  - ‘Corporate Social Responsibility’ (CSR) offers an opportunity to enlist corporates in the fight against poverty;
  - Providing market access to clients from vulnerable groups can become a major arm of the CSR programs of major retail chains.


Abstract: Asymmetric information models predict a ‘pecking order’ which reflects a combination of owner-manager preferences and external capital supply constraints whenever insiders know more about the true value of the firm's prospects than outsiders. The pecking order results in retained earnings being the most preferred source of finance, then debt and finally the issue of new shares to outsiders. Using a sample of 629 UK SMEs over the five-year period from 1990 to 1995 we find evidence consistent with a pecking order in which retained equity is preferred over debt. As expected, the evidence of a pecking order was particularly strong in respect of the closely-held firms in our sample.
Americas

Latin America


Abstract: In this paper the authors propose to differentiate between three types of clusters when it comes to formulating cluster-oriented policies in Latin America. Survival clusters of micro- and small-scale enterprises owe their existence more to unfavorable macroeconomic conditions and less to entrepreneurial competence and dynamism. Their competitive potential is limited. Support measures should mainly aim at improving the conditions for survival since these clusters are important in creating employment opportunities. The impetus should be to break through the low skills/low investment vicious circle. More advanced and differentiated mass producers have been flourishing in the import-substitution era but are coming under enormous pressure with the transition to open economies. In these clusters the main challenge is to create an environment that stimulates and supports learning, innovation, and constant upgrading. Clusters of transnational corporations are typically dominated by foreign firms not only at the final assembly stage but also in parts production. These clusters often are showcases of best-practice manufacturing; this can be used to stimulate the upgrading of domestic firms, notably by involving them in the supply-chain of transnationals.


Abstract: Interest in developing and strengthening business groupings, or clusters, has grown significantly in Latin America and the Caribbean during the last decade. Clustering is an effective mechanism for improving the competitiveness of small and microenterprises, in terms of productivity as well as quality, by promoting learning processes, technology transfers and specialization. Successful experiences in these business groupings, however, have until now been found primarily in industrialized countries. The examples of Córdoba in Argentina and Otavalo in Ecuador illustrate the challenges and opportunities of the nascent process of clustering in the region. These cases show how clusters offer possibilities for improving the competitive capacity of productive sectors and for designing public policies that can accelerate economic growth and strengthen employment opportunities.


Abstract: There is a change going on in the way microenterprises are viewed. No longer are they the means by which poor people scrape a living; they can also be an integral part of the economy, providing jobs and contributing to economic growth. As such, there is a potential for them becoming valuable clients of the financial institutions who choose to specialize in microenterprise servicing. This article describes the variety of ways in which banks and NGOs are attempting to provide sustainable financial services as well as
business support to the microenterprise sector in Latin America. It also examines how regional banks, such as the Inter-American Development Bank (IDB) can support and encourage new initiatives by banks and NGOs, as well as reforms to the banking regulations, which will ultimately benefit the development of microenterprises.


Abstract: Several examples of ‘graduation’ of microfinance institutions into the regulated financial system are found in Latin America. Although the best-known case is that of BancoSol in Bolivia, others have followed with less notoriety, either because they are too recent to allow an assessment of their regulated performance, or because the graduation process has been somehow stunted. Based on a few selected cases, the paper explores the ‘environmental factors’ that may have enabled, or hampered, the emergence of these specialized microfinance institutions in the regulated world. In addition to BancoSol, the analysis looks into the policy and regulatory elements surrounding the evolution of AMPES/Servicio Crediticio (a non-governmental organization) into Financiera Calpia (a regulated finance company) in El Salvador, and that of ADMIC (an NGO) into Finmicro in Mexico.


Abstract: The paper offers a brief summary of experiences in supporting microenterprises, citing the key role of the Banco Interamericano de Desarrollo. It documents the results achieved, particularly in terms of institutional evolution, and highlights issues of relevance to donors, institutions or microentrepreneurs. It provides case studies of the following institutions:
- BancoSol, from Bolivia
- Fundacion Carvajal, Colombia
- Fundacion Los Emprendedores, Mexico
- Fundacion Banco de la Provincia de Cordoba, Argentina
- Fundacion Integral Campesina (FINCA), Costa Rica
- Cooperativa de Ahorro y Credito Liberacion, Chile
- Programa Global de Credito a la Microempresa, Uruguay


Abstract: The number of investors seeking socially responsible investments (SRI) is steadily increasing. By recent estimates, the latent demand for such investments is about $200 billion, 10 percent of which would be directed to emerging markets. However, so far investors have been challenged to find the appropriate vehicles to meet their needs. Few socially responsible investment funds (SRI funds) have been able to overcome the challenge of pooling many small deposits from a large number of social investors while simultaneously investing efficiently and profitably in a relatively large number of small investments. This is particularly true of so-called high-impact funds that invest in microfinance institutions (MFIs) or small and micro enterprises. While offering potentially impressive financial returns, these enterprises require significant screening and selection efforts on the part of the funds because of the limited information available. Given the right fund types, the capital market for these so-called high-impact investments in emerging markets could amount to $2 billion—some 10 percent of the total high-impact market of $20 billion. A significant share of this market would be focused on Latin America and could be developed with as little as $5 to $10 million in investors subsidies. More importantly, once established, these socially responsible investment funds for high-impact
investments in emerging markets will not only be sustainable, but could catalyze new domestic and international capital markets for small and micro businesses in Latin America. Several high-impact funds now invest in Latin America, and offer a glimpse of the possibilities. However, they have yet to ignite widespread social investor interest. The challenges of simultaneously meeting social investor needs while making and servicing microenterprise deals have so far proven difficult to overcome. Mobilizing interest in socially responsible investment high-impact funds for emerging markets will likely require the creation of a new type of fund: one that combines the marketing and capital-pooling strengths of mutual funds with the investing capacity and management remuneration of venture capital funds. It will also require moving beyond subsidized demonstration funds that have characterized microenterprise investment activity to date.


Abstract: Are the independent economic activities of poor people “petty commodity production”—an informal way to earn a subsistence wage? Or are they “microentrepreneurship”, a launching point for capital accumulation and growth? This paper draws on fieldwork in Bolivia, Peru and Guatemala, focusing specifically on the poorest businesses. In-depth interviews indicate that even the smallest-scale producers, merchants and service providers have goals of “improving” their business and “growing” their capital, not unlike their capitalist counterparts. Yet, while growth is desirable, maintaining one’s business as a steady source of income is a sufficient achievement for many. Poor self-employed people are both “labourers” and “entrepreneurs”; the key macro-level question becomes, not “Do petty-commodity producers have different goals than capitalist entrepreneurs”, but “What resources are lacking, and what obstacles exist, that keep many microentrepreneurs in low-yield activities, with little opportunity to grow their resources?”


Abstract: After analysing how economic policies of the last two decades have distorted markets in Latin America, this article identifies different ways to improve the business environment for the development of microenterprises and small businesses (MSEs) in the region. Improving the business environment for MSE development is a demanding task that merits more attention from policymakers, the public administration and private sector representatives.


Abstract: Ever since its creation in 1991, BancoSol has been the icon of microfinance in Latin America. By virtue of its early creation, its size and its license to operate as a bank, BancoSol has been seen as the example of what can be achieved in microfinance. However, BancoSol could soon be eclipsed by another institution arising from the merger of the five affiliates of Women’s World Banking in Colombia (Bogota, Bucaramanga, Cali, Medellin and Popayan). Although no decision has yet been taken, were such a merger to happen it would create the largest (in terms of clients), fastest growing and most profitable microfinance institution in Latin America and the Caribbean. The merger would
surely be accompanied by the formation of a licensed financial intermediary, presumably a bank or finance company. The Colombian Women’s World Banking affiliates would not be the first microfinance institutions that have endeavored to grow by means of a merger. In fact, there are three notable Latin American microfinance institutions that have come about as a result of mergers: Eco Futuro in Bolivia (1999), El Comercio Financiera in Paraguay (1999-2000), and Confia in Nicaragua (2000). Given that important benefits can be derived from mergers, the microfinance industry will likely see more of them in the future. However, as the experiences of Eco Futuro, Confia and El Comercio Financiera demonstrate, merging is far from simple. There are plenty of challenges that have to be overcome and plenty of things that can go wrong.


Abstract: In spite of all the challenges of streamlining the business registration process, this and other regulatory reforms must remain high on governments’ agenda. Such reforms will provide a more hospitable and dynamic environment for private enterprise—particularly for small and microenterprises. These businesses have enormous potential for job creation and economic growth. Unleashing this force should be a priority of Latin American governments.


Abstract: Based on three case studies of marketing service providers dealing with handicrafts, non-traditional agricultural products, and household goods, this study focuses on the potential for short- and long-term sustainability of marketing services. The study discusses the impact ancillary services have on the potential for partial or full cost-recovery and for institutional sustainability, and the business strategies adopted by each marketing service provider. The article also draws upon a survey that was distributed to more than 500 marketing service providers in Latin America and the Caribbean, offering a picture of the current state of marketing services, types of services, and the manner in which they are provided.


