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# Small Enterprises and Cooperatives: Organization and Management

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In developing countries, small producers and farmers must overcome the high cost of capital (interest rates of 10-20% per month are common in the rural areas) and must survive market fluctuations caused by influences beyond their control. Penetration of local markets by cheap goods manufactured in the modern industrial sector, inconsistent governmental tax and import/export quotas and restrictions and seasonal price cycles in agricultural produce are only a few of the difficulties faced by the small business enterprise.

But because a viable local economy depends on preventing the drain of resources out of the community, small manufacturing and other commercial units seem to be an especially "appropriate" form of business organization. Small business channel investments which improve local capital stocks; they develop local skills and increase job opportunities while using local materials; they allow the diversity which is crucial to a healthy, stable local economy. Significantly, locally owned small business are unlikely to abandon a community in search of lower wages elsewhere.

A relative neglect of institutional support for small businesses, worker-owned enterprises, and cooperatives is found in both the United States and the South. On the whole, small enterprises give a better return on investment (risks are higher, gains are higher) and create more jobs per unit of capital than large enterprises. Yet small enterprises have a great difficulty in obtaining capital, due to the poor match between their capital needs and the operating rules of the capital markets. Compounding the problem is the fact that small enterprises in rich and poor countries are often failing to make the best use of what capital and human resources they do have, and they face substantial difficulties in obtaining technical assistance to change this situation. **Small Business in the Third World** is an insightful review of the problems and opportunities faced by small enterprises; this book is a must for people involved in related activities. **Consultancy for Small Businesses** presents an innovative means for improving management skills in small enterprises in developing countries through a low-cost system of consulting.

In rich and poor countries, a variety of governmental and non-governmental efforts are being initiated to stimulate the growth of small businesses and other enterprises. Entrepreneurs are the people who take risks in order to create and sell new products and provide new services. The most lucrative business opportunities in developing countries are usually urban and/or import-oriented, and these usually attract the most experienced entrepreneurs with the greatest financial resources and the best political connections. However, there are often some individuals with a real interest in establishing businesses that could help in rural areas. These people, if exposed to the right opportunities to produce and market innovative agricultural tools, can be much better at these activities than government or NGOs.

Entrepreneurs can also positively influence R&D work sponsored by NGOs and governments due to their concerns for the commercial and economic viability of innovations. **The Entrepreneur's Handbook** is an excellent resource for entrepreneurs in the South and would-be entrepreneurs. Two excellent books on effective small lending programs are **Rural Credit**:

**Lessons for Rural Bankers and Policy Makers** and **Credit and Savings for Development**. These two very practical volumes provide thoughtful insights into what does and doesn't work in practice, dispelling myths along the way.

One promising type of small enterprise is the cooperative. By pooling resources and functioning as a unit, a group of producers or consumers can operate at a more efficient scale and share the benefits. They may be able to buy in quantity, or store and ship produce to more profitable markets, for example. The cooperative also has great potential as a mechanism for increased capital investment in the rural South. Groups of individuals pooling small monthly surpluses have been able to finance community improvement projects, and establish credit funds. Clearly cooperatives have great potential as tools to help break vicious circles of poverty and lack of opportunity, yet they have seen only limited success. Especially in the poor countries, cooperatives fall prey to distrust among members, unskilled or corrupt management, domination by ruling local interests, and manipulation by governments intent on using them for political purposes. Cooperatives have generally been unable to help those most in need. Often farmers are required to own land to qualify for membership in agricultural co-ops in developing countries; this excludes tenants and laborers.

Like any tool or technique, the cooperative will be an important organizational form only when it grows out of the aspirations of the people who will be members. The great mass of literature, however, treats the co-op as a fixed organizational structure that extension agents should promote. Case studies in the **Handbook for Cooperative Field Workers in Developing Countries** show how this approach is bound to fail. There are, however, a flourishing

variety of informal cooperative organizations in the South. The "arisan" is an Indonesian capital-formation club in which each individual contributes the same small amount to a monthly "pot," all of which goes to a different member each month. Other Indonesian villagers form savings associations to provide revolving loan opportunities to members. Interest is collected on small loans and paid on savings, at moderate rates. This is, in effect, an alternative to the commercial banks which are unable to respond to most village credit needs. Many experts view effective government support (in the form of training, facilities, consulting, etc.) as essential to a cooperative's success. Yet these Indonesian associations are informally organized and avoid registration with the government ministry for cooperatives.

In the promotion of cooperatives and small business enterprises, as in so many other activities, it appears that government agencies and NGOs have been too quick to supply answers and promote adoption of fixed organizational structures, and have failed to support local initiatives or strengthen existing organizational forms. Certainly a process may be set in motion by carrying out a dialogue with a community about the many forms a cooperative may take. But it appears that best use is made of training and other "inputs" when these are provided only in response to requests from businesses or cooperatives which have already defined their own activities. While traditional extension programs do not operate in this way, there are certainly other, more participatory approaches. Non-formal education, in particular, puts increasing emphasis on supporting group-defined educational and vocational goals. Small-scale non-formal education programs might provide one of the best mechanisms for successful support of cooperatives and other small enterprises in developing countries.

