

B. H. Kinsey. *Agribusiness and Rural Enterprise*. London: Croom Helm Ltd., 1987. 223 pp. ISBN 0-7099-1558-6. Hardbound. £25.00.

The emphasis on rural employment generation as a means of poverty alleviation has brought about an increasing focus on the promotion of agribusiness and rural enterprises during the last few years. The concern about the distribution of the benefits of economic growth has further heightened its importance. The debate, which centred on the apparent trade-off between economic growth on the one hand and social equity on the other, was fuelled by the apparent "urban bias" of the strategies adopted in a majority of developing countries, and by the fact that poverty tended to be concentrated in the rural areas. The book under review, which the author terms in the "Preface" as a "manual", "is designed primarily for planners, public administrators, and project personnel in countries or international agencies implementing or considering a development strategy in which agribusiness and rural enterprise projects are viewed as desirable as a policy instrument for generating employment and income". The underlying premise is that a diverse and scattered but overwhelming evidence exists here of labour-intensive, small-scale, and relatively efficient enterprise system, the expansion of which would have a favourable impact on the employment and incomes of the rural landless and poor and provide beneficial linkages to the small-farm sector. There is a need, therefore, to distil from this evidence the lessons in project identification and design and implementation in order to achieve both growth and equity at the same time.

The book under review is, in fact, based upon a reference manual prepared for the Agribusiness Division of the Office of Agriculture of the United States Agency for International Development (USAID). There are eight substantive chapters in the book, with a short introduction and a summary adding upto a total of ten. These are followed by an extensive bibliography and a detailed index. Following the public policy overview of projects that can be classified in the category of agribusiness and rural enterprise (Chapter 2), Chapters 3 to 9 are cook-book steps in the project cycle: from designing such projects (Chapter 3), developing a profile of such a system (Chapter 4), preliminary analysis and project identification (Chapter 5), and examining project potential and feasibility (Chapter 6) to the benefit-cost analysis (Chapter 7) and implementation monitoring and evaluation (Chapter 9). There is a separate chapter on the options for data collection for such project analysis (Chapter 8). Each substantive chapter is followed by detailed notes, elaborating the concepts used.

The most interesting chapter in this book is the second chapter, which lays out the fundamental concept connected with the small- and medium-size rural enterprises (SMREs); their role; the selective support for the development of such enterprises; the problems common to these; and the policy framework. It elaborates on

the working definitions for not only the terms "agribusiness" and "the rural enterprise", which are related to their non-metropolitan spatial location, but also on the definition of "small". The book argues for a three-dimensional working definition of small and medium enterprises based on the number of workers, fixed assets, and labour intensity. While any such classification is liable to be arbitrary, the focus is on capturing those types of agribusiness and rural enterprises that have the largest potential for the achievement of simultaneous growth and equity. The author warns against the possibility of making such definitions too loose because of the tendency for larger enterprises in nearly all countries to be more agile in obtaining scarce resources, money, and other assistance. The definition, adopted in this book, which is based on such a classification, per force leads to the inclusion of a substantial proportion of service sector enterprises located in the non-metropolitan areas.

According to the author, there are five potential contributions by the SMREs which can make to a country's economy. First, as these enterprises generally tend to be more labour-intensive, they would add to productive employment opportunities. Secondly, as they are based in the rural sector, they would tend to increase the use for labour from the small-farm sector both directly and indirectly through the linkage effect. Thirdly, by increasing the labour force participation and improving income earning possibilities for the small farmers and the landless, they would tend to improve income distribution. In this regard, one of the largest potential contributions of the very small enterprises is to convert the landless labourer families into small-scale entrepreneurs. Fourthly, as these enterprises are based outside the major metropolitan areas, they lead to a decentralisation of industrial development, with the potential not only of improving income distribution but also contributing to the curtailment of rural-to-urban migration. And, fifthly, based on the existing evidence, such enterprises would lead to growth with a more efficient use of the scarce factor of production, i.e., capital. These factors together would enhance both social and economic welfare.

