Small Business Management

A Training Manual

No. 6

Economic Commission for Africa

Development Management Division
Small Business Management

A Training Manual
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Introduction

The promotion of small scale enterprise as a vehicle for growth and poverty alleviation in Africa is an area that is gaining wide acceptance by experts and policy makers. As the role of the Non-Governmental Organizations (NGOs) and People's Organizations (Pos) is slowly shifting from relief types of activities to a more complicated development oriented actions, the need to have a thorough understanding of how income generating units operate has become very crucial. There are a number of reasons why this trend is currently enjoying an increasing support from donor organizations as well as bilateral and multilateral aid organizations engaged in poverty alleviation.

First, there is a growing consensus among experts that the public sector and parastatal solutions to development have fallen far short of the expected goals of achieving even the basic requirements of development. Therefore, the emphasis shifting away from them and more towards the private sector, grassroots and NGO/PO initiatives. Second, past experience with Structural Adjustment Programmes (SAPs) has proven that macro-economic adjustments do not always generate the desired supply response, particularly in private investment. Third, more and more experts are beginning to realize that non-agricultural activities in rural areas and small towns are playing critical role in providing employment and economic opportunities. Fourth, the continued migration to city centers and the inability of the urban manufacturing sectors to provide employment. Fifth, the realization that income generating small business can be more efficient in resource utilization. Particularly, through the utilization of low level indigenous technology.

Needs assessment of a number of NGOs involved in organizing and supporting the development of small and micro-enterprises was conducted for this particular study. The purpose of this survey was to build a general understanding
of the kinds of problems NGOs and Pos face when helping communities and groups set-up new or strengthen existing income generating activities. Among the range of training requirements identified in the survey was the lack of well trained personnel in modern management methods. Included in this are skills in managing money; maintaining accounts; planning and execution of micro-projects; and marketing goods and services. Personnel with this type of skills are particularly needed to carry out training activities to owners and operators of new and existing small enterprises. The aim of this brief manual is to help expand the number of capable small and micro enterprise management trainers among the NGO staff and personnel.

The first section of the manual reviews the current thinking in the promotion of small and micro-enterprises in Africa. This section will focus on how NGOs and POs can assist small scale enterprise in the practice of running business. With the declining role of state and parastatal organizations as a source of job creation the focus is now shifting to small and micro-enterprise to carry out that responsibility. This approach is particularly gaining currency among the big lending and financial institutions such as the World Bank and International Monetary Fund. This part will also explore the role NGOs and POs are playing in the current development of small and micro-enterprises in Africa. However, with exception of few, most indigenous NGOs are not fully in-tune with this trend. This manual would hopefully contribute toward familiarizing the subject to NGOs who have yet to explore this area.

The second through the last section of the manual puts forward a "how to" guide on ways NGOs can assist new and emerging community based SMEs with organizing and managing their financial affairs. This section discusses, using simple and straight forward approach, how to construct a well
organized budget. In connection with this, it will look at the techniques involved in preparing Income Statements, Balance Sheets and other relevant sources of information needed to form a budget. The distinction between the two types of budgets, capital budget and cash or expense budget, will also be discussed in this section.

Included in the manual is also a user guide which describes the minimum experience and educational requirements that targeted beneficiaries are expected to meet to be able to use the manual.
A Review of Current Trends and Thoughts on SMEs

Most African development programs appear to depend on "availability of funds" rather than on availability of human or natural resources or market potential. In addition to this successful promotion of SMEs require the establishment of new institutional structure with adequate financial manpower resources, which in many developing countries is not available.

Over the last two decades most developing countries have sought the cooperation of variety of non-governmental organizations (NGOs) engaged in SMEs development. NGOs may be broadly defined as private, non-profit making and dedicated to the design, evaluation and implementation of development businesses and programs promoting social objectives (ILO, 72nd SESSION, 1986).

Support for the promotion of SMEs usually come in three forms, support for growth and development of existing business and support for starting-up a new business and support for businesses in difficulty.

1.1 The Role SMEs Play in African Economic Development

In developing economies, where there is often a severe shortage of capital and managerial resources of skilled labor promotion of SMEs is generally considered to be an important and efficient approach to economic development.

SMEs have further been identified as providing an excellent outlet for the entrepreneurial spirit of individuals and the dispersion economic activities. They are also emerging
as the largest source of employment in developing countries.

A significant characteristic of small production units is the fact that most of the final products cater to the basic needs of the bulk of the population. Since most of these units utilize indigenous technology they tend to produce simple and low cost goods that meet the basic needs of the rural poor. In the urban sector, which is more dynamic and where tastes seem to be changing, small production units continue to meet the basic needs of the middle and low income groups. Studies also show that small wood work and metal work enterprises and mechanical and electrical repair workshops produce goods and provide services like those offered by the modern, large-scale capital intensive sector (Niham, 1979).

In general the benefit of SMEs can be summarized as follows:

- Contributes significantly to the economy in terms of output of goods and services;
- Account for upwards of one half of paid employment with a capacity to employ even more;
- Creates jobs at relatively low capital cost, especially in the fast growing service sector;
- Provide a vehicle for reducing income disparities;
- Develop a pool of skilled and semi-skilled workers as a basis for future industrial expansion;
- Improve forward and backward linkage in economically and geographically diverse sectors of the economy;
- Provide opportunities for developing and adopting appropriate technological approaches;
- Often an excellent breeding ground for
entrepreneurial and managerial talent - the critical shortage of which is often identified as a major handicap to economic development;

- Lend themselves to industrialization policies favoring decentralization and rural development;
- Increase savings and investment by local sources with more effective use of scarce capital;
- Increase mobility for the improved development of natural resources;
- Promote special sub-contracting arrangements and act as ancillaries to large scale enterprises; and
- Adapt flexibility to market change.

A renewed awareness of the great significant of these factors, individually and taken together has inspired many countries to launch important strategies and programs for SMEs development.

1.2 Rational for SME Development

Increasing the number of viable SMEs through out the continent could result in the creation of a large new constituency of business owners and employees who have an understanding of the development potential and needs of a given country. In a balanced relations with urban areas, thus bringing the development between the two sectors.

Planning for SME development sometimes focuses on the social geography of target region. Some programs emphasize on the need to build confidence, interpersonal skills, and the community as the basis for all economic and development activities.
The most significant rational for SME development, however, has been the potential for social and economic democratization inherent in the expansion of the sector.

1.3 The Importance of NGOs in the Overall Development Activity

NGOs are increasingly recognized as being able to enhance the scope and effectiveness of development efforts and therefore are considered attractive partners for the design and implementation of SME development projects. Since 1975, NGO involvement in various aspect of SME development has made encouraging and positive progress. NGOs are said to be better able than governmental institutions and organizations to reach the very small enterprises in urban and rural areas and the informal sectors. Their involvement ensures SMEs genuine participation in the economy, foster social change, work directly with the people in the field, be flexible and innovative in their methods of operation and work with and strengthen local private institutions.

Currently, NGOs are very much under utilized in SME development, given the concern felt in many countries about the diminishing impact of government efforts in this area, there would appear to be very reason to make use of such resources for development. A general observation indicates that most NGOs attract well motivated, committed, socially conscious staff who are able to live in remote areas for long period of time among the people they work with. Though, many NGOs started as relief and charity oriented agencies the tendency now is to focus on productive activities and commercial, business like practices. This approach matches the current development philosophy of major aid organizations. There are indications, moreover, that NGOs
are very efficient at developing a human and institutional infrastructure at the local level, as their personnel work close enough to the beneficiaries and their local organizations to mobilize traditional self-help energies within target groups. It must, finally, born in mind that the term "non-governmental organization" covers a wide range of institutions with diverse goals and are often different from those of public sector institutions. NGOs are established by institutions that are very close to development issues such as universities, research centers, development foundations, groups and other private associations. Therefore, NGOs should be considered as an active partners in the development of poor nations across the African continent.
II Planning an Income Generating Business

2.1 Planning

To setup a sustainable income generating business efficient planning and preparation is needed. The prerequisite for good planning and preparations is good information. This information can be obtained from:

- Desk studies
- Field surveys
- Monitoring and evaluation of existing business

Planning and preparation of an enterprise, first and foremost requires a group of people trained to perform such duties. The interdependence between business planning and business management is illustrated by the simple diagram in fig. 2.1.

The major steps in starting-up a business are likely to vary from situation to situation. But the general principals could be summarized as follows:

Step 1. To undertake support studies:
This carried out where there is no adequate information for the planner to collect as a basis and support for his planning.
Step 2. To produce an acceptable study and to make an appraisal to see if the proposed project is feasible.