Abstract: The New Capital Accord (known as Basel II) seeks to promote among financial intermediaries best practices in risk management, more effective regulation and supervision, and greater market discipline. Although no country in Latin America and the Caribbean is required to comply with Basel II, several countries in the region have already drawn up plans for its gradual implementation. Accordingly, it is critical to understand just how appropriate these formulas are for the typical portfolios of developing countries, in particular for microfinance portfolios, and what the results of their possible application would be. A study recently conducted by the Inter-American Development Bank1 focused on these issues. The main findings are discussed here, as well as the basic elements of Basel II, and how microfinance would fit into this scheme. Also presented here are the results of an exercise applying Basel II formulas to the portfolios of microfinance institutions in Bolivia, Colombia, Ecuador and Peru.


Abstract: This paper analyzes both household income per capita and individual earnings. Previous studies report that the sector is very heterogeneous and that there are radical differences in earnings: between owners and employees, by gender, and according to
economic activity. The study is based on tabulations from household surveys prepared by the Inter-American Development Bank (IDB) for fourteen countries during 1998. It also uses tabulations prepared by the Economic Commission for Latin America (ECLA) in 1997 which expand on some variables of interest. The analysis resulted in the following stylized facts:

- The MIC sector represents 54% of total employment in Latin America in the mid 1990's. Most MIC workers are self-employed microentrepreneurs;
- An average of 26% of all MIC workers in the region are poor. Poverty rates in the MIC sector have remained essentially unchanged in the last decade. The incidence of poverty is about twice as high for MIC workers as for NON-MIC workers during the 1990's. On average, the poverty gap between the MIC and the NON-MIC sector has increased in the last decade;
- MIC employees have the highest poverty incidence. Self-employed MIC workers also have a large share of poor earners;
- One of the vulnerable groups within the MIC sector is female earners, with an average poverty rate of 55%. Single female heads of household and young earners experience similar poverty rates as female earners;
- More than one-third of households (in a subset of Latin American countries) have at least 50% of their income generated in the MIC sector;
- Households with significant MIC income dependency tend to have higher poverty rates than other households;
- Employers in the NON-MIC sector register the highest earnings, which are 4.5 times the average earnings of all employees and more than twice the earnings of MIC employers. MIC employers earn more than NON-MIC employees. MIC employees are at the bottom of scale, earning half the wage of NON-MIC employees;
- In the MIC sector, the percentage of poor earners is greatest in the industrial sector and smallest in the commerce sector;
- Low earnings firms have a higher frequency of firms with less than 2 employees than high earnings firms;
- MIC workers have lower levels of education than NON-MIC workers, which may explain MIC workers' lower levels of earnings and higher rates of poverty;
- MIC workers are older on average. The MIC sector employs more workers with more than 30 years of experience than the NON-MIC sector;
- Although women earn less than men overall, gender earnings disparities tend to be smaller in the MIC sector.


Abstract: Unavoidable macroeconomic adjustment policies have exacerbated social inequalities in Latin America. As a result, electoral platforms have identified microenterprises as an alternative economic activity to help alleviate poverty. Pursuing an efficient microentrepreneurial base requires from governments a comprehensive package of both financing and training strategies. Conversely, microentrepreneurs require a better understanding of their activity in order to set forward arguments that will allow them to enhance their management practices. Government policies towards the microenterprise sector should create favorable conditions conducive to the establishment and operation of financial institutions as well as specialized nongovernmental organizations providing training and consulting. Within that framework, this article attempts to raise awareness of
the managerial and policy implications of the interactions between financing and training in affecting microenterprise performance.


Abstract: Based on the findings of the initial survey conducted under the Microenterprise Best Practices Project, this study identifies the principal issues surrounding the expansion of regulated financial institutions (FIs) into the area of microenterprise finance. The paper aims to deepen understanding of market forces, financial sector policy, institutional incentives, financial technology and organizational structure that facilitates/ hinders the expansion of for-profit, regulated FIs into the microenterprise market. Further, the paper explores:

- Principal forces driving microfinance commercialization throughout Latin America and its implications on institutional structure, and various stakeholders;
- Development of the microcredit industry throughout Latin America, to place the current and evolving institutional framework in context;
- Changes in the legal and regulatory framework for the financial service industry over the last decade and its implications;
- Changes in the competitive environment faced by traditional microcredit institutions and its implications.

Finally, the authors identify issues that need to be investigated further, such as:

- Sustainability of commercial, ‘for-profit’ institutions vis-à-vis the ‘non-profits’ that are either subsidized or receive donor support;
- Justification for the continued ownership on the part of ‘non-profit’ institutions of the shares of ‘for-profit’ FIs;
- Effect of the entry of regulated FIs on market segmentation;
- Strategies for donors and policy makers to develop healthy, competitive financial markets that serve the microenterprise and poor sectors of the economy;
- The types of investments needed from donors and policy makers to accelerate development and strengthen the microenterprise sector.


Abstract: Over the years, the “informal sector debate” has increased its complexity and expanded its ambit. For this reason, academics, policy makers, and practitioners frequently have difficulty understanding a phenomenon referred to by a term used in different ways and supported by data produced through a variety of methods to fit competing agendas. The objective of the present paper is to explain the debate, particularly for 1984–1992 as applied to the informal sector in Latin America. The paper identifies the approaches/perspectives and personalities involved in the debate, assesses points of agreement or divergence, and clarifies policy implications.


Abstract: his article follows on from an article in the previous edition of Microenterprise Development Review (June 2005, Vol. 8 No. 1) by Nidia Hidalgo Celarié and Pedro Valdés. In their article they discussed various options for distributing insurance to low-income clients. This paper focus on the partner-agent model, a model which it is argued, with appropriate donor support can most rapidly scale-up the spread of insurance to the poor in Latin America and the Caribbean. This seems a particularly urgent task for Latin America and the Caribbean countries where according to a recent Inter-American
Bank Study (Masci and Tejerina, 2006) in some LAC countries, "...as little as 3% of households have access to a health insurance product of any kind." A study by Swiss Re. (2002) in Latin America found that, even taking into account the relatively low levels of per capita income found in the region, insurance levels were very low. A fact made worse by the knowledge that 92% of the region premiums (in 2000) were generated by just six countries (Argentina, Brazil, Chile, Columbia, Venezuela and Mexico). There is clearly much work to be done in the region in improving access to insurance.


**Abstract:** Donors and development professionals have emphasized the importance of client graduation from microenterprise assistance programs to the formal financial sector. This study takes a critical look at graduation as a program goal and examines the experiences of 10 microenterprise programs in six Latin American and Caribbean countries by way of identifying principal factors that affect graduation. It concludes with a discussion of possible alternatives and suggests relevant issues that require further review.


**Abstract:** This article examines the experience of a group of commercial banks in Latin America and the Caribbean in catering to microenterprise clients and to women in particular. The results indicate that a small number of commercial financial institutions are expanding the coverage and depth of financial services to these businesses, both at the wholesale and retail levels. Rather than focusing on one specific type of institution as the viable alternative, the overall supply of financial services to women microentrepreneurs - credit for enterprise and household investments, savings and payment services - should and does come from a variety of institutions including NGOs, banks, credit unions and other formal and semi-formal financial intermediaries. This variety will contribute to a larger and more efficient supply of financial services to heterogeneous groups of microentrepreneurs in the region.


**Abstract:** Microenterprises constitute the vast majority of business firms in low- and middle-income developing countries. In Latin America, the sector contributes significantly to employment and gross domestic product. Recently, the expansion of microlending programs has been viewed as an effective means of developing the microenterprise sector and alleviating poverty. However, the nexus between microenterprise development and environmental degradation has remained largely unexplored. It is suspected that the pervasive informality of the microenterprise sector, its sheer size, and the high incidence of poverty in the sector contribute to cumulative environmental degradation and low standards of occupational safety. This paper highlights commonly observed patterns of pollution and occupational safety risks in the sector and examines feasible ways of promoting improved environmental management and occupational safety. The main recommendations are that microfinance institutions should not be excessively regulated and that environmental and occupational safety issues in the sector should be confronted directly through a combination of private and public actions. In addition, microfinance institutions can and should begin to take steps to promote environmental awareness and ecoefficiency among clients and limit their own exposure to lending risks due to environmental and occupational safety problems.

Abstract: Although microentrepreneurs in Latin America are widely believed to be poor, many questions remain about the nature of their poverty. Are many, or most, of the owners and employees of microenterprises in fact poor, and if so, how poor are they? Do female, young, and rural earners tend to be poorer? Is poverty concentrated in certain industries, such as manufacturing, commerce, or services? Are microentrepreneurs less educated than those working in larger firms? A recent study by the IDB Microenterprise Unit attempts to answer these and other revealing questions, providing a poverty profile of microenterprises in Latin America. This article presents highlights from that study.


