

1 Rapid Incubation Model for the Development of Micro and Small 2 Enterprises in Sub-Saharan Africa

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7 **Abstract**

8 Africa was called ?The Dark Continent? by Europeans because little was known about it prior
9 to European colonization. Sub-Saharan Africa region covering 48 countries refers to the area
10 of the continent of Africa that lies south of the Sahara desert. Sub-Saharan Africa though
11 having an agricultural base has all kinds of resources in the world in terms of vast availability
12 of minerals, gold and diamond, crude oil and Uranium etc. like no other continent. Despite
13 having so much resources, Sub-Saharan Africa continues to face longterm development
14 challenges: poverty, dependence on a few primary commodities like agriculture and mining,
15 low human capital, weak governance and non-existence of appropriate policies, low
16 employment, low technology or processing capacity, low Investment, high cost of Finance, low
17 empowerment of women, and climate change, non availability of cheap finance, etc. Rapid
18 Industrialization of Sub-Saharan Africa through establishment of Micro and Small Enterprises
19 (MSEs) would be a signification step, addressing major challenges like distribution.

20 Establishing Micro and Small Enterprises (MSEs) is not a cake-walk despite having innovative
21 inventions and ideas. It takes more than just having an idea of establishing a startup.

22 Planning and arrangement of scarce resources like Finance, Infrastructure, Technology,
23 Sourcing of raw materials, Marketplaces(buyers) and organizing Sales distribution channels
24 are the major challenges for establishment and survival of any enterprise. Majority of startups
25 fail in their first year of inception. Many of these failures can be prevented if entrepreneurs get
26 handholding support by an Institution having specialized Incubation programmers. An
27 incubator?s main goal is to produce successful Micro and Small Enterprises with an array of
28 targeted resources and services. These incubates have the potential to create jobs, develop
29 technology for import substitution, commercialize new technologies, and strengthen local an

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31 **Index terms**— Micro and Small Enterprises, jobs, resources, Poverty, Rapid Incubation, Model, Incubator,
32 Unemployment, Entrepreneur, Entrepreneurship, Hand holding
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35 Saharan Africa though having an agricultural base has all kinds of resources in the world in terms of vast
36 availability of minerals, gold and diamond, crude oil and Uranium etc. like no other continent. Despite having so
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38 a few primary commodities like agriculture and mining, low human capital, weak governance and non-existence
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4 II. DEFINITION OF MICRO & SMALL ENTERPRISES IN SUB SAHARAN AFRICA

43 Establishing Micro and Small Enterprises (MSEs) is not a cake-walk despite having innovative inventions
44 and ideas. It takes more than just having an idea of establishing a startup. Planning and arrangement of
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48 handholding support by an Institution having specialized Incubation programmers. An incubator's main goal is to
49 produce successful Micro and Small Enterprises with an array of targeted resources and services. These incubates
50 have the potential to create jobs, develop technology for import substitution, commercialize new technologies,
51 and strengthen local and national economies. Rapid Incubation model for the establishment of Micro/small
52 enterprises is an unique way which transforms an unemployed youth even with scanty educational background,
53 into a budding Entrepreneur quickly. This model envisages churning out a good number of entrepreneurs in limited
54 time as compared to conventional Incubators with relatively low investment. The model is also compatible with
55 the existing environment of Sub-Saharan Africa and it has been already welcomed by several countries in this
56 region to alleviate poverty.

57 1 Introduction

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

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

64 2 Sub Saharan Africa

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

69 Except a handful of countries like Nigeria, South Africa, Kenya and Botswana, most of the 48 countries are
70 facing similar challenges e.g., poverty, dependence on a few primary commodities like agriculture and mining,
71 low human capital, weak governance and nonexistence of appropriate policies, low employment, low technology
72 or processing capacity, low Investment, high cost of Finance, low empowerment of women, and climate change
73 etc. [1] Agriculture dominates the economy of African countries and is a major factor in determining livelihood
74 fortunes. But the performance of African agriculture over the last 25 years has generally been poor. As a result,
75 the number of hungry people has increased by 20 per cent since 1990 and is now estimated at 32 per cent of the
76 total population, the highest prevalence of any region.

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

81 3 Plantation of Banana in Mozambique has become a futile and 82 expensive activity in absence of International buyers

83 However, these modern big production centers contributed hardly anything to the development of the Sub Saharan
84 Africa economy and society. Table ?? shows how the sub Saharan Africa countries are classified on GNI per
85 capita basis. The governments, their advisors and financiers pursued a different strategy. In the expectation that
86 leapfrogging development by introducing state-of-the-art technology would have greater impacts than replicating
87 the European path to it, they ensured that the most up-to-date production technologies were transferred to
88 Africa from the industrialized nations. At the same time, the African governments created rules and regulations
89 and promotion instruments which favored and subsidized the import of everything new while discriminating,
90 criminalizing, and persecuting the existing autochthonous activities and pushing them into informality.