Step 3. To prepare and submit the project design in the format subscribed by the funding agency.

The above noted steps that NGOs should consider in setting-up new small businesses are further elaborated in the following section.

Fig. 2.1 below, the pre-planning phase, desk studies, field survey information are carried out:

• To help the planner identify opportunities, prepare project proposals and design, prepare support study and feasibility study in the planning process.
• To help the management have good public environment, plan of work and procurement of inputs such as services, machinery and personnel.
In addition to the information in the pre-planning stage the management will get more detailed information on specific areas described in (a) above.
Fig. 2.1 Interdependence between business planning and business management.
2.1.1 Support Studies

Support studies include a socio-economic survey of the area where the enterprise is to be located. In addition to this, the study require information on the market for its product or services. This is generally defined as feasibility study. Any feasibility study must include a detailed study of the inputs which includes both material and equipment. The collection of information and selection of alternative materials and equipment may be initiated by three lines of enquiry:

- Suppliers both inside and outside the country can tender on both price and delivery, based on supply specification and bills of quantity;
- Similar SMEs may provide valuable information;
- Institutions and organization such as development banks multilateral aid agencies (UNDP, FAO, ILO, UNIDO, etc...) may have information which they can make available.

2.1.2 Feasibility Studies

The information collected can now be assembled into a feasibility study. The format is given in Annex I.

2.1.3 Project Design

The final stage in project planning is to prepare a project design in sufficient detail for funding of implementation. The terminology, definitions and presentation from a project design will vary considerably between private and public sector, countries, institutions and development agencies. In order to conform with one standard, the following out-line will follow one accepted international format.
The key element in project design is the establishment of a logical framework for the project. The framework may:

- Define project inputs, activities, outputs and objectives;
- Reason out the linkage between inputs and objectives (Refer to Fig. 2.1.3.);
- State the assumption which could affect the linkages;
- Establish progress indicators which will permit successful measurement of verification of achievement of the defined output and objectives.

In Fig. 2.1.3 below the terms are described as follows:

**Project inputs** - Domestic and foreign inputs which are required to carry out the project activities.

**Project activities** - Those activities and sub activities which are required in order to produce the necessary output.

**Project output** - Production with verifiable terms and targets; dates that will help achieve the projects' immediate objectives.
Linkage between inputs, outputs and objectives - It is shown in the figure above as sub activity sub outputs and other immediate objectives to that will help maintain the linkage.
Fig. 2.1.3 PROJECT DESIGN
Publication on business management that are simple enough to be understood by people with limited formal education are very difficult to find. Those that are available fail to provide the basic management knowledge required by entrepreneurs if they are to run small businesses successfully. This section of the manual is an attempt to fill that gap.

3.1 Personnel Management

Personnel management is concerned with processing, organizing and motivating the human resources required by an enterprise (Flippo, 1981). Human relations as it concerns the integration of people in work situation is probably the single most difficult task for most enterprises in developing countries.

The effective measure to run an efficient enterprise would certainly include developing leadership, team work and conflict resolution.

3.1.1 The Need for Personnel Management

The basic activities of personnel management are; personnel requirement and recruiting, organization and motivating of personnel required by small businesses.

These three activities are particularly, difficult to carry out in environments which are remote where senior personnel have to be recruited from out side the project area. Organization and motivation are difficult is an uncertain market and environment.
Therefore, the need for personnel management is essential to do away all major problem in a new business and entrepreneurship.

3.1.2 Personnel Requirement & Recruiting

Within the project design of any enterprise there should be some details of the requirements for each post, such as job description or terms of reference. The number and type of personnel required should be outlined and budgeted in the project planning stage by the project planners. From its planned outline of personnel required, the project manager can begin the process of procuring both professional and non-professional personnel. The project manager should have total control of the procurement process, of exchanging information and selection and requirement.

The project manager, at an early stage of the project, should receive personal records of applicants that must include age, marital status, education, qualifications experience and suitable referees.

After screening the relevant personnel history records of applicants the interview should follow when this is possible.

The final selection may take into account other relevant requirements which the management put forward and which are fit to the particular environment the project is to be located.

The actual finalization of requirement can be done by issuing a formal letter offering the appointment and setting out the terms and conditions.
3.1.3 Organizations

An efficient organization structure for a project should:

• Avoid or minimize overlap, duplication and conflict of responsibility and authority.
• Put together work of the same kind that logically, should be performed by the same person or group of people.

The organization should be flexible, changing with the time and the new problems to be tackled.

3.1.4 Motivation

Motivation, can be achieved by creating good human relations, induction procedures and effective monetary and non-monetary incentives.

Human relation within any organization are usually concerned with the integration of people in a work situation. The problem which can arise in the human relations of small businesses could be avoided by building human relations of leadership, team work and conflict resolution.

Induction procedures at the project should emphasis on:

• The newly appointed staff should have a good first impression.
• Exchange of information such as personal and condition of work.
• Training of personnel as a supplement has the advantage of improving physical efficiency such as improved output, reduced wastage, improved manpower efficiency; reduced accident to
persons and property and improved moral for the staff by improving their skill, knowledge and pride in their work.

3.2 Materials Management

Most enterprises will be concerned with some form of procurement/purchasing and stock/inventory control. Efficient handling of these activities is an essential aspect of any business operation. NGOs can effectively extend assistance in this area and help keep costs down while at the same time maintaining the quality of the product or service the SME is providing.
Procurement/purchasing: entrepreneurs should establish a purchasing policy, specification of materials, supplier selection and purchase procedure as a prerequisite.

Purchasing policy is a prerequisite to all actions for projects with funds and authority to purchase directly. One of the key objectives of projects purchasing policy will be to buy at low unit price. Outside purchasing should consider: short-term buying as required, medium and long-term contract buying, medium and long-term forward buying and speculation buying.

The materials manager should adopt, methods of specification such as standards which are 'standards' to an existing national specification.

Should there be a supplied choice the material management should take steps, such as, identify potential suppliers; evaluate the suppliers in terms of price, quality, delivery, reliability and service.

Purchasing procedure may have to meet one of the following main requirements.

Production items used continuously which can be purchased through a basic contract by a routine release of orders. See Annex V for local purchase orders.

Small value purchase - item which can be purchased by petty cash. See charts 3.2a, 3.2b, 3.2c.

### Table 3.2.a

**Purchase Requisition Voucher**

<table>
<thead>
<tr>
<th>Purchase requisition voucher</th>
<th>P.R.V. No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Authority</td>
</tr>
<tr>
<td>Ref. No.</td>
<td>Stock item</td>
</tr>
</tbody>
</table>


Storage: According to the kind of product and input an enterprise should set various types of storage facilities. All stores must have a sustainable layout and facility for the product and inputs. The store keepers job generally includes:

- receiving and issuing materials with efficiency;
- store all materials safely and tidily;
- perform regular stock check; and
- classify all materials coming to the store.

To elaborate these concepts charts are provided below.

**Table 3.2d Store Input Voucher**

<table>
<thead>
<tr>
<th>Store input voucher</th>
<th>S.I.V. No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt date:</td>
<td>Store date</td>
</tr>
<tr>
<td>Supplier</td>
<td></td>
</tr>
<tr>
<td>Description of items</td>
<td>PRV #</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
</tr>
<tr>
<td>Ordered</td>
<td>Received</td>
</tr>
<tr>
<td>Rejected</td>
<td>Stored</td>
</tr>
</tbody>
</table>

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### Table 3.2.e Store Requisition Voucher

<table>
<thead>
<tr>
<th>Description of items</th>
<th>Required</th>
<th>Issued</th>
<th>Received by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Date</td>
<td>Quantity</td>
</tr>
</tbody>
</table>

Officer authorizing requisition

Issued by

### Table 3.2.f Bin Card

**XYZ ENTERPRISE**

1. Station  
2. Sheet No.  
3. Location  
4. Ledger Folio  
5. Code  
6. Unit of Issues

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Slv/Srv</th>
<th>Quantity</th>
<th>Balance</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Issued</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

25
Stock/ inventory control: The task of stock control may or may not be part of the store keepers duties. The material management must take into account some consideration about stock/ inventory which apply to inputs for all enterprises in general and which are uniquely particular to his enterprise. The management of outputs from the enterprise is influenced by the physical state of the output, i.e. whether it is perishable or not and the market demand for the product. Consideration like vital inputs as an electric generator and deficiencies in quantity, quality, time and place support the establishment of an adequate reserve or safety stock. In order to make well informed decisions on stock control, it is necessary to take into account various considerations and to keep the best possible records of the enterprises material management. This records will help to determine the normal and reserve stock requirement, lead time and cost.