Three factors are highlighted in support of the relative advantage of SMREs vis-à-vis larger-scale operations. These are specific to the location, processes, and markets associated with these enterprises. It is argued that locational influences such as the proximity of markets and high transfer costs, as well as the availability of raw material and localised services to ensure timely and flexible customer contact, tend to favour the SMREs. Such favourable factors with regard to processes include the fact that operations are based on localised skills, which may include craft or precision handwork, the separability of the manufacturing operation, and the fact that most operations require simple assembly, mixing, and finishing. Examples of the market influences favouring small enterprises include differentiated products which have low-scale economies, and the fact that small markets are best served by locally based small enterprise.

The author delineates a number of problems that are common to the SMREs. These include government disincentives such as factor price distortions, excessive rules and regulations, and unfavourable tax and tariff structures. These also include inadequate management skills, lack of appropriate technical information, inadequate marketing skills and markets, inadequate access to credit facilities (aggravated by the bias in most government policies towards larger enterprises), economies of scale in both raw materials and equipment that favour the large-scale enterprises, socio-cultural factors that inhibit private enterprise and initiative, and the lack of appropriate infrastructure.

Some of the important policy areas are also characterised for the project planner who needs to be aware of these prior to identifying optional policy interventions. In this regard, the author identifies credit policy as the primary tool by which adjustments in all factors of production can take place. However, in this regard, the author warns against looking upon the availability of credit as one of the essentials of developing SMREs. He states that such availability may accelerate the growth of these enterprises but should not be placed in the same category as the availability of raw materials and managerial capability, etc. By evaluating credit policy in terms of interest rates, collateral requirements, repayment terms, and the purposes for which loans may be obtained, the policy-maker can highlight the types of credit that may be beneficial for the SMREs. However, the author warns against the use of subsidised interest rates, since the evidence from several developing countries has shown these to be self-defeating. A clear-cut and strictly enforced policy, for treating delinquencies in terms of the renewal, collection, forgiveness, and bad-debt treatment, is preferable both from the viewpoint of the borrower and the lender. The author finds that policies related to promoting different credit channels may be significantly of more importance in providing access to adequate credit supply than are the credit terms. It is suggested that equity participation may be an important alternative to credit for some agro-industrial enterprises and other enterprises embarking on non-traditional undertakings. It is generally advisable to include training and technical assistance for both the borrower and the lender in the credit projects. Moreover, the inclusion of other non-credit services, such as book-keeping assistance or skill-focus training, are generally helpful.

The author also highlights an awareness of agrarian reform and agricultural policy, labour laws and employment policy, internal fiscal and tax policy, marketing policy, regulatory and incentive structures, and industrialisation and international trade policy as the key parameters for the policy-maker involved in devising a strategy for the promotion of SMREs. Since these policies and the environment varies from country to country, these should be evaluated and used according to local conditions for the effective design of SMREs, so as to maximise the benefits to the poorer segments of rural society.

The subsequent chapters present the details of the project cycle and they use standard benefit-cost analysis methodology. Such methodologies are widely available but what makes this book extremely useful is the chapter on data collection for the project analysis of SMREs. As is generally known, the inadequacy and the poor quality of data in most developing countries inhibit effective use of the available methodology. The pros and cons of collecting different types of data are presented here in considerable detail and several alternative sources for each type are identified. There is also an interesting section that evaluates the three different approaches to data-gathering at the enterprise or household level, i.e., recall, record-keeping, and direct observation. This critical evaluation highlights the appropriateness of each for the specific type of data needed.

There is considerable evidence from most developing countries that highlights cases where appropriately designed and meticulously conceived projects proved to be disasters because of inadequate implementation, monitoring, and evaluation. The chapter dealing with these aspects presents a comprehensive but by no means an exhaustive evaluation of such processes.

What is highlighted is the fact that while agribusiness and rural enterprise projects have a great potential for generating growth with equity, considerable care in design, implementation, and evaluation are necessary to achieve their potential. A unique collection of evidence and analysis of available methodologies and policy options for undertaking such an effort is presented in this volume, which is lucidly written in the form of a project manual. It is strongly recommended for policy-makers and researchers interested in the concept of agribusiness and rural enterprise for economic growth with equity.

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