This chapter concludes with entries that discuss the principles of running a small business and simple accounting systems. The authors have attempted to meet "a real and widespread need for a (bookkeeping) system which is both effective and straightforward enough to be taught to rural based people in a relatively short period of time."

**Small Business in the Third World, Disk 24, File 30-762**, book, 211 pages, by Malcolm Harper, 1984, £10.95 from ITDG; also available from TOOL.

Here is an outstanding review of the factors that help and hinder small enterprises in developing countries, richly illustrated with real examples. The ("Capital") chapter on interest rates and bank lending practices is particularly insightful and illuminating. Harper challenges a number of widely believed myths about small business, and identifies some key issues to be addressed by those who wish to aid such enterprises.

Small businesses are the most promising means for the production and distribution of appropriate technologies. This book should therefore be required reading for most people working to develop successful dissemination systems for new technologies, as well as those involved more directly in small business promotion.

"Everyone in Government and in particular those responsible for employment and small enterprise promotion must be persuaded to appreciate the economic significance of the smallest enterprises; they are the most difficult to assist, but their problems usually arise more from an excess of regulation than from too little official assistance, and the most effective and simple way of helping them, even if it is not too attractive to the institution builder who wishes to enhance his authority, is to modify and withdraw existing legislation or programmes which actively damage the interests of the smallest enterprises."

"Moneylenders and other sources of so-called 'informal credit' are as ready to serve small non-farm enterprises as they are to lend money to small farmers. These 'loan sharks', as they are sometimes called, are in fact providing a service which is needed by other businesses. Those who complain about their apparently extortionate behavior would be better to examine the reasons why so many small enterprises find it necessary to borrow from these sources, and should encourage competition rather than attempting to forbid unofficial money lending .... Because of what are effectively local monopolies, however, borrowers from moneylenders may fall totally under their control."

"Since the supply of capital is the means by which ... the financier ... secures his control over the small business, this problem is often seen as a symptom of a shortage of capital, which can be remedied by providing it. It is hardly surprising that attempts to remedy this problem by providing alternative sources of finance have not generally been successful. People who have never had the opportunity or the need actually to run a business are not likely to acquire the necessary skills or attitudes just because somebody lends them money on reasonable terms ...."

"A large scale knitting factory could never be economic ... if it had to depend on occasional deliveries of wool, but a small-scale enterprise, with two or three knitting machines costing perhaps \$200 each, can still earn enough money to pay for the machines and make some profit if raw material is only available for three or four months every year. Labor is also often available only for part of the year, since people are fully occupied in their farms during the seasons for planting, weeding and harvest."

"There are ... powerful arguments against subsidized interest rates ... capital is of course needed, but if its price is artificially lowered below the prevailing market figure this will tend to encourage borrowers to use more of it than they would if it was more expensive. Demand will also be increased; the effect of low interest will thus be to attract a larger number of applicants,

but to satisfy very few of them. The tendency will be towards a small number of relatively capital intensive enterprises, and a larger number of frustrated applicants who receive no help at all."

Highly recommended.

**Entrepreneur's Handbook**, [Disk 24, File 30-757](#), book, 282 pages, by UP Institute of Small Scale Industries, 1981, Sw. Fr. 50.00 from SKAT; also from TOOL and ITDG.

Entrepreneurs can play a very important role in technology development and marketing in developing countries, by finding ways to make and sell tools and equipment that buyers want.

Developing country entrepreneurs are the intended audience for this valuable book. A discussion of the personal traits common to successful entrepreneurs is followed by much good advice about starting and operating a business. Emphasis is given to the importance of marketing central to any successful business and often given too little attention in developing countries.

"The ability of an entrepreneur to perceive and identify business opportunities is proportionate to the degree to which he is aware of the economic, political, socio-cultural and technological developments in his environment .... Remember that people are special in every organization. Do not take your people for granted for they can make or unmake your organization. Outstanding people can make even a poor organization operate successfully, while poorly motivated people can impair the performance of the soundest organization."

A much needed, well-written book on a very important subject.

Recommended.

**Training Village Entrepreneurs**, [Disk 24, File 30-764](#), book, 135 pages, by M.V. Bogaert and A.K. Sinha, 1986, Rs. 15 from Xavier Institute of Social Service, Post Box 7, Purulia Road, Ranchi 834 001, India; or £ 3.00 from ITDG

Village-level entrepreneurs are much needed to create new enterprises, jobs, and economic growth in the villages. In many villages, the perceived lack of opportunities drives young people to the towns and cities in search of employment, draining away some of the most energetic and creative individuals.

