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Rapid Incubation Model for the Development of Micro and Small Enterprises in Sub-Saharan Africa

By Pralay Dey
Shridhar University, Rajasthan, India.

Abstract - Africa was called "The Dark Continent" by Europeans because little was known about it prior to European colonization. Sub-Saharan Africa region covering 48 countries refers to the area of the continent of Africa that lies south of the Sahara desert. Sub-Saharan Africa though having an agricultural base has all kinds of resources in the world in terms of vast availability of minerals, gold and diamond, crude oil and Uranium etc. like no other continent. Despite having so much resources, Sub-Saharan Africa continues to face longterm development challenges: poverty, dependence on a few primary commodities like agriculture and mining, low human capital, weak governance and non-existence of appropriate policies, low employment, low technology or processing capacity, low Investment, high cost of Finance, low empowerment of women, and climate change, non availability of cheap finance, etc.

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Rapid Incubation Model for the Development of Micro and Small Enterprises in Sub-Saharan Africa

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Rapid Industrialization of Sub-Saharan Africa through establishment of Micro and Small Enterprises (MSEs) would be a signification step, addressing major challenges like poverty, unemployment, import dependency, and income distribution.

Establishing Micro and Small Enterprises (MSEs) is not a cake-walk despite having innovative inventions and ideas. It takes more than just having an idea of establishing a startup. Planning and arrangement of scarce resources like Finance, Infrastructure, Technology, Sourcing of raw materials, Marketplaces(buyers) and organizing Sales distribution channels are the major challenges for establishment and survival of any enterprise. Majority of startups fail in their first year of inception. Many of these failures can be prevented if entrepreneurs get handholding support by an Institution having specialized Incubation programmers. An incubator's main goal is to produce successful Micro and Small Enterprises with an array of targeted resources and services. These incubates have the potential to create jobs, develop technology for import substitution, commercialize new technologies, and strengthen local and national economies.
Rapid Incubation model for the establishment of Micro/small enterprises is an unique way which transforms an unemployed youth even with scanty educational background, into a budding Entrepreneur quickly. This model envisages churning out a good number of entrepreneurs in limited time as compared to conventional Incubators with relatively low investment. The model is also compatible with the existing environment of Sub-Saharan Africa and it has been already welcomed by several countries in this region to alleviate poverty.

Author : Pralay Dey, pursuing Ph.D from Shridhar University, Rajasthan, India. E-mail : pralay_99@hotmail.com

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I. Introduction

Sub-Saharan Africa region lies south of the Sahara desert. There are 48 countries with a population of 841 million people and South Sudan is the latest entrant. Through this region of Africa is often called Sub-Saharan Africa but only few countries are actually within the Sahara Desert. The Sub-Saharan region is also known as Black Africa, in reference to its many black populations.

Sub Saharan Africa is home to various languages, in-numerable tribes, ethnic and social groups, some representing very large populations consisting of millions of people, others are smaller groups of a few thousands.

Sub Saharan Africa

Despite the diversification, there are many similarities amongst these countries. Sub-Saharan Africa, though having predominantly an agricultural & livestock base has the most resources in the world in terms of vast availability of minerals, gold, copper and diamond, crude oil and Uranium etc. Inter-regional

exchange of goods and export of raw material are common in most countries.

Except a handful of countries like Nigeria, South Africa, Kenya and Botswana, most of the 48 countries are facing similar challenges e.g., poverty, dependence on a few primary commodities like agriculture and mining, low human capital, weak governance and non-existence of appropriate policies, low employment, low technology or processing capacity, low Investment, high cost of Finance, low empowerment of women, and climate change etc.

[1]Agriculture dominates the economy of African countries and is a major factor in determining livelihood fortunes. But the performance of African agriculture over the last 25 years has generally been poor. As a result, the number of hungry people has increased by 20 per cent since 1990 and is now estimated at 32 per cent of the total population, the highest prevalence of any region.

In world's macro regions, Sub Saharan Africa is the least industrialized. [2]Colonials including the Donors from North in fact never allowed local industries to grow. In-stead they had set up large capital-intensive concerns industries to feed their own countries. Even after getting independence, most of the Rulers of these countries were reluctant to promoting the growth of existing small-scale and micro-enterprises.