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

93 4 II. Definition Of Micro & Small Enterprises In Sub Saharan 94 Africa

95 Micro & Small Enterprises in various countries of Sub Saharan Africa are defined based on several parameters,
96 but mostly on size of employment. [1] Natural Resources in Sub-Saharan Africa: Assets and Vulnerabilities by
97 Johan Holmberg.

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

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

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

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

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

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

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

117 In Malawi, manufacturing enterprises having less than 50 employees are small enterprises. Sub Saharan Africa
118 continues to face development challenges i.e., dependence on agriculture, a few primary commodities, low human
119 capital, poor or non-existing governance and policies & corruption, unstable governments and war conflicts, low
120 youth employment, low empowerment of women, natural disasters and climate change etc. Besides, the growth
121 of small and medium enterprises are challenged by lack of finance, under-developed entrepreneurial culture, poor
122 product quality, shortage of raw material supplies, under-developed markets, limited demand for products and
123 services, and poor access to infrastructure and technology.

124 Fruit pulps are being processed in one of the Incubation Centers in Mozambique Sub Saharan Africa needs to
125 promote industrial development as Agricultural activities are no more profitable business and Mining activities
126 are actually draining these countries, with some exceptions like South Africa and Botswana.

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

131 **5 Readymade garments are being manufactured in an**

132 Incubator at Kinsasha, DR Congo III. What Is Incubation Of Business?

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

138 [4] EU Centre for Strategy & Evaluation Services

139 The ??5] UKBI (UK Business Incubation) definition states that: Incubation is a unique and highly flexible
140 infrastructure and people, designed to nurture and grow new and small businesses by supporting them through
141 early stages of development and change. Enterprise development is one of the thrust areas for economic
142 development of any country, which can be achieved by way of providing hand holding support to the budding
143 entrepreneurs. National Small Industries Corporation (NSIC), A Government of India Enterprise under the aegis
144 of Ministry of Micro, Small & Medium Enterprises, India has developed a unique model of Rapid technology
145 incubation for setting up new small enterprises, creating self employment opportunities by imparting training
146 in entrepreneurship building and skill development to unemployed person, who intend to set up their small
147 enterprises or seek employment opportunities. The Incubators envisage transformation of an unemployed youth
148 into budding entrepreneur in just 3 months time that is the reason why this carries a prefix 'Rapid'. The Incubators
149 intend to provide training in several trades in manufacturing of products and service sectors. Incubators provide
150 an opportunity for first generation entrepreneurs to acquire skill on basic technical trades and gain exposure in all
151 areas of business operation such as business skill development, identification of appropriate technology, hands on
152 experience on working projects, project / product selection, opportunity guidance including commercial aspects
153 of business etc. Supply of machinery and rendering easy credit support are arranged in this programmed to
154 help the budding entrepreneurs to setup Micro and Small Enterprises. Once established, the entrepreneur also
155 generates employment to others.

156 **6 I) Counseling (1 Week)**

157 Counseling is process of selection of candidates. The success of any enterprise establishment programmed largely
158 depends on the selection of right participants having enough potential to start their enterprise after the training

10 CONCLUSION

159 programmed. For selection of prospective entrepreneurs, the information can be disseminated to the people of
160 identified town/village by way of any of the local media i.e. newspapers, pamphlets, awareness meetings and /
161 or through professional and academic institutions. Therefore, the broad guidelines for selection of the potential
162 candidates are:-? The candidates should have adequate space to establish the enterprise, ability to provide margin
163 money and possess basic entrepreneurial traits. ? Minimum qualification: The candidate should have at least
164 Form -IV passed and of minimum 14 years of age.

165 ? Preference to be extended to those with higher qualification particularly having some knowledge / technical
166 background in industry/business.

167 7 II) Entrepreneurship Orientation (2 Weeks)

168 During this period the trainees are imparted knowledge on business process, Entrepreneurship quality and
169 motivation, business law, accounting procedure etc. The course contents for the training cover the following:
170 ? Definition of business and kinds of businesses. ? Local conditions for setting up the small enterprises such as
171 availability of raw material, skills available, demand for various products and services, availability of infrastructure
172 and logistics including transportation etc. ? Entrepreneurial quality and motivation ? Product selection and
173 opportunity guidance ? Business laws ? General banking ? Basic book keeping and accounting ? Working capital
174 management ? Product costing and pricing ? Role of Banks ? Role of Govt. institutions and other promotional
175 agencies ? Procedures for setting up of enterprise ? Approvals needed for setting up new enterprises ? Guidance
176 for project/profile report preparation After completion of Entrepreneurship orientation programmed, each trainee
177 could select one project of his/her interest which is intended to be established by the respective trainee. Hands
178 on training are provided on the selected machine / project as detailed below:

179 ? Hands on working on selected project thus gain detailed knowledge to operate the machines. ? Acquiring
180 technical knowledge about the machines installed. ? Raw material availability and its consumption plan.

181 ? Understanding the production process.

