

Policies to promote smes in mauritius



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1. Introduction

This chapter analyses the history of SMEs and examines the policies provided previously and now that the institutions provide under current SME legislations. Lastly, the measures taken by the government to promote SMEs in 2014 are stated.

3. 1History of SMEs in Mauritius

Since independence Mauritius has adopted a consistent policy to encourage the creation and promotion of small and medium enterprises (SMEs). SMEs were introduced in Mauritius in 1960s where the former started with an industrialization process with an import-substitution strategy. The forward-looking industrial policy of the Government of the day was promoting the production of manufactured commodities such as blades, electrical bulbs etcetera for the domestic market.

In 1976, the Small Scale Industry Unit (SSIU) was established to provide advice and guidance to small entrepreneurs. The SSIU became the Small Industry Development Organisation (SIDO) in 1983 as an integrated policy approach was needed with a legal framework for the Small Scale Industry (SSI) sector. Then, in 1988, small scale industries Act was enacted as state policy to promote SSI. The small scale industries Act adopted a legal definition if SSI, voluntary registration of SSI, duty exemption on production equipment and the setting up of an advisory board.

Followed by this Act came, the Small and Medium Industry Development Organisation (SMIDO) Act in 1993 which was a part of the Industrial Expansion Act had an important landmark in the promotion of SMEs. SMIDO <https://assignbuster.com/policies-to-promote-smes-in-mauritius/>

was established as a parastatal body and had as vision a strong and modern SME sector.

A new Ministry of SMEs to cater for the promotion of the sector was created in 2003 and in 2005; SEHDA was created after which it merged with SMIDO and National Handicraft Promotion Agency (NHPA). The merger was specifically done to maximize the use of resources to the small business sector of Mauritius.

The latest development of the SME policy framework is Small and Medium Enterprise Development Authority (SMEDA) Act.

3. 2 SMEs legislations

We have several SMEs legislations comprising of labour act, companies act, SMEDA act, remuneration orders, and business facilitation act and others. The SMEDA act 2009 has as purpose to help SMEs in settling and promote and develop SME in Mauritius. Labour act provides legal rights to working people and their organisations and inform them about the restrictions. The companies act is a law abiding act pertaining to companies about their shares, type of companies, and number of members and so on. Business facilitation act 2006 provides guidelines to foreign firms so that they can start working in just 3 days. SMEs when registered need to follow all these acts or else it is not ethical and may fall in serious troubles of law. The SMEs use a financial reporting framework of IFRS. The corporate tax income tax to be paid is 15% which represent 9. 5 % profit of total tax rate. Business facilitation Act 2006 has been provided for the better establishment of SMEs. This Business Counselling and Facilitation Services Unit help those who want <https://assignbuster.com/policies-to-promote-smes-in-mauritius/>

to start a business and provide them with all the necessary information about permit and grants for loan. As well as it assists the newcomers in how to make a business plan. It also helps the existing entrepreneurs to expand their business and innovate it.

3. 3 Importance of policy framework to SMEs

SMEs are an essential focus of the government's aim, engines of job creation and growth in emerging markets that are central to the larger equation of development. supporting them is one of the most important way to achieve the over-arching goal: creating opportunity where it is needed the most. But major obstacles stand in the way such as financing, infrastructure, inflation, exchange rate, taxes and regulation. They must be cleared up to help these entrepreneurs do what they do best. Therefore policy framework is very important to maximize the potential that SMEs can bring to the economy.

These, dynamic, fast-moving firms make a special contribution to local economies. In Mauritius, a broad package of incentives has been introduced over the years to foster the development of the sector whereby the government has been proactive in changing the needs of enterprises to provide a favourable environment for the sustainable development of the sector.

3. 4 Policies provided and implemented in previous years

To start with, in 1999 the action plan (June-July) was launched which had a list of programs to encourage SMEs. Some of them are: training program in grinding for tools for lathe operation, In-house training program, technical

audits, and training in total productive maintenance. In house training program refers to a training program for learning opportunities provided to employees of the organisation. The SMIDO annual report 2002 published training manuals and organized entrepreneur development programs. There was even Enterprise Africa Schemes where no fee was charged upon free advice. Also, in 2002, there was the College Entrepreneurship Development contest for secondary students to encourage youngsters to start up their own business. To promote the SMEs in the tourism sector, the best small hotel award was initiated where SMIDO provided In-house consultancy, organized sectoral workshops and so on. There was even a publication of management guide for small hotels. As well as, the Shell livewire program ; a joint program between Shell Mauritius Limited, SMIDO and University of Mauritius was launched to support youth development specifically young people aged 18-30 years to encourage them setting up a business. Eventually, the award gala night was conducted to reward the most successful young entrepreneur of the year and the best business plan.

