

# PIDP

Pacific Islands Development Program

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**SOLOMON ISLANDS  
BUSINESS SURVEY**

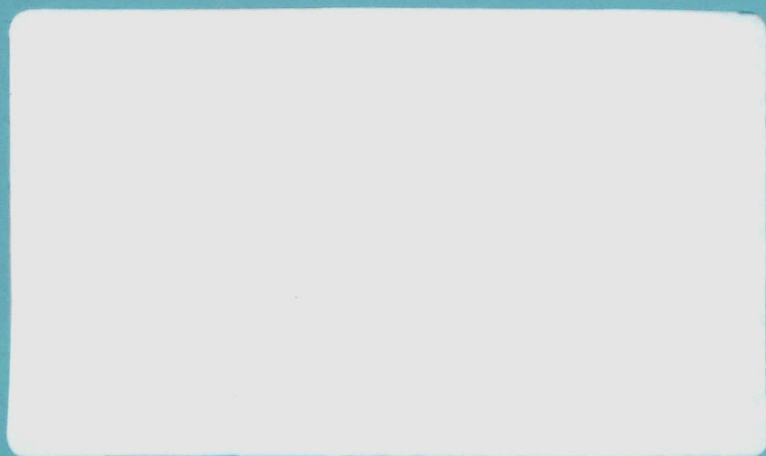
by

**James P. Rizer**



EAST-WEST CENTER





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BUSINESS SURVEY**

**by**

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June 1984

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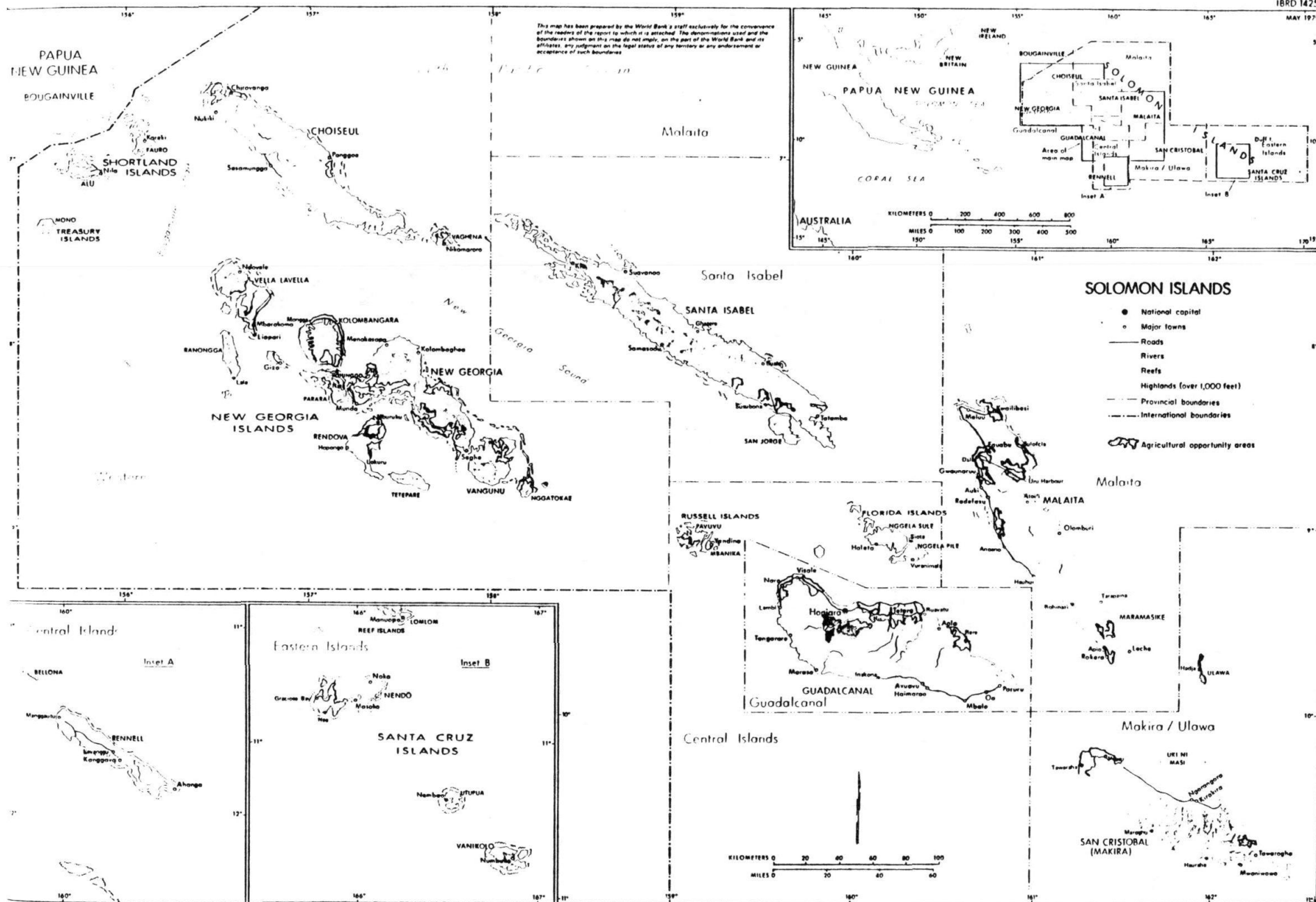
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## LIST OF ABBREVIATIONS

AAGR	Average Annual Growth Rate
ADB	Asian Development Bank
BDB	Business Development Branch
DBSI	Development Bank of Solomon Islands
GDP	Gross Domestic Product
GSA	Government Shareholding Agency
HTI	Honiara Technical Institute
NPF	National Provident Fund
SIBA	Solomon Islands Business Association
SIMA	Solomon Islands Monetary Authority, now the Central Bank
SPC	South Pacific Commission

## NUMERICAL UNITS

1. All figures are metric unless noted.
2. All dollar figures are 1984 SI\$ unless noted. Conversion rate in September 1984: US\$1.00 = SI\$0.77



## PREFACE

Requested by the Standing Committee of the Pacific Island Conference, this survey is part of a two-year project studying indigenous business ventures in the Pacific. The purposes of the project are (1) to analyze indigenous business ventures in the Pacific in respect to identifying the economic and social factors that contribute to the success and failure of such ventures and (2) to recommend policy options and entrepreneurial development and managerial assistance programs that can be readily adapted to the Pacific islands environment. Case studies have been conducted in six countries: Tonga, Fiji, Western Samoa, Solomon Islands, Marshall Islands, and Cook Islands.

The survey of Solomon Islands businesses was conducted during September 1984. Because of certain problems in PIDP and a serious illness, I was not able to return to Honiara to present the results until August 1985. At that time a series of seminars were held, with representatives from government and the private sector, including some of the businesses enumerated in the survey. The seminars focused on the results presented in the executive summary and other major findings.

Between October 1984 and July 1985 the government had taken a number of initiatives to correct problems identified by this study. These included

- Assessment by banking agencies to extend services to outlying areas;
- Assessment to coordinate and rationalize transportation, particularly shipping;
- Development of more sites for businesses in Honiara;
- Development of radio programs on business operations;
- Expansion of training programs for small business persons.

In addition, efforts were underway to increase the use of business advisory services, and the various business associations had increased their role and communication with government. The seminars also produced support for my proposal to establish a coordinating body for business and investment applications. This idea had been considered several years earlier but its implementation had been postponed. With the business sector having experienced considerable expansion since that time, it was now felt that such a body would be viable.