Abstract: The workshop Promoting Innovation and Entrepreneurship in Latin America and the Caribbean: Strategies and Partnerships, was held in Montevideo, Uruguay, during May 15-18, 2006. This regional workshop was organized by InfoDev in partnership with the Technological Laboratory of Uruguay, the Multilateral Investment Facility, and the Latin American Division of the International Association of Science Parks. The workshop brought together 143 participants from the public and private sectors of 17 Latin American and Caribbean (LAC) countries, including business incubators and parks, ICT-enabled small and medium size enterprises, investors, policy makers and donor agencies, to discuss opportunities and challenges for promoting innovation and entrepreneurship in the LAC region. The purpose of this report is to serve as a memory for the workshop, and a point of reference for workshop participants. The first section of the report provides an overview of the workshop and a discussion on the establishment of a regional network of incubators and related organizations, as well as steps to follow to make the network a reality. The second section presents key issues and challenges for innovation and entrepreneurship in the region, which emerged from workshop presentations and discussions. Also, strategies to overcome those challenges are identified and exemplified, referring to the corresponding workshop sessions. Finally, the third section provides brief summaries for the workshop presentations.


Abstract: Small-scale enterprises receive several forms of aid, but many are denied access to formal loans. A demand and supply model is estimated to analyse factors lenders use to ration credit in special microenterprise programmes. The importance of separating loan demand from loan supply effects in this type of exercise is emphasised. Results reveal that entrepreneurs with less profitable enterprises and less education have a smaller demand for finance and therefore receive less. Enterprises in agricultural sector, located in coastal regions, operated by non-owners or those managed by less experienced entrepreneurs also receive smaller loans because they demand less. Discrimination against female entrepreneurs does not exist in loan supply, yet females demand smaller loans than men. However, those having greater demand such as educated entrepreneurs, non-agricultural entrepreneurs and men do succeed in receiving larger loans at higher interest rates and for longer terms from lenders.

Abstract: Small-scale enterprises receive several forms of aid, but many are denied access to formal loans. This article presents findings of a study which considers the demand for and supply of funds, and the factors lenders use to ration credit in special microenterprise programmes. The article discusses ways to help microentrepreneurs' access to finance. By helping entrepreneurs to collect, assemble and prepare the type of data needed to evaluate loans, microenterprise programmes will not only improve their own information problem and their loan screening process, but will also assist their clients to learn what will be required if they ever hope to become clients of commercial lenders.


Abstract: The authors apply a Heckman selection model to the 2003 Investment Climate Survey (ICS) to investigate supply-side constraints to export performance at the firm level in Ecuador. To correct for the non-random truncation problems, they use the Heckman selection model to estimate the probability of exporting (export propensity) and the share of total sales that are exported (export intensity) by Ecuadorean firms. They develop a baseline model with 12 independent variables divided into three categories-idiosyncratic characteristics, technology, and business environment. The authors develop three other models with the addition of variables related to trade integration, business environment, and infrastructure. Results corroborate with the hypothesis implicit in the Heckman model, which considers both decisions made by a firm-whether to export, and how much of its sales to export-to be interdependent. In the Ecuadorian case, they find three important results for the firm's export performance: technology matters; infrastructure does not; and trade orientation is significant, with specialized firms tending to have smaller export intensity when their main trade partners are countries of the Andean Community, and the opposite happening if the United States is their main trade partner. The authors find a robust and stable relationship for export propensity and intensity with size, import of inputs, labor regulations, in-house research and development, quality certification, web-use, and foreign ownership. Also, capacity utilization and trade with the United States positively affect export intensity, while trade within the Andean Community has the opposite effect in the outcome variable. But they find no significant relationship for the infrastructure variables.


Abstract: The paper assesses micro-and small-scale enterprises (MSEs) in Ecuador and provides a broad description of the nature and characteristics of the MSE sector as a basis for planning and designing future programme interventions. Results reveal that the recent increase in donor activity in this sector has resulted in a significant increase in the level of resources available to support micro-and small-scale businesses. However, the total amount of resources provided by all donors will cover only a small proportion of the estimated demand for financial and technical services. Proposed new programmes need not be overly concerned about saturation in the sector. In spite of the apparently large level of funding dedicated to the sector, only a small proportion will actually reach truly small-scale enterprises. Donor agencies are correctly insisting on non- or low-subsidised interest rates on credit portfolios, but the availability and administration of funds is creating strong dependency relationships rather than fostering the development of locally sustainable programmes. Government of Ecuador (GOE) agencies involved in the MSE
sector have either promotional, service, supervisory or regulatory capacities. The institutions that have a supervisory and regulatory function - the Central Bank of Ecuador (BCE) and Superintendencia de Banco - are long standing institutions with a strong, well-defined mandate to assist. As a result of the current high level of interest in MSEs in Ecuador, few of the NGOs participating in this sector have been doing so for more than a few years. Some are older, established organisations whose primary mission is enterprise development. Most, however, are organisations that have been formed in the past few years, or that have added micro-and small-scale business assistance as a new service, taking advantage of the developing focus on these economic sectors. Most are guided by altruistic motives. A few appear to be opportunistic organisations that were formed to take advantage of the availability of donor-provided resources and may not have any particular "mission" or expertise in the field of MSE development.


Abstract: The paper presents an assessment of micro-and small-scale enterprises (MSEs) in Ecuador and provides a description of the nature and characteristics of the MSE sector and of the environment in which it operates. It analyses the potential for growth and expansion of the sector and looks at the effectiveness, coverage and adequacy of support services to MSEs. It finds that the ability of the MSE sector to continue to grow in future depends on the resolution of three major issues that currently restrict its growth and development:

- lack of access to financial resources
- lack of access to other effective support services which could help overcome weaknesses in management, technology, and marketing
- the negative business climate affecting Ecuador in general

It concludes that MSEs have been the mainstay of the Ecuadorian economy, providing employment and income for a substantial sector of the population. In the absence of a robust formal sector economy, Ecuador depends to a great extent on the ability of the MSE sector to continue to expand and absorb a growing labour force.


Abstract: This document highlights the importance of microfinance and various activities associated with it in Ecuador. The document discusses the following:

- Definition of microfinance;
- Employment opportunities provided by microfinance activities in Ecuador;
- Current status of microfinance in the country;
- Impact of gender on microenterprises;
- Various business occupations and aspects related to them;
- Issues related to sales and incomes generated from microenterprises;
- Growth, success and various problems associated with starting with microenterprises.

The document further talks about the following:

- Various sources of funding and access to funding for these enterprises;
- Access to other financial services for people in Ecuador;
- Various factors playing an important role in the use of these financial services by microentrepreneurs;
- Roles of microfinance institutions (MFIs) and donors.

The document concludes by discussing the possible lessons that a MFI in Ecuador can learn to improve its service to customers and also to improve its overall performance.


Abstract: The paper assesses micro-and small-scale enterprises (MSEs) in Ecuador and provides a description of the nature and characteristics of MSE sector as a basis for planning and designing future programme interventions. It looks into the major sources of funding for MSEs, identifies major constraints, and recommends appropriate and effective strategies to ensure the provision of increased levels of financial resources to the MSE sector. The paper concludes that:

- prospects are not good at this time for increasing the supply of formal financial services for MSEs through the banking system
- the disequilibrium that exists in the supply and demand for bank loans at current interest rates creates a situation in which small, poor entrepreneurs with little or no banking experience are crowded out by larger, richer enterprises with a proven track record of borrowing and repaying loans
- further problems of low and inflexible real interest rates, lack of information and skills, and declining liquidity constrain bank lending to this sector
- without adequate incentives, banks may be induced to lend government or donor funds, but they are not likely to aggressively seek small entrepreneurs as customers nor use a large amount of their own funds for lending to them


Abstract: Ever since researchers began to measure the impact of microcredit in the 1980s, there have been mixed messages: some studies suggest microcredit has a positive effect on the poor, others not. This article adds to the body of evidence: clients receiving microcredit from Mibanco, Peru, were compared with similar businesses not receiving credit. In particular, changes between 1997 and 1999 in enterprise revenue, enterprise fixed assets, employment and transaction relationships were measured for the two groups. The method was based on the household economic portfolio model, which takes into account the resources and activities of the entire household, rather than a single business. For this study, the performance of up to three household enterprises was monitored. Other methodological difficulties, such as selection bias, are discussed. Results show that, in spite of a difficult economic environment, client enterprises performed better than non-client enterprises in terms of enterprise profits, fixed assets and employment. Case study evidence reveals that some client enterprises were able to benefit from discounts when they made bulk purchases from suppliers. Analysis also reveals that the enterprise named in the credit application is not the only household business that benefits from the microcredit.


