



APDIP

Asia-Pacific Development Information Programme

www.apdip.net

ICT, SMEs AND BUSINESS DEVELOPMENT

Shahid Akhtar

UNDP Asia Pacific Development Information Programme

*Regional Workshop on Capacity Building in Public Policy Issues of
Internet Use for Business Development in Asia and the Pacific
Bangkok, 18 -20 October 2006*

SMEs AND THE POVERTY LINK

“The only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation. In developing countries, SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment.”

WHAT IS AN SME?

- ✓ In Thailand SMEs are firms with less than 200 employees for labor intensive sectors and less than THB 100 million for capital intensive sectors; in Indonesia SMEs are firms with less than 100 employees
- ✓ SMEs usually make up a very significant part of the national economy; SMEs in Hong Kong comprise 98% of total manufacturing establishments

ICTs & SMEs – THE LARGER PICTURE

- ✓ Increase efficiency in internal business processes
- ✓ Connect SMEs easily and cheaply to clients and markets, locally and globally
- ✓ Enhance productivity

ICTs & SMEs - THE MORE FOCUSED PICTURE

- ✓ Improve inventory management systems
- ✓ Decrease wastage of in production processes
- ✓ Improve accounting and budgeting practices
- ✓ Reduce communication costs and geographical barriers
- ✓ Expand client base through e-marketing
- ✓ Link to local and global supply chains
- ✓ Facilitate capacity building through e-learning platforms
- ✓ Simplify government processes such as filing taxes
- ✓ Introduce new methods of payment through e-commerce

WHERE DO WE STAND?

Activities are poorly connected and initiatives to provide an environment of self-empowerment and sustainability have been slow to develop - inadequate information, high adoption costs and a poor understanding of the dynamics of the knowledge economy

SMEs are unprepared and are struggling to adapt to the complex demands of the New Economy

This is slowly setting the SME sector in Asia Pacific further apart from their counterparts in developed nations

WHAT ARE COUNTRIES ALREADY DOING?

- Korea, which has 3 million SMEs, provides a web forum for SMEs to showcase products to an international market
- Philippine's is helping to reduce cost of international phone calls by deregulating VoIP
- Singapore subsidizes computer training of SME employees

WHAT CAN GOVERNMENTS DO?

Remove constraints and create an enabling environment e.g. by:

- Targeting entire industries that are most likely to benefit immediately from ICT
- Simplifying registration and other legal processes
- Creating locally relevant resources online
- Creating incubators and science parks
- Providing business skills education
- Providing business consulting services
- Providing SME financing
- Implementing favourable tax and trade policies

CONSTRAINTS FACED BY SMEs IN INTRODUCING ICTs

- ✓ Limited ICT literacy
- ✓ High fixed cost (disrupting existing practices; purchasing new hard/software; IT maintenance)
- ✓ Poor communication infrastructure leading to high costs of accessing ICTs/Internet
- ✓ Inexperience on integrating ICTs into the business process
- ✓ Undeveloped legal policy for electronic payment and security issues

HOW CAN THE UN HELP?

- ✓ By organizing such workshops and more are planned for Kathmandu, Dhaka...
- ✓ By developing and sharing widely the types of self-learning training materials and tools that you are going to help field test here over the next two days
- ✓ By possibly helping to develop the low-cost, turn-key tools that SMEs can use in their day-to-day operations e.g. a FOSS-based 'SME in a Box'
- ✓ By working with local Chambers of Commerce to impart know-how, training, and tools that help streamline SME operations and achieve higher productivity

LEAST SPOKEN ALTERNATIVES

- ✓ Free and Open Source Software
- ✓ VoIP
- ✓ Outsourcing & Shared Infrastructure
- ✓ Online Portals
- ✓ Existing Online Payment Modalities

CONCLUSION

- ✓ ICTs have obvious benefits for the growth of SMEs
- ✓ SMEs in different sectors use ICT differently
- ✓ Most countries still lack a comprehensive and focused approach
- ✓ Governments should embed ICT into SME Policy
- ✓ Willingness of SMEs to integrate e-business practices depends on how they can directly improve their core business