3. 5 Role of institutions to promote SMEs in Mauritius

The Minister of Business, Enterprise and Cooperatives Honourable Jangbahadoor Iswurdeo Mola Roopchand Seetaram has as objective to see the sound conduct of business which includes the administration of the departments of Government. They are competitiveness- MBGS, Cooperatives- SMEDA, co-operatives, and cooperative development. To cater for these, there are 3 institutions namely SMEDA, MBGS and the Cooperatives Division of Industry.

SMEDA

SMEDA, being a parastatal body has as vision to be the centre of excellence to the service of the SMEs. The objectives are to help SMEs in every possible way whether it is financially or non-financially. It helps the SMEs enter the market and get business opportunities and to be able to compete with other markets. It also suggests policies and advice to the Ministry about what can be done to further help the SMEs or ease out their way to grow. The functions of SMEDA are vast in terms of counselling, mentoring, help the local SMEs participate in skills enhancement program, trade fairs, provide them with facilities, devise and review the policies and many others. It even guides the SMEs before the starting the business, during its establishment and after it has been established. SMEDA organizes training programs, seminars, workshops and conferences in regional centres across the country. These training programs are affordable, appropriate and innovative. These programs aimed at improving knowledge and competencies in technical, marketing, financial, policy, regulatory, legal, commercial and other important functions of enterprises. These training programs are various: Business Communication and Care, Business Growth, Entrepreneurship training workshop, Entrepreneur Café, Financial Planning for SMEs, Food Security and Food Regulation, Human Resource Management, Import and export; Occupational Health and Safety, Leadership and Culture change and many more. In addition, there is training for Handicraft also known as Skill-Based training Program for example the Beauty Care and Hairdressing share knowledge to the promising and existing SMEs. Not only the management training programs have many categories but also the handicraft training

which includes floral arrangement, packaging, wood craft and so on. Next, it also provide entrepreneurship and small business management programs which aim to decrease the level of SME mortality and increase efficiency.

Mauritius Business Growth Scheme (MBGS)

Originally, known as Mauritius Manufacturing Services Development and Competitiveness (MMSDC) project in collaboration with the World Bank, now MBGS was fully operational in March 2011 and has as objective to facilitate the maximum possible growth in private sector economic activity through direct assistance and support. They are skills and training, technology upgrading, innovation, quality standards and business development. MBGS has as mission to innovate and bring in competition in SMEs. Its objective comprises to help all the activities that a firm conducts whether it is technical assistance, business development, product design, norms compliance and financial planning. The schemes of MBGS are such that firstly there is a 90-10 payback technical assistance scheme, secondly is a startup entrepreneurship scheme and thirdly mentoring. The 90: 10 payback scheme helps to facilitate growth in commercial activity contributing to the economy of Mauritius. For example, MBGS provides expert services to SMEs facing market constraints. The startup entrepreneurship scheme is to help aspiring entrepreneurs start their business by providing a basic monthly allowance to innovate and create entrepreneurs who do not have enough finance to start an innovative enterprise. The MBGS also provides free of charge mentoring or coaching or handholding to assist beneficiary firms with the planning and implementation of a plan for business growth and strategy.

Forbes said that every entrepreneur can learn from a mentor, no matter how confident or successful they have been to date.

Cooperative Division

The Cooperative Division has as vision to ensure the legal regulatory framework within the cooperatives by creating a more conducive business environment to confront a number of challenges. It is responsible for making and implementing the policies so as to boost the SMEs and it also monitors and controls the activities among the different sectors of the Division.

3. 5. 1 Business Development Support

The SMEs are facing global competition and that is why business development support is provided to them to innovate. Many authors such as Glaister (2008), Skokan (2010), Volberla et al. (2010) and David (2013) emphasize the importance of strategy for innovation development and competitiveness of firms. To improve access to market, Enterprise Mauritius, Board of Investment and the Mauritius Tourism Promotion Authority provide market development support. There are also the international trade fair schemes for manufacturing, tourism and services sector. These schemes are meant to increase participation in international trade fairs. Financial assistance is being given to these sectors for export so that there is communication between countries to enable new ideas linked with technology. There is another scheme of Freight Refund Scheme which assists the SMEs to penetrate the regional market and make direct sales to meet up the 50% freight costs in exhibitions. This helps to create awareness of the products regionally in terms of brand, quality, design and price. It can be <https://assignbuster.com/policies-to-promote-smes-in-mauritius/>

further added that the International Bids Refund Scheme is of great importance to firms who want enter the global market as this scheme enables them to reduce expenditure of biddings, win international contracts and penetrate new markets.