Plantation of Banana in Mozambique has become a futile and expensive activity in absence of International buyers

However, these modern big production centers contributed hardly anything to the development of the Sub Saharan Africa economy and society. Table 1 shows how the sub Saharan Africa countries are classified on GNI per capita basis.

Table 1 World Bank classification of economies, 2009 (GNI per capita)

Low income	Lower middle income	Upper middle income	High income
$995 or less	$996–$3,945	$3,946–$12,195	$12,196 or more
Benin	Algeria	Botswana	Equatorial Guinea
Burkina Faso	Angola	Gabon	
Burundi	Cameroon	Libya	
Central African Republic	Cape Verde	Mauritius	
Chad	Congo, Rep.	Seychelles	
Comoros	Djibouti	South Africa	
Congo, Dem. Rep.	Egypt, Arab Rep.		
Côte d'Ivoire	Lesotho		
Eritrea	Morocco		
Ethiopia	Namibia		
Gambia, The	Sudan		
Ghana	Swaziland		
Guinea	Tunisia		
Guinea-Bissau			
Kenya			
Liberia			
Madagascar			
Malawi			
Mali			
Mauritania			
Mozambique			
Niger			
Nigeria			
Rwanda			
São Tomé and Principe			
Senegal			
Sierra Leone			
Somalia			
Tanzania			
Togo			
Uganda			
Zambia			
Zimbabwe			

Source: World Bank.

Table 1 : Africa development Indicators 2011 by World bank

Business communities are not very common in Sub Saharan Africa as like Asia and Middle East. In country like Tanzania with some kind of socialist hang-over have only Peasants and Teachers explained in their Constitutions and do not have any mention of Business community. Businessmen were not welcomed in the society, even sometimes back. Business grew and remains still in the hands of few Tribals like 'Chagga' (Tanzania) and 'Kikuyu' (Kenya) in East Africa and not practiced by all.

[3]The governments, their advisors and financiers pursued a different strategy. In the expectation that leapfrogging development by introducing state-of-the-art technology would have greater impacts than replicating the European path to it, they ensured that the most up-to-date production technologies were transferred to Africa from the industrialized nations. At the same time, the African governments created rules and regulations and promotion instruments which favored and subsidized the import of everything new while discriminating, criminalizing, and persecuting the existing autochthonous activities and pushing them into informality.

Planned development of Micro & Small enterprises therefore has a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation in Sub Saharan African countries.

II. Definition Of Micro & Small Enterprises In Sub Saharan Africa

Micro & Small Enterprises in various countries of Sub Saharan Africa are defined based on several parameters, but mostly on size of employment.

[1] Natural Resources in Sub-Saharan Africa: Assets and Vulnerabilities by Johan Holmberg.

[2]&[3] Africa's Aborted Industrialization Modernization Strategies Impede Organic Industrial Growth by Wolf-gang Schneider-Barthold.

However, in many of the countries, there is no clear definition available.

The Tanzanian government defines SMEs according to sector, employment size, and capital investment in machinery. Accordingly, SMEs are defined as micro, small, and medium-size enterprises in non-farm activities, including manufacturing, mining, commerce and services. A micro-enterprise is one with fewer than five employees, a small enterprise with 5-49 employees.

In Kenya, there is about 2.2 millions micro, small and medium enterprises, (Strategic Business Advisors Africa Ltd. – SME Banking Sector Report, 2007), of which 88 percent are non-registered. There is no standard definition of SME in Kenya. Often, they define SMEs as businesses with six to 50 employees or with annual revenues less than 50 million Kenyan shillings.

The definition of SME in Mozambique varies from sector to sector. However, most of the existing definitions are based on the number of employees and the initial in-vestment capital. Industries with less than 25 are defined as Micro and more than 25 and less than 125 is as known small Industry.

Nigeria defines Small enterprise that has investment and working capital not exceeding N750, 000.

Small and micro enterprises in Ethiopia are categorized using various methods, including their size, location, capital investment and number of employees. Small manufacturing establishments engage less than ten employees and use power-driven machines. Those which do not use power-driven machines are regarded as handicraft enterprises.