Abstract: Using panel data on micro-enterprises from Peru, we find evidence suggesting that firm dynamics explain ‘formality’, i.e. the decision to participate in societal institutions. In particular, we find that participation increases with firm size and age, implying transition of firms to formality as they grow. The distinct characteristics of sub-
groups, segmented according to life-cycle criteria, further support the role of firm dynamics and life-cycle considerations for the analysis of participation.


Abstract: What small business people and microentrepreneurs often find to be lacking in conventional banking services are, among other things, quick and simple procedures, and access to loans for household uses. The municipal savings and loan banks of Peru have products that go a long way to meeting both needs. This article describes the structure of the MSE sector in Peru, and then outlines the financial products of the savings banks that have been designed to meet the needs of this sector. The article then describes the take-up of these services by the target group of MSEs, and suggests that these services can be provided on a cost-covering basis.


Abstract: The paper explains how small enterprises adapted to a fast-changing environment during the radical economic transformation of Peru in the early 1990s through the combination of niche identification, production efficiency improvement and selective cooperation with other firms. It notes that the enterprises used technical assistance resources in an efficient and productive manner and made far better use of their investments in information, technology, and personnel during this period than their larger or smaller enterprise counterparts.Due to the extensive backward and forward linkages common to these firms, to microenterprise subcontractors and large enterprise contractors, the application of more technical assistance to this group would benefit a wide community of firms.


Abstract: A long tradition sees the small firm sector as a holding pattern for workers queuing for jobs in the formal sector of a segmented labor market. An alternative"entrepreneurial"view suggests that many workers prefer self-employment to salaried jobs. These competing views can be resolved if the sector is heterogeneous. Using factor and cluster analysis, the authors generate a typology of the sector by taking advantage of a Mexican data set on micro-firms that offers information on a broad range of small firm characteristics. The methodology permits divisions to emerge from the data without the a priori imposition of a theoretical structure. The data break into several distinct groups, broadly characterized as highly profitable and dynamic young firms, older firms that have stabilized at a small size, and young firms that act as an employer of last resort. Those in the last group, comprised of older entrepreneurs with low levels of education, are the most likely to cite that they started their firms because they were unable to find a salaried job. In general most of the firm owners in all groups stated that they chose self-employment over formal sector employment in order to be independent, collect higher earnings, or follow family tradition. These survey responses are supported by the finding that income distribution adjusted for human capital is composed of two sub-
distributions, with the "underperforming" distribution comprising only 14 percent of the sample. The factor analysis also implies that firm owner characteristics and firm size or profitability may not be correlated. For example, young workers who we might think are forced into the small firm sector due to inability to enter the formal job market do not necessarily earn less or have less capital than older entrepreneurs. Furthermore, a distribution of the earnings residual factor shows that very few firms, regardless of the firm owner's age, are earning below their expected profits. The data suggest that the small size of informal firms may not necessarily result from limited access to financial institutions or a desire to evade labor or tax laws. Instead, the firms simply may be in the beginning stages of a growth process or owners may prefer to remain small.


Abstract: This article explores whether formal business planning methods are relevant to small firms in developing countries. The study is based on a survey of 51 rural small firms in Mexico. The sample was categorized according to the way they managed information, and six case studies are presented. What is important is the awareness of entrepreneurs of the financial and market position of the firm, and not the degree to which these data are formally recorded.


Abstract: Mexico's microenterprises employ about 20 percent of the working age population in the country, and the number of microenterprises has increased substantially over the last decade. Given the role these small business units play in employment and wealth creation, it is important to understand the profile of firms that resort to outside start-up capital to finance their operations. Using microdata from Mexico's National Survey of Microenterprises (Encuesta Nacional de Micronegocios, ENAMIN), we analyze the socioeconomic factors related to the need for outside start-up capital. The findings show that a relatively small number of socioeconomic factors - such as the background of the microenterprise owner, the characteristics of the microenterprise, the operational business sector, the geographical location of the microenterprise, and the future plans of the owner - have important implications for the policy makers as well as for the capital-assistance tools used in fostering a microenterprise-friendly economic, social, and operational environment.


Abstract: Access to adequate start-up capital has been identified as an important deterrent to microenterprise development and growth. Using firm level data from Mexico's National Survey of Microenterprises, we estimate a stochastic frontier production function with inefficiency effects related to the main sources of start-up capital. Microenterprises utilizing bank loans, carryover business capital, moneylenders and credit from clients and suppliers are more technically efficient than those relying on family, friends and on own financial sources. Bank loans led to the highest degree of technical efficiency, indicating a well-functioning screening process despite information asymmetries. Banks tend to offer
the largest average loan size with the longest terms which are significant factors in allowing microentrepreneurs to overcome financing constraints.


Abstract: Factoring is explicitly linked to the value of a supplier's accounts receivable and receivables are sold, rather than collateralized, and factored receivables are not part of the estate of a bankrupt firm. Therefore, factoring may allow a high-risk supplier to transfer its credit risk to higher quality buyers. Empirical tests find that factoring is larger in countries with greater economic development and growth and developed credit information bureaus. “Reverse factoring” may mitigate the problem of borrowers’ informational opacity if only receivables from high-quality buyers are factored. We illustrate the case of the Nafin reverse factoring program in Mexico.


Abstract: This study examines the sources of male-female earnings differentials in Mexico’s micro-enterprise sector. Using the 1994 Survey of Rural Entrepreneurs and Financial Services (conducted in the rural regions of Puebla, Guanajato, and Veracruz) and the 1992 National Survey of Urban Micro-enterprises, the report found that female-headed micro-enterprises in rural and urban areas earn, respectively, 64 percent and 50 percent of less than male-headed micro-enterprises. About 35 percent (42 percent in rural areas) of the earnings gap in urban areas can be explained by differences in productive characteristics, whereas 62 percent (59 percent in rural areas) can be attributed to structural productive factors, such as household constraints, productivity, and access to education and credit services. Furthermore, a small share of the gender earnings gap is explained by gender differences in sectoral distributions. From a public policy perspective, the results suggest that policies attempting to reduce earnings disparities should focus on addressing gender differences in productive characteristics and structural factors across economic sectors because efforts to reallocate women’s micro-enterprises to other economic sectors would have a limited impact on increasing their earnings.


Abstract: Are migration networks associated with lower capital costs, or the alleviation of capital constraints? We examine these questions with data measuring access to remittance flows among small-scale entrepreneurs in Mexico. Using a survey of more than 6000 self-employed workers and small firm owners located in 44 urban areas of Mexico, we estimate the impact of attachment to migration networks on the level of capital investment, the capital–output ratio, sales, and profits of microenterprises. The impact is identified from the geographic pattern of migration from Mexico driven by the completion of rail lines in the early 1900s. For the full sample of firms, we find that migration is associated with higher investment levels and higher profits, but not higher sales. The strongest effects on investment are in the categories of automobiles, tools and inventories. When the sample is limited to firms in high-capital sectors, investment, sales, and profits all increase with attachment to the migration networks, suggesting that attachment to the migration network alleviates capital constraints in those sectors.

Abstract: Does access to capital lead to more robust investment in small scale enterprises in developing economies? We examine the effect of capital constraints on investment levels of microenterprises in Mexico. We use a survey of more than 6000 small firms located in 44 urban areas of Mexico. We focus on one important source of investment capital for Mexican entrepreneurs: earnings from migration by the owner or family members working in the United States. We estimate that remittances are responsible for almost 20% of the capital invested in microenterprises throughout urban Mexico, an additional cumulative investment capital among the firms represented by our sample of about $1.85 billion. Within the ten states with the highest rate of migration to the United States, we estimate that almost than a third of the capital invested in microenterprises is associated with remittances. In additional to showing the importance of remittances in microenterprise development, the findings suggest that access to capital is an important factor in enterprise development.


Abstract: In Bolivia, as elsewhere, institutions promoting economic development in both rural and urban areas frequently target artisan products, implementing programmes to ‘promote’ and ‘develop’ these products for national and international markets. This paper gives examples of three such programmes from highland Bolivia: the ASUR textile project in Sucre, Bolivia; the PROMMI microenterprise development project in six Bolivian cities; and the El-Alto-based Señor de Mayo Artisans' Association. These cases highlight typical patterns and issues involved in targeting artisan production as an economic development tool.


Abstract: If entrepreneurs are society's innovators, what is the role of businesspeople in poor countries — particularly, the ‘micro’ businesspeople that make up the majority? What hope for decreasing poverty and improving livelihoods do microbusinesses offer? In particular, what is the role of women microentrepreneurs, whose incomes have been understood to contribute a great deal to the well-being of poor households? This paper is based on case studies collected in the late 1990s in Sucre, Bolivia, a context in which many women are the owners of independent microenterprises. Women in Sucre control a range of microenterprises in the commerce, production and service sectors and are recognized as businesspeople by their spouses, families and people in their community. Under such conditions of ‘empowered’ business ownership, what is the potential of these businesses to decrease poverty? The study explores the business experiences of women microentrepreneurs, their priorities, entrepreneurial abilities and the obstacles they face. It suggests the kinds of business activities which women in Sucre are most likely to undertake and the income levels which these activities generally attract. Finally, it indicates that, while women in Sucre can control resources and take advantage of opportunities as businesswomen, other constraints mean that most women's businesses have only a limited ability to decrease poverty. ‘Microenterprise development’ alone is insufficient to address the complex relationships affecting how these women and their households access resources.

