

Issues facing small businesses in mauritius economics essay



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Mauritius is a small island found in Sub-Saharan Africa. The country comprises of many small businesses consisting of less than 20 people which gradually operate contributing to the country's economic growth. Many people who were recently unemployed have found a job in this sector. There are various help offered by the Government through the Small Enterprises & Handicraft Development Authority (SEHDA) which is now most commonly known as SMEDA (Small and Medium Enterprise Development Authority) to people willing to set up new business in the country. However these small businesses face problems like lack of available human resources, lack of management skills of owners, lack of credit, corruption, and poor infrastructure. 70% of these businesses do not survive in the 1st year of their existence while the remaining die 5years after. After deep analysis of the market through this report, an account is to be made to the World Bank.

LACK OF AVAILABLE HUMAN RESOURCES

In Mauritius, people prefer mostly to work in reputed company's offices instead of small enterprises due to the status they portray and advantages that come along. For example, a Chef at the Hilton Hotel is not offered the same benefits as that of a small restaurant offers. So workers prefer to work in recognized institutions for better salaries, fringe benefits and job safety. People view themselves performing manual tasks in small businesses which they do not appreciate in today's time. There is also the fear of small businesses failing and workers being laid-off both at a young and old age. Small business might also ask their employees to work for extended hours without paying them or provide them with only a small compensation for the overtime. Chances of promotion and salary increase are weaker compared to

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big companies. However, these businesses do not have a pyramid organisational structure and business owners provide them with proper training and are rather close to their employees.

LACK OF MANAGEMENT SKILLS OF OWNERS

Lack of management is an important issue for small business's failure. Many small businesses' owners lack training for managing a business or have not been well educated. Most managers do not perform well their leadership styles and there is no proper planning, organising, leading and controlling.

Also, most businesses which are set up are run by their owners, for example sole-traders and partnerships. They do not research the market they are willing to set up or evaluate potential customers or means of advertising due to their unawareness about proper marketing strategies. Most of them are IT illiterate and unable to handle computers or machines which have to be used to make their businesses activities easier. Many businesses come into existence with the main view of making profits. Business owners do not set any mission or goals to be respected or achieved by their employees.

However the SMEDA provides training programmes to those setting up small businesses so as to make them feel at ease with the field they are entering.

Training facilities are also given at the IVTB (Institutional and Vocational Training Board) so as to help people, especially those in need of a job specialise themselves in fields like IT, textile, agriculture and automotive maintenance. (Unevec, 2003) There exist other different SME programmes like the National Women Entrepreneur Council (NVEC) providing free courses to women in handicraft and beauty care. (Day-Hookoomsing, 2003)

These people can later set up their own small enterprises.

LACK OF CREDIT & CORRUPTION

Difficult access to capital means is another reason for business failure in Mauritius. Many small businesses are more likely to fail because they do not have enough customers to buy their goods and services, leading to no profits to recover their debts. Small enterprises face unlimited liability and when they go bankrupt, not only their business assets are seized by the bank, but their personal devices also. Many small entrepreneurs do not enjoy high statuses on the Mauritian social ladder, thus they find themselves in economic difficulties after their business failure. Also, many small businesses exporting their products to European countries have to face competition amongst big businesses selling their products at lower prices. Even when importing their raw materials to Mauritius, they have to pay duties and there are quotas on the amount to be imported. Nevertheless devaluation in the country's currency makes exports cheaper. Mauritius also forms part of the Southern African Development Community (SADC) which will render exports easier. These businesses cannot attain economies of scale because of no bulk buying, resulting in lower profits. There exists set up costs like municipality licenses to be paid to the Government and which can prove to be quite high to small entrepreneurs like a " dhol-puri" seller. Customers are also more willing to spend on goods manufactured on large scale sold cheaper than on handmade handicrafts which are considered as luxury and expensive goods. There is also the fact that Mauritians find themselves too intelligent and too wise to seek help from the various associations which offer loans at reasonable rates of interest, for example the DBM (Development Bank of Mauritius) offering a rate of interest at 12.5% per annum (DBM, 2008)

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Corruption is not too high in Mauritius. However it still affects small businesses. However it is present mainly by public officials at the customs. For example when big firms import their goods, they give bribe to customs officers so that they do not have to pay for heavy duty on their raw material. (Enterprisesurveys, 2009) This affects small businesses which have to pay higher taxes on their imported raw materials and it renders their cost of production higher.

POOR INFRASTRUCTURE

Poor infrastructure is not an important issue in Mauritius. Nevertheless, the cost of land and rent to be paid is quite high. Commercial electricity has a higher price compared to the domestic one. It can also prove to be hard to find a location to set up a new business as small businesses have become saturated all over the island and to move to a place where there is little competition is difficult. It is important to mention that the island comprises of good road networks, communication facilities like telephones and easy access to the internet. (Nations encyclopedia, 2010) The air route and shipping networks are also good ones for imports and exports.

CONCLUSION

An efficient market economy has as foundation small businesses. In Mauritius, the successful growth of small business consists of three fundamental challenges. Socio-political being the first, having as challenge to create a middle class, which has as purpose to stabilise a democratic political system. The second challenge pertains to the social aspect implying: creation of employment. Finally the third challenge is economic as small

businesses are drivers of innovation, from which the forthcoming industry is
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born and without which real breakthroughs are nonexistent. Dynamic economic growth can be rendered possible if based on the foundation of small businesses. These three challenges solely are sufficient to support the observation that where small businesses are suppressed, an efficient market economy cannot exist. Mauritius consists of a stable Government which can control such business activities and help them in case of crisis.

RECOMMENDATIONS

Although the climate of small businesses is rather good in Mauritius, suggestions can be provided for better business prospects. Education is the best recommendation for better business environment. Business managers need to find niche markets to launch their products. Many entrepreneurs are specialised in the making of only one good or service. The Government should provide various courses to them to allow product diversification. The Government should also restrict the creation of monopolies among big businesses. Taxes to small businesses should also be reviewed. Mauritian small business owners should be trained to work in teams so as to avoid persistent conflicts which many businesses face. There should be more encouragement for export of products. Authorities like the SMEDA should reinforce their SME programmes in marketing small businesses' products. Small businesses create employment for the Mauritian population and enable them to earn a living as well as promoting economic growth of the country. More and more women need to be encouraged in the working environment so that they can contribute to their families' budget.