Ghana defines a small enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedi.

In Malawi, manufacturing enterprises having less than 50 employees are small enterprises.

a) Major Challenges Faced By Micro & Small Enterprises In Sub Saharan Africa

Sub Saharan Africa continues to face development challenges i.e., dependence on agriculture, a few primary commodities, low human capital, poor or non-existing governance and policies & corruption, unstable governments and war conflicts, low youth employment, low empowerment of women, natural disasters and climate change etc. Besides, the growth of small and medium enterprises are challenged by lack of finance, under-developed entrepreneurial culture, poor product quality, shortage of raw material supplies, under-developed markets, limited demand for products and services, and poor access to infrastructure and technology.

Fruit pulps are being processed in one of the Incubation Centers in Mozambique

Sub Saharan Africa needs to promote industrial development as Agricultural activities are no more profitable business and Mining activities are actually draining these countries, with some exceptions like South Africa and Botswana.

Small & Micro Industrial development will reduce unemployment and import dependency. But then, there need to be a holistic environment created which include good policies and their implementations, investment on infra-structure, developed entrepreneurial culture, easy credit facilitation and developed markets in each of these countries for the development and sustenance of Micro & Small Enterprises.

Readymade garments are being manufactured in an Incubator at Kinsasha, DR Congo

III. What Is Incubation Of Business?

According to the [4] EU Centre for Strategy & Evaluation Services: A business incubator is an organization that accelerates and systematizes the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: incubator space, business support services, and clustering and networking opportunities. A successful business incubator will generate a steady flow of new businesses with above average job and wealth creation potential.

[4] EU Centre for Strategy & Evaluation Services

The [5] UKBI (UK Business Incubation) definition states that: Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change.

IV. Importance Of Incubators For Establishment Of Micro & Small Enterprises

Incubators are available in various types rendering a range of long and short-term assistances and they help in establishment of new enterprise in one way or other. Many of these provide only guidance, technical assistance and consulting to entrepreneurs and offer Business Development services. ICT incubators are major examples of these Incubators where clients access to appropriate rental space, shared basic business services and equipment. Few incubators assist only in developing new ideas and arrange for venture capital funding. Incubators are sometimes known as Business Accelerator as it accelerates start-ups by providing quick knowledge, support services and resources.

Technical Incubation Centre, NSIC, New Delhi, India

The definition of Incubators varies with their delivery of services. Many a times, they are known as business accelerator as they act as boot camps for freshers to start enterprises in their way they deliver their services, in their organizational structure and in the types of clients they serve. Highly adaptable, incubators have differing goals, including diversifying rural economies, providing employment for and increasing wealth of depressed inner cities, and transferring technology from universities and major corporations. Incubator clients are at the forefront of developing new and innovative technologies – creating products and services that improve the quality of our lives in communities around the world.

V. Various Types Of Business Incubators

Adapted from "Best Practices for Managing Incubators", Rahul Patwardan, IndiaCo

	Local Economic Development Incubators	Academic and Scientific Incubators	Corporate Incubators	Private Investors' Incubators
Goal	Non-profit	Non-profit	For profit	For profit
Main Activity	Generalists	High-tech	High-tech	High-tech
Objectives	• job creation • re-industrialization/ revitalization • economic development • support to particular target groups of industries • development of SMEs and clusters	• commercialization of technologies • development of entrepreneurial spirit • civic responsibility • image • new sources of finance	• to develop entrepreneurial spirit among employees – keep talents • monitoring – access to new technologies, business models and new markets • profits	• profits by selling stock from a portfolio of companies allowing to risks to be spread
Targets	• small commercial craft service companies • in some cases, high-tech companies	• projects internal to institution prior to company creation • external projects	• internal and external projects, generally related to the activity of the company	• technological start-ups, generally ICT and/or biotechnology related

Several years back, the initial model of incubation programme was based on leasing out infrastructure and common facility equipment to the entrepreneurs, in few focused areas. However, in more recent years, new incubators have been set up in areas of ICT, food processing, light engineering, Health care technologies, packaging, ceramics technologies, arts and crafts, product design and knowledge management. Many of them provide an opportunity to first generation entrepreneurs to acquire skill for enterprise building and also incubating them to become successful small business owners. At these centers, exposure in all areas of business operations are being provided such as business skills development, identification of appropriate technology, hands on experience on working projects, project / product selection, opportunity guidance including commercial aspects of business.