Abstract: Microenterprise lending has emerged as an important development strategy internationally. Its goal is to support micro and small businesses as motors for impoverished local economies and to build sustainable microfinance organizations to serve these businesses. This article explores the experiences of microentrepreneurs in Sucre, Bolivia to probe the relationships underlying the microenterprise lending process. This study illustrates how these ostensibly commercial transactions were grounded in complex assumptions about social development, external assistance and power. The article illustrates the divide between ’developers’ and the ’developed’ in their shared quest to ‘help businesses grow’, and concludes that building strong lending institutions does not automatically translate into broad-based benefits for microentrepreneurs or their businesses.


Abstract: The paper points out the necessary factors for the creation of a micro- enterprise bank. It draws on case study of PRODEM (Fundacion para la Promocion y Desarrollo de la Micro Empresa), a nonprofit, micro-lending programme established in 1986 as the ACCION affiliate in Bolivia. It describes PRODEM’s history, transition process, financial structure, and current challenges. It also finds several necessary factors for the creation of a micro-enterprise bank - macroeconomic and political stability; dedication and hard work; support from prominent members of the local business community; and strong credit programme.


Abstract: This article begins with an overview of regulation of the Bolivian financial system, describes the types of financial intermediaries active in it and the existing supply of credit, and offers an overall assessment of the potential demand for financial services. The final section describes the creation of a new financial intermediary, the Private Financial Fund, which specializes in micro-credit, and provides a description of the regulations which are designed to allow these PFFs to cover a greater number of MSEs than are currently served by the formal financial sector.


Abstract: The macroeconomic role of microfinance appears to have varied enormously between country cases, as notably exposed by the recent wave of macroeconomic crises. For example, in Indonesia in the late 1990s microfinance appears to have played a notably counter-cyclical role, whereas in Bolivia, the main focus of this paper, its role was in most cases to intensify rather than restrain the crisis. We find part of the explanation for this in the behaviour of government towards microfinance (much more conciliatory towards defaulting debtors in the Bolivian case) and in the structure of demand (unfavourable, in Bolivia, to the distribution and service sector which is the main market for microenterprise). However, closer examination of the Bolivian case suggests that institutional design also played an important role. In particular, those organizations which provided savings, training and quasi-insurance services bucked the trend of rising default rates and falling lending through the crisis and did particularly well, whereas the new breed of consumer-credit microfinance organizations did particularly badly and in several
cases went out of business. This experience suggests, in particular, that it may be appropriate to call into question the fashionable ‘minimalist’ (credit-only) model of microfinance, as certainly in Bolivia it was principally the credit-plus institutions which proved more financially disciplined and more resilient to crisis.


Abstract: Innovations in lending technologies and market saturation have made La Paz, Bolivia one of the most rapidly changing and competitive microfinance markets in the world. Two lenders stand out: the pioneer BancoSol, which first profitably expanded the loan market with group liability loans, and the later entrant Caja Los Andes, which offered individual liability loans using costlier screening. Using a simple model of credit market competition with moral hazard and adverse selection we analyse how the terms of loan contracts were adapted to changes in competition and how borrowers’ incentive to remain diligent and repay loans was affected. Hypothesized behaviour derived from the model is tested and shown to be consistent with empirical evidence from loan records and a household survey.


Abstract: This paper analyzes repayment determinants for loans from Caja Los Andes, a Bolivian microlender. The analysis focuses on the influence of recent changes in Bolivia. In particular, we examine the effects of the rapidly growing supply of microloans, the increasing competition, a rising level of indebtedness among microentrepreneurs, and the recent economic crisis. Our results show a twofold influence structure of competition and indebtedness. First, clients with loans from multiple sources at the same time are found to be more likely to default than others. Second, clients with given characteristics have an overall better repayment behavior in areas with higher competition and a higher supply of microloans.


Abstract: This paper analyzes the impact of microfinance loans on productivity and growth of micro-enterprises using a unique client database from Caja Los Andes, one of the leading microfinance providers in Bolivia. Our results show that the clients put the additional funds to good use: Clients with a higher number and a higher average size of prior loans are found to have higher growth rates than other clients. The effects on productivity depend on the size of the business. Surprisingly, clients with larger businesses benefit more from prior loans than others.


Abstract: Product design plays an important role within the overall process of innovation. It is through design that ideas and demands from the market are expressed in material form, and translated into hardware, thus allowing products to be introduced into the
competitive environment. This article presents the result of a survey on product design capability, conducted in Paraíba state, North-east Brazil. It argues that this important aspect of innovation has been neglected in the development literature. Recognizing this innovative potential is crucial to the development of both urban and rural small manufacturing enterprises.


Abstract: Donor agencies have lately been discussing ways of developing a model of a support system for small and medium enterprises, that would provide an alternative to delivering assistance directly through a government agency: Brazil offers an interesting example of such a system.


Abstract: The rights and benefits of employees recognized by 'socially responsible' companies in the West are at a different level to those prevailing in developing countries. This article describes an attempt to find an appropriate definition of social responsibility for small companies in north-east Brazil, where there is high unemployment and workers are often unskilled. Many of the companies were found to be exploitative, but some were better than others. The companies surveyed are divided into four types, and suggestions are made as to how they might be encouraged to progress towards improving the conditions of their workforce.


Abstract: The paper evaluates the implementation of the Microenterprise Development Project (MDP)- credit, non-credit, and policy reform. Findings reveal that MDP has played and continues to play an important role in educating policy makers and practitioners on proven microcredit methodologies and has become a catalyst for drawing attention to an important sector of the economy. It has strengthened the capacity of NGOs and has provided technical assistance to other microcredit agencies to support development of their institutional skills and to increase their understanding of microenterprise lending concepts. By the development and dissemination of agile methodologies that reduce the transactions costs of both borrowers and lenders, MDP has indirectly increased the flow of financial services to MSEs. A conscious attempt was made to address gender issues during the appraisal and design stages of MDP. This emphasis has enabled MDP to reach a large number of women entrepreneurs by ensuring that women are seen by lending agencies as an important client segment. MDP supported the Office of the Prime Minister (OPM) and other donors in the development of a national data base. This will enable the formulation of macro policies for the sector.


Abstract: The paper summarises findings from a pioneering Quarterly Panel Survey (QPS) of microenterprises conducted in Jamaica from the second quarter of 1993 through to the fourth quarter of 1994. It overviews the macroeconomic environment. Establishes that growth through the expansion of existing businesses is more healthy than growth based on new start-ups and that the balance between these two types of growth is influenced by
the state of the macroeconomy. It finds important variations in the patterns of enterprise expansion and contraction over the period. Disaggregation of data by sector, gender, location and size further reveals:

- there has been a desultory performance of microenterprises in the trade and commerce sector. In services, real sales and labour productivity increased, and employment declined. In manufacturing, there was an increase in labour productivity.
- there was a relatively strong performance of female-owned microenterprises.
- there is a relative strength of enterprises in urban areas.
- the largest microenterprises performed the worst.

The paper concludes that enterprises which are either urban, female-headed, service sector or employ one to four workers should be performing better but appear to be more vulnerable to seasonal variation. It emphasises the importance of building a strong economy that can provide stimulus to the healthy expansion of existing microenterprises.


Abstract: Loan programs in two different countries, Israel and Jamaica, are compared and contrasted, in order to identify common elements of project design, selection, and institutional norms. Utilizing agency theory, this article examines what types of borrowers successfully navigate the credit market and to what extent the bureaucratic processes employed by institutions influence and bias outcomes in unpredicted ways in organizations. Entrepreneurs are well recognized as coming from a wide range of backgrounds; indeed, it is the very heterogeneity of their origins that allows many to provide the newness of perspective so necessary for their activities. However, hidden or tacit institutional biases were found to work against this diversity, limiting severely the impact of efforts to sustain an entrepreneurial culture and to promote economic development. The characteristics of the lowest level of organizational actor(s) were found to differentiate successful innovation from unsuccessful attempts. Selection of the appropriate staff was found not only to influence the quality and nature of the tasks assigned, but also the very direction and choice as to exactly what the organization would do.