This book is based on years of experience selecting, motivating and training young people to start their own businesses. This is a difficult task indeed. The authors identify many of the prime causes of failure, and suggest ways to improve the odds of success. An outline of the curriculum and some of the materials used in candidate selection and training activities are included. Candidates "should have a capacity to take risk. A person who lives from hand to mouth undergoes risk but cannot take it ... stands with back against the wall, and can hardly be expected to become an entrepreneur."

This practical, village-oriented volume is at the opposite end of the spectrum from the theoretical book **The Practice of Entrepreneurship** (see review). The program described in **Training** appears to be a very good attempt to translate entrepreneurial thinking into village-based action. Voluntary agencies interested in developing their own programs using this approach should be sure to have at least one person with extensive business experience on their team.

**The Practice of Entrepreneurship**, [Disk 24, File 30-760](#), book, 196 pages, by Geoffrey Meredith et. al., 1982, Swiss Francs 20 or US \$14.00 from ILO.

This volume is for individuals who would like to develop their entrepreneurial skills systematically. It is not written in simple language, nor does it specifically address the special problems faced by entrepreneurs in the South. It does provide a good exposure to entrepreneurship as it is understood in the United States.

"Some of the most important risks are those in which you learn something new about yourself. Situations which involve personal risks should challenge your abilities and capacities to the fullest extent .... You must be a planner in the sense that you can visualize how your creative ideas might be used. However, you must also have the risk-taking ability to be able to implement your ideas and carry them to successful conclusions."

**Refugee Enterprise: It Can Be Done**, [Disk 24, File 30-767](#), book, 150 pages, by Chris Rolfe, Clare Rolfe, and Malcolm Harper, 1987, £8.95 from ITDG.

Developing small enterprises in refugee camps has to be one of the most difficult undertakings imaginable. Host governments may oppose the development of a permanent economic footing that supports the camps, the population may turn over rapidly, and capital is likely to be more scarce than usual. In this book, the authors bravely set forth to make the case that refugee enterprises can and should be undertaken, and that these enterprises can be successful. This study was based on the

direct experiences of the authors, supplemented heavily by an international survey of organizations that have supported income-generating projects in refugee camps.

From this a set of recommendations and issues is presented. One example tells of a small business loan project in Somalia that would make loans until additional businesses of a particular type would create too much supply: "the business advisor found the market for tailoring was saturated after six loans to tailors the existing tailors began to have spare time during the working day." Businesses that were productive and that brought benefits to both town and camp were favored.

This is a hopeful book, with case studies in which the great majority of loans were repaid, hundreds of successful small businesses were launched, and there was a high ratio of benefits to the community compared to aid resources expended.

**Improve Your Business: Handbook**, [Disk 24, File 30-770](#), 129 pages, edited by D.E.N. Dickson, 1986, 12.50 Swiss Francs; and **Improve Your Business: Workbook** [Disk 24, File 30-771](#), 83 pages, 7.50 Swiss Francs; from ILO.

The Handbook is a basic introductory business book, heavily illustrated, aimed at people running small businesses. The Workbook is designed to be used with the Handbook, and contains lists of questions and exercises to help people think rigorously about their businesses. Major sections include inventory control, cash control, bookkeeping, working capital, calculating costs, pricing, marketing, calculating profit and loss, constructing a balance sheet, developing a cash budget, record-keeping, and planning.

**Small Enterprises in Developing Countries: Case Studies and Conclusions** [Disk 24, File 30-748](#), book, 115 pages, by Malcolm Harper and Tan Thiam Soon, 1979, £6.95 from ITDG; also available from TOOL.

"The A & B Soap Manufacturing Enterprise was established by two brothers in 1973 .... A small factory which produces candy is located in Marcato, Addis Ababa .... Mr. Qhoqhome manufactures leather belts at his home in Katlehong Village .... During 1971 a Mr. Zabuli, who was a very experienced businessman, applied to the Ministry of Planning to set up a factory to produce Coca Cola, Fanta and Sprite ...."

These are the opening phrases from some of the case studies in this intriguing little book. Each of these short summaries provides background details and describes problems faced by a particular small business. Each case study is then followed by "a brief note summarizing some of the issues which were raised ... including some suggestions as to what a small business promotion agency ought to do in the situation described." This book covers much of the same ground as **Small Business in the Third World**, by one of the same authors.

"It is perhaps surprising, in view of its importance, that small-scale business, and ways in which governments can help or hinder it, have not been more intensively studied. A great deal of information is available about various types of appropriate technology, and some work has been done on systems of financing, treated from the point of view of a bank, a trainer, or perhaps a technologist, but very little information has been published on the ways in which the various methods of assistance actually impinge on their 'target' ...." The authors note that variations in economic circumstances make it impossible to lay down absolute rules for promoting indigenous enterprise. Still, the cases illustrate certain truths and key factors. Entrepreneurial talent is a human resource found everywhere. On the other hand, small-scale business promotion officers, whose task is to help businesses become profitable, are often faced by business people content to operate at little profit or even at a loss. Small-scale enterprises can be established with relatively little capital investment; yet because of their limited resources they are especially vulnerable to supply and demand cycles, shifting import restrictions, price competition from larger enterprises, and innovations which make production techniques obsolete.