The changes that occurred during the nine-month interlude are important for two reasons. First and most important, they indicate efforts to assist small businesses. Second, they describe the context in which this survey was conducted. This survey is applied (rather than academic) research, and its intent was to provide policymakers with information. While some information has been provided, the policymaker cannot stand still. Thus, the changes described above.

However, from the perspective of applied research, not only the information relevant to today's policy issues has been provided. But also this survey is the first of its kind in Solomon Islands. Thus it falls into the "exploratory research" genre, an effort to establish a baseline from which "holes" in the data can be discerned and corrected by subsequent studies. Some of these "holes" are discussed in Appendix A; they are more apparent in Appendices E through L; which present the complete data set.

So while some "holes" exist and additional efforts to assist small businesses have been made, this survey hopefully retains some usefulness in its description of Solomon Islands business owners and their business environment. The views expressed in this report are mine alone.

Jim Rizer  
September 1985

## ACKNOWLEDGMENTS

Mathew Abel, principal commercial officer, Business Development Branch BDB, devoted considerable time and energy to assist with the coordination and execution of this project. Tony Makabo, also of the BDB, provided comment and critique on numerous occasions.

Field enumerators, Jerome Asipara, Joe Heroan, Cryril Kapu, Jacob Kapulo, Robinson Reusia, and Solomon Wala, all did an excellent job in obtaining the data and assisting in the analysis. They worked quickly and diligently, and without their efforts this survey could not have been conducted.

Lydia Morgan and Forrest Hooper typed the manuscript.

In addition, numerous government and private sector officials in Solomon Islands provided support and advice. Finally, the businesses that agreed to participate in the survey gave freely of their time.

To all of the named and unnamed, thank you.





## EXECUTIVE SUMMARY

This survey has been mandated by the Standing Committee of the Pacific Islands Conference in order to (1) identify the social and economic factors that contribute to the success or failure of a business, and (2) recommend policy options and assistance programs that can improve the performance of small businesses. During the fieldwork a total of 73 businesses were surveyed, representing all of the seven provinces and Honiara; inventories of the economic, physical, and social infrastructures in each province were conducted; and 35 representatives of institutions that are central to business development and the management of the nation's economy (e.g., banks, government departments) were interviewed.

Independent since 1978 Solomon Islands is a scattered archipelago stretching over 1,400 km and encompassing 802,000 km<sup>2</sup> of ocean. Although it has a relatively small population (estimated 1980 population of 228,000) Solomon Islands has one of the world's highest growth rates (3.4 percent per annum). The population is essentially rural, the largest urban area being the residence for only 18,000 people (1979). The economy (estimated 1982 GNP of US\$159 million) has grown considerably over the last decade, but the small cash economy remains heavily dependent on the export of primary products such as copra and logs. However, there has been an expansion of some industries (e.g., tuna and oil palm) that export processed products.

Since its independence private business activity in Solomon Islands has increased significantly, especially in businesses owned by indigenous Melanesians. This increase has followed the expansion of the export base (by value, volume, and product range) and government expenditures on social and economic infrastructures. Continued high economic growth rates will depend heavily on the capability of private businesses to become the main source of economic growth.

Although there are positive signs that the economy and private investors are responding to this challenge, several structural characteristics present considerable obstacles to growth. First, the cash economy remains relatively small and concentrated largely in urban areas or government stations. Second, vertical and horizontal integration is highly limited; for example, valuable indigenous timbers are exported as logs rather than sawn timber. Third, capital formation in rural areas has been essentially limited to major investments by government bodies and foreign-owned companies. Fourth, the skilled work force is in short supply and highly concentrated in the public sector.

Recognizing the potential role that private businesses will have to play in the economy's growth, this study has focused on (1) their problems and needs, (2) identification of characteristics and/or operating methods that facilitate success, and (3) recommendations for practical solutions.

The 73 businesses were interviewed by the field officers of the government's Business Development Branch (BDB), which also assisted in the organization and coordination of the study. Businesses were assessed with respect to the following criteria:

1. Location - rural/urban (including government stations) businesses,
2. Sector - trade/non-trade businesses, and
3. Performance - satisfactory/unsatisfactory businesses (satisfactory business were defined as those that (a) showed profits or were breaking even, (b) maintained stock levels with a steady flow of customers, or (c) were able to make regular loan and/or credit repayments).

The body of the report is broken into four chapters: Financial Infrastructure, Economic Infrastructure, Satisfactory and Unsatisfactory Businesses, and Information Systems and Training. While these chapters discuss data aggregated to the national level, the appendices include presentations of the study's data for each of the provinces and Honiara.

### Recommendations

1. Consideration should be given to establishing a coordinating body for all business and investment applications, a process that also helps to speed up the processing of applications by various agencies.

Findings. A myriad of government incentives exist for businesses, as well as for a host of agencies that are involved with approving various aspects of establishing or expanding a business. These incentives include loans, building permits, and tax waivers. No single body coordinates and provides information or processes applications. We believe that the absence of a coordinating body has had a direct effect on the low utilization rates of government incentives and misinformation concerning them. Misinformation such as "loans are only for the rich" were voiced in the survey. We recommend that consideration be given to establishing a coordinating body for business development.

Rationale. A single agency with sufficient staff and support to meet the businesses' needs in the provinces could greatly simplify government's systems of business incentives and regulations for both Solomon Islands and overseas investors. Such an agency need not take over the functions of the DBSI, BDB, the Foreign Investment Division, and other such bodies. But a coordinating board and agency staff could develop an intimate knowledge of all agencies and organizations offering services, provide valuable feedback to those agencies on needs and problems, and serve as the primary contact for business people.

2. Business associations should be encouraged and supported. They should be structured in such a manner that they are working with government rather than solely representing business interests.

Findings. Although only a few business persons in outlying provinces specifically indicated the need for a business association in their area, nearly all of the surveyed businesses in outlying areas stated that they needed more information about markets, prices, and government programs for businesses.

Rationale. We believe that the number and quality of business associations should be increased. Business associations can act as conduits for information, aid businesses in solving problems, and provide useful input in the design of government initiatives that support the private sector.

Although this recommendation could be a cost-effective measure to compensate for the general shortage of skilled labor, considerable attention would have to be given to changing the current relationship between the associations and government. At present the associations represent business interests; we are suggesting that they act in concert with government to design programs and implement programs that support business development. Aid sources, including chambers of commerce, could be utilized for both funding and organizational support.

3. Study should be made of the rural credit system with special attention given to how and why shares are purchased, anticipated dividends from these investments, alternative investments, and the possible effects of pursuing the investment alternatives.

Findings. Many businesses, especially those in rural areas, make use of an informal lending network. Borrowing from friends and relatives through the traditional cultural system (wantok) and using personal savings are the major sources of capital. Although borrowing from wantoks is often described as the purchase of shares in the business, few dividends are paid to shareholders. Since this study did not concentrate on the rural credit system, we are unable to define the size and velocity of the informal network. However, it appears to be substantial and should receive further study.

Rationale. Currently limited investment opportunities are available in rural areas. The informal rural credit system provides one avenue for investment. However, returns on investments are limited, which could indicate that the informal system might contract if returns do not increase. The system could also contract if rural residents are offered other avenues for investment, such as through the Government Shareholding Agency (GSA). A contracted informal credit system could have a considerable impact on rural businesses. The Honiara Technical Institute (HTI) could be considered as a candidate to conduct the study.

4. Banking agencies are currently assessing ways by which they can extend services to outlying areas. These efforts should be supported.