Abstract: This research examines the performance of 215 informal microenterprises in Jamaica, studying the influence of human capital, social capital, and financial capital of the owners on their business profitability. Understanding the importance of particular relationships that result in successful micro-businesses is important for a number of reasons. First, among many developing countries, the growth of microenterprise provides the most visibly vibrant and growing economic activity. Although considerable effort and resources are being directed toward microenterprise promotion schemes, empirical research on the subject is quite limited. Second, economies in developing countries mirror many of the social and institutional problems existent in urban economically disadvantaged areas of the United States and other developed countries. For these areas, microenterprise may be an essential component of urban renewal and community development. This study helps in identifying important characteristics of social and individual attributes that may be relevant to those attempting to strengthen this subsector. Finally, this study seeks to provide insight into a dimension of microbusiness research for which there are limited data, specifically, the role that social capital plays among practicing entrepreneurs and owners.

Abstract: Jamaican women are less likely to find employment in the formal sector than men, so many resort to self-employment in a limited range of occupations. This article describes a survey revealing that in spite of a relatively high educational level, few women had received training, formal or informal in their areas of business enterprise. There is a particular need, it is argued, for specialized programmes for women in business, in order for them to achieve their economic potential.


Abstract: Start-up businesses often find the process of registration time-consuming and burdensome, and small businesses in particular have limited administrative resources to deal with these procedures. Governments stand to benefit, of course, if such businesses are encouraged to register to pay taxes and comply with health and safety and social security requirements, and many countries have brought about reforms to make their registration procedures simpler. This article describes the various approaches to streamlining that have been tried in Spain, Ontario, Australia, and Mexico, and derives some international best practice principles from these experiences. In Colombia, the Chamber of Commerce is seeking to reform business start-up registration in Bogotá, with a view to replicating successful practices in other metropolitan areas in Colombia. The current system in Bogotá is described, and Colombia is contrasted with other Latin American countries. Recommendations are made for how Colombia, and Bogotá in particular, can further improve its business registration process. The conclusions can be of use for any other country interested in improving their business registration procedures.


Abstract: This research compares the performance of female and male entrepreneurs in a microenterprise credit program in Guatemala. Previous research and field practice has suggested that targeting credit at female borrowers allows for greater increases in household welfare, but that male entrepreneurs may more aggressively expand enterprises when given access to credit. In this paper, we develop a model that shows that increases in value of home time during childbearing years for women may substantially account for gender differences in responses to credit access. Empirical results from Guatemalan survey data yield estimations consistent with the predictions from our model.


Abstract: This research compares the performance of female and male entrepreneurs in a microenterprise credit program in Guatemala. It seeks to address the problem of whether targeting microenterprise credit at women involves sacrificing economic growth in favour of poverty reduction and the welfare of children. If this trade-off exists, where specifically does it occur? The paper develops a model to clarify why gender differences in economic responses to credit access might be expected and suggests that:

- Targeting microenterprise credit at women does appear to embody a trade-off of economic growth in favour of poverty reduction;
- Gender differences in economic responses to credit access are surprisingly small;
Female entrepreneurs in childbearing years exhibit significantly lower rates of employment generation than male entrepreneurs.

A number of suggestions are also made:

- Development practitioners involved in microenterprise lending schemes should not steer credit away from women, in the belief that their enterprises are likely to grow slower than those of male entrepreneurs;
- If a given region is experiencing high rates of infant malnutrition, a strategy specifically targeting credit at young women may be appropriate;
- If female entrepreneurs' preferences favor investment in the well-being of children, microenterprise lending institutions may be able to "double dip" by targeting credit at middle-aged women;
- There is no evidence from this study to indicate that female entrepreneurs face a disadvantage with respect to men in the area of income generation or loan repayment;
- Repayment rates may be greater among women;
- A realistic goal for microcredit programs is to bring about moderate increases in employment generation and household income, along with great improvements in the financial stability of the enterprise.


Abstract: This paper researches how credit access by household enterprises affects the schooling decisions made by these households for their children. It utilizes data from a survey of household enterprises carried out in Western Guatemala in conjunction with FUNDAP - a microenterprise lending program. The study argues that the effect of access to credit on child schooling may be either positive or negative. The paper derives two major opposite effects of credit access - family labor substitution effect and household enterprise capitalization effect. The research points out that either of these two effects may dominate child schooling decisions in different circumstances. Further, the study presents a two-period household model that generates an optimal level of child schooling, accounting for the possibility of asymmetric information in credit and labor markets. It carries out comparative statistics to show the condition under which child schooling will increase or decrease when credit constraints are relaxed. It also provides a brief background of the schooling system in Guatemala. The paper concludes that the relationship between access to credit and schooling investment is not clearly positive; investment in child schooling also depends on labor market factors; positive effect of credit on child-schooling may be mitigated by the physical capitalization of household enterprises; enterprise capitalization increases the return to child labor and thus the opportunity cost of schooling.


Abstract: The paper reviews experiences of six credit unions affected by the hurricane that hit Nicaragua in October 1998. It focuses on details of their financial services for microenterprises, develops a definition of microenterprise activities and examines the level and use of finance to microenterprises. Business growth is assessed prior to Hurricane Mitch and then afterwards. Stories of individual microentrepreneurs are illustrated. Pre-hurricane findings show:

- provision of financial services through the credit unions had a positive impact on microenterprise sales, production, profit margin, negotiating position and graduation to higher loan amounts
- microenterprises had a need for further credit training and assistance

Post-hurricane assessment reveals:

- all microenterprises report a decline in business activity immediately after the hurricane
- effects range from lost property, inventory, tools and equipment to a drop in sales
• businesses most affected were those with a customer base of rural, agricultural households, enterprises of non-essential items and services, and those selling on credit since the hurricane created delinquency and loan default
• microenterprise borrowers were less affected and better able to recover from the hurricane than agricultural borrowers

As a result of these effects, credit unions explored strategies to diversify their loan portfolios and limit their risks. Households affected by the hurricane also considered possibilities of diversifying income generating activities among family members to limit future risks. The paper recommends that credit unions increase documentation of microfinance activity and track microentrepreneurs’ savings, increase loan amounts and to continue to target the very small entrepreneur and the poor.


Abstract: The microenterprise segments of the different economic sectors absorb almost half the Chilean work force and employ the workers who earn the lowest incomes. In the microenterprises of the poor one can observe high levels of under-employment, low productivity, various degrees of informality, and very insecure market position. Almost none of them have any access to formal credit, to professional training or to higher technology. This article describes the microenterprise promotion programme of the publicly supported fund, FOSIS.


Abstract: The Government of Cuba established a tax regime for micro-enterprise as soon as it legalized the sector in 1993. It was designed to function in a difficult context in which a tax-paying culture did not exist, in which widespread non-compliance was feared, and in which some micro-entrepreneurs’ incomes were high. The tax regime included up-front monthly lump-sum payments, a 10% maximum amount of total revenues which could be deducted as costs in calculating taxable income, and an escalating tax schedule. The tax regime has a number of weaknesses which make it inequitable, inefficient, and ineffective in revenue generation. The analysis of this essay indicates that the actual incidence of the tax is higher than the official tax scale when actual production costs exceed the maximum allowable 10%, even exceeding 100% in some circumstances. The up-front lump-sum tax payments result in marginal tax rates of 100% for initial levels of revenue, followed by rate of 0% until that level of taxable income is reached where taxes payable with the tax scale are equal to the initial lump-sum payment. The tax regime discriminates against micro-enterprises which have costs of purchased inputs in excess of 10% of gross revenues. It is regressive in that the tax rates are higher for lower-income micro-enterprises up to a fairly significant level of true net income. The micro-enterprise sector also faces a more onerous tax regime than the foreign and joint venture sector of the economy. From the stand-point of its impacts on the efficiency of resource use, the tax regime restricts the entry of new firms into the sector and forces some out of business or underground, thereby reducing production, raising prices, reducing employment and reducing the generation of incomes. Finally, to the extent that firms “go underground,” refrain from starting up, go out of business, or evade taxes, the government loses revenue. A number of modifications in the tax regime are suggested in order to overcome its weaknesses. These changes could help the sector to make a more valuable contribution to Cuba in terms of employment and income generation, increased production at lower real costs and prices, and increased tax collection.

