

Small Business as a Factor of Economic Development of the Indian Ocean Islands

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Abstract— The article considers small business as a factor of sustainable development of the economy of the islands in the Indian Ocean. The current situation in the region dictates that an entrepreneur is to become one of the central figures of the market economy on the islands of the Indian Ocean. Without a developed small and medium-sized business it is difficult to talk about the stability of the macroeconomic situation of states. As a result, at the dawn of independence, small business was identified in the islands of the Indian Ocean as the most important sector of the economy. There is no doubt that the economies of many countries of the world rely mainly on small and medium-sized enterprises. The dynamism of the latter determines the evolution of national economies, and as a result, the Indian Ocean Islands have high hopes for developing and improving a small business sector.

Keywords: *the economy of the Indian Ocean Islands, small and medium-sized business, a factor of economic development, entrepreneurial potential*

I. INTRODUCTION. THE CONCEPT AND ESSENCE OF SMALL ENTERPRISES IN THE ISLANDS OF THE INDIAN OCEAN

Small business, as the most mobile, risky and competitive segment in the economy of any country, is one of the leading directions of stable economic growth [14, p. 1-17].

The relevance of this article is determined by a number of circumstances and, first of all, by the fact that an entrepreneur is to become one of the central figures of the market economy on the islands of the Indian Ocean. A variety of entrepreneurship is small business. This form gives the market economy the necessary flexibility, mobilizes significant financial and productive resources of the population, carries a great antitrust potential, is a serious factor in the restructuring and achievements in a number of areas of scientific and technological progress, largely solves the problem of employment and other socio-economic problems of the islands in the Indian ocean. Therefore, the formation and development of small business is the most important task of the socio-economic policy of the state of the islands of the Indian Ocean and an important object of managing the process of transition from the administrative-command system to the market.

More people involved in small business, would result with a more sustainable and healthier economy in the Indian ocean Islands.

The evolution of views on the role and essence of small business is directly related to the concept and content of entrepreneurship.

Generally accepted definition of the essence of the notions "entrepreneur" and "entrepreneurship" that has been proposed in the global practice is till now not clear. As noted by the famous American economist PF. Drucker, "many years have passed since Say introduced this term, and we all continue to be confused with the definitions of "entrepreneur" and "entrepreneurship" [9].

Let us analyse the views of scientists on the phenomenon of "small business".

Small business is a complex and diverse phenomenon, the development of its individual types has a different impact on the economy. It is believed that the essence of the concept of small business at the present stage should be considered from the perspective of spatial economics.

In many ways, the development of economic space, strengthening its unity and integrity contributes to the introduction of a cluster form of business organization, which is associated with the development of the sector of small and medium enterprises around large companies, the creation of new jobs and, ultimately, increasing the innovative potential of the industry, competitiveness and sustainability of the region. In this context, we can refer to the research of F.F. Khamidullina, in which it is visible to us and confirms the importance of small business as a subject of spatial economics: "The economic essence of modern small business is manifested in its dialectical nature and its multi-criteria development, which functions as an independent sector of the economy, with a high degree of uncertainty and risk, the ability to introduce innovation, adaptability to change, high potential for self Itijah et al" [4].

Okpara John & Wynn defines small business as a dynamic, complex, open, active, managed, organizational system. "The essence of the management of such a system is the impact on the managed and control subsystems aimed at the effective achievement of the goal of the

activity by developing this impact and ensuring its implementation” [12].

Anonymous believes that "... over the past ten years, small business has become a special independent socio-economic sector of the economy, in which economic contradictions have become aggravated" [2].

Aswani, Frank substantiates the desirability of analysing the problems of small business development and regional factors of its activation, using the concepts and principles of theories related to understanding the reform process, theories explaining the shift to small-scale production in industrialized countries, theories of entrepreneurship, from this point of view, the establishment of such theoretical approaches can provide spatial economics [3]. In Africa, as in the islands of the Indian Ocean, there is no precise definition of small enterprises. The difficulty of accurately defining the economic reality of African countries is explained by the fact that small businesses are diverse in their economic activity, in their financial resources and the professional skills of employees, through which they shape the economic context of the market, as well as the laws and rules in which it operates [13, p.120].

Commonly encountered definitions are limited by quantitative and legal criteria (general balance, number of employees, management formalism, charter, taxes, formal / informal, etc.). To better understand the definition of small businesses in the Indian Ocean Islands, we will look at the definitions and the laws that define them in some of the Indian Ocean Islands as: Comoros, Madagascar, Mauritius, and Seychelles.