VI. Model Of Rapid Incubator

a) Objectives Of Establishment Of Rapid Incubation Programme In Sub Saharan Africa

I. Self employment generation among aspiring start up entrepreneurs.
II. Accelerate the development of new entrepreneurs.
III. Integrated support by way of providing hands on training on working projects.
IV. To boost the development of small enterprises in the manufacturing sector.
V. Introduction of new indigenous products in Sub Saharan Africa as import substitution.

[5] UKBI (UK Business Incubation) Report

VI. Training of local trainers for Technical & Vocational Training (TVT) colleges.

b) Rapid Incubation Programmed Of NSIC

Enterprise development is one of the thrust areas for economic development of any country, which can be achieved by way of providing hand holding support to the budding entrepreneurs. National Small Industries Corporation (NSIC), A Government of India Enterprise under the aegis of Ministry of Micro, Small & Medium Enterprises, India has developed a unique model of Rapid technology incubation for setting up new small enterprises, creating self employment opportunities by imparting training in entrepreneurship building and skill development to unemployed person, who intend to set up their small enterprises or seek employment opportunities. The Incubators envisage transformation of an unemployed youth into budding entrepreneur in just 3 months time that is the reason why this carries a prefix 'Rapid'. The Incubators intend to provide training in several trades in manufacturing of products and service sectors. Incubators provide an opportunity for first generation entrepreneurs to acquire skill on basic technical trades and gain exposure in all areas of business operation such as business skill development, identification of appropriate technology, hands on experience on working projects, project / product selection, opportunity guidance including commercial aspects of business etc. Supply of machinery and rendering easy credit support are arranged in this programmed to help the budding entrepreneurs to setup Micro and Small Enterprises. Once established, the entrepreneur also generates employment to others.

c) Training Curriculum for Rapid Incubation Programme

I) Counseling (1 Week)

Counseling is process of selection of candidates. The success of any enterprise establishment programmed largely depends on the selection of right participants having enough potential to start their enterprise after the training programmed. For selection of prospective entrepreneurs, the information can be disseminated to the people of identified town/village by way of any of the local media i.e. newspapers, pamphlets, awareness meetings and / or through professional and academic institutions. Therefore, the broad guidelines for selection of the potential candidates are:-

- The candidates should have adequate space to establish the enterprise, ability to provide margin money and possess basic entrepreneurial traits.
- Minimum qualification: The candidate should have at least Form – IV passed and of minimum 14 years of age.
- Preference to be extended to those with higher qualification particularly having some knowledge / technical background in industry/business.

II) Entrepreneurship Orientation (2 Weeks)

During this period the trainees are imparted knowledge on business process, Entrepreneurship quality and motivation, business law, accounting procedure etc. The course contents for the training cover the following:

- Definition of business and kinds of businesses.
- Local conditions for setting up the small enterprises such as availability of raw material, skills available, demand for various products and services, availability of infrastructure and logistics including transportation etc.
- Entrepreneurial quality and motivation
- Product selection and opportunity guidance
- Business laws
- General banking
- Basic book keeping and accounting
- Working capital management
- Product costing and pricing
- Role of Banks
- Role of Govt. institutions and other promotional agencies
- Procedures for setting up of enterprise
- Approvals needed for setting up new enterprises
- Guidance for project/profile report preparation

III) Hands on Training on machines in Rapid Incubation Programme (4 Weeks)

After completion of Entrepreneurship orientation programmed, each trainee could select one project of his/her interest which is intended to be established by the respective trainee. Hands on training are provided on the selected machine / project as detailed below:

- Hands on working on selected project thus gain detailed knowledge to operate the machines.
- Acquiring technical knowledge about the machines installed.
- Raw material availability and its consumption plan.
- Understanding the production process.
- Understand the quality control process of the finished products.
- Understanding packaging of the finished product
- Understanding the basic maintenance needs of the machines.
- Understanding the preventive measures to be taken.