3. 5. 2 SME Trade fairs

SMEDA organizes trade fairs to create opportunity for SMEs to benchmark the SME products and services on the local market. The objectives of assisting SMEs to participate in trade fairs are as follows:

- Show the existing products
- Launch new products
- Establish contacts with customers
- Know the needs of customers; and
- Create linkages with other enterprises

SMEDA often organizes SMEs trade fairs, exhibitions at regular intervals to promote the product and services of SMEs. The SMEs will also be able to communicate with their clients to know about their demands and if there is any gap in the market so that they can fulfill it or better add value to their existing products for higher sales.

3. 5. 3 National Productivity and competitiveness Council (NPCC)

Training on productivity is being given by the NPCC. This training has as objective the empowerment of SME employees.

3. 5. 4 State land Development Company Limited

SMEs often face the problem of industrial space. Therefore, the government is providing 100 acres of land under the 2000 Arpents Government Mauritius Sugar Producer's Association deal to set up industrial parks for SMEs. These parks will be provided to entrepreneurs at affordable rates. The State land development Company Ltd is responsible for this task as it has been nominated to be the Implementing Agency for the project.

3. 5. 5 Restructuring Working Group (RWG)

RWG is a committee to review and monitor applications under existing instruments so as to get an immediate reply. It is answerable to the committee of National Resilience Fund. Deficiency in the acquisition of new equipment is a considerable hindrance for SMEs. Thus, the government is providing a line of credit of leasing companies under the Leasing for Equipment Modernisation Schemes (LEMS) so as to provide affordable finance to SMEs to shore up their productivity and competitiveness. The different schemes are:

- Lease Financing Scheme (LEMS)-window 1
- Lease Financing Scheme (LEMS)-window 2
- Planters Harvest Scheme (PHS)

These schemes have as objective to assist SMEs to enhance their competitiveness through new equipment and low costs and to ease cash flows of SMEs through refinancing of their existing assets. The Planter Harvest Scheme acquires eligible equipment to improve planning of sugarcane planters. RWG is the implementation agency to provide technology assistance to SMEs.

Also, the access to finance has always been one of the major obstacle of SMEs. Thus, in order to remedy the situation, the Government has a list of schemes to ease the credit of SMEs. They are:

- RWF Credit financing scheme
- SME financing Scheme (window 1- turnover < 10 m)
- SME financing scheme (window 2- 10 M > turnover < 50 M)
- Equity Participation in enterprises
- Import Loan Facility
- SME partnership fund
- DBM- Booster Micro credit Loan Scheme
- DBM-quasi- Equity Financing Scheme
- DBM- Business development Scheme
- DBM- Normal Scheme for the Agricultural Sector

The other supporting institutions for finance are: National Resilience Fund, set up in 2012 has an initial capital of Rs 250 M to invest in SMEs; SME partnership fund Ltd provides Rs 170 M to the equity financing of SMEs and Development Bank of Mauritius recognized as the pioneer in the country is the implementing agency for booster micro credit loan scheme, quasi-equity financing scheme, business development scheme and normal scheme for the agricultural sector.

3. 6 Mauritius Business Excellence Award

It is a joint program of the Ministry of Industry, Commerce and Consumer Protection with the Ministry of Business Enterprise and Cooperatives. This award has as aim to foster the best business practices among Mauritian

enterprises to sustain competitiveness in the global trading area. The objectives are:

- To encourage and accelerate best business practices to achieve higher productivity and competitiveness
- To promote use of economic and productivity assessment tools among participants to improve management and operations
- To identify role models towards world class practices
- To provide recognition to businesses who are making constant efforts to improve management and operations.

3. 7 Measures taken for the SME sector in the budget 2014

The recent budget 2014 asserted that a company having a turnover with less than 10 million will get a loan without providing collateral which is beneficial for the SMEs. Also to increase the participation rate of SMEs the government diminished the paper work from 15 pages to one page in the coming 3 years. As well as to ensure competitiveness, the Mauritius Business Growth Scheme (MBGS) and SME factoring scheme will get Rs 80 million and Rs 70 million respectively. The National Productivity and Competitiveness Council (NPCC) will not only train 500 SMEs to improve their productivity but also a National Productivity Award will be done to reward the winners. This award will incite the entrepreneurs to innovate and grow in their financial and non-financial performance in the various economic sectors of Mauritius. The competition aims at improving the various sectors such as the textile sector. Mauritius hold so many trade fairs in a year in which different countries expose their products now the same will be apply for Mauritius SMEs. To enable the SMEs to create awareness of our products and gain in value a financing of Rs200,

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000 will be made per year. This international trade fair refund scheme will costs up to Rs 50 Million for 2014. 80 SMEs are expected to have two industrial places this year one in Solitude and another one in PlaineMagnien at a cost of Rs 200 M. A subsidy of 50% is given for rental space for the next 3 years.

3. 8 Overview of the chapter

The chapter compares and contrasts between policies provided previously and now that the institutions provide. It thus gives us an analysis of policies implemented since SMEs were born in Mauritius and the importance of the policy framework.