Stock control or inventory control is a method of handling stocks of materials, spare parts, tools and other inputs to the project which allow the manager to consider maximization or minimization of stocks, for example, a 100% back-up for important items such as generators and inputs. Stock record/ Material control card/ example is given in chart 3.2.g.

The above considerations suggest the establishment of an adequate reserve or safety stock requirements. An important consideration in stock/ inventory control is lead time which is the time between the determination of the need for materials and the team of arrival at the project. The consideration should also include the cost of placing an order which includes the direct cost of communication by post/ telephone/ telex/ tax and indirect cost of staff time.

The above consideration tend to a policy of maximizing stocks. The following are some of the factors to be considered to minimize stocks:
Excessive stock - Which tie-up capital.
Excessive capital - Which can result in high interest charge if the capital is borrowed.

Large stocks

- Which need large storage space.
- Which need large work force for day to day store keeping works.
- Overhead such as insurance.
- Deterioration of items.

Handling Equipment: material handling includes all the activities from input to the enterprise through to output. Good planning and particularly work study will help to optimize the layout shortening the material movement path and reducing investment in handling equipment.

Table 3.2g Stock Record/ Material Control Card

<table>
<thead>
<tr>
<th>Reference No.</th>
<th>Location</th>
<th>Stock item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordering level</td>
<td>Order quantity</td>
<td>Min. Level</td>
</tr>
<tr>
<td>Store Received</td>
<td>Stores Issued</td>
<td>Balance</td>
</tr>
<tr>
<td>Quantity</td>
<td>Store input Voucher No.</td>
<td>Store Requisition Vouchers#</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reference No.</th>
<th>Location</th>
<th>Stock item</th>
</tr>
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<td>Ordering level</td>
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<tr>
<td>Store Received</td>
<td>Stores Issued</td>
<td>Balance</td>
</tr>
<tr>
<td>Quantity</td>
<td>Store input Voucher No.</td>
<td>Store Requisition Vouchers#</td>
</tr>
</tbody>
</table>
3.3 Production Management

The plan for industrial production units will vary considerably, even for the same end products, depending on the objectives, types of production, location, layout and organization.

The objectives may be summarized as:

Production in the right quantity
Production at the right time
Production of the right quality
Production at the right cost

The planning stage must also outline its organizational structure of the production unit which might be managed by one man or perhaps by a complex of departments such as production planning and production control which in-turn will include quantity control, quality control and work study.

3.4 Machinery Management

The management required for machinery is influenced by several factors such as the complexity of the machine, the environment in which it operates and whether it is stationary or mobile.

3.4.1 Machinery Costing

It is convenient to divide total machinery costs into two parts; fixed and variable costs. The fixed cost (owning cost) are those which do not depend on the level of machine use and must be charged regardless of machine productivity e.g., depreciation, interests on investment, taxes, insurance and storage. The variable cost (operating cost) are those which
depend directly on the amount of machine use e.g., fuel, lubrication, maintenance, repair and labour.

### 3.4.2 Multi-Enterprise use of Machinery

The most distinguishing characteristics of enterprises in both the rural and urban sectors of developing countries is the large number of enterprises, small both in physical and financial capacity. In this circumstance, the solution in theory is to combine several enterprises together for the purpose of sharing the use of machines. The increased use of machines share the fixed cost between sufficient numbers to make the total cost affordable to all (Ref. to Fig. 3.4.2).

As shown in the diagram below, by increasing the number of working hours of the machine and hence by avoiding idle hours several enterprises could decrease the cost of machine operation from $50 to $10.

![Cost of Multi-Enterprise use of Machinery](image)

Fig. 3.4.2 Cost of Multi-Enterprise use of Machinery
3.5 Transport Management

Transport vehicles may extremely vary according to the activities and location of the project. It may include cycles, motor cycles, buses, vans and trucks. The specification may also vary to make it more suitable for work on the highway or across fields and un-constructed roads. Few enterprises will have sufficient transport system to meet every demand, and for that reason the manager will have to devise a system for the allocation of vehicles. He must also provide a guideline and rules, and establish a system of control. The control include:

- Transport requisition form and chart;
- Petroleum, oil and lubrication issue vouchers;
- Daily vehicle log book;
- Transport operations record;
- Work tickets;
- Daily state and inspection chart.

Further elaboration of the above concepts is provided in Annex V.
IV Basic Marketing Management Skills

Marketing management is the analysis, planning implementation and control of programs designed to create, build and maintain mutually beneficial exchange of relationship with largest markets for the purpose of achieving organizational objectives (Philip Kotler, 1980).

4.1 How to Carry-out Efficient Marketing Research

Marketing research deals with measurement and analysis of markets and all those factors which depend upon the marketing of materials, goods and services (Vincent Austin, 1984).

These include:

- Market research: size, location description of customers, competitors, general distribution systems and overall environment;
- Sales research: sales territories, salesmen, analysis of methods, incentives and it's organizational distribution systems;
- Product research: analysis of existing products and packaging; and
- Advertising research: analysis of media and advertising.

The implementation of the program commences with an examination of the secondary date followed by the collection and analysis of primary data and concludes with findings and recommendations.
4.1.1 Secondary Data

Secondary data is that data which already exists but has not been collected, especially for any marketing research program (Baker, Michael J., 1973). The advantage of secondary data research is that useful data may be found at relatively low cost.

- Internal sources of secondary data include:
  
  Personal management data  
  Material management data  
  Product management data  
  Marketing management data  
  Financial management’s earned surplus account, balance sheet and other records

- External sources include:
  
  Published data  
  Government sources of restricted information NGO sources of restricted information

The researcher should collect what he considers to be useful relevant, reliable and sufficiently up-to-date data within a set time frame.

4.1.2. Primary Data

Most projects do require field research to obtain original/primary data in a number of areas. This include the target market, competitors activity, distribution systems, product (material, good, service) acceptability, packaging and the effectiveness of advertising.
Primary data can be collected by:

Observation - number, sex, age group, etc.
Experimentation e.g., by changing one variable such as the color of the package material, and keeping all the other factors unchanged.

The most common type - Sample Survey. This method requires the selection of a sample from a population followed by data collection.

After collecting desk studies of published and some restricted data, the researcher will have a better understanding of the gaps in the data and what data is required to meet his marketing research program's objectives. In almost all programs, there will be a need for research to obtain original/primary data in a number of areas which are described above, in the first paragraph.

Primary data can be collected in a most common method, the sample survey. Which requires the selection of a sample followed by data collection.

- Sample selection:

In theory this sample may be the whole population possessing the attributes to be investigated such as 'all consumers'. In practice the population must either be more narrowly defined such as "all consumers of a single income group living in xyz district, or a sample of these consumers in a number of districts.

- Data collection:

Can be collected using one of the methods described below.
Personal interviews is the most popular survey techniques in both developed and developing countries, urban and rural markets. Mail questionnaires and telephone interviews are widely practiced methods of data collection in developed countries.

4.1.3 Findings and Recommendations

The presentation of findings and recommendations from market researcher to management must be in a standard format. The format is shown in Annex VI.

4.2 Marketing Mix

The marketing mix refers to apportionment of efforts, the combination, the designing, the integration of the elements of marketing into a program or 'mix' which on the basis of an appraisal of the market forces will best achieve the objectives of an enterprise at a given time (Neil Borden, 1965). The elements of marketing in the mix may be simplified to the four 'P's.

- product
- price
- place
- promotion

4.2.1 Product

Product development procedures will vary between different bodies responsible for this activities but will generally
include:

- Identification of opportunities
- Appraisal
- Prototype development
- Test marketing

To elaborate the above concepts the terms are described as follows:

- Identification of opportunities: The sources of new product may include:
  - Customers e.g., farmers who need a new or improved tools
  - Distributors e.g., a retailer who is aware of the total demand for a new product
  - Producers e.g., members of staff
  - Researchers
  - Inventors and Licensors

- Appraisal:

  An appraisal of cash identified product idea may be based upon four broad questions:

  What is the market ability?
  What is the durability of the market?
  What is the growth potential?
  What is the capability of the enterprise to produce, to more the good and/ or the service?
• Prototype development:

The final form of the product may be developed through one or more stages of prototype development as design drawing to test marketing.