IV) Market Survey (1 Week)

- Visit to markets for raw materials and finish products
- Study the availability and quality of raw materials.
- Hold discussion with the bulk buyers and other purchasers.
- Understanding the competition in the market.

- Understanding the price and demand of the product in the market.
- Study the established market for finished product.
- Make a market survey report.

V) Project Report Preparation (1 Week)

During this week the trainees prepare the project report for the project by them. The project report should contain the following:

- Introduction
- Market Survey
- Details of project
- Plant, Machineries and other fixed assets
- Fixed Capital
- Working Capital (Raw material cost, salary and wages, utility and overheads)
- Breakeven point
- Cost of the project
- Sources of finance
- Profit and loss statement
- Cash flow statement
- Expected Balance Sheet for next 5 years
- Re-payment of loan statement

VI) Formal approvals and Registrations (1 Week)

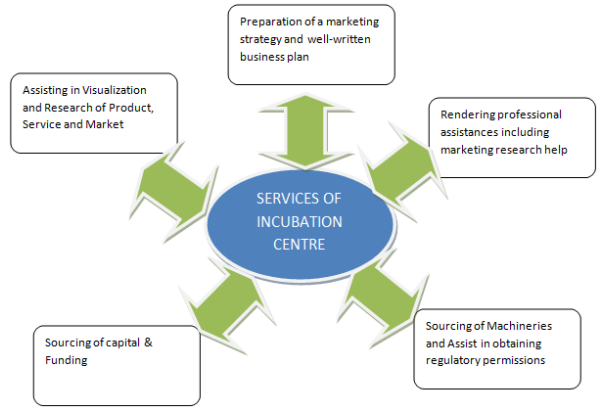
- To establish the project, identification of various approvals such as Pollution control, special clearances in case of food product, quality control or any other approvals etc. wherever applicable.
- To discuss with the concerned authorities.
- Form filling and submission of application.
- Follow up for approvals.
- Submission of application & follow up with the bank for credit availability.

VII) Monitoring and Follow up

The passed out trainees is monitored continuously and a report is maintained as the following format:

#	Name of the trainee	Name of the Project	Value of the Project	Status of order for Machinery	Receipt of machinery	Installation of machinery	Working Capital availability status	Whether production started	Employ-ment status
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									

VII. Hand Holding Services Of a Rapid Incubator



Trainees learning how to make furniture using bamboo and cane in an Incubator at Sao Tome & Princepe

Trainee learning production techniques in Technology Incubator in Tanzania

VIII. Conclusion

Establishing a micro or small enterprise or per se any business, is not an easy task. There is a great amount of entrepreneurship skill and knowledge needed for sustenance and growth. It takes several months to years to gather information, garner knowledge, skills and resources to start and run any micro or small enterprise.

Generally this is achieved by peer surveys, talking to other business owners within the same

industry who can give practical advice. Conduct of independent research to find out appropriate technology, marketing intelligence, sources of Finance, Supply chain identification, demand assessment & forecasting, raw material availability etc. helps entrepreneur in decision making. However, all these are difficult inputs to acquire but imperative for any enterprise to become successful.

Unemployment is a colossal problem in Sub Saharan Africa. Self-employment generation is perhaps the fastest process by which one gets employed and also employs other unemployed youths in their small enterprises. Rapid Incubation for Small Enterprise Establishment is an innovative process that incubates and transforms an ordinary, even unemployed with very little educational background into a budding entrepreneur in just three months time. The major components of the Incubation process are Entrepreneur Skill Development, Project/Product selection and opportunity guidance, Hands-on practical training on working projects/training modules, Facilitation of funds through banks, Facilitation on setting up an enterprise, Support services to run small business. The technology used in this incubation process is low cost, appropriate, and any easy to maintain. This process can incubate any youth / person aged between 18-60 years. The process is applicable to all parts of the country and suitable for addressing unemployment issues of many least developed and developing countries. A private partner can also become an incubator under this. Start-ups can quickly learn and obtain support services as mentioned above through an emulated environment of an Incubator.

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