Findings. Although programs have been designed to facilitate businesses in obtaining loans, less than one-half of the surveyed businesses used the Development Bank of Solomon Islands (DBSI) facilities, with an even lower number using commercial banks. Lack of physical access, especially in outlying areas, misinformation, and unfamiliarity with banking agencies' procedures are the primary causes.

Rationale. Two potential benefits are prominent. First, lack of physical access limits loan applications. By making loans more available to suitable businesses, entrepreneurs might be able to expand and/or improve their businesses' performance. Second, regular interaction with

financial services can have a positive impact on business performance through higher operating standards. These potential benefits have to be weighed against the cost of providing banking services where demand will often be uneconomic.

5. Shipping and road transportation require more coordination and rationalization.

Findings. The presence or absence of road transportation was seen as an especially critical problem by rural businesses. Although the number of transportation operators may be excessive in some areas, there is a critical shortage in others. Systemized delivery and collection services were seen as needing considerable attention. Extension and improved maintenance of the road network were also suggested by businesses.

Shipping services were criticized for their infrequency and irregularity. Shipping delays are often crippling to businesses in outlying areas. It would seem that these services need to be coordinated in both the public and private sectors. We included three shipping firms in this survey and found that sufficient working capital is critical. The two firms that underestimated the requirements were having problems while the third firm was operating successfully. Training for marine engineers was identified as a specific need by the shipping firms.

Rationale. Few of the surveyed businesses indicated that government should increase the size of its fleet or become a trucking operator. Most of the surveyed businesses preferred private sector ownership. However, the businesses stated that government should become more involved in regulating the transportation sector so that collection and delivery can be regularized. Existing agencies, including provincial administrations, and transportation operators should be able to design the necessary programs.

6. Demand for engineering and repair services and warehouses should be assessed. Potential for bulk purchases of goods by warehouses should be one consideration while ownership of them and engineering and repair services should be another.

Findings. None of the surveyed businesses described engineering and repair services as a priority need or the lack of them as a problem that constrained their business operations. Of interest, however, is that of the four repair businesses included in the survey, three were operating satisfactorily. These three all were involved in machinery repair, including outboard and diesel engines. The fourth, which was having problems, repaired electrical items in a small market area. The success of the businesses that were dealing with machinery would seem to indicate that a considerable demand exists for these services that may not be recognized in certain areas.

Warehouses in outlying areas could help to alleviate the problems caused by shipping delays. Entrepreneurs in the Eastern Province were especially critical of shipping services and felt that common storage facilities would help to remedy the problem. Common storage also could enable larger bulk orders, which would decrease unit costs.

Rationale. Both engineering and repair services and storage facilities are integral components of the economic infrastructure. While we did not attempt to estimate the demand for these services and recognize that they may be unviable in certain areas, there could be areas where they would be viable or where alternatives may be found. Public Works, BDB, possibly the business associations, and HTI could assist in assessing the demand for these services.

7. Availability of sites for businesses, especially in Honiara, should receive particular study.

Findings. Sites for businesses is a complex issue and is locale-specific. Although only 18 percent of the surveyed businesses considered lack of a suitable site to be a major constraint, 91 percent were in urban areas and 55 percent (one out of every three businesses surveyed) were in Honiara alone. In Honiara the issue revolves around access to prime locations for retail operations. Indigenous Melanesian businessowners were especially vocal, stating that they could neither obtain prime sites nor afford them. Although the survey did not attempt to validate this claim, we reviewed the ownership of all commercial and industrial sites in Honiara and estimate that only 9 percent are owned by indigenous Melanesians. This subject requires further attention.

Rationale. While the data indicate that the situation needs to be studied, this issue seems to have some potential to become explosive and thus harmful to general business development. While we cannot offer solutions other than dialogue between government and business owners, we can easily foresee schisms among the business community if the issue is left unattended.

8. Consideration should be given to linking loan approvals and using business advisory services.

Findings. Satisfactorily operating businesses make more use of business advisers. Although this is not surprising, of interest is the range and types of sources of advice that they used. For example, one rural entrepreneur sent all of his records and receipts to a private accountant in Honiara who sent back a monthly living allowance, with the profits either put in a savings account or reinvested in expansion of the business. Another entrepreneur who recognized his limited ability with math had his uncle maintain the accounts. We highlight these cases because although the entrepreneurs lacked specific skills they were able to overcome the problem by finding alternatives. The leading sources of advice were the BDB and private accountants.

Rationale. While this recommendation may be difficult to implement, a relationship seems to exist between well-run businesses and the use of advisers. One especially sensitive area was that those who did not use advisers often underestimated their working capital requirements. Thus an increased use of advisers would seem to be one method of improving business performance, including loan repayments.

9. Regular radio programs should be established that discuss: (a) how and why businesses operate, (b) how and why banks operate, (c) government incentives, and (d) retail price information.

Findings. If we had to identify the key problem faced by businesses as well as their first priority need, we would say without hesitation that it is information. We define information quite broadly to include, for example, how and why banks operate, which overseas supplier has the best prices for wholesale shipments of tinned beef, the daily cash-flow records of a trade store, and how to obtain a tax holiday. Data indicate that these four topics require more publicity.

Rationale. While the areas outlined are intended for business owners, they could also provide useful information to the general population. The radio is a cost-effective means to publicize the information.

10. Regular training courses on starting a business and bookkeeping should be held in outlying areas. This could be implemented through a mobile training unit.

11. Training in the use of credit, business planning, and marketing could be held on a trial basis in Honiara.

Findings. With respect to training programs for entrepreneurs, we have identified five key subjects for which courses could be mounted: (1) starting a business, (2) bookkeeping, (3) the use of credit, (4) business planning, and (5) marketing.

Rationale. While the first two courses are relatively basic and generally needed the latter three courses are more advanced and specialized. We suggest that the first two courses could be conducted in all of the provinces on a regular basis by a mobile training team. The more advanced courses could be held in Honiara on a trial basis. The BDB should coordinate the courses and implement a follow-up program for course participants.

12. With the prospect of a gold mine being developed at Gold Ridge--one of several large projects including the new port at Noro--a high-level post should be established to be concerned exclusively with assessing potential business spin-offs, as well as designing implementation strategies to maximize opportunities.

Rationale. Currently no one has assumed this role and without the creation of such a post in the near term, major opportunities for businesses will be lost to overseas companies.



## Chapter 1. INTRODUCTION

Requested by the Standing Committee of the Pacific Islands Conference in 1980, this study of small businesses in Solomon Islands is designed (1) to identify the social and economic factors that contribute to the success or failure of a business, and (2) to recommend policy options and assistance programs that can improve the performance of small businesses. A particular emphasis has been given to studying the strengths and weaknesses of businesses owned by indigenous Melanesians. This emphasis reflects a current and projected increase by indigenous Melanesians in the ownership and operation of small businesses, especially in the rural areas.

Questionnaires were administered to 73 businesses, over 80 percent of which were owned by indigenous Melanesians. The questionnaire details:

1. Socioeconomic characteristics of the business owners,
2. The structure and operations of businesses,
3. The problems and needs of businesses,
4. The use of incentives by businesses, and
5. What the owners and operators perceive as being major reasons for a business' success or failure.

The results have been tabulated for each of the seven provinces and the national capital and main urban center, Honiara, with respect to: (1) urban and rural businesses, (2) trade and nontrade businesses, and (3) businesses that have been assessed to be operating either satisfactorily or unsatisfactorily.

Additional data have been collected via an inventory of the economic, physical, and social infrastructure necessary for business development in each province. Complementing the questionnaires and the inventory, 35 interviews were conducted with individuals from both public and private sector organizations who have central roles in managing the economy. These people included officials of business associations, chartered accountants, bankers, and the government department heads responsible for economic development.