182 ? Understand the quality control process of the finished products. ? Understanding packaging of the finished
183 product ? Understanding the basic maintenance needs of the machines. ? Understanding the preventive measures
184 to be taken.

185 8 IV) Market Survey (1 Week)

186 ? Visit to markets for raw materials and finish products ? Study the availability and quality of raw materials.
187 ? Hold discussion with the bulk buyers and other purchasers.

188 ? Understanding the competition in the market. ? To establish the project, identification of various approvals
189 such as Pollution control, special clearances in case of food product, quality control or any other approvals etc.
190 wherever applicable. ? To discuss with the concerned authorities.

191 ? Form filling and submission of application.

192 ? Follow up for approvals.

193 ? Submission of application & follow up with the bank for credit availability.

194 9 VII) Monitoring and Follow up

195 The passed out trainees is monitored continuously and a report is maintained as the following format:
196 Trainees learning how to make furniture using bamboo and cane in an Incubator at Sao Tome & Principe
197 Trainee learning production techniques in Technology Incubator in Tanzania Establishing a micro or small
198 enterprise or per se any business, is not an easy task. There is a great amount of entrepreneurship skill and
199 knowledge needed for sustenance and growth. It takes several months to years to gather information, garner
200 knowledge, skills and resources to start and run any micro or small enterprise.

201 Generally this is achieved by peer surveys, talking to other business owners within the same VII. Hand Holding
202 Services Of A Rapid Incubator VIII.

203 10 Conclusion

204 independent research to find out appropriate technology, marketing intelligence, sources of Finance, Supply chain
205 identification, demand assessment & forecasting, raw material availability etc. helps entrepreneur in decision
206 making. However, all these are difficult inputs to acquire but imperative for any enterprise to become successful.
207 Unemployment is a colossal problem in Sub Saharan Africa. Self-employment generation is perhaps the fastest
208 process by which one gets employed and also employs other unemployed youths in their small enterprises. Rapid
209 Incubation for Small Enterprise Establishment is an innovative process that incubates and transforms an ordinary,
210 even unemployed with very little educational background into a budding entrepreneur in just three months time.
211 The major components of the Incubation process are Entrepreneur Skill Development, Project/Product selection
212 and opportunity guidance, Hands-on practical training on working projects/training modules, Facilitation of
213 funds through banks, Facilitation on setting up an enterprise, Support services to run small business. The
214 technology used in this incubation process is low cost, appropriate, and any easy to maintain. This process can
215 incubate any youth / person aged between 18-60 years. The process is applicable to all parts of the country and
216 suitable for addressing unemployment issues of many least developed and developing countries. A private partner

217 can also become an incubator under this. Startups can quickly learn and obtain support services as mentioned above through an emulated environment of an Incubator. ^{1 2 3}

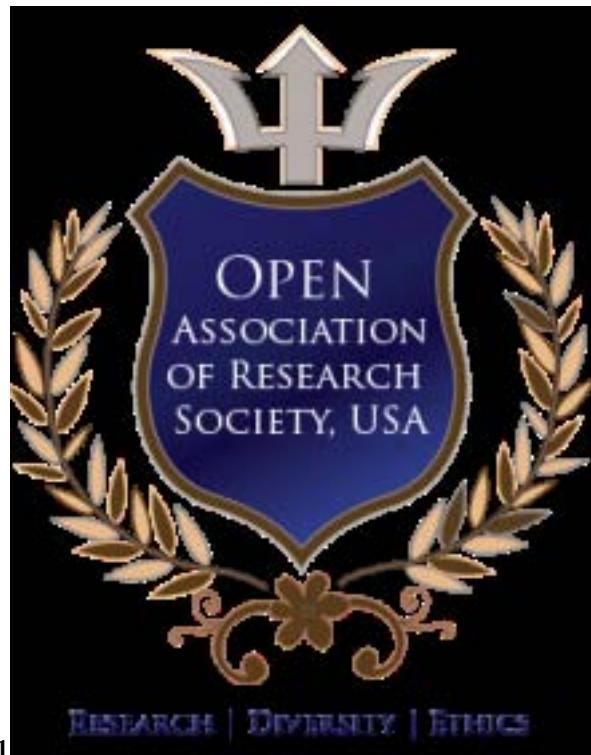


Figure 1: Table 1 :

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¹June © 2012 Global Journals Inc. (US) a) Major Challenges Faced By Micro & Small Enterprises In Sub Saharan Africa

²June© 2012 Global Journals Inc. (US)

³June © 2012 Global Journals Inc. (US) industry who can give practical advice. Conduct of



Figure 2:

Table 1

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

Low income \$995 or less	Lower middle income \$996–\$3,945	Upper middle income \$3,946–\$12,195	High income \$12,196 or more
Benin	Algeria	Botswana	
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 Príncipe			
Senegal			
Sierra Leone			
Somalia			
Tanzania			
Togo			
Uganda			
Zambia			
Zimbabwe			

Source: World Bank.

5

Figure 3: [5]



Figure 4:

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