• Test marketing:

If the prototype proved to be acceptable in performance, the next step could be to launch it on limited scale in a selected representative market. This will test not only the acceptance of the product's performance, but also provide information on marketing elements such as packaging and price.

4.2.2 Price

Management may approach the task of pricing by examining the projected objectives, pricing formulas and strategies.

• the objectives may be:

To achieve target return on investment
To stabilize the price and profit margin
To achieve a target market share
To meet or prevent competition

• Pricing Formulas - This can in theory be used to determine prices, in-order to meet objective. The first two points above may prove of limited value. In summary there are:

Full cost or cost plus pricing
Break even analysis
When the competition is imperfect there may be one large producer who sets the market price and the others follow.

In some enterprises, there may be fluctuating demand and/or simply which necessitates management decision on pricing.

**Full Cost or Cost Plus Pricing**

The fixed and variable cost of production depreciation, interest on investment, taxes, insurance and storage being fixed cost and fuel cost, lubrication cost maintenance, repair and labour are variable costs while distribution at the sales volume are the minimum total cost. This total cost is divided by the volume to arrive at the unit cost to which is added a predetermined margin to arrive at the unit price.

**Break-even Analysis**

The problem of determining the relevant cost is similar to formula (i) above. An approximate demand curve established by market research together with the break-even points in the chart will help to determine the profitable demand as shown in the Figure 4.2.2.1 and 4.2.2.2 below.

For example at a unit price of $2.00 the break-even point is 2,000 units of outputs/sales, and the market demand is 3,500 units, a profitable demand of 1,500 units with a variable cost of $1,500. At a unit price of $2.00 the profit is $1,500.
Fig. 4.2.2.1

**Break Even Curve**

- **Total Revenue at 3 per unit**
- **Total Revenue at 2 per unit**
- **Total Revenue at 1.5 per unit**
- **Total Cost**
- **Variable Cost**
- **Fixed Cost**

---

**Demand Curve from Market Research**

- **Break Even Curve from Fig. 2.2.2.1**
• Pricing Strategy - In practice quantified pricing formulas can only give a guide and the price determination is usually settled by a qualitative judgement of the market situation. The final market price may also be modified by discounting, higher purchase and leasing arrangements.

4.2.3 Place

The right produce at the right price must be distributed to the right place at the right time. Distribution consists of two major components the selection of an optimum organization and it’s choice of appropriate physical delivery systems.

• Optimum organization may distribute;
  
directly - to the consumer
indirectly - or through a third party
dual (direct and indirect) - both

• Physical delivery of products
  
storage
transport

4.2.4 Promotion

There are four main activities which may be considered to be part of marketing promotion; They are personal settling, advertising, publicity and sales promotion (Baker, 1979). These include:

• Personal selling
  
selection of salesmen
remuneration
evaluation
• Advertising
• Publicity
• Sales promotion

The main points which a manager should consider are:

- The theme of the event e.g., the need
- The design of events
- Pre-event publicity
- Manning the display/stand
- Post event evaluation

Promotional activity is, in part, an art form that requires a lot of creativity and innovation. There is no single way or a recipe for a successful promotional scheme but a good one will certainly contain the above elements.
V Basic Principles of Financial Management

The small and micro-enterprise manager needs to have a working knowledge of various financial management skills that includes:

- Financial Planning
- Financial Appraisal
- Management Accounting

At the micro-enterprise level, the manager should have a book-keeper and/ or an accountant so that a simple and basic understanding of the subject, on his part, may be sufficient to run the operation. for those who want to ..... into the subject more deeply we suggest a review of this manual and a look at the reference section of this manual which will provide one with a listing of more specialized literature.

5.1 Financial Planning

Planning is necessary for an enterprise which is not yet funded and also for an established project that needs innovation and expansion. The first step in financial planning is to estimate for cash planned year of the enterprise under each of the following headings:

- Source of finance
- Total investment cost
- Total operation cost
- Cash flow
5.1.1 How to find Sources of Finance

As part of the technical assistance NGOs provide to small enterprises, they advise their clients of potential sources of finance which may include:

Equity capital or own finance through:

- Saving
- Improved management
- Increase the number of share holders
- Leasing assets land and buildings

Credit cooperation
Banks

As mentioned in the introductory part lack of finance is one of the main reasons for the lack of expansion of the small business sector. Therefore the need to offer NGO's some information on how to and where to look for funds is very important. Some of them are as follows:

- Saving mobilization: Estimates show that 40% of investment costs in Mexico and over 50% in Shrilanka were financed by the entrepreneurs themselves (Mephir R. Vol I, 1979). In this way small business may try to mobilize resource to partially finance investment.

- Development finance corporations: The world bank loans in support of small businesses is channelled through DFC.

- Commercial banks: As a major financial requirement of small businesses is for working capital, these businesses have discovered it to be more convenient to seek the loans for new investment from the same source that
provide working capital, namely commercial banks. There are several advantages to using commercial banks as intermediary for small businesses lending. They attract local deposit, and savings, commercial banks usually have the necessary domestic resources and are thus in a better position to meet the demand for working capital of term loans for fixed assets. Further more commercial banks have a large branch network permitting director frequent contact with small businesses on local basis, and are more able to respond quickly to the needs of these and also more experienced in debt collection than DFCs.

- Credit from NGOs: One solution that seems to be gaining acceptance is the involvement of NGOs. When credit programme decentralize their activities in small businesses, its number and quality of loan application tend to increase and the loans are more likely to be paid.

5.1.2 How to Plan Total Investment Cost

Investment cost consists of:

- Fixed Investment
- Preoperation Cost
- Working Capital

- Fixed Investment Cost - could be classified in the following major categories:

Land or site cost will include once only investment costs, e.g., land and legal expenses and annual operation costs such as rent for land and rights of way.

Civil engineering works - building, electricity, water supplied and other infra-structural works should be planned in advance.
Machinery and equipment for the required output/utilization will include spare parts and tools which should be listed both with initial investment and annual operation cost.

- Pre-operation Cost - This cost is incurred until the project becomes operational, either prior to producing goods or giving service. The main components are salaries, office rent and travel of management to perform the following tasks:

  Tendering and evaluation of bids for land/site, civil engineering works, machinery and equipments;
  Supervision of construction, testing and start-up;
  Recruitment of personnel;
  Making arrangement for supplies and marketing;
  Public relations.

- Working capital - It is defined as current asset less current liability. Each have a minimum days requirement which can vary from 30 to 60 days depending on local situation. The working capital for each current asset and liability is calculated by dividing the annual amount by turnover in a year. For example, if the annual sales/account receivable is $12,000 and the minimum days requirement is 30 days, then:

  Turnover in the year = \((365/30) \times 12\)
  Working capital in the year = \((12,000/12) = 1,000\)

  Howe does one determine working capital requirement? Table 5.1.2. c described the procedure:

  In Table 5.1.2.c below it should be noted that liabilities are shown in brackets and that the total current liabilities are deducted from the total current assets to arrive at the total
working capital.

In a cash flow statement shown in Annex I the working capital requirement in the first year is the total current liabilities are deducted from the total current assets to arrive at the total working capital.

In a cash flow statement shown in Annex I the working capital requirement in the first year is the total annual requirement for year one, and in the second and subsequent years it is the annual increase from one year to the next. Where there is a reduction in operation, a decrease in working capital will follow, the annual share may be negative and show in brackets.
<table>
<thead>
<tr>
<th>Item</th>
<th>Min Days</th>
<th>Turn Over</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Annual Amount</td>
<td>Working Capital</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acc. Receivable</td>
<td>30</td>
<td>12</td>
<td>1200</td>
<td>1000</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw. Materials</td>
<td>15</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Spare Parts</td>
<td>180</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>-</td>
<td>-</td>
<td>1600</td>
<td>-</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acc. Payable</td>
<td>30</td>
<td>12</td>
<td>2400</td>
<td>(200)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current Liability</td>
<td></td>
<td></td>
<td>(300)</td>
<td>-</td>
</tr>
<tr>
<td>Working Capital</td>
<td></td>
<td></td>
<td>1300</td>
<td>1400</td>
</tr>
<tr>
<td>Total Annual Requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.1.3 How to Determine and Calculate the Total Operation Cost

Operation means production or service. Total production cost can be considered as total operation cost. It could further be broken down under the following three headings:

- Operation cost
- Financial Cost
- Depreciation

- Operating Cost - include

Sales and distribution cost
Materials and input will include raw materials, processed materials, components, spare parts, fuel oil, electricity, and other supplies. Each material and input required will be recorded for qualitative properties, quantities required and availability from one or more sources, and unit cost.

