

Challenges to Small Business

In small island states such as Barbados, there is a generally an understanding by practicing economists of the role that micro and small businesses, and entrepreneurship play in the economic development of any country. It would appear that for the most part there is a level of ignorance of this fact. On top of this there is a tendency for most not to make the distinction between small business development and entrepreneurship. Irrespective of this fact, it is important that the country gives support to the small business development and entrepreneurship, for the two of them are beneficial to the economic growth and development of a nation.

A small business is described a business that is privately owned and operated, with a small number of employees and relatively low volume of sales. Small businesses are normally privately owned corporations, partnerships, or sole proprietorships. In a general sense a small business may be described as a non-employing business - sole proprietorships and partnerships without employees. However, on the more practical side, a small business is usually described as a business that employs no more than twenty persons. This could be extended to range between 0-49 employees. It is accepted that a micro business employs less than five people.

A small business said to be organized for profit; has a place of business, makes a significant contribution to the economy by paying taxes or using local products, materials services or labor, does not exceed the numerical size standard for its industry. In arriving at what constitutes a small business, then the criterion which applies would address the number of workers employed by the business, the annual receipts and its nature of and demand for the products or services within the marketplace.

In sharp contrast entrepreneurship is about an individual who undertakes a level of risk in a specific business venture. What remains common between both small business and entrepreneurship is that there offer employment creation opportunities, and are directed at the generation of income.

For some unknown reason, there is a tendency to associate any discussion on small business development to black business; and invariably there is the notion of failure that is linked to this. This is a clear example of the bigger picture being missed, as it is difficult to understand what race or colour would have to do with the success of any business enterprise. Whereas the small businesses sector is a major contributor to the development of the economy, there should be serious consideration given to the reasons why so many small businesses fail. As has usually been the case, it is to be expected that undercapitalization would be offered up as the main contributor for the accustomed failure. This is an undisputed fact, for the small business man is placed at the mercy of the lending agencies, who can determine to some extent whether the

business flourishes or goes under. The inability of the small businessman to get access to a line of credit, often places the business in jeopardy. In looking at the matter objectively, it is fair to say that small businesses are severely impacted upon by the prevailing economic conditions. By and large, small businesspersons are they business enemies, for bad planning contributes to the demise of the business.

Small businesspersons face the challenge of not being able to make a break even. As a matter of fact they seldom realize a profit. They often struggle to compete with large and other established businesses. One of the areas in which small businesses fail, is linked to their inability and to market their products and services. It is usually a case of affordability. This translates its self into the inability to attract new customers or clients.

The growth of small business remains important to all developing states. As already established, it is a channel for employment creation. With the emergence of new enterprises with the various sectors of the economy aids the process of diversification, and places the country in a better position to compete. It requires a rethink of what needs to be done in order to address the current challenges facing the development of small business. It is not enough to pay lip service to the growth and development of small business, for to do so, suggest a lack of understanding of what it requires of a nation in positioning itself to be competitive within the global environment.

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