Abstract: The paper analyses growth patterns of microenterprises participating in the Asociacion para el Desarrollo de microempresas, Inc. (ADEMI) programme. It measures the growth patterns using four performance measurements: growth rate in employment, output, output/labour, and fixed assets. Gender dimensions are also analysed in the paper. The effects of the gender of a firm's proprietor on firm performance are presented, as are differences in firm performance among different ADEMI industries. It concludes that:

- smaller, male-owned firms in the textile industry outperform female-owned firms by a wide margin in terms of employment growth and fixed assets
- output per worker tends to be women’s most positive growth feature. This suggests a different growth strategy taken by female entrepreneurs compared to males
- a continual increase in sales suggests that, when given access to credit, women are purchasing semi finished garments, or finished goods, for resale
- profits from the sale of goods by women may not all be reinvested in the business (as shown by the declining growth rate in fixed assets), but are probably spent on other necessities such as goods for the home, or children’s education. Some of these funds are reinvested, given the evidence of increasing employment growth in middle sized textile firms


Abstract: Training for microentrepreneurs is usually subsidized by the government, with the result that programmes are often tailored to meet the requirements of government officials rather than the trainees themselves. In the past they have often emphasized bookkeeping and broad technical skills rather than the specific practical skills that microentrepreneurs themselves would choose. This article describes a voucher training programme in which the government subsidy takes the form of vouchers. Microentrepreneurs can exchange these vouchers for training at any of a number of institutions, but the institutions can only redeem the vouchers once the trainees have completed the course in its entirety. In this way, an incentive is built in for the training to be relevant to and retain the interest of the microentrepreneur clients.
United States


Abstract: This newsletter explores different aspects of micro enterprise development in the rural United States (U.S.). The discussion states that the U.S. Department of Agriculture provides funding for rural micro enterprise development through several programs, which help very small businesses to start up and expand. As per the newsletter, rural U.S. has sparse population, poorest regions, increasing number of legal immigrants and, is far away from urban centers. There have been cut in payrolls, closure of 140 factories, decrease in the number of farm workers by 35% and a movement towards manufacturing, services and other non-farming employment in rural areas in the last few years. The newsletter also states that micro enterprises in rural U.S. face the challenges of isolation, capital shortages, brain drain and infrastructure deficits. They need to respond by community wide development, building links between urban and rural areas and providing training and technical assistance.


Abstract: This paper discusses the features and benefits of micro-enterprise in the United States. It defines micro-enterprise as a business with five or fewer employees that requires an initial capital of $35,000 or less. It states that micro-enterprise development programs provide business development services to people who are interested in starting or expanding a micro-enterprise, but have difficulty accessing capital or obtaining management assistance. The paper cites various reasons for private and public support to micro-enterprise development: The article concludes by providing information about the goals and activities of the Association for Enterprise Opportunity (AEO) and shows that micro-enterprise in America offer a successful poverty alleviation and economic development strategy and contribute to the national economy through public tax revenues, private income and reduced dependence on public assistance.


Abstract: This paper outlines the history, characteristics and challenges facing microenterprises in America. This paper provides an overview of the field of microenterprise development, with special focus on the challenges faced and the innovations carried out in overcoming them. The paper provides the history and context of the microcredit field in the US, dwells on the size and characteristics of the microenterprise market in the country - it is estimated that there were 13.1 million microentrepreneurs in the US and analyzes their experiences with the banking sector. It suggests that the service providers in the field can be generally broken down into two groups--Credit led and Training led. The paper explores the level of effectiveness and efficiency as well as the level of impact on clients of these organizations. Further, it provides a summary of the ACCION experience and the salient characteristics of the ACCION model in the US. Finally, it presents the following challenges that the field faces and how they are being overcome with innovations.


Abstract: To better understand the dynamics of the market and to improve ACCION’s own capacity for delivering credit, the ACCION USA Network (ACCION) hired a research firm to
conducted a study estimating the number of microentrepreneurs in the United States, the number that had never received a bank loan for their business, and qualitative information. The firm conducted twenty focus groups of 108 potential and current ACCION customers in New York, Chicago, Houston, San Diego, Atlanta, and Miami. This paper reports the key findings of these focus groups and describes some of the changes ACCION has made in its programs to address the findings.


Abstract: This paper reports the key findings of studies carried out by ACCION to explore the demand gap that exists between the number of micro entrepreneurs being assisted and the overall number who might need assistance. It also lists some of the changes that ACCION has made in its programs to address these findings. The research gathered information about various topics and the key findings were:
- Micro entrepreneurs did not see banks as a viable option to finance their business;
- Participants expressed insecurity about their knowledge of how to start-up and run a business;
- Where credibility of an organization was concerned, participants wanted an entity that was professional, well-established and would serve their "community";
- In an ideal loan company, micro entrepreneurs looked for a low interest rate, a company where the application process was simple, a wide range of loan amounts.
- They were unaware of community-based lenders in their area, and there was low awareness of ACCION.

The paper concludes by listing challenges that ACCION will face in the future.


Abstract: Accion International has been applying its practices and lessons in building microenterprise development organisations, learned internationally, to the United States. Beginning with the first program in New York, Accion has created a network of associated organisations in Chicago, San Antonio, El Paso, Albuquerque, and San Diego. This paper presents and discusses the experience to date in developing an effective model for reaching microentrepreneurs in the US. The model aims to incorporate three key elements: impact, scale and self sufficiency. Self sufficiency increases the ability to scale up which increases the impact on microentrepreneurs and the communities in which they operate. Early results of Accion's work are promising and provide lessons like the credit methodology as employed and modified has been successful. More than $7 million has been loaned in more than 2,700 loans to 1,600 microentrepreneurs. Less than 1% of this amount has been lost; the demand for microcredit is high as there is a large and growing market of self-employed individuals who do not have access to conventional credit; credit products must be continually adjusted to meet the needs and realities of the clients; the programs must establish strong relationships, built on mutual respect and responsibility, with their clients; capitalization and long term institutional development remain ongoing challenges; and, effective model development requires constant innovation and risk taking.


Abstract: Microenterprise, while currently serving a small number of America's poor, is often the only option—other than receiving welfare—for a variety of individuals to improve their standard of living or quality of life. MicroTest, a project of the Aspen Institute, was created to improve the value of microenterprise services and the stability of microenterprise organizations over time by perfecting and promoting the use of measures to regularly assess performance. This article proposes a performance measurement framework for U.S. microenterprise development programs.
The following key categories of outputs and outcomes can be used to assess the performance of microenterprise development providers:
- Reaching Target Groups
- Scale
- Program Services
- Program Services Performance
- Costs, Efficiency, and Sustainability
- Institutional Capacity and Financial Condition
- Outcomes and Impact

As the microenterprise field matures, there is a growing need for some level of standardization in these performance assessments. However, there is a need to balance the simplicity and accessibility of standardization with the diversity of this field. The performance measurement framework described in this article begins the process of determining excellence among distinct strategies, targeted to different populations, and implemented in unique socioeconomic environments by a broad range of microenterprise development organizations.


Abstract: This paper describes a new conceptual framework for evaluating African American urban enterprise development by presenting a diagnostic strategy we believe will enhance the skill development of African American entrepreneurs in the inner-city through the mitigation of resource accessibility and entrepreneurial capacity obstacles. By investigating entrepreneurial needs, we proscribe a practices-based solution. This strategy suggests that successful practices must be viewed as building blocks for developing successful programs. To put it another way, the program becomes the “house that the practices built”, permitting the kind of flexibility needed to meet the challenges of enterprise development in the complex and constantly changing global economy in any given context.


Abstract: A challenge to United States microenterprise development is scale. After years of experience and leaning, most programs still serve relatively few clients on an annual basis. Given the barriers to increasing scale and sustainability, we need strategies to achieve growth. This paper identifies strategies for growth in the field and identifies three areas of focus that are essential to increase scale and sustainability.


Abstract: This paper introduces a framework for the analysis of the barriers, costs and constraints microloan customers in the United States encounter. While much previous work has been done on the benefits and potential of microenterprise in the United States as well as the program costs, relatively little research has explored the process from the
perspective of the customer. This paper first introduces the gap between loan fund capital and loan disbursement. It then posits a framework for understanding the customer perspective. Further research is recommended to determine which factors are salient and how they can be applied to benefit microloan customers and microlenders in the United States context.


Abstract: This paper provides a framework for the integration of two asset-building instruments, Individual Development Accounts (IDAs) and loans for microenterprise. Initially, it provides an overview of the emergence of the asset-based approach to poverty alleviation in the U.S. context and the evolution of IDAs and microenterprise development (MED). Then, it evaluates the potential role of IDAs in reducing risk using conventional lending criteria. The paper summarizes the findings of initial research on integrated programs and highlights four case studies. Finally, the paper provides some preliminary observations regarding potential benefits and challenges of the integrated approach and proposes an agenda for future research that will test these hypotheses.


Abstract: This case study analyzes the design, delivery, and sustainability of INSOTEC's technology access services, which are offered to small and microenterprises working in the textiles sector in Ecuador. Three key elements to offering sustainable business services are highlighted: taking a market approach to the problem, rigorously measuring profitability and performance, and investing in human resources. The case study is part of a broader research effort which was initiated by the Microenterprise Unit of the Inter-American Development Bank in January 1996.


Abstract: This report draws on national studies and a new survey of microenterprise development (MED) programs in upstate New York to discuss difficulties in reaching significant numbers of low-income people, who also have the necessary business skills to start and manage a business; and, the creation of an assessment framework that incorporates the unique characteristics of MED. The report describes the development of MED in the U.S. and its dual objectives of economic development and poverty alleviation. It discusses the shortcomings of using traditional economic development and poverty measures to assess MED’s effectiveness. It uses the survey data to explain how these programs work in practice in upstate New York. The report concludes that entrepreneurs found to benefit form MED include different kinds of people who face obstacles in the traditional labor market, and immigrants. The small size and modest profits of these businesses prevent the benefits of MED from reflecting in traditional economic development and poverty alleviation measures. MED programs specialize in focusing on particular clients and needs, which often extend beyond simple financial credit. The paper recommends on charting a course for a secure future for MED programs by addressing the inherent tension between poverty alleviation and economic development; understanding and preparing for the trade-offs and compromises that occur when achieving dual goals; and, establishing industry standards to create a suitable framework for measuring MED performance.