The survey was conducted by six field officers of the Business Development Branch (BDB) of the Solomon Islands government; the Pacific Islands Development Program (PIDP) and the BDB coordinated the survey.

### Solomon Islands: Overview of the Business Environment

Prior to independence (1978) business activity in Solomon Islands was limited and dominated by foreign-owned companies in the plantation agriculture sector and non-Melanesian traders. Since independence the number of companies operating in Solomon Islands has grown significantly, especially those owned, either partially or totally, by citizens.

Increased ownership by indigenous Melanesians has been especially pronounced and has resulted in the expansion of business activity to rural areas. Much of this growth can be attributed to government programs and projects that have been aimed at (1) increasing the size and broadening the range of economic production activities, especially natural resource based, such as cocoa planting schemes, and (2) rural development.

With rising budgetary costs, government's ability to continue as the major engine for growth is constricting. Although some government projects are yielding dividends many projects, for example, infrastructure, have longer gestation periods that will not produce results in the near future. Thus for economic development to continue private business activity and investments will have to expand considerably.

Several factors have necessitated government investment in longer term projects and have limited the expansion of business activity to date, including:

1. Physical Distribution. Solomon Islands is a scattered archipelago stretching over 1,400 km and encompassing 803,000 km<sup>2</sup> of ocean, which has necessitated considerable investment in widely dispersed transportation and social services.

2. Population Size and Distribution. Although Solomon Islands has the third largest population in the Pacific (estimated 1980 population of 228,000) and one of the world's highest growth rates (3.4 percent average annual growth rate [AAGR] for 1976-81) the population is still relatively small (i.e., a small internal market) and is located mostly in small villages that are widely scattered over 29,000 km<sup>2</sup> of land and dozens of islands. There are few urban areas with Honiara being the largest and the residence for only 18,000 people (1979). Small diffused population concentrations reduce economies of scale.

3. Economic Production. From 1973 to 1978 real Gross Domestic Produce (GDP) increased at a 7.4 percent AAGR. This slowed to 2.2 percent AAGR for 1978-81, with real decreases in 1980-81. These fluctuating rates reflect a dependence on primary products such as copra and logs, which are highly vulnerable to world price changes. Although diversification, for example, into oil palm, has had some positive impact the economy's current buoyancy is directly attributable to higher world prices, especially for copra.

4. Openness of the Economy. Even with higher prices trade generally has declined since 1979. This reflects the huge oil price increases of 1979 and 1980. Solomon Islands is totally dependent on imported mineral fuels for electricity production and inter-island transportation. In 1981 total imports (c.i.f. value) equaled 57 percent of GDP, exports (f.o.b. value) 42 percent of GDP, and the trade deficit 16 percent of GDP. Imported inflation accounted for roughly two-thirds of the 1981 14.5 percent increase in the Honiara Retail Price Index.

5. Structure of Economic Activity. At the time of the last census (1976) only 16 percent (16,410) of those aged 15 and over were employed in formal wage and salary employment. Nearly one-third (30 percent) of these

people were in Honiara and over 40 percent were in government. These figures reflect a small market. With nearly 50 percent of the total work force involved in subsistence production and producing copra, the size of the market is small and fluctuates dramatically (due to copra prices).

6. Distribution of Income. The last household income survey (1974) indicated that 14.2 percent of all households reported no cash income. In one district only one percent of the households reported no cash income while another district reported 25 percent. Average cash income per capita varied between districts by a factor of 3.7. These figures also reflect a small market as well as one that is unevenly distributed in terms of both location and income classes.

7. Lack of Skilled Labor. Although literacy rate figures vary widely (the Asian Development Bank [ADB] estimated 13 percent literacy in 1980 while the South Pacific Commission [SPC] indicated that 49 percent of the 1976 population was uneducated), the number of people who have been educated at the secondary school level is limited and even fewer have received technical or tertiary education. Although this picture is changing, the bulk of the work force remains largely unskilled.

8. The Politics of Independence. During one of the interviews with the institutional representatives (described above) a high-ranking expatriate civil servant who has been working in Solomon Islands since the early 1970s stated that "Until just prior to independence there had been little attention given to developing a skilled indigenous civil service by the colonial administration." If this legacy is correct, one can assume that with independence Solomon Islands has had to evolve development plans and objectives and manage a small open economy during turbulent times without the necessary resources. Of course, one could argue that even a highly skilled bureaucracy does not mean positive results as indicated by the, at best, fluctuating economies of the United States and the United Kingdom. The point is, however, that the machinery to plan and implement a positive environment for economic development was not established, if this person's views are accurate.

A second political issue is that of decentralization. Prior to independence there were four administrative districts. With independence there are seven provinces (plus the capital) that for the most part, reflect major islands or groups of islands. Decentralization efforts reflect an attempt to channel decision making to structures that more accurately represent traditional social organization. Traditional organization is based on land ownership by extended families. This type of organization, in the context of widely scattered islands and many diffused, often isolated, villages, has facilitated the evolution of roughly 90 dialects and considerable cultural variations. Decentralization is seen as a vehicle to enable traditional decision making and national economic development to occur simultaneously. Although decentralization may be an essential component of development it will be some time before it pays economic dividends.

Thus we find businesses operating in an environment that is dominated by external factors (e.g., openness and vulnerability to price fluctuations), historical patterns of development (e.g., small, dispersed

villages), a somewhat difficult colonial legacy (e.g., lack of skilled labor), and attempts to combine traditional decision making with national economic development (e.g., decentralization). All of these factors in one form or another, present hurdles to the expansion of business activity.

However, there also are positive signs that (1) businesses are succeeding, (2) the market and economic production are increasing, and (3) more resources are being utilized in a more efficient manner.

Lending by banks is increasing and services are being extended to rural areas. The performance of investments by the Government Shareholding Agency (GSA) and the National Provident Fund (NPF) have been positive. The development of a new port and fish cannery at Noro, the extension of agricultural schemes, and the possibility of a gold mine being opened on Guadalcanal all portray optimism and growth. This optimism and recognition of growth potential is manifested by the actions of individual business owners: their numbers are increasing, they are entering new sectors of activity, they are utilizing forms of financing that range from the solicitation of funding through the traditional social organization to joint ventures with large foreign companies, and they are becoming more vocal and articulate with respect to the type of environment in which they wish to operate.

Thus the environment has its share of problems as well as individuals, organizations, and structures that are solving them. In this vein this study has been conducted with the aim of contributing to the problem-solving process.

### Organization of the Report

Aside from the brief introductory chapter, the body of the report highlights the major findings of the study and is organized in the following manner:

Chapter 2: Financial Infrastructure

Chapter 3: Economic Infrastructure

Chapter 4: Satisfactory and Unsatisfactory Businesses

Chapter 5: Information Systems and Training

The body of the report is purposely limited with respect to statistical data. Rather, the study's data are utilized to discuss major issues. Detailed statistical presentations are in the appendices for each province and Honiara. Tables 1 and 2 show the surveyed businesses with respect to industry, province, and major variables.