Today, a definition can be given for the division among them in the Indian ocean, in particular Madagascar, the Comoros, Seychelles and Mauritius. But various economic entities of the Indian ocean Islands have come to a common definition: small and medium-sized enterprises are companies with a staff of 10 to 50 people, the annual turnover of which should not exceed 20 million euros (Table 1).

TABLE I. THE CRITERION FOR ASSIGNING AN ENTERPRISE TO SMES IN THE INDIAN OCEAN ISLANDS

	Micro (number of people)	Small (number of people)	Medium
Comoros	1-9	5-10	10-50
Seychelles	1-9	5-10	10-50
Madagascar	1-9	5-10	10-50
Mauritius	1-9	5-10	10-50

The islands of the Indian Ocean have made progress towards achieving the goals of economic development programs and initiatives, including the Comoros, Madagascar, Mauritius and Seychelles, but they are still far from achieving the high results outlined in these initiatives” [15, p. 100].

It can be concluded that when implementing the idea of spatial economic development, small business plays an

important role: small business as a structural and functional element of the national economy, which is a dynamic, self-developing system, has certain strategic advantages, the realization of which contributes to the achievement of the goals of the Indian Ocean Islands sustainable development policies of individual regions and territories.

II. PROBLEMS OF SMALL BUSINESS DEVELOPMENT AND WAYS TO OVERCOME THEM

First, confirm that you have the correct template for your paper size. This template has been tailored for output on the A4 paper size. If you are using US letter-sized paper, please close this file and download the Microsoft Word, Letter file. Small business is one of the most important areas of operation of any economy [6, p.162]. This is especially important for the islands of the Indian Ocean, where the absence of large-scale production should largely compensate for the activities of small enterprises.

The main strategic goal in this area is to ensure sustainable development, levelling the pace and level of socio-economic development of the Indian Ocean islands, as well as levelling the sectoral structure of entrepreneurship.

Improving the institutional environment aimed at creating a middle class through the development of small businesses, including those focused on new technological production, the creation of new jobs, and the improvement of the taxation system.

One of the important points of state support is the provision by the Governments of the islands of the Indian Ocean to small businesses a certain proportion of orders for the production and supply of certain types of products and goods (services) for state needs.

The development of small business will contribute to the formation of chains of related industries. The possibility of providing subsidies to start-up entrepreneurs is one of the serious mechanisms in the development of small business [16].

A system of measures is being developed, aimed at further financial support of small business, stimulating development within the legal economy.

The role of public associations of entrepreneurs is increasing, conditions are being created for their consolidation.

For the effective functioning of small businesses, the further development of the legislative and regulatory framework governing their activities and taking into account the characteristics of small and medium-sized businesses is necessary [10]. Improving the legal framework and legal regulation of business activities should be carried out through a system of laws of direct action, which will create conditions conducive to free enterprise and the elimination of administrative interference in the activities of small businesses.

The small business of the islands of the Indian Ocean is managed by small business development corporations, which are created as joint-stock companies with mixed

capital, formed on a parity basis by the government and the private sector. The corporation aims to:

- Financial support for small firms;
- Providing small enterprises with industrial, commercial and office premises
- Provision of services in terms of training, consulting, information support, marketing, etc.
- Stimulation of interest in the problems of small business
- Protection of entrepreneurs, including through improved legislation

During its existence, corporations have provided small entrepreneurs more than 40 thousand loans worth 1.5 billion rand. Various schemes of financing projects are applied - from mini-loans (100-5000 rand for up to 1 year) to large long-term loans (0.5-1 million rand) for the purchase of land and real estate [1].

Corporate lending policies are based on the provision of loans in cases where access to conventional, banking capital sources is difficult, and on more favourable terms. The loan rate is applied to first-class borrowers (at which large companies receive loans from banks). The requirements for guarantees and security of loans are much milder than usual. The maturity of the loan usually corresponds to the payback period of the project. There is a system of deferred payments.

When deciding on a loan, the employees of the corporation are guided by the ratio of their own and borrowed funds. The entrepreneur must finance at least 25% of the project cost and ensure an increase in the share of equity during the development of the enterprise.

Funds from private shareholders are used for loans to small firms in the formal sector as part of a general financing program. The division into a formal and informal sector is due to the fact that on the islands of the Indian Ocean about 70% of entrepreneurs are street vendors acting without any permission.

The socio-economic development of the Indian Ocean island regions is characterized by extremely low levels. There is practically no engineering infrastructure, housing has been destroyed. Simultaneously, due to poor transport infrastructure, the border regions were largely isolated from the central regions [11, p.75]. Currently, the Indian Ocean Islands have an underdeveloped transport infrastructure (Fig. 1).