Kiefer, G. 2005. “MICROENTERPRISE DEVELOPMENT SERVICES IN CENTRAL SOUTH KING COUNTY”, A degree project submitted in partial
fulfillment of the requirements for the degree of Master of Public Administration, University of Washington, October.

Abstract: Microenterprise assistance has become a popular poverty alleviation and economic development strategy over the last few decades. In the United States and abroad, there has been a sizable increase in the variety of services and number of providers that are available to help low-income business owners create and grow viable enterprises. The performance of these programs, however, has been mixed. Only recently, as the field matures, researchers and practitioners have been able to start identifying the features that make for a successful microenterprise development program. The purpose of this research is to advise two organizations on separate, although related, microenterprise topics. First, the King County Office of Business Relations and Economic Development (BRED) has requested information on the microenterprise providers that are currently operating in the region and guidance on ways their office can be more supportive of microentrepreneurs. Second, the research is intended to assist BuRSST for Prosperity (BuRSST), a partnership of the cities of Burien, Renton, SeaTac, Tukwila, and unincorporated Skyway that form central south King County, as they design a new microlending program for their local microentrepreneurs. This report provides a brief theoretical and historical review of microenterprise programs in the US and internationally. It then describes the microenterprise services that are currently available to residents in central south King County. The paper goes on to identify eight “best practices” that distinguish successful microenterprise programs from the rest of the industry. These practices are the following:
1. Understand the target market
2. Provide incentives for repayment
3. Keep transaction costs low
4. Learn from the informal lenders
5. Create sustainable institutions
6. Diversify products
7. Develop demand driven training and/or technical assistance
8. Evaluate
After examining the local microenterprise services and how they measure up to the industry’s best practices, the report turns to the first of two recommendations sections. BuRSST is currently in the process of designing and implementing a microlending program for low-income entrepreneurs in central south King County. Based on the best practices highlighted in this paper, I provide several recommendations that I believe will help BuRSST create an effective microlending program:
1. Identify the target group
2. Understand the target market’s situation and preferences
3. Develop a strong marketing plan
4. Take the bank to the people
5. Experiment with alternative lending methodologies
6. Keep transaction costs as low as possible
7. Provide access to technical assistance and/or training
8. Create local ownership of the program
9. Target specific economic activities
10. Establish collaborative partnerships
11. Evaluate
The second set of recommendations is intended for BRED. I suggest several ways for the office to be more supportive of low-income entrepreneurs in the BuRSST region specifically and for local small business owners in general. They are the following:
1. Help provide microentrepreneurs with increased access to markets
2. Acknowledge microentrepreneurs for their work
3. Expand business revitalization work
4. Integrate microenterprises into broader economic development plans
5. Support individual development accounts
6. Encourage evaluation

Abstract: This study aims to provide a historical review and baseline analysis of the micro-enterprise business segment in Colorado. The study:
• Defines the micro-enterprise business segment;
• Analyzes employment by industry;
• Evaluates the needs of, and issues facing, these firms and micro-enterprise development practitioners.

The study discusses:
• The importance of micro-enterprises to both rural and urban parts of Colorado;
• The industries with the largest number of micro-enterprises;
• The growth of micro-enterprises in various sectors.

The study concludes that with increased support and awareness of the micro-enterprise business segment, micro-enterprises will play a larger role in economic and social development in the future.


Abstract: In the US venture capital has for a number of years been an important source of funds for large and to some extent small businesses, with successes such as Apple computers and Federal Express couriers to its account. This article describes the concept of providing equity finance, and how suitable investments are identified. It provides a survey of experience in the US, UK and Europe, before describing attempts in the developing world to provide equity funding to small businesses, often mixed with loans and small business advice.


Abstract: This document outlines the importance of having small business and microenterprise development programs in the country and discusses similar programs being initiated by the Federal Government in the United States. The document highlights the role of such programs in uplifting the living standards of the society since its inception. The document also discusses the following:
• The need for small business and microenterprise program;
• The objective of such programs;
• The target population of these programs;
• Initiatives of the US Government in this area;
• Strategies to help these programs grow.

Further, the article talks about subsidizing the small business and microenterprises so as to support such programs and make them much more successful on a larger scale.


Abstract: This study examines the impact of California's enterprise zone program on employment growth at the census tract level and at the establishment level. EZ census tracts are matched to non-EZ census tracts using a propensity score matching model. Annual establishment level employment data from 1992 through 1999 are used to estimate the impact of the program on growth in employment and wages. Estimates suggest that the enterprise zone designation raises employment growth about 3 percent each year during the first six years after designation, but this effect does not persist in
later years. The number of employees at each business in an enterprise zone also rises more than employment at businesses that do not have the same tax incentives.


Abstract: The use of vouchers is increasingly advocated in development practice. Compared to the vast existing literature on microfinance, however, research on voucher projects is still scarce. This paper examines the training voucher scheme in Paraguay. By applying the theory of exit and voice to this case and to voucher systems in general, a theoretical framework is provided that identifies the advantages and limitations of training voucher schemes. It will be shown that voucher systems cannot solve the information problems inherent in markets and that not all microentrepreneurs benefit from voucher schemes in the same way. The concepts of "voice ex-ante" and "voice ex-post" as necessary ingredients of voucher schemes are introduced.


Abstract: Microenterprise programs attempt to help poor people start or strengthen small businesses. Funding and political support have grown rapidly. Is microenterprise a good use of scarce development funds? Unfortunately, most evaluations have been case studies in what not to do. Because benefits and costs cannot be measured completely nor with perfect certainty, rigorous evaluations should support their necessarily subjective judgements with logic and explicit assumptions. The usefulness of an evaluation lies not in its (apparent) incontrovertibility but rather in its clarity of assumptions and in its openness to meaningful review and critique.


Abstract: U.S. microenterprise programs provide business training, small amounts of credit ($35,000 or less), or both to businesses with five or fewer employees. As the microenterprise field nears the end of its second decade in the United States, experts and practitioners agree that the field is in a difficult place; there appears to be relatively widespread agreement on the nature of the problems, which include a lack of standardized data, decreasing funding from some key sectors, increased competition, and difficulty in reaching the target market. The author argues that if the microenterprise field does not make some significant changes, it will neither sustain itself nor approach its potential. Strategies to address these challenges fall into three broad categories: restructuring, innovation, and accreditation and standardization.


Abstract: One of the salient features of the reorganization of the Inter-American Development Bank which was implemented at the beginning of 1990 was the formation of the new Microenterprises Division, located in the Operations Department. This Division includes the existing Small Projects Programme, and is charged with expanding programmes for microenterprises in the Latin American and Caribbean regions. The Editor has summarized data on some of the Bank's programmes, which involve a variety of implementing organizations and a wide range of credit amounts.

Abstract: This study examines whether there is a role for microenterprise development as an anti-poverty strategy in the United States. This question is important because skeptical views exist regarding whether, generally, poor Americans would have the enthusiasm to undertake the risk of dealing with small-businesses, especially given that the United States has a public welfare system to take care of the poor and “abundant jobs” for those with the skills—compared to most developing countries where the only alternative open for a family investing in a small-business may be starvation. Using data from 14 community-based programs promoting small-business investment through Individual Development Accounts (IDAs), this study finds that overall there is a considerable level of interest in saving for and investing in small-businesses among poor Americans, including those who are less advantaged in terms of income poverty and employment. Policy makers should thus consider promoting IDAs/subsidized savings for small-businesses development as a potentially viable strategy to address income poverty and inequality in the United States.

Australia


Abstract: This paper describes an exploratory study of financial reporting practices amongst small and medium-sized enterprises (SMEs) engaged in manufacturing in Australia. Non-linear principal components analysis is employed in empirical derivation of an overall measure of the comprehensiveness of financial reporting practices undertaken in the SMEs investigated. Non-linear principal components analysis is also used in empirically capturing the business context in terms of enterprise and financial management characteristics. Polytomous logistic regression modelling reveals development orientation, extent of owner-management, technological complexity, degree of reliance upon external financial advice, and the financial reporting climate to be the most significant influences on the extent of financial reporting practices in the SMEs under study. Of the business context factors identified, development orientation and financial reporting climate seem to have greatest impact. The study appears to reinforce the impression that SME growth is a key driver towards more sophisticated financial reporting practices. Alternately, better financial reporting may be viewed as an important enabling factor in realising the growth aspirations of such concerns.
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