Table 1. Number of Businesses Surveyed by Main Activity and Province

Province	INDUSTRY TRADE				NON-TRADE							Total
	Retail/ Whole- sale/ House- hold Goods	Clothing Stores/ Tailor	Food	Personal Services	Tourist- related Stores	Accomo- dation	Building Construc- tion and Repair Services	Business Services	Manufac- turing	Transpor- tation	Agricul- ture	
Santa Ysabel	4	-	-	-	-	-	1	-	-	-	-	5
Central	4	-	1	-	-	-	-	-	-	-	-	5
Maleita	-	-	2	-	-	-	2	-	1	-	1	6
Makira/ Ulawa	9	-	-	-	-	-	-	-	-	-	-	9
Eastern Islands	8	1	1	-	-	1	-	-	-	-	1	12
Western	4	1	-	-	-	1	2	-	1	1	-	10
Guadalcanal	6	-	-	-	-	-	-	-	-	-	-	6
Subtotal	35	2	4	-	-	2	5	-	2	1	3	53
Honiara	3	2	1	2	4	-	2	2	2	2	-	20
Total	38	4	5	2	4	2	7	2	3	3	3	73

Table 2 Surveyed Businesses by Major Variable and Province

Province	Urban: Rural		Sector		Performance	
	Urban/ Government Station	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	2	3	4	1	5	0
Central	5	0	5	-	3	2
Malaita	4	2	2	4	5	1
Makira/ Ulawa	3	6	9	-	4	5
Eastern Island	7	5	10	2	10	2
Western	10	-	5	5	5	5
Guadal- canal	-	6	6	-	3	3
Subtotal	31	22	41	12	35	18
Honiara	20	0	12	8	14	6
Total	51	22	53	20	49	24

## Chapter 2. FINANCIAL INFRASTRUCTURE

This chapter highlights issues relating to the institutionalized financial infrastructure, with sections on commercial and development banks, business advisers, office supplies, and business associations. However, in the "Overview" the noninstitutionalized, or informal, financial infrastructure is emphasized. In a small developing economy this informal system plays a vital role in the establishment and expansion of commercial activities, especially outside of the main urban centers. Our data corroborate this view.

In this chapter we have not attempted to deal with all of the issues. For example, we do not discuss the reasons that so few businesses utilize government's tax incentives because this will be discussed in the chapter on information systems and training. However, we discuss certain aspects as to why (and why not) banks are used for business loans.

### Overview

In general, financial and office support systems are limited outside of Honiara. Although this is hardly surprising, it has major implications. Obviously this limits an entrepreneur's access to and use of a range of support systems, including credit and business advisers. However, this has led to the institution of creative measures to enable the use of Honiara's resources including, for example, accountants by rural entrepreneurs (see section on "Accountants and Business Advisers" below). Yet these measures tend to increase dependence on transportation and communication systems, which are often irregular or inadequate.

However, dependency on weak transportation or communication links is only one part of the equation. We believe that the absence of regular interaction between business persons and a comprehensive financial infrastructure can limit their performance and encourage the imitation of business practices that are beneficial neither to the business nor the consumer. For example, in 1981 the Statistics Office conducted price surveys of 52 basic items throughout Solomon Islands that showed that prices for, say, salt varied between \$0.30 and \$0.35 (average \$0.33) per kg in Honiara while in the Western Province prices ranged from \$0.30 to \$0.80 (average \$0.55) per kg. What factors cause these price variations? Transportation and lower sales volume (i.e., economies of sale) are inadequate explanations. We believe a more substantial factor to be that many businesses do not know pricing systems, and without regular contact with knowledgeable people these practices will continue. The result is higher prices for the consumer, which in turn, in cash-poor areas, should mean reduced sales volume for the entrepreneur.

We cannot pretend to offer a ready solution to the above problem. However, the absence of a knowledge base and suitable business models has to be seen as affecting the expansion of indigenous business activity outside of Honiara. This view echoes that given by the interviewed institutional representatives who stated that business role models (for



indigenous Melanesians) were lacking. One of the people interviewed went on to say that some of the expatriate business persons were in Solomon Islands because they had failed in Papua New Guinea, Fiji, or Australia.

On a more positive note, the use of lending institutions is increasing throughout the country. Furthermore, the number of small (under \$2,000) loans has increased, which reflects increased business activity. The DBSI is especially responsible for this success. In our survey we found that 37 percent of all urban and 27 percent of all rural businesses had received DBSI loans.

Table 3 depicts selected components of the financial infrastructure with respect to problems, needs, and the use of government's contributions.

Table 3. Financial Infrastructure - Problems, Needs, and Use of Government Support - Rankings by Business Operators (% are shown in parenthesis and are based on the number responding to the question)

By Type of Business Problems, Needs, and Use	B U S I N E S S						Institu- tional Represent- atives
	Urban	Rural	Trade	Non- trade	Satis- factory	Unsat- isfac- tory	
Finance							
- Problem (lack of capital) <sup>a</sup>	1 (61%)	1 (70%)	1 (57%)	1 (45%)	1 (57%)	2 (46%)	10 (23%)
- Need <sup>b</sup>	2 (50%)	1 (42%)	2 (39%)	2 (41%)	2 (49%)	2 (62%)	9 (23%)
Business Advisers							
- Need	5 (11%)	4 (16%)	6 (12%)	6 (9%)	7 (12%)	5 (12%)	1 (97%)
Financial Services							
- Need	5 (11%)	6 (5%)	6 (12%)	6 (9%)	5 (14%)	6 (8%)	1
Use of Government Support Systems							
- Capital (loans from DBSI)	1 (49%)	2 (45%)	2 (27%)	2 (27%)	2 (31%)	1 (33%)	Not applic- able
- BDB (advisers)	2 (36%)	1 (85%)	1 (29%)	1 (27%)	1 (41%)	2 (17%)	
- Cooperatives (advisers)	5 (10%)	3 (31%)	3 (15%)	- (0%)	5 (8%)	7 (4%)	
- Taxes	3 (18%)	4 (8%)	4 (6%)	3 (14%)	5 (8%)	3 (12%)	

<sup>a</sup>Problems were ranked on a scale of 1 to 10.

<sup>b</sup>Needs were ranked on a scale of 1 to 6 by urban and rural businesses, 1 to 7 by trade and nontrade businesses, 1 to 11 by satisfactory and unsatisfactory businesses, and 1 to 9 by institutional representatives.

<sup>c</sup>Use of government incentives was ranked on a scale of 1 to 5 by urban and rural businesses, 1 to 4 by trade a nontrade businesses, and 1 to 8 by satisfactory and unsatisfactory business.

<sup>d</sup>The different rankings were based on frequency of response; the questions were open-ended and did not detail options.

Rankings are shown for the various types of businesses (e.g., urban and rural) as well as for the institutional representatives. The differences between institutional representatives and the entrepreneurs are immediately apparent: they are in total opposition. However, it should be stressed that the rankings are based on the frequency of response and that intensity (severity) measures were not attempted.

Although we give more attention to the variation between institutional representatives and the entrepreneurs below (see "General Comment on Lending Institutions"), several issues should be raised. First, the wide difference is an extreme case; in most instances the entrepreneurs and institutional representatives were in agreement. For example, both groups felt that lack of management skills was a fundamental problem that needs correction.

Second, we believe that the current buoyancy of the economy has created an optimistic atmosphere. Although both the institutional representatives and the entrepreneurs agreed on this, the institutional representatives were more cautious because they see copra prices falling and slower economic growth. The views of the business owners can be typified by the data on urban and rural businesses. For example, of the 58 businesses responding to the question 78 percent had either "positive" or "satisfactory" impressions of the economy's performance. This was true in both rural and urban areas (both 78 percent). The major exception was in the Western Province, where 60 percent of urban businesses had either "mixed" or "negative" views of the economy. Of the 50 businesses responding to the question on future plans for the business, 85 percent of urban and 91 percent of rural businesses planned to either maintain current levels of operation or expand. However, 91 percent of rural businesses planned expansion as opposed to 36 percent of responding urban businesses. Nine percent of rural businesses planned to contract whereas 15 percent of urban businesses planned to contract or dissolve.

