

Small and medium enterprises in mauritius



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SMEs are considered as one of the 'driving forces' of modern economies. SMEs' contributions in an economy are in terms of technological upgrading, product and process innovations, employment generation or export promotion. Therefore, helping SMEs to innovate is important not only because it improves their own competitiveness, but also through linkages and knowledge spill-overs with other firms, the entire industry and macro economy.

SMEs are a key vehicle for development and growth in any economy, as they constitute the majority of enterprises found even in the most industrialised countries (Masatak 1998 and Storey 1994). SMEs create employment, a source of innovation, generating export opportunities among other (Hall 1995).

In Mauritius, the contribution of the small scale sector in accelerating the economic development process and the democratisation of the economy is widely recognised. SMEs in Mauritius have experienced a rapid increase, especially with the government encouraging people to set up their own business by providing them with incentives, guidance and financial aid in their projects. The Government is committed to providing the conducive environment for the sustainable development of the sector and to respond to the changing needs of enterprises in a proactive manner. Over the years a number of incentives have been introduced to foster the development of the sector.

SME Definition

The term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME statistics (Gilaninia, Amiri & et al. 2011). Thus there is no universally accepted definition of a small and medium business. The definition of what constitutes a SME varies (Taylor and Adair 1994; Reed, 1998); it is generally based on the number of employees and financial turnover.

According to SMEDA Act 2009 in Mauritius, an “ enterprise” means any form of trade or manufacture, craft by hand or foot, cultivation of fruits, vegetables or flowers, livestock breeding, or activity approved as such by the Authority. A small enterprise is an enterprise having an annual turnover of not more than Rs 10 million while a medium enterprise is an enterprise having an annual turnover of more than Rs 10 million but not more than Rs 50 million.

In Mauritius SME has been redefined, where previously the volume of investment in equipment which was one million up to Rs 10 million which was taken into account, is now classified as a small enterprises and with less than 50 and 200 employees for small and medium scale respectively.

SME Evolution in Mauritius

Since independence, Mauritius has practised a consistent policy to encourage the creation and promotion of SMEs. SMEs in Mauritius can trace their history back to the 1960s when Mauritius was in the wake of a timid industrialisation process with an import-substitution strategy. The country has moved away from a mono-crop economy with fast population growth and high unemployment to one that is more dynamic and diversified. The <https://assignbuster.com/small-and-medium-enterprises-in-mauritius/>

sources of diversification have been agriculture, textile, tourism and more recently international services with Offshore and Freeport activities. The sugar sector provided the start-up capital for the Export Processing Zones (EPZ). The rapid rate of growth of investment in the manufacturing sector led to the success of the EPZ and the Mauritian economy as a whole. This was made possible by the confidence of entrepreneurs and foreign investors prevailing in the country at that particular time.

The government recommended the diversification of the economy with the creation of Export Processing Zones in the early 1980's. The EPZ sector took advantage of duty-free and quota free access into European Union markets as well as tariff preferences granted by countries such as North America and Japan. The mid 1980s witnessed a textile boom, raising per capita incomes and living standards. The creation of EPZ enterprises has been prominent in absorbing large numbers of unemployed persons who otherwise would never have been gainfully employed.

In 1976 the Small Scale Industry Unit (SSIU) was established under the aegis of the then Ministry of Commerce and Industry. It also became the central point in the ministry to provide general advice and guidance to small entrepreneurs. The SSIU became the Small Industry Development Organisation (SIDO) in 1983 as it was increasingly being advocated that an apex organisation with a legal framework for the SSI sector and an integrated policy approach were required.

The Industrial Expansion Act of 1993 was enacted in the spirit of consolidation and strengthening of the existing institutional framework and

support to industrial development in the country. The Small and Medium Industries Development Organization (SMIDO) Act was adopted which was itself part of the Industrial Expansion Act was established as a parastatal body. It was the next most important landmark in the promotion of SMEs. Its vision was a strong and modern SME sector that was efficient, competitive and export-oriented.

In 2005, following the merger of the Small & Medium Industries Development Organisation (SMIDO) and the National Handicraft Promotion Agency (NHPA), the Small Enterprises & Handicraft Development Authority (SEHDA) was created. The aim of the merger was to rationalise and optimise the use of resources dedicated to the small business sector in Mauritius.

The introduction of a new act, the Small and Medium Enterprises Development (SMEDA) Act 2009 is the latest development with regards to SME policy framework in Mauritius. The SMEDA promotes the development and growth of the SMEs in Mauritius. SMEDA provides support to potential and existing small and medium enterprises with a view to enabling them to start new enterprises.

Over time, the pattern of economic competition has changed. With the liberalization of trade and commerce it is clear that as the global economy continues to move towards increased integration. With the onslaught of globalisation and the accompanying dismantling of trade preferences, the challenges facing the SME sector are ever-growing and getting more and more complicated. SMEs are increasingly subject to severe competition from low-cost producing countries. However, as a result of advances in

information and communications technology (ICT) and the reduction in trade barriers, some of the greatest opportunities for SMEs will derive from their ability to participate in the regional and international markets.

SMEs' flexibility and adaptability are key determinants to take advantage of the promises of globalisation. New technology, new products, new markets and new management concepts are constantly emerging to change industrial competitive advantage (Ling X, Li, 2000). Similarly, the World Bank (1999) suggests that enterprises in developing countries including Mauritius are facing far more competitive environments in this fast-moving technological world. Hence, the Mauritian government believes that the real engine of sustainable and equitable growth is in the SME sectors.

SMEs in Mauritius have obtained the help and support of the government to facilitate the promotion of their business. Many of them export their products to countries abroad and this contributes significantly to the economic growth of the country. However, in the era of globalisation, the environment in which these SMEs operate is becoming more and more challenging, and, in turn, they need to operate efficiently within tight deadlines to be able to survive. To respond to the growing competition faced by organisations, banks have introduced the Internet Banking service to allow their customers undertake their banking transactions online, anytime and anywhere. Internet Banking enables firms in Mauritius to deal with both their local and international clients by allowing them to carry out their banking transactions even outside normal bank opening hours.