Manpower can be divided in several ways, for example, local foreign, full time/ part time, staff/ labour, production labour/ non-production labour.

The annual cost of manpower will cost of direct cash payments and indirect costs. Indirect cost include: payments in kind, e.g., food and clothing, housing, children education, health and social welfare, security, insurance, payroll tax and training.
Overhead Costs - would include items such as: telephone, insurance and taxes. In some circumstances items like office supplies may come under ‘Materials and Inputs’, and wages under ‘Manpower’. Depreciation may also be included under overheads.

- Financial Cost: The cost that is composed of the payments made to external sources of finance who generally require both a planned repayment of the capital service and interest.

- Depreciation: It is calculated to reflect the reduction in value of an asset with use and time. A depreciation cost is not required for cash flow analysis.

The following are some of the more common methods of calculating depreciation cost:

   Straight line method - This method is the simplest to use. The calculation is made by equally reducing the value for each year/month the equipment is owned. (Ref. to Fig. 5.1.3 a)

   Sum of the year digit method - It approximates the remaining (written down) value more closely to the real value of the machine, by a high depreciation early in the life of the equipment and then reducing depreciation costs. (Ref. to Fig. 5.1.3. b).

   Sum of the year digits method of depreciation calculation:

   First year depreciation (assuming a four year life)

   \[ = \frac{4}{4+3+2+1} \times (\text{initial cost} - \text{terminal value}) \]
Second year's depreciation

\[ = \frac{3}{10} X \text{ (initial cost - terminal value)} \]

Third year's depreciation

\[ = \frac{2}{10} X \text{ (initial cost - terminal value)} \]

Four year's depreciation

\[ = \frac{1}{10} X \text{ (initial cost - terminal value)} \]
Fig. 5.1.3a  STRAIGHT LINE DEPRECIATION

Fig. 5.1.3b  SUM OF THE YEAR DIGITS METHOD OF DEPRECIATION
5.1.4 Cash Flow

The estimated cash inflows from source of finance (5.1.1) and sales revenues (4.1), and the estimated cash flow for investment (5.1.2) and operating cost (5.1.3) are brought together in cash flow table.

In the table below year 0 is the start of a financial year e.g. 31 December 1994. In this scheme it is assumed that all cash flow takes place once a year, which of course in real life is rarely true.

Table 5.1.4 Cash Flow for Financial Planning

<table>
<thead>
<tr>
<th>Cash Flow for Financial Planning</th>
<th>($ thousands)</th>
<th>Table 5.2</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Years</th>
<th>0</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Cash Inflow</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Sources (5.1.1)</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales revenue (4.1)</td>
<td>-</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td><strong>B. Cash Outflow</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investment Cost (5.1.2)</td>
<td>10</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Operating Cost (5.1.3)</td>
<td>-</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Financial Cost (5.1.3b)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax (to government)</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Dividends (to equity shareholders)</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>C. Surplus (Deficit)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>D. Cumulative Cash Balance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.2 Financial Appraisal

As shown in the above Table 5.2, financial planning in the collection of data and the preparation of cash flow table, which is followed by a financial appraisal prior to commitment.

Using the example given in section 5.1.4 Table 5.2, the diagrammatic representation of the general procedure shown below.

Fig. 5.2 Financial appraisal prior to commitment

Conception Commitment Exhibition
present 0_______ 0___________ 0 Future

Financial appraisal is the closing task prior to commitment and depends upon:

Reliability of the data and validity of assumptions;
Methods of financial appraisal applied to alternative proposals;
Adequacy of the management and control of the project.

In the following section the alternative concepts are considered, from the most simple to the more complex.
5.2.1 Pay-back Period

The advantage of pay-back period is the ease of calculation. If the capital investment in year 0 had been $10,000 the pay back period for projects A, B and C would be respectively, 2.50, 2.25 and 4.1. The first choice would be project B.

### Table 5.2.1 Pay-back Period

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of Cash Flow</th>
<th>Cash Flow ($'thousands) for Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Capital Investment</td>
<td>A: (10)</td>
</tr>
<tr>
<td>1</td>
<td>Profit before Depreciation</td>
<td>B: 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C: 2</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>A: 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B: 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C: 2</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>A: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B: 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C: 3</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>A: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B: 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C: 3</td>
</tr>
<tr>
<td>5</td>
<td>Pay back period (Year)</td>
<td>A: 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B: 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C: 10</td>
</tr>
<tr>
<td>Choice</td>
<td>1st equal 3rd - 1st equal - 3rd</td>
<td></td>
</tr>
</tbody>
</table>

5.2.2 Simple Rate of Return

The calculation of the rate of return on gross investment for project B as shown in the following table 5.2.2 is \( \frac{2}{10} \times 100 = 20\% \) and the Rate of Return on average investment is \( \frac{2}{5} \times 100 = 40\% \). Average investment is calculated on the assumption that the original gross investment ($10,000) is repaid back evenly over the life of the project so that the average amount outstanding in a year is half the original gross investment ($50,000). It should be noted that profit includes financial costs, tax and dividends to equity share holders.
Table 5.2.2 Simple Rate of Return

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of Cash Flow</th>
<th>Cash flow ($ thousands) for projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>0</td>
<td>Capital Investment</td>
<td>(a)</td>
</tr>
<tr>
<td>1</td>
<td>Profit before Depreciation</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>&quot;</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>&quot;</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>&quot;</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>&quot;</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Total profit before depreciation</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Profit after depreciation</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Average profit per year</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Rate of return on gross invest. (%)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Rate of return on average invest. (%)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Choice</td>
<td>3rd</td>
</tr>
</tbody>
</table>

It can be seen that rate of return can be calculated on either gross or average investment and profit. It can be calculated either before or after tax has been deducted.

Therefore, it will be helpful if the rate of return is defined and calculated on one system for consistency and for comparison purposes.

5.2.3 Net Present Value

Net present value is obtained by discounting the net cash flow for each year at a predetermined discount rate. The basic assumption in discounting cash flows is that money has a time value.

54
Assuming that money has a time value represented by an interest rate of 10% per annum we can say:

$100 at the present moment invested at 10% per annum will be worth $110 after one year period; and
$90.9 at the present moment will be worth $100 after one year (approx.)

The present value of future cash flow can be computed from an equation taken from appropriate tables. (See Annex IV Table of Discount)

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of Cash Flow</th>
<th>Cash flow ($ thousands) for projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A Cash DCF</td>
</tr>
<tr>
<td>0</td>
<td>Capital Inv.</td>
<td>(10) (10,000)</td>
</tr>
<tr>
<td>1</td>
<td>Profit before dep.</td>
<td>6 5.220</td>
</tr>
<tr>
<td>2</td>
<td>&quot;</td>
<td>4 3.024</td>
</tr>
<tr>
<td>3</td>
<td>&quot;</td>
<td>2 1.316</td>
</tr>
<tr>
<td>4</td>
<td>&quot;</td>
<td>2 1.144</td>
</tr>
<tr>
<td>5</td>
<td>&quot;</td>
<td>1 0.477</td>
</tr>
<tr>
<td></td>
<td>Net present value</td>
<td>1.201</td>
</tr>
</tbody>
</table>

* Discounted cash flow (D.C.F.) at a predetermined discount rate of 15%
Present Value - Future Value * \(\frac{1}{(1+r)^n}\)

Where \(r\) = rate of discounting
\(n\) = year of future cash flow

For example: The present value of a future cash flow of $100 in two years time at a discount rate of 10% is:

\[
\frac{100}{(1+.1)^2} = \frac{100}{1.21} = \$82.60
\]

The appropriate discount rate is determined by the following consideration:

a) Sources of finance which are internal to the project but limited require a sufficiently high discount rate to ensure that funds will be available for possible better projects in the future.

b) Sources of finance which are external to the project require a sufficiently high discount rate to cover adequately the loan rate of interest.