We believe that this positive view of the economy and the desire to expand, which implies a strong presence of entrepreneurial behavior, represent a high demand period for capital as business owners seek to maximize returns in the near term. Whether or not expanded levels of operation can be maintained is another question. However, it must be stressed that the juxtaposition of institutional representatives displaying cautious optimism and entrepreneurs seeking higher returns is not unhealthy. Rather, both are doing their jobs: one is attempting to build and maintain a stable economic climate while the other acts the part of a dynamic force in trying to lead economic growth.

A third issue is the source of capital, especially initial or start-up capital. The survey determined that satisfactorily operating businesses made more use of self-financing schemes than unsatisfactorily operating businesses. This was especially true for smaller operations and businesses outside of Honiara. Although these businesses utilized both commercial and DBSI lending facilities they were able to generate a considerable portion of capital from their own sources. For example, we found businesses in which entrepreneurs used personal savings that were accumulated through wage and salary employment as initial capital. This was also true for working capital, as in the case of a trade store in Saint Ysabel in which

the owner invested copra earnings in his business. It was not uncommon to find businesses acquiring some capital through the sales of shares or by borrowing from friends and relatives.

Since the most common source of capital was through a combination of personal savings, sales of shares to friends and relatives, and borrowing from friends and relatives we believe that the non-institutionalized credit system is very active. This system relies heavily on friends and relatives (the extended family) or the wantok system. We have been unable to completely isolate the total role of the wantok system, especially, for example, the number of times an entrepreneur requests support and is rejected. However, the data suggest that the wantok system is a viable source of funds.

A major source of expansion and/or working capital was profits. Of the 24 businesses that declared profits, 63 percent reinvested them in the business and an additional eight percent saved them for future use. Only four percent stated that profits were paid to shareholders.

The use of internally generated funds for reinvestment is clearly positive behavior. Short-term needs may require that shareholders cannot be paid dividends. This again can be positive behavior. However, problems could result over the long term if dividends are not paid. With cash generally in short supply in rural areas, potential shareholders may decide against participating in an investment if returns are distant or nonexistent. Two fundamental questions are: (1) do shareholders expect dividends or do they see their shareholding as a "gift" to an extended family member? and, (2) are there other investment opportunities for potential shareholders? The first question was not addressed by the survey since we did not conduct any interviews with shareholders.

The latter question cannot be directly addressed based on the available data. However, our data including provincial inventories and interviews with institutional representatives suggest that investment opportunities for small investors are limited, especially in the rural areas. Without increased investment opportunities for the rural population we cannot foresee the development of a strong capital base, except in areas with commercially viable natural resources. A ready solution might be to establish investment programs for small investors through agencies such as the GSA. However, this could also result in a much contracted noninstitutionalized credit system. Simply, this survey was not organized to study rural and/or noninstitutionalized credit systems, which are single studies in their own right. What our data indicate is that the strengths of the noninstitutionalized credit system should be assessed before actions are undertaken that could undermine its viability. However, the lack of investment opportunities cannot be left unattended.

### Commercial Banks

Efforts are being made to extend commercial banking facilities to areas that currently are not receiving service. Proposals include using, say, a trade store as a bank's representative in an outlying area. Procedures for savings and checking accounts appear to be fairly

straightforward. Procedures for business loans (including working and start-up capital) have not yet been set in place. Extension efforts should include a considerable information component, including how and why banks operate and what benefits can be obtained through them.

The study determined that satisfactorily operating business tended to make more use of commercial banking facilities than unsatisfactorily operating businesses. However, the businesses utilizing commercial banks were, with one exception, all in areas that had these facilities (e.g., Honiara, Gizo). Thus lack of physical access is seen as a major constraint.

The businesses utilizing commercial banks also tended to use external advisers, especially private accountants, and have had relevant business or management training and work experience. This suggests that access to information, including knowledge of information sources, is an important determinant in the use of commercial banks.

The size of business loans varied between \$500 and \$40,000, mostly in the \$1,000 to \$5,000 range. Both trade stores and nontrade businesses utilized commercial loans. However, as noted, these businesses were located in areas that were serviced by commercial banks and, again with one exception, in urban areas. In other words, commercial banks have not entered rural areas.

#### Development Bank of Solomon Islands (DBSI)

Use of the DBSI is also determined by physical access. Thus in areas where DBSI branches are established, businesses are making use of them. The survey data indicate that nontrade businesses are more likely to use the DBSI than commercial banks. The sizes of DBSI loans vary far more than commercial bank loans, in one case approaching \$500,000. The data also indicate that unsatisfactorily operating businesses tend to make more use of the DBSI than commercial banks.

#### General Comment on Lending Institutions

Business owners have opposing views on lending institutions. One group, predominantly Melanesian business owners, feels that banks, including the DBSI, do not provide sufficient access to credit and that, specifically, the terms and conditions of loans are too restrictive and severe (e.g., collateral and interest rates) for new or small businesses. The other group, comprised of institutional representatives, believes that credit is readily available provided that sound management of a loan can be demonstrated. Two facts lend support to the latter view: (1) the banks are "flush" with money, due to the economy's buoyancy, and are looking for viable projects to which to lend, and (2) the recently established guaranteed micro-loan scheme enables concessional terms and conditions (i.e., guarantees).

However, the opposing view can also demonstrate validity. For example, in the survey of businesses in the Eastern Province 33 percent of

the entrepreneurs described loans as "being only for the rich." Although one could argue that these business owners are merely misinformed, it is also possible that they are completely uninformed which is questionable. Some publicity has been given to, for example, the micro-loan scheme through the radio and newspapers. However, if we consider all of the information sources utilized by businesses in the Eastern Province then we find that BDB officers are the major and only institutional source of business advice. Although BDB officers have some familiarity with loan applications and lending institutions the field officer who conducted the survey in the Eastern Province had not received loan procedure training or lending institution orientation. Thus this key source of advice had not been fully utilized in his role of extending support to businesses in outlying areas.

### Accountants and Business Advisers

The study determined that satisfactorily operating businesses tended to make more use of external advisers than unsatisfactorily operating businesses. Interviewed institutional representatives stated that the willingness to seek and use external advisers was a key determinant in a business' success. The data indicate that the BDB is the main source of advice outside of Honiara, but in Honiara private accountants will be utilized. No private accountants operate outside of Honiara according to the provincial inventories. Cooperatives officers also were a major source of advice outside of Honiara. In one rural area a business owner utilized his uncle, who was "good in maths" for assistance with recordkeeping and ordering supplies. Another rural businessman sent all of his records and business income to an Honiara accountant, who sent back a fixed monthly living allowance and used the balance to pay off creditors and for savings and other investments. Of interest is that this individual had little education or business experience yet was operating successfully.

Although nontrade businesses make considerable use of accountants and the BDB they also tend to make more use of technical advisers than trade stores. Prominent sources of advice were the Land Development Authority, the Department of Agriculture, the DBSI, and the Public Works Department.

The size of the business also seemed to determine the source of advice. Larger operations in Honiara used international accounting or management firms while small- and medium-sized businesses used either private accountants or the BDB. According to the institutional representatives international firms and local private accountants were not in competition because of this difference.

One aspect of the study that could not fully be determined is whether or not the demand for advisers was being met. The data are ambiguous, there seemed to be some confusion regarding the role of the BDB and, more generally, business advisers. BDB officers assist with loan applications, conduct training programs, and provide advice to individual entrepreneurs. We cannot quantify with any certainty that the number of businesses that do not know of BDB's advisory role, but there were cases where, for example, a businessman who had attended BDB courses said that he still needed advisory

services, which implies that he did not know where to get them. On the other hand, many businesses utilized the BDB for advice.