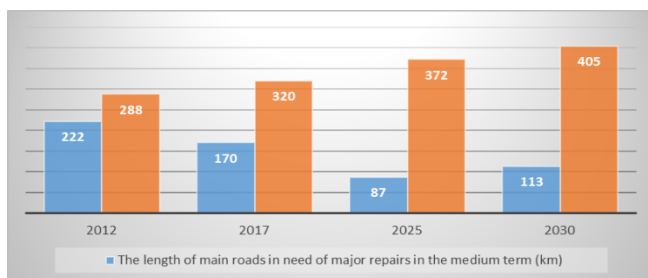


Fig. 1. The length of main roads on the islands of the Indian Ocean (including roads requiring repair, km) [5]

Under current conditions, engineering infrastructure acquires particular importance in regional development. The current state of the engineering infrastructure is characterized by significant wear and tear of equipment, underdevelopment and significant damage to infrastructure, and a lack of qualified personnel. The level of education lags behind the current requirements for the training of specialists.

The system of personnel retraining is underdeveloped. The low professional qualification of unemployed citizens does not meet the needs of the labour market [7].

Also, an acute problem on the way out of the economic crisis is low professional qualifications of citizens. The lack of human resources is associated not only with natural aging, but also with the qualification of labour resources. These processes are aggravated by the departure of part of the active labour force outside of Mauritius. An important problem is the presence of hidden unemployment.

labour According to rough estimates by the Ministry of Economic Development of the Indian Ocean Islands, the economically active population in 2017 was about 40.7%. The unemployment rate (about 15% in 2017) continues to be too high and may lead to a further outflow of the population outside the islands of the Indian Ocean [15, p. 100].

Within the framework of the “Program of Indicators of Entrepreneurship” of the project “Economic Development of the Indian Ocean Islands”, among the decisive factors for entrepreneurial activity were:

1. Regulatory framework and regulatory framework.
2. Market conditions.
3. Availability of funding sources.
4. The level of development and use of innovations and technologies.
5. Entrepreneurial opportunities.
6. Cultural factors.

Based on the foregoing, the priority problem is to achieve an adequate level of socio-economic development of the country - the achievement of a number of strategic goals, determined by the resource potential of the region, capable of ensuring sustainable development in the future [8, p.70]:

1. In the economic sphere: ensuring orderly and relatively sustainable development and structural modernization of all sectors of the economy of the Indian Ocean islands and the competitiveness of national products on the domestic and international sales markets.
2. In infrastructure: the development of engineering and transport infrastructures of the islands of the Indian Ocean to the level necessary to ensure sustainable socio-economic development of the country as a whole and a high quality of life of the population in the long term.

3. In the social sphere: creating conditions for the gradual growth of the welfare and social development of the population of the islands of the Indian Ocean based on the country's resource and cultural potential.

4. In the institutional environment: the creation and improvement of the institutional conditions for the sustainable development of the islands of the Indian Ocean, expressed in the form of the adoption of laws and other legal acts, the formation and regulation of the necessary state and market development institutions.

Of particular importance in the regional development is engineering infrastructure. Its current state is characterized by significant wear and tear of equipment, underdevelopment and significant damage to infrastructure, and a lack of qualified personnel.

However, significant changes are observed in this area:

- the amount of financial resources for the repair and maintenance of roads increases annually;
- all components of the engineering infrastructure are formed.

The goal is to form and develop an extensive network of communications, including communications, improvement of the technical condition of existing roads, modernization of postal communications.

III. CONCLUSION

In conclusion, we can draw the following conclusions:

1. When implementing the idea of spatial economic development, small business plays an important role: small business as a structural and functional element of the national economy, which is a dynamic, self-developing system, has certain strategic advantages, the realization of which contributes to the achievement of the goals of the state social and economic policy of sustainable development of the Indian Ocean islands.

2. The development of small business is one of the most effective areas of economic growth in the islands of the Indian Ocean in the near future, but factors such as:

- * Corruption
- * Low staff qualifications
- * Limited access to financial resources
- * Limited number of small business support programs

3. The first priority is to achieve the proper level of socio-economic development of the country - the

achievement of a number of strategic goals, determined by the region's resource potential, capable of ensuring the sustainable development of the Indian Ocean islands in the future.

4. For the economy of any country, the activity of small firms is an important factor in increasing its flexibility. According to the level of small business development, experts even judge the country's ability to adapt to a changing economic environment.

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