For example:

Let us assume the following

Dividend to equity share holder = 10%
Financial Cost (Interest on loan) say 8%
Financial Cost is a tax deductible cost with tax at 35%
Shareholders Capital = 60%
Loan Capital = 40%

Average capital cost = 60% at 10% plus 40% at (65% of 8%)
= 60% at 10% plus 40% at say 5%
= 6% + 2% = 8%
Costs not allocated to project contingency allowance say 2% discount rate minimum acceptable return = 10%

5.2.4 Benefit Cost Ratio

The net present value calculation in Table 5.2.3 could be used in Table 5.2.4 taking the same example could also be expressed as follows:

Table 5.2.4 Benefit Cost Ratio (Net Benefit Cost)

<table>
<thead>
<tr>
<th>Type of Cash Flow</th>
<th>Discounted Cash Flow ($'00)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For enterprise</td>
</tr>
<tr>
<td>Capital investment cost</td>
<td>A</td>
</tr>
<tr>
<td>Profit before depreciation</td>
<td>(10)</td>
</tr>
<tr>
<td>Benefit cost ratio</td>
<td>11.201</td>
</tr>
<tr>
<td></td>
<td>1.12:1</td>
</tr>
</tbody>
</table>

5.2.5 Internal Rate of Return (IRR)

The internal rate of return is the discounted rate at which the net present value of section 5.2.3 is zero. The calculation is similar with that of NPV, the difference is instead of calculating with one discount rate in NPV the IRR is calculated with different discount rate until a rate which produces a zero net present value is found.
5.3 Management Accounting - Budgeting Control

As shown in the project development described in Annex II, which includes a project budget, etc... project cash flow table and project design budget will record it's original intended budget in detail from scratch (hence zero base) and puts the burden of proof on each manager to justify why he should spend any money at all. This approach requires that all activities be identified in decision packages which will be evaluated by systematic analysis and ranked in order of importance (Peter A. Pyhrr, 1972).

5.3.2 Budget Preparation

The first task in the preparation of the annual budget is to divide the project activities up into decision packages and for the sub-managers to prepare a budget for each 'decision package' consistent with objectives and outputs. Alternative version of this new 'decision package' must be considered in physical terms and in financial terms as in a feasibility study. The budget is usually broker into either in quarterly or monthly periods. Eventually all the 'decision packages' selected as most important to the project's objectives and outputs, can be summarized into a project master budget:
Table 5.3.2 Project Master Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td>'X'</td>
<td>'Y'</td>
</tr>
<tr>
<td>Quarterly budget</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td>'A'</td>
<td>'B'</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>program 'A'</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Purchase</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Wages</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Overheads</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Program 'B'</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Purchase</td>
<td></td>
<td></td>
<td>------</td>
</tr>
<tr>
<td>Total payments</td>
<td>'X'</td>
<td>'Y'</td>
<td>------</td>
</tr>
<tr>
<td>Closing balance</td>
<td>'A'</td>
<td>'B'</td>
<td>------</td>
</tr>
</tbody>
</table>

5.3.3 Budgetary Control Tool

Two important management tools can be used to assist in budgetary control:

- budget graph
- budgetary control statement

(Ref. Table 5.3.3)
In the Table 5.3.3 below the variance $50 may be due to volume i.e., reduced number of tonnes supplied or to price i.e., reduced price per ton or to a combination of both. The examples may be expanded into control for the project master budget on a monthly, quarterly or annual basis.

Table 5.3.3 Budgetary Control Statement

<table>
<thead>
<tr>
<th>Building Material</th>
<th>January Budget</th>
<th>January Actual</th>
<th>Variance</th>
<th>Year to Date Budget</th>
<th>Year to Date Actual</th>
<th>Variance</th>
</tr>
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<tbody>
<tr>
<td>cement</td>
<td>400</td>
<td>250</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>...</td>
<td>...</td>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35300</td>
<td>29000</td>
<td>6300</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.3.4 Internal Audit

Internal Auditing is an independent appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other control (Financial Management p. 248, Institute of financial auditors, The Statement of Responsibilities of the Internal Auditor). The role of the internal auditor includes:

- An appraisal control
- An investigation
- An audit in depth

60
5.4 **Financial Accounting: How to handle daily clerical tasks**

In a medium or small scale enterprise, we usually have bookkeeper, cash control clerk, but the manager should understand the most commonly used methods of financial accounting methods and be able to check the records, cash and other control information.

5.4.1 **Book-Keeping**

There are three main steps in keeping accounting records:

- The daily record of each financial transaction as it occurs in the formula; the transfer of this transaction into the ledger at convenient intervals of perhaps a few days; and the preparation of a trial balance perhaps at monthly intervals.

The concepts are defined as follows:

- **The Journals:** defined as the book of original entry that records all expenditures and incomes by both cash and bank transactions. For a small enterprise there may be a separate one for each of the following categories of transaction: sales, purchase including other items such as depreciation and opening and closing balances.

- **The Ledger:** the day by day transaction in the journals are then transferred (posted) to the ledger, which is the file of individual accounts. The most commonly used methods of bookkeeping is the double entry system, which requires that every financial transaction be
recorded twice to the debit side of one account and the credit side of another account.

- The Trial Balance: the trial balance is a list of the debit and credit balances which, if there is no error should balance. For more details refer one of the standard accounting text books.

5.4.2 Cash Control

The security and control of cash is often a problem for project management and can to some extent be solved by a combination methods:

- Local purchase orders
- Cash requisition form

For further elaboration refer to sec. 3.2 Tables 3.2b and 3.2c

5.5 Financial Accounting: Reports

In enterprises which are involved in producing, manufacturing and trading on a profit making or cost covering basis, it will be necessary to produce a trading account, a profit and loss account, an earned surplus account and a balance sheet.

5.5.1 Trading, Profit and Loss Account

The trading account will calculate the gross profit, while the profit and loss account will calculate the net profit, usually for a period of one year.
5.5.2 Earned Surplus Account

Alternative terms for earned surplus are profit appropriation, retained earnings and retained profits. In order to arrive at earned surplus it is necessary to first calculate for the year before tax.

5.5.3 Balance Sheet

The balance sheet is a statement of assets and liabilities at a particular date for a specific enterprise. The assets are what the enterprise owns and the liabilities are what it owes. The total assets on a balance sheet must equal or balance with total liability.

It is a normal procedure to sub-divide assets into two kinds current and fixed. Current assets are assets which can be available as cash within the same period. Current liabilities are those which the enterprise expects to settle within a similar time span. See Annex III for more detailed discussion.
VI  Monitoring and Evaluation

6.1 Monitoring

One definition of monitoring described it as 'the process of measuring, recording, collecting processing and communicating information to assist enterprises in management decision making (FAO, Economic and Social Dev. paper 12 El, 1981).

All definitions agree that monitoring is a continuous activity while evaluation is periodic. Monitoring can further be categorized into two:

- The continuous activity of measuring, recording and collecting information.
- Processing and communicating information.

6.2 Evaluation

Evaluation is defined as 'the critical examination of an ongoing or completed enterprises design, experience, results and actual or potential effectiveness (UNDP Policies and Procedures Manual, 1981).

Evaluation takes many forms, depending on it's specific objectives. The objectives will help to determine whether the evaluation is carried out by persons outside or inside the project. Enterprises use evaluation to examine their own impact in general terms; profit seeking enterprise are more concerned with financial evaluation, while all may need some form of an on-going evaluation.
6.3 On-going Activities

When NGOs or other institution want to shift or transfer enterprises which they were running such as production - they may transfer to an institution or other body capable of maintaining on going production. The difficulty can be minimized by:

Training and giving experience for the personnel who are to take over the on-going project activity. Well documented procedures and guidelines developed and proven in the project's life. A period of overlap between the project and new personnel. A gradual reduction in project personnel's responsibility and a gradual increase in that carried by the new personnel is usually preferred than to a sudden overnight hand over. In case of trading enterprises, it will be necessary for key financial accounting staff to continue one or more months beyond the official hand-over.
Conclusion

As it has been pointed out earlier, there are a number of obstacles that hinder the development of the SMEs to be productive contributors and active participants in the economic life of a country. Some of the major problems include:

- Poor management skill
- Poor access to credits and financial possibilities
- Low technological standards
- Inadequate access to market
- Weak representation in local and national governments.

NGOs and other bodies can do a lot to minimize if not to eliminate the above mentioned obstacles. NGOs have done a great deal in many parts of Africa to alleviate the financial and credit crunch faced by SMEs. Various community saving and credit schemes organized by NGOs have been operational and have proven successful. Introduction of efficient technologies to this sector could also improve the quality and the quantity output of many SMEs. Another major problem often cited by SMEs is the difficulty of accessing the market. NGOs can also contribute to improving this sector's growth by functioning as a lobbying body with the various government agencies that affect the development of SMEs.

This manual is an attempt to address only one aspect of SMEs problems, namely, poor management skill. It is essential that more work needs to be done around the other problem areas mentioned above.
Annex I

The format for feasibility study varies very considerably. The outline given below is based on one accepted international format for small and medium enterprises.