A complementary aspect to an unknown demand is the timing of advice. As the institutional representatives indicated, seeking advice is a key determinant of a business' success. They also stated that advice is not sought until the business is having major problems, and then it is too late. Thus the above businessman who said that he needed advice may not have come to that realization until he began having problems.

However, we have barely scratched the issue of demand for business advice. We state with little certainty that there could be confusion regarding the BDB's role as an adviser and we must state with even less certainty but with more intuitiveness that a number of businesses, especially small operations, do not know the role of a business adviser. Although this conclusion is not based on the survey some of the institutional representatives seemed to imply this when they stated that a number of people in business do not know how a business should operate. This, again, is an information issue.

A further point on business advisers is the role of the Honiara Technical Institute (HTI), which is expanding its business studies program. The existing program has been complimented by business owners and institutional representatives. Both lecturers and students could serve useful roles in this capacity, if only to conduct surveys so that the use of advisers could be more focused.

### Office Supplies

Stationery that is available outside of Honiara is limited. Office equipment can be ordered by firms outside of Honiara but it is supplied from Honiara. Only in Gizo is there some, albeit limited, capacity to repair office equipment. Honiara is really the only alternative for repair.

One business person who wanted to purchase a personal computer (PC) for business use stated that the import duty on PCs was 30 percent. Customs representatives stated on the telephone that the import tax was only 10 percent. However, this aspect of misinformation is but one problem. A far greater issue is the cost of the PC. We found PC prices to be roughly 50 to 100 percent higher than prices in Honolulu for similar machines. Likewise, software was considerably more expensive than in the United States. We found only two businesses used PCs. We believe that based on size (gross sales) six to ten businesses in the survey probably could use a PC.

### Business Associations

Solomon Islands has three business associations: the Gizo Chamber of Commerce, the Honiara Chamber of Commerce, and the Solomon Islands Business Association (SIBA), which is based in Honiara. Currently, these associations have limited roles, with the Honiara Chamber of Commerce just

becoming active again after a temporary shutdown. According to some of the institutional representatives this largely expatriate organization had "lost a sense of direction," meaning that the self-interests of certain individuals were being placed above that of the organization. The organization has broadened its base to include indigenous Melanesians and is attempting to become more active in community affairs.

SIBA is comprised largely of indigenous Melanesian entrepreneurs. It has become a vehicle to publicly air issues that are felt to constrain their operations, such as loan access. SIBA received compliments from both entrepreneurs and institutional representatives, indicating its viability.

We highlight the business associations for several reasons. First, the associations provide a forum for discussion that can help to shape policy. The evolution of the micro-loan guarantee scheme is an example of this role. Second, the associations enable entrepreneurs to meet and discuss problems and their practical solutions. In a sense, then, a business association can act as a business adviser, which is exactly the way in which one business person viewed SIBA. From this perspective the entrepreneur as a business adviser becomes a successful role model to other entrepreneurs. We agree with the institutional representatives that a successful role model is an important contribution to the development of business activity.

Third, business associations can facilitate problem solving with little additional expense incurred by government or the entrepreneurs. For example, several entrepreneurs in the Eastern Province stated that they would like to see an organization similar to SIBA started there. They indicated the need for a stronger voice (to government) and a means to channel information. This could probably be done without any added cost after an initial start-up period.

If business associations are fully utilized in terms of input to policy as well as the advisory role some consideration will have to be given to blending the objectives of government, the association, and the individual entrepreneur. As evidenced by SIBA we see the business associations representing the interests of entrepreneurs to government. This is similar to the roles that business associations and chambers of commerce play in industrialized nations. While this is positive in one respect we believe that this model cannot be adopted in total. Rather, it would seem to be more appropriate to see greater business association involvement in developing and implementing policy. In other words, consensus should be the objective instead of a "we against them" mentality. The general shortage of skilled and highly educated workers suggests that this could be one method to increase government's pool of skilled professionals without much additional cost. Recognizing budget constraints, it might be possible to fund the establishment of business associations through overseas aid schemes.



### CHAPTER 3. ECONOMIC INFRASTRUCTURE

Described below are key components of the economic infrastructure, including shipping, road transportation, physical sites, repair and engineering facilities, and warehouses. These components affect business performance in varying degrees. For example, shipping is of critical importance in the Eastern Province whereas in Honiara one expects regular calls. Similarly, the importance of traffic thoroughfares to a business' location is greater in Honiara than in Auki, where shops are fewer.

As with the preceding chapter we concentrate on the problems and needs of businesses as elicited in the survey. Additional data are provided by the provincial inventories and, to a lesser extent, the institutional interviews. The survey data, with regard to shipping, includes information on three shipping firms.

#### Repair and Engineering Services

Repair and engineering services are a fundamental part of the economic infrastructure. They are especially important to manufacturing and transportation sectors as well as to other sectors that use machines. Aside from businesses in Honiara and those connected with the tuna industry in the Central Province, services are primarily limited to government dockyards and garages. However, we included several small repair operations in the survey, which will be discussed below.

Before discussing these businesses, two findings of our survey should be mentioned. First, none of the surveyed businesses identified lack of engineering and repair services as a critical problem or felt it to be a priority need. We can only assume that the demand for these services is being satisfied by either existing, often government, operations or by "do-it-yourself" methods. However, this should be balanced by the views of the institutional representatives, who felt that lack of technical services was a major problem and a priority need.

We cannot directly reconcile these two apparently contradictory positions. However, we must note that both the repair operations included in the business survey and the manufacturing operations stated that technical information, especially that related to machinery, was a high priority. The question then arises as to how this information can be passed on. Engineering and repair services are one obvious conduit. It could be that current demand for services is being met but that the demand for these services has not yet been created. In other words, the demand might be there but because the services are unavailable they are not being requested.

It is interesting that of the four surveyed repair operations outside of Honiara, three were operating satisfactorily. These three businesses were all involved in machinery, including outboard and diesel engines. The other repair operation dealt with radios and other electronic equipment. That three were succeeding suggests some support for the notion that there

is a demand for these services but it is not recognized until the service is present.

Since one of the satisfactorily operating businesses is owned by one of the provinces, we will concentrate on the others. The one operation that is not doing well falls into the pattern of others that are operating unsatisfactorily according to the on-site evaluation, which may be summarized as "poor records" and "overextended." The entrepreneur felt that operating costs were too high and payments were too slow in arriving. It could well be that this operation was too specialized for the size of the market. The entrepreneur had received considerable technical training but, in his words, "sorely needed business and management training." Although the company was registered and able to obtain loans, thus implying a certain level of awareness of business operations, it was not succeeding. Our data support the entrepreneur's view that he needs business training. We will add that he could benefit from an adviser--someone to help him organize his accounts and plan his operation.

We emphasize the use of an external business adviser for the simple fact that the other two operations, both of which are operating satisfactorily, use them. These other two operations appear to be similar to the failing operation: they are owned by individuals who have technical training and work experience and they describe the same sort of problems and needs. There are two primary differences. First, the failing operation self-financed (including the noninstitutionalized credit system) only 22 percent of his initial capital, with the rest borrowed from the Development Bank of Solomon Islands (DBSI). One of the succeeding businesses self-financed 100 percent and the other self-financed 74 percent with the rest borrowed from a commercial bank. Second, the succeeding businesses used advisers: one had a bookkeeper while the other sent records to an accountant in Honiara.