"The case studies demonstrate the need for well-planned assistance programmes .... Staff responsible for implementing the programmes must appreciate that the manager of a small business is usually responsible for all the details of finance, production, marketing and personnel, as well as the long term direction of the enterprise itself. The manager may not distinguish between these functions in his own mind, but any outside intervention is bound to affect the business as a whole, even if it is nominally concerned only with credit, markets or technology."

The book concludes with a short synopsis of how intermediate technologies are a vital part of strategies for small-scale industrialization, and a review of policy suggestions to encourage indigenous enterprise.

**Developing Small-Scale Industries in India: An Integrated Approach** [Disk 24, File 30-741](#), book, 96 pages, by Marilyn Carr, 1982, £5.95 from ITDG

Several case studies of small industry development in India illustrate the viability of a progressive scheme for decentralized rural industrialization. Started by students at the Birla Institute of Technology, which is set in an undeveloped region, the approach has proven successful in starting technical financial assistance, infrastructure, marketing, etc. Most notable is the achievement of applying the resources of an institution of higher learning, in concert with government and banking, to the needs and realities of the surrounding area; a lesson pertinent to both industrialized and non-industrialized regions alike. This

is more detailed than necessary, but worthwhile for planners, technical trainers, and those concerned with employment development.

**Blacksmith, Baker, Roofing Sheet Maker, Disk 24, File 30-754**, book, 144 pages, by Marilyn Carr, 1984, £7.95 from ITDG; also available from TOOL.

There is a great need for viable income-generating activities for women in developing countries. Especially needed are activities that produce goods and services for local markets, and go beyond handicraft production for uncertain export markets. This collection of 55 short case studies provides lots of ideas, and will serve as great encouragement to those responsible for developing and supporting such programs. The examples include the production of special foods for sale, cloth manufacture, rice milling, and bus operation. References and sources for further information are provided.

**Josbarko Enterprise**, Case Study No. 2, **Disk 24, File 30-758**, booklet, 37 pages, by J. Powell and J. Quansah, Technology Consultancy Centre, 1981, out of print.

A fascinating account of the successful establishment of a steel bolt manufacturing enterprise by a Ghanaian entrepreneur, with technical assistance from the TCC. The entrepreneur overcame a wide range of problems typical to developing countries.

**Manual for Commercial Analysis of Small-Scale Projects, Disk 24, File 30-769**, book, 90 pages, by Henry Jackelen, 1983, A.T. International, accession no. PB85 224814/ AS, paper copies \$14.95, microfiche \$6.50, from NTIS.

Small-scale enterprises must be commercially viable if they are to survive without subsidies. This manual presents the basic steps in evaluating the likely financial health of a proposed (or existing) enterprise, under various assumptions about costs and selling prices. This kind of analysis is an important piece of homework that must be done by aspiring entrepreneurs and technical or community development groups that wish to aid entrepreneurs in using new technologies or producing new products.

**Consultancy for Small Businesses, Disk 24, File 30-739**, book, 254 pages, by Malcolm Harper, 1977, £14.50 from ITDG; also available from VITA.

"It is generally realized that small businesses have a particularly important role to play in the development of employment opportunities and economic progress because they are in a far better position than large organizations to make use of 'intermediate technology'. It is not enough, however, for business people to be encouraged to use appropriate technology; they must learn how to decide what is right for their particular business, how to calculate costs and selling prices, how to sell their products and generally how to operate a successful and profitable enterprise. The system described in this manual is, in a sense, a way of conveying 'intermediate management' to small enterprises the method itself is also labour intensive and may therefore be considered as an example of 'appropriate training' "

"Small businesses are widely scattered ... competitive with one another ... different from one another ... vulnerable. Small business owners are usually not well-educated ... speak a variety of different languages and dialects ... busy, often running their business single-handedly." Because assistance to business people involves teaching analysis skills and affecting attitudes and behavior, advice should be available on an individual consultancy basis. Yet "the cost and scarcity of suitable candidates usually means that individual advisory services are impossible ....

There is clearly a need, therefore, for some system which would enable less qualified and quite inexperienced staff to provide useful advice for small business people" Part One of this manual explores the potential for low-cost small business consultancy in developing countries, and outlines a service in consultancy training which could be provided by government and/or development agencies, banks, or voluntary organizations. Topics covered include selection of consultant trainees (six or seven is probably a suitable number to start out with), the training period (approximately 21 days of instruction), supervision, administration, financing and evaluating the service. "One of the most common problems of small business people is that they think they need more money but are in fact using the money that they do have in the wrong way. The first object of any diagnosis must therefore be to discover how the businessman is using his capital."