- Executive summary
  To include a summary of 'b' to 'k' listed below plus the major advantages and disadvantages.
- Project background and history
- Market and industry or (agro-industry) capacity
  Project background and history
  Annual sales revenue and sales an distribution costs
  Annual production program and minimum economic equipment size which determined industry or farm capacity
- Material input
  Specification, quantities, availability and costs
  Annual supply programs and costs
- Location and sites
  Location and sites based on requirements
  Cost, facilities, utilities, etc....
- Project engineering
  Project layout drawings
  Technology/equipment, specification, quantities, availability and costs
- Manpower
  Variable production (seasonal) labor and manual costs
  Fixed (regular) labor and annual cost
  Over-head cost for each cost center may include wages, salaries, office supplies, utilities. Communication, insurance, etc...
(N.B. depreciation can be included but is not required for cash-flow analysis).

- Implementing scheduling
  Optimum implementing program and time schedule
  Cost up-to becoming operational
e.g., construction and equipment

- Financial Planning and Appraisal

<table>
<thead>
<tr>
<th>Sources</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity capital</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Loans (e.g. from banks)</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Subsidy (e.g. from gov't)</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed investment</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Pre-production cost</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Working Capital Increase</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cost</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Financial Cost</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Depreciation</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>

| National social and economic aspects |
It is necessary to value benefits and costs in project which have social and economic objectives, at 'shadow' or accounting prices rather than at 'marked' prices and to take in to account indirect benefit costs.

Cash-flow for financial planning

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Cash inflow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial sources</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Sales references</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>B. Cash outflow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment cost</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Operating cost</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Tax (go gov't)</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Dividend (to equity shareholders)</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>C. Surplus/ Direct</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>D. Cumulative Cash Balance</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>
A Model for Small Enterprises Development Programs

Philip A. Neck

Programs of national and international assistance for small enterprises have been fashionable for more than 25 years. Most adopted a single factor orientation, such as providing a financial input, without relating it to other factors such as training. Inspite of a warning more than a decade ago by Stanley and Morse (s) that such an approach "is likely to be ineffective and wasteful" a good deal of such effort has been expanded and wasted.

Recent evaluation indicate that "integrated program" strategies proposed by Stanley and Morse are proving worthwhile. Such approaches are supported by financial and technical assistance agencies who propose coordinated policies, structures and programs for developing the sector.

In this chapter a model is used initially to provide a diagnostic framework for analyzing problems of such enterprise. Second, the model can be used to identify the inputs, or contributory factors, thought to be required on a coordinated approach for development of small enterprises.

This type of model is often used to provide a basis for tackling identified social problem areas. The prime factors are (labeled as "host", taken to be the recipient human element; "agent" or intermediary responsible for delivering contributing to the conditions which develop. Examples include road safety campaigns where the host is the driver, the agent is the vehicle and the environment is the road condition.
The model enables specific diagnostic and remedial action to be under-taken. Another example is a malaria eradication program where, in the diagnostic phase, the following factors of host as patient, agent as mosquito and environment as lakes, swamps and water supplies, can be identified. Remedial action can then be taken to deal with the individual factors as part of a coordinating program where the host can be treated medically with suppressants, the agent destroyed by insecticide spray and the environment improved by drainage.

The model provides a framework for developing small enterprises by improving managerial practices (host) in skill, knowledge and attitudes, assisted by structures (agents) such as financial, technologies, managerial and developmental institutions operating in supportive climate (environment) including such elements as appropriate legislation, materials and markets.

The key features of the model ties in linking remedial activities to provide a coordinated development effort rather than emphasizing the contribution of individual inputs. Used in this way the model attempts to capitalize on benefits of the synergic phenomenon where by the correct combination of several inputs produces as net result in excess of that obtained from the same inputs produces a net result in excess of that obtained from the same inputs contributed separately or in the wrong combinations.

A further possible advantages of the model is that it can accommodate local to national level programs and may be further expanded as a multi-dimensional matrix to incorporate spatial, functional and sub-sectoral areas. The model components are illustrated in Table Model:
### Table "Model": The Two-Step Model for Small Enterprise Development

<table>
<thead>
<tr>
<th>Prime Factors</th>
<th>STEP 1</th>
<th>STEP 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Diagnose Phase</td>
<td>Remedial activity</td>
</tr>
<tr>
<td></td>
<td>(Analysis of)</td>
<td>(Development of)</td>
</tr>
</tbody>
</table>

| I | Host | Training needs of Managers and workers | Programme to provide the appropriate |
|   |      |                                           | - skill |
|   |      |                                           | - knowledge |
|   |      |                                           | - attitudes |

| II | Agents | Activities and relationship of structures providing assistance | suitable inst. provide assistance in matters |
|    |        |                                                           | - financial |
|    |        |                                                           | - technological |
|    |        |                                                           | - managerial |
|    |        |                                                           | - developmental |

| III | Environment | Appropriateness of existing elements such as infrastructure, legislation, access to raw materials, information, markets, labour and source of finance. |

---

1 Management Development Branch, ILO, Geneva
### Annex III

Balance sheet of an Agro-Industries Cooperatives  
(Dec. 31, 1988)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Net Work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td><strong>CURRENT LIABILITIES</strong></td>
</tr>
<tr>
<td>13.12.88</td>
<td>31/12/88</td>
</tr>
<tr>
<td>Cash in banks</td>
<td>Bank overdraft</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>Trade acc. payable</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>Other acc. payable</td>
</tr>
<tr>
<td>Customers accounts</td>
<td>Provision for tax</td>
</tr>
<tr>
<td>Deposits</td>
<td>Rsv. for unbilled exp. Interest due on fixed</td>
</tr>
<tr>
<td>Employee accounts</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Other receivable</td>
<td>Total Current Liab.</td>
</tr>
<tr>
<td>Prepared expense</td>
<td></td>
</tr>
<tr>
<td></td>
<td>182 Fixed</td>
</tr>
<tr>
<td>Less provision for</td>
<td></td>
</tr>
<tr>
<td>Doubtful items</td>
<td>Dev. bank loan</td>
</tr>
<tr>
<td>Inventories:</td>
<td>Mortgage loan</td>
</tr>
<tr>
<td>Finished products</td>
<td>Total fixed liab.</td>
</tr>
<tr>
<td>Work in progress</td>
<td></td>
</tr>
<tr>
<td>Raw materials</td>
<td>Total outside liab.</td>
</tr>
<tr>
<td>Sundry supplies</td>
<td>Total fixed liab.</td>
</tr>
<tr>
<td></td>
<td>88</td>
</tr>
<tr>
<td>Less provisions for</td>
<td>Shareholders' funds</td>
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<tr>
<td>Inventory loses</td>
<td>Capital authorized</td>
</tr>
<tr>
<td>Total current assets</td>
<td>Capital issued</td>
</tr>
<tr>
<td>267</td>
<td>120</td>
</tr>
<tr>
<td>FIXED ASSETS</td>
<td>Capital surplus</td>
</tr>
<tr>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Asset</td>
<td>Cost</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Land at cost</td>
<td>1</td>
</tr>
<tr>
<td>Building at cost</td>
<td>11</td>
</tr>
<tr>
<td>Machinery, tools at cost</td>
<td>10</td>
</tr>
<tr>
<td>Transport, at cost</td>
<td>1</td>
</tr>
<tr>
<td>Furniture and fittings at</td>
<td>2</td>
</tr>
<tr>
<td>COST</td>
<td>25</td>
</tr>
<tr>
<td>Less depreciation</td>
<td>7</td>
</tr>
<tr>
<td>Good will at cost</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL FIXED ASSETS</td>
<td>19</td>
</tr>
<tr>
<td>TOTAL</td>
<td>286</td>
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</tbody>
</table>
Annex IV

Format for market research

Format for presentation of finding and recommendation on market research:

Title page, title, sponsor, researcher(s) and date of publication.
Management (or Executive) summary.
Table of contents.
Introduction background, terms of reference, acknowledgements.
Findings; and abstract of those data considered relevant to the problem under investigation.
Conclusion drawn from the findings.
Recommendations; based on the conclusions.
Appendices; Methodology, size and Nature of its sample, a copy of the questionnaire, instruction to the interviewers, factual findings, itinerary (date, time and place of interviewers, etc....)
## Annex V: Discount Factors for Computing the Present Value of Future Cash Flows