We cannot escape from the fact that the failing operation could be offering a specialized service to a small market. Neither can we escape from the fact that the other two entrepreneurs were optimistic, looking for opportunities to expand their businesses, and making money and enjoying it. We believe that their success is due partly to recognizing their market and their abilities, which includes limited business skills. By recognizing their limitations they have found solutions that are working.

### Sites

As noted above, site has different meanings in different areas. Thus the trade store owner in Honiara wants a site that provides maximum exposure to the public whereas a rural manufacturer wants a site that has regular sources of electricity and water.

Government has established industrial estates that are complete with services (e.g., water and power) in the Honiara area. Land has been set aside for additional sites and/or estates.

Our survey found that 18 percent of all the businesses felt that lack of a suitable site was a major problem. Of this 18 percent, 91 percent

were in urban areas and 55 percent in Honiara alone. In other words, one out of every three businesses surveyed in Honiara considered this to be a major problem.

However, we can define this Honiara group even further: the entrepreneurs viewing site as a problem are satisfactorily operating trade store owners and indigenous Melanesians (in one instance a part-Melanesian) from areas other than Honiara and Guadalcanal. Furthermore, they have owned their businesses for three or more years; they are well educated (secondary school and higher); they have traveled, studied, and/or lived overseas; they utilize multiple sources of credit (e.g., self-financing, DBSI, commercial banks); they use accountants and external business advisers; and they have plans to either diversify or expand their business operations. Thus these business owners are the explicit or potential leading Melanesian entrepreneurs in Honiara.

We have presented this profile for two related reasons. First, this group views competition somewhat differently than some of the other entrepreneurs. Although they comment that "there are too many trade stores in Honiara" they do not feel this to be an impossible hurdle for them as entrepreneurs. Rather, they are concerned with competition from non-Melanesians. This directly ties into the second reason, which is the location of the business.

These entrepreneurs believe that non-Melanesians have more centrally located sites. This corroborates the views expressed to the then-Minister of Industries, Commerce, and National Development Denis Lulei in August 1984 on his visit to 20 businesses. In brief, the entrepreneurs in our survey stated that physical expansion was impossible, sites were not readily changeable, and rents were too high. In an effort to verify this situation the Chief Investment Officer provided a memo from the Commissioner of Lands (10 September 1984) detailing the ownership of all commercial and industrial sites in Honiara. Of the 220 sites, we estimate that only nine percent are owned by indigenous Melanesians. Although some of the sites are not owned or are owned by the government, there were many instances in which one person or company owned several sites.

The point is, however, that indigenous Melanesians own few sites. We cannot isolate the way in which the location of a business affects its profitability. We cannot assess whether or not indigenous Melanesians are being denied access to prime sites. These issues were not included in our study. However, we can point out that location can be an important market advantage and that a group of successful entrepreneurs are making exactly this point in saying that indigenous Melanesians are at a disadvantage. The subject could become heated.

### Warehouses

Warehouses are part of the economic infrastructure because they provide storage for goods as well as products to be shipped. We have singled out warehouses because they are closely linked to shipping in Solomon Islands and because they could provide part of a solution to irregular shipping.

The business survey determined that transportation was a major problem, one that grew in proportion to distance from Honiara. Hence all of the businesses surveyed in the Eastern Province stated that transportation was a problem as opposed to 17 percent of the Guadalcanal businesses. Entrepreneurs in the Eastern Province have an interesting solution to this problem.

Several of the entrepreneurs in the Eastern Province stated that a common- or cooperative-type warehouse should be built. By having a common storage facility they would be able to place larger orders and have larger stocks in reserve. This could enable economies of scale, thereby decreasing costs to entrepreneurs, in this case trade store owners and their customers.

However, funding for such an operation would be somewhat difficult. Some of the entrepreneurs felt that government should pay for the building, with the business owners operating it. Others felt that government should also operate the facility, meaning the purchase of supplies in bulk and then sales to individual entrepreneurs. Obviously, further assessment would have to be made before any affirmative action is taken. Of importance is that these entrepreneurs stated that their businesses were affected by a delayed ship or a missed order because they could not keep adequate stocks in reserve. They have suggested a seemingly reasonable alternative.

### Road Transportation

As rated by the provincial inventories and the National Development Plan, 1981-1984 (not adopted), the road network in rural areas is poor. With the exception of Guadalcanal, the road system is not extensive, is subject to interruptions caused by bad weather, and maintenance is difficult.

Rural businesses are highly dependent on road transportation for the supply and sales of products. We found that 55 percent of all rural businesses in the survey viewed road transportation as a critical problem. However, if Guadalcanal is excluded then 69 percent of the remaining rural businesses considered road transportation to be a critical problem.

One of the few rural manufacturers was quite vocal in criticizing the road transportation system, stating that it was not only difficult to receive supplies but that his sales were affected by interruptions. Basically, he had to depend on his own devices to provide transportation. This cost him time and money and took him away from his manufacturing activities. Fortunately his business was doing well and he had his sons working with him so that he could be more flexible. A small marginal or failing business would not have had these resources.

Aside from a more extensive road system, Guadalcanal has a number of trucking outfits. We did not survey any firms that were solely involved in trucking, however, one manufacturer on Guadalcanal also had a trucking operation. The entrepreneur started out in trucking but had moved into manufacturing, which was now his major activity and source of income. This

business was one of the most successful in the survey and demonstrated that good management of one activity could facilitate diversification into another. The business owner used his trucking outfit to supply his manufacturing operation and to deliver his manufactured goods to Honiara. In addition, he delivered supplies to other businesses in the area as well as transporting their goods to Honiara.

We mention this business because some of the interviewed institutional representatives reported that too many trucking firms were operating in and around Honiara, but few of them successfully. Although there could well be problems with duplication or imitation, this business suggests that the entrepreneur who understands the market and his capacity to meet its demand can prosper.

Although the road transportation system was viewed as a critical problem, none of the surveyed rural businesses identified it as a critical need. Rather, capital, training, and information were seen as critical needs. Although this appears to be an inconsistency two points might serve as an explanation. First, road transportation can be seen as a problem, one that affects a business' operations but that can be handled with. Second, it is external to the business whereas capital and training, for example, are direct inputs or requirements.

In summary, we agree with the surveyed businesses that road transportation is a problem. However, the degree to which it is a problem and affects business performance varies between provinces and types of businesses. Rural manufacturing businesses appear to be especially vulnerable since they require a regular two-way (supplies in and products out) system. We have cited one rural manufacturer who had a trucking outfit as a secondary activity. He was successful because he had clearly identified the market. Although this model could be transferred to other areas consideration may also have to be given to a more rationalized system. By rationalized, we mean not only efforts to control reported over duplication, but also a more systemized delivery and collection service. The private sector should be able to produce the entrepreneurs to own and operate trucking businesses but it may require some government initiatives to develop a more coordinated system. If rural business activity is to increase then trucking services will have to improve.

### Shipping

Given the number of islands and their dispersion, shipping is of major importance in Solomon Islands. Our regional inventories indicate that inter-island shipping services to the Central Province are good, mixed but improving to the Western Province and Malaita (by mixed we mean that service may be adequate to Gizo Province, for example, but that certain other areas within the Western Province receive infrequent service), and poor and irregular to Santa Ysabel, Makira/Ulawa, and the Eastern islands.

The state of inter-island shipping is well known. However, we will iterate the point that entrepreneurs, especially trade store owners, in outlying areas consider irregular or inadequate shipping to be a serious handicap. We should also note that the institutional representatives feel

that although the private sector should own and operate shipping lines, whenever feasible, government should assume more