Part Two of the manual is the training course itself, nearly 200 pages of detailed outlines of lectures and discussions, role playing exercises, field assignments, and tests. Hand-out exercises for each training session are also included.

Here is a carefully assembled learning resource aimed at sharing and developing important skills on a decentralized basis. Highly recommended.

**Small Business Promotion, Disk 24, File 30-761**, book, 118 pages, edited by Malcolm Harper and Kavil Ramachandran, 1984, £6.95 from ITDG; also available from TOOL.

This very readable book contains 28 case studies by different authors, examining small businesses in 17 countries. It provides a good sampling of the problems faced by small enterprises, and the positive and negative effects of interventions by official agencies. This volume is similar to **Small Enterprises in Developing Countries** (see review).

"The owner or manager of a small enterprise must be a generalist, and he cannot consider marketing, finance, technology or anything else in isolation. The same applies to those working with small enterprises. They may eventually identify particular problems which require particular attention, but they must initially look at the business as a whole."

**Guidelines for Management Consulting Programs for Small-Scale Enterprises**, Peace Corps Appropriate Technology for Development Series, **Disk 24, File 30-742**, book, 212 pages, by Gary L. Vaughan, 1981, available to Peace Corps volunteers and development workers from Peace Corps; also available from ERIC (order no. ED241774) and NTIS (accession no. PB85 249225/AS).

This manual was written to assist management consultants working with small-scale entrepreneurs in developing countries. The author defines a "small-scale enterprise" as one which employs 10-15 people, serves a regional market, and has an adequate equity base. This contrasts with a "micro-enterprise," which employs one to three people, markets locally, and has marginal resources. The manual addresses "... three basic areas: the problems of small-scale enterprises and their role in Third World development, various kinds of management consulting programs which might address such problems, and specific tools and techniques which the management consultant can employ in assisting the small entrepreneurs."

Appendices include aids in consulting and teaching small entrepreneurs, and references to other publications and information resources. A very practical manual written for a specific audience.

**Management Workbooks for Self-Employed People**, five books, by Gerard R. Dodd and friends of The Maine Idea, 1984, Dodd-Blair and Associates, Maine, out of print. Written for small-business people and those who would like to start a small business, this series of five booklets reviews the basic elements of good business management. Lots of good advice is presented in an easy-to-read format. Much of this material could be well-used in developing countries.

**The Business Preview** (**Disk 24, File 30-756**, 58 pages) takes a look at the entire business: what it is, its best products and customers, distribution, employees, production, finances and a yearly plan.

"Before you manage your business, you must understand how it works. The purpose of the Business Review is to help you analyze your business as a whole, or to assess any specific part of it. Our objective is to get you thinking and excited about your business. When you have completed the Business Review, you should be better informed about how your business operates, and therefore in a much better position to guide its operation." (Disk 24, File 30-755, 60 pages) suggests the use of 1-3 year goals for the business and describes the elements of a written plan. "The process of setting goals helps you to analyze your problems and sort through options. A well-prepared business plan is the best way of presenting your ideas to others; it's indispensable if you're looking for credit. The business plan is proof that you are seriously managing your business and the operation is a viable one."

**Basic Finances** (**Disk 24, File 30-752**, 46 pages) discusses bookkeeping systems, balance sheets, profit and loss statements, and cash flow projections. "Sound management is based on facts, not guesswork. Before you can know where you're going, you need to know where you've been! Effective record keeping (when combined with conscientious monthly analysis) will give you the information needed to make decisions about the future of your business. It will help you plan, organize and control what has to be done. It will help you trim costs, save on income taxes, keep track of payroll records, sales tax, etc. It is only by taking firm control of the financial aspect that you will be able to turn a high quality product or service into a thriving, stable business. The simple discipline of record keeping will make you a more cost-conscious and effective manager."

**Basic Marketing** (**Disk 24, File 30-753**, 44 pages) emphasizes satisfying customers' needs and targeting the market. "Ask your customers what they want to see in your store; talk to them informally or ask them to fill out a simple questionnaire, in return for a special discount or small gift. This kind of direct feedback from your customers is invaluable in planning your marketing strategy."

**Managing Time and Personnel** (**Disk 24, File 30-759**, 48 pages) presents steps for selecting and managing employees and making best use of the manager's time. "Learn to distribute the load and encourage others to take the responsibility to think for themselves. Motivate them! Encourage them to identify with and be a part of your business undertaking .... You may be able to purchase someone's time and labor, but loyalty, cooperation, and enthusiasm must be carefully nurtured."

Highly recommended.

**How to Grow a Shop**, **Disk 24, File 30-744**, booklet, 55 pages; and **A Complete Cash Analysis Accounts System for Businessmen**, **Disk 24, File 30-738**, booklet, 36 pages, by G.H. Barker, Kenya, out of print.