<table>
<thead>
<tr>
<th>Years</th>
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<th>6%</th>
<th>7%</th>
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<th>10%</th>
<th>12%</th>
<th>15%</th>
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<th>25%</th>
<th>30%</th>
<th>40%</th>
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<td>.857</td>
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<td>.293</td>
<td>.278</td>
<td>.265</td>
<td>.188</td>
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<td>.429</td>
<td>.394</td>
<td>.361</td>
<td>.332</td>
<td>.306</td>
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<td>.250</td>
<td>.238</td>
<td>.163</td>
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<td>.354</td>
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<td>.237</td>
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<td>.206</td>
<td>.196</td>
<td>.125</td>
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Annex VI

Transport Requisition Form.
Ogun-Osun River Basin Development Authority

**FUEL COUPON**

<table>
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<th>Section</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority Officer</td>
<td>19</td>
</tr>
<tr>
<td>Type of fuel or Lubricant</td>
<td></td>
</tr>
<tr>
<td>Quantity Authorized</td>
<td></td>
</tr>
<tr>
<td>Req. No of Voucher or Issue</td>
<td></td>
</tr>
<tr>
<td>Issued to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signature</td>
</tr>
</tbody>
</table>

Signature of Officer: Steven O. Jones

Issued by: Signature

---

78 Fuel coupon

**Petroleum Oils & Lubricants Issue Voucher**

<table>
<thead>
<tr>
<th>Unit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
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Transport Operations Record.
Reference


Austin, Vincent, Rural Industrial Development: A practical Hand Book for Planners, Project Managers and Field Staff, Cassell, 1981.


Levitsky, J., Financing of Small and Medium Scale Enterprises, UNIDO mimeo, Vienna.


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Small Businesses
Management Training
Manual

User’s Guide
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A Background

Non-governmental organizations are said to be better to reach the very small enterprises in urban and rural areas. Currently, NGOs are very much under utilized in small business development and support.

The term non-governmental organization covers a wide range of areas with diverse goals and are established by institutions that are close to development issues.

Therefore, NGOs should strength their capacity in the field of management by training their staff and businesses supported or financed by them.

The training manual is prepared to alleviate these shortcomings in the development process in which NGOs should be considered as an active partners.

B Objectives

The specific objectives of this User’s Guide are:

• Make available, at NGOs level, trained human resources capable of transferring skills necessary for increased level of management in their development activities.

• Make available, reference material, easy to understand and practice.

The capacity strengthening of NGOs is a process initiated at the trainer level. It is expected that the Training Manual will help trainers acquire:
• A thorough knowledge of the content of training modules.
• The ability to adapt the training materials to local conditions and apply basic management training methods.
• The ability to organize and conduct the ultimate beneficiaries.

C The Actors and the Participants

1 The Actors

The users of this training manual are the principal actors - the entrepreneurs themselves and NGOs, the trainers and partner organization.

1.1 The participants: are mainly from NGOs who are involved directly in income generating businesses or entrepreneurs assisted by these NGOs. The participants should be:

i Individuals who are actively engaged in NGOs or small businesses.
ii Have, at least, completed high school or equivalent institutions.
iii Highly motivated, pains taking diligent, and conscientious.

1.2 The Trainers could be:

i management professors
ii entrepreneurs
iii civil servants and
iv small enterprise management training consultants.

1.3 Partner Organizations:

Although it is difficult to say which type of organization works best with NGOs and small businesses, workshops and seminars have been organized by a wide range of government and international organizations and professional training institutions.

Concerning management skills, professional training institution have been actively involved in most of the experience made so far. Therefore, these groups could conduct the operation in collaboration with NGOs and trainers.

D Programme

Before a training seminar or workshop took place, it is necessary to arrange a pre-workshop program that must be accomplished by each team during a one day meeting.

The program could cover six main topics, which are:

i The Business Environment
ii How to Plan an Income Generating Business
iii How to Run a Business
iv Marketing Management
v Financial Management
vi Monitoring and Evaluation.
E Training Material


Objective To make the participants aware of the distinction between the individual or group and the entrepreneur or entrepreneurs who are responsible for the enterprise, the first module gives the participants to be aware of their role in the community and their importance in the overall development process.

Duration Approximately four hours

Contents The first section of the module deals with elaboration of concepts which could be adopted to the local community.

The second section deal with trends and thoughts on small businesses, the role NGOs play in economic development and rationales for small business development.

Method In the first part of the topic some concepts regarding the specific feature of business and other terms will be discussed. The following module will focus on the content without abandoning the interactive approach.


Objective To make the participants aware of the need for planning and preparation to set up sustainable
income generating business and hence, the interdependence between business planning and business management.

Duration
Approximately six hours.

Contents
The general principles in starting up a business which are divided in three steps, that are:

Step 1. How to undertake support studies; which will be carried where there is no adequate information for the planner to collect as a basis and support for planning.

Step 2. How to produce an acceptable study and to make an appraisal to see if the proposed project is feasible.

Step 3. How to prepare and submit the project design in the format subscribed by the funding agency.

Method
This modules will focus more on the content with an interactive approach.

Topic No. 3: How to Run a Business.

Objective
First and foremost to make the participant understand what management is all about and how to practice personnel, material, production, transport and maintenance management. By doing so, it is believed that participant with limited formal education could be thought with
available basic management knowledge required by entrepreneurs if they are to run small businesses.

Duration
Approximately 9 hours.

Contents
In order to know what management is all about basic concepts on material, personnel, production, transport and maintenance management will be given with practical examples.

Method
A typical enterprise will be taken as an example and the participants will discuss on the subject to arrive at a point that if there is one weak link in the chain one actor who doesn’t carry his duties efficiently, then the whole chain suffers.

Topic No. 4: Marketing Management.

Objective
To teach the participants to think market minded and to understand some marketing technique which will help understand market and marketing, market studies, product price, distribution, advertising and sales.

Duration
Approximately 8 hours.

Content
Marketing begins with understanding the market, thinking about the way the consumer thinks, quantitative and qualitative analysis of what the market wants and needs. Then a creation of a new product or modification of an existing one, bringing the product to the attention of the consumer at a particular price,
at a particular place using certain promotion tools.

The lesson should focus on to tackle the following questions.

• Why begin by studying the market? The fact is we should avoid market saturation, product/consumer mismatching and follow the prevailing trend. We should try a brand new idea.

• How does one go about studying the market? First by observing, looking and listening, consulting official statistical documents and finally by carrying out opinion polls and surveys.

• The above question help us to design suitable product and service that must then be marketed at a particular place and at particular price and advertising through certain communication media. These are the four P's of the marketing mix: Product, Price, Place and Promotion.

Method All sections of this module must be lectured by the trainer. The trainer will be charged with assuming that the topic dealt with correspond to the needs and concerns of the participants and to integrate as much as possible the contribution.

Topic No. 5: Financial Management.

Objective To give the participants basic principles of financial management. With particularly emphasis on:
a  Financial Planning
b  Financial Appraisal
c  Management Accounting

Duration  Approximately 12 hours.

Content  The first section financial planning deals with enterprises which are not yet funded or need innovation and expansion. The first step being to estimate the cash for the planned year under the following headings:

- Source of Finance
- Total Investment Cost
- Total Operation Cost
- Cash Flow

This will help the participant the following points:

- The price fixing policy based on a full understanding and fixed and variable costs.
- The contribution of each unit to sales to the fixed costs.
- The break even point.
- Allowance on depreciations.
- The variation in break even point and profit.

Secondly financial appraisal should follow by introducing the participants with concepts such as pay back-period, simple rate of return, cash flow, net present value, benefit Cost Ratio and Internal Rate of Return.
Finally discussion on management accounting and budget control should be carried out. Special emphasis must be given to budget system, budget preparation, budget control tools and internal auditing. Reports on financial accounting regarding

- trading, profit and loss account
- earned surplus account
- balance sheet should be discussed and practical examples must be given.

**Methods:** Preparation is needed. The trainer should be attentive as to the needs and level of understanding. Exercises should be given that can serve as an information to the trainer to place particular emphasis on the sections of the topic.
Topic No. 6: Monitoring and Evaluation

Objective To teach participants to practice the process of measuring, recording collecting, processing and communicating information to assist enterprise management decision making.

To evaluate by critical examination of an ongoing or completed enterprises design, experience, results and actual or potential effectiveness.

Duration Approximately four hours.

Contents The three categories of monitoring which is a continuous activity entails

• measuring, recording and collecting information. Evaluation may take many forms, depending on its specific objective. Enterprise use evaluation to examine their own impact in general terms; profit seeking enterprises are more concerned with financial evaluation, while all may need some form of an ongoing evaluation.

Methodology The contents are only a way to condense the text and does not mean that we are abandoning inter active methodology.