"Most Africans will happily admit that they know better how to grow a crop than a shop." **How to Grow a Shop** is an imaginative discussion of the principles of operating a small retail, wholesale, or industrial business, relating the essential factors of successful trade to farming practices. We begin with "two seeds (capital and human resources) ... what crop? (trade specialization) ... rain (buying) ... sunshine.(selling) ... weeding (dead stock, credit sales) ... growth (accounting and using the bank)." Contains many practical hints on facilities, equipment, and strategies for the small businessperson.

**A Complete Accounts System** is a companion workbook, explaining and giving examples of how to do bookkeeping so that each different kind of income and expense can be easily identified. "Few African businessmen of today were 'born behind the counter'. Economic independence can be hastened if a simple and practical introduction to commerce and accounts is encouraged in schools ... and more directly relevant study material made available to budding businessmen."

**Rural Credit: Lessons for Rural Bankers and Policy Makers**, [Disk 24, File 30-766](#), book 138 pages, by K.P. Padmanabhan, 1988, £9.95 from ITDG

A practical report from the front lines of lending to the poor in developing countries: the pitfalls and the successful practices. A compassionate treatment of an extraordinarily important topic. A.T. enthusiasts historically often either ignored credit altogether, or simply assumed that a well-functioning credit system existed or could easily be put into place. Recently, there has been great interest in credit systems. This book reviews recent experience in projects around the world, looking for lessons.

"World Bank evaluations and impact studies show that its rural credit projects consistently enjoy higher economic rates of return than its other rural or agricultural activities."

"Evidence suggests that there is far more liquidity in rural areas than is generally assumed. This is partly due to seasonality in agricultural production. Moreover, rural people are responsive to interest rate changes and appropriate financial services. Hence, mobilization of voluntary financial savings in rural areas should be the first priority of financial institutions."

"Interest forms only a small part of the total cost of borrowing by the small farmer ... In their relative effects on farmer behavior, product prices rank first, yields second, input prices third, and credit availability and interest rates constitute a distant fourth."

In one unique passage, the author explores the advantages of local moneylenders from the perspective of local people: they are fast, nearby, have more confidence in small farmers, and will buy crops. He suggests that credit programs try to become more like these lenders in their service to the customer.

**Credit and Savings for Development**, [Disk 24, File 30-765](#), book, 71 pages, by Stephen Devereux et. al., 1990 revised edition, £4.95 plus postage from Oxfam Publications, P.O. Box 120, Oxford OX2 7FA, United Kingdom

This is a thought-provoking review of the many important issues that surround rural credit, of broad interest to appropriate technology workers due to the great impact the presence or absence of credit has on the spread of new technology. The book covers issues which should be considered during the development of a program for rural credit. The authors provide numerous examples of both failures and successes, making this a valuable summary of experience from around the world. Access to credit, interest rates, indigenous savings systems, and default are among the important topics. Common myths and mistaken assumptions are exposed.

Participation and dependency are among the related issues usefully explored.. "Where the wealthy have influence and power over the poor and often feel little responsibility towards them, then including them within an organization inevitably results in their taking control. Large farmers have greater effective access to institutional credit and can anyway often withstand the loss of one crop without hardship."

This is fundamentally a very practical book that will lead to better programs.

**A Handbook for Cooperative Fieldworkers in Developing Nations**, [Disk 24, File 30-743](#) packet P5, seven booklets, 408 pages total, edited by Mark S. Ogden, 1978, Peace Corps, Information Collection and Exchange, 1990 K Street N.W., Washington, DC 20526, USA; out of print.

Produced to supplement the training of Peace Corps volunteers, this handbook is a compilation of excerpts from publications of international cooperative development groups, university cooperatives extension services, and Peace Corps volunteers (PCV) reports. "The resulting anthology is by no means 'the complete guide' for PCVs ... individual variances from country to country and from program to program, make it difficult to arrive at ... all-inclusive guidelines."

The seven parts of the handbook include an introductory section using case studies of cooperative projects in Bangladesh and Peru, and a directory of organizations active in cooperative work in developing countries. Another section on cooperative organization uses a case history from a Guatemalan regional cooperative scheme to illustrate how indigenous

ideas about debt and membership are important to a successful cooperative. A chapter entitled "Determining the Economic and Social Feasibility of a Cooperative" lists key questions for evaluating the potential of marketing, purchasing, and service cooperatives. "Cooperative Education and Training" provides interesting material on participatory group learning approaches (e.g., study circles, role-playing case histories of hypothetical cooperatives). Other useful sections discuss simplified accounting methods, cooperative forms of group credit, and a case history of a Nigerian handicraft marketing cooperative.

Some parts of this handbook are taken from books written about cooperatives in the United States; these sections are less directly relevant to conditions in developing countries. Still, the handbook is the best compendium we've seen of on-the-ground experience and insights as to why cooperatives do and don't work. Frequent quotes from PCV field reports show how difficult it is for a foreigner to sensitively enter a community and introduce a new organizational technology:

"Recently a volunteer terminated and returned to school. He was well-experienced in agricultural technology and a bona fide expert in hog production. He like all PCVs who are well-trained, knew that Guatemalan farmers need more money, more protein for their diets, and product diversification. He deduced that his hog knowledge was well-suited to meeting the needs of the people. One month after he left, the hog co-op with which he had worked for two years held a meeting to consider what it could do without their expert-in-residence. The result was an immediate dissolution of the co-op, distribution of the 30 hogs to the members and a sale of the assets (purchase price with AID assistance: \$5,000) for \$500. Each member received more money, ate a little pork, and briefly experienced diversification of production. Is this developing Guatemala? .... Another volunteer, dedicated to patterning Guatemalan co-ops after his father's group in Iowa, arranged the purchase of a tractor for his co-op and happily left knowing he had effected progress. Today the co-op has a \$200 debt and the implement company has the tractor. The members aren't sure why they couldn't make enough with the tractor to meet payments but are certain that they want no further heavy equipment. They wish the volunteer had not pushed the tractor purchase because now it is difficult to get new members interested in joining a cooperative with a substantial debt."

A useful document for cooperatives extension, non-formal education, and other community development workers.

**Cooperative Organization, Disk 24, File 30-736**, booklet, 34 pages, by B.A. Youngjohns, ITDG 1977, out of print.

A short, clear summary of cooperative principles emphasizing their potential application in developing countries. Cooperative organization allows individuals to combine their resources for greater economic strength, but experience shows that this pooling of resources cannot be done haphazardly. Democratic control, open membership, limited ownership of shares, and commitment to the cooperative through realization of common economic interest, are generally key factors in the success or failure of cooperative groups.

The advantages of each of the most important types of cooperative (agricultural and farming, credit, supply and marketing, industrial production, housing) are outlined. Multi-purpose and linked cooperatives are discussed briefly. The cooperative, as a source of credit and framework for education and innovation, often plays an important role in development schemes.

"Comprehensive development projects are becoming more and more common .... A typical development project provides a comprehensive package including roads and communications, agricultural extension, credit, supply and marketing services. Sometimes, all the services and control are provided by the project. Inputs are supplied direct, on loan, from the project to the farmer. Increasingly, however, it has come to be realized that this is an expensive way of doing things. Furthermore, there is often no provision for continuity after the project itself has come to an end, and the experts have gone home. Cooperatives are, therefore, being introduced into these projects ...."

The booklet concludes with an appraisal of the most common of problems facing cooperatives in developing countries: "The ordinary members know little if anything about the way the cooperative is supposed to work ... comparatively large sums of money are handled by people whose own income is relatively small ... (domination by) a few wealthy or influential people, who direct the affairs of the cooperative in their own interest."

A brief but well-rounded overview of cooperatives.

**Basic Control of Assets: A Manual on Prevention of Losses in Small Cooperatives, Disk 24, File 30-751**, book, 53 pages, by Cooperative Education Materials Advisory Service, 1979, out of print.

"Studies of the development of the co-operative movement in many countries tend to reveal that losses of assets money and merchandise in particular are a very serious problem. Losses often render co-operatives incapable of bringing about the expected and potential benefits and they are quite often the cause of complete failure. Closer studies of this specific problem tend, again, to show that one very frequent reason for losses is the inefficiency of the existing control systems .... There are many doors to be closed, and some of them might easily be overlooked."

This manual is a teaching guide for training cooperatives' managers in techniques for minimizing losses through theft, error, and maintenance failure. It includes sample forms for records of stock movements, cash transactions, and so forth.

**Business Arithmetic for Cooperatives and Other Small Businesses**, [Disk 24, File 30-731](#), book, 87 pages, by T. Bottomley, 1978, £ 4.95 from ITDG

"This manual deals with ... business calculations. A good book-keeping system is no good unless the calculations on which it is based are accurate, and it is hoped that this manual will help those many of us whose arithmetic was not very advanced or has gone rusty." In fact, most of the book is arithmetic; a section on calculating interest, mark-up and margin, and gross and net profit, accompanies the basic arithmetic review.

None of the mathematics presented goes beyond what primary school students learn. The explanations and exercises using business calculations might be adapted for use in cooperatives education programs.

**Cooperative Bookkeeping: Volume 1, Marketing Cooperatives; Volume 2,**

**Consumer Cooperatives; Volume 3, Savings and Credit Cooperatives; Volume 4,**

**Industrial Cooperatives**, [Disk 24, File 30-735](#), set of four large booklets, 27 to 51 pages each, by the Cooperative Education Materials Advisory Service, out of print.

"It is a common complaint that, in many primary cooperatives, the standard of book-keeping is poor. The need has long been recognized for a basic, simplified system of book-keeping, for use in ... developing countries, in order to help improve that situation." This system, originally introduced in Botswana, uses a double entry method: both a credit and a debit are written down for every transaction. Thus, when the accounts of the cooperative are accurate, the sum of credits equals the sum of debits and the accounts balance. Each of these booklets includes examples and explanations of each type of ledger, deposit, and slip used in the cooperatives' transactions, as well as sample budgets and monthly reports. Exercises require the reader to transform lists of incomes and expenditures onto a main ledger.

The importance of accurate, understandable accounts to the success of new cooperatives cannot be overemphasized. "The members are the owners of the society (cooperative). They need to know how their business is doing and how their funds are being used .... The book-keeping system must therefore show: a. How much the society owes. These are its liabilities and indicate the source of the funds in use in the society. b. How much the society owns. These are its assets and show the use being made of these funds. c. Whether the society has financial stability and is able to pay its debts as they arise d. Whether the society is operating efficiently, covering its costs and providing a net surplus."

Clearly and thoughtfully written, these materials could be adapted for use by a wide variety of cooperative and small business education programs. **Co-operative Accounting #1**, Thrift and Credit Co-operatives, [Disk 24, File 30-732](#), 20 pages, ITDG, 1970, out of print.

This is a booklet for small thrift and credit cooperatives that do not yet have an efficiently working accounting system. In addition, it can be used to form such cooperatives. Such organizations serve to encourage members to save, and provide a locally controlled mechanism to grant loans to members.

**Co-operative Accounting #2, Consumer Co-operative Societies**, [Disk 24, File 30-733](#), 38 pages, ITDG, 1971, out of print. The main function of a consumer co-operative is to buy goods and resell them to its members. It raises capital from its members for rent and an original stock of goods, by selling shares to them.

**Co-operative Accounting #3**, Marketing Co-operative Societies, [Disk 24, File 30-734](#), 31 pages, ITDG 1972, out of print in June 1978.

This booklet is for any small group marketing the same product, especially produce. "A marketing co-operative is primarily concerned with marketing the goods that its members produce. Cattle, coffee, cotton, fish, handicrafts, rice, and wheat are examples. These goods can be sold in many different ways: to a marketing board, to wholesalers, through co-operative unions, direct to individual retailers or consumers, or by auction." The advantages of a marketing co-op are: members can get a better price for their goods than as individuals, they can often sell directly to consumers, they can spread the transport costs, and they can establish a reputation for grading and reliability.

**A Single-Entry Bookkeeping System for Small-Scale Manufacturing Businesses**, [Disk 24, File 30-746](#), booklet, 54 pages, by Derry Caye, 1977, Volunteers in Technical Assistance, out of print.

"VITA publishes this manual in the belief that it can help support efforts to increase local self-reliance and to create job opportunities in developing areas by serving as a valuable tool for use by small business managers and advisors .... This manual describes a bookkeeping system which is contained in a kit, or carrying case, of some kind. There are suggestions in this manual for building one kind of kit, but the system could be used as well in different containers. The important thing is to package the system in some way so that important records are all in one place." The uses of entry books, record-keeping, and

files are explained step-by-step. The booklet includes an annex on business letters and a glossary of business terms, as well as a section on how to use inventory and monthly summaries to pinpoint strengths and weaknesses of a business.

The record-keeping forms explained in this booklet could be stenciled or mimeographed and bound at very low cost. In this way this book-keeping system would be simplified or adapted to the needs of cooperatives, learning groups, and other group enterprises.

**Financial Management of a Small Handicraft Business, Disk 24, File 30-768**, booklet, 37 pages, by Edward Millard, 1987, \$7.95 plus postage From Oxfam Publications, P.O. Box 120, Oxford OX2 7FA, United Kingdom

There are a great many small handicraft businesses in operation today, and most probably suffer from poor financial management. Here is a nice introduction to the proper evaluation of costs and how to think about pricing, two key subjects that are commonly misunderstood. The booklet also discusses working capital (what it is and what it does), profits, and financial planning and decision-making. Whereas these are topics to which whole books have been devoted, this simplified presentation is on the whole a good one, likely to be valuable to any small production-oriented business.

**Stock-Taking, Disk 24, File 30-763**, booklet, 42 pages, MATCOM/ILO, 1979, reprinted 1986, Swiss Francs 5 (US \$3.50) from ILO.

A simple well-illustrated guide for staff of consumer cooperatives or other small stores, this volume describes the importance of counting inventory (stock-taking) on a regular basis. This is an important management technique to quickly identify thefts or other losses, and establish good control over what is happening with the store's stock and assets. Some of the recommendations (e.g., marking down and getting rid of damaged stock immediately after it is discovered) could be particularly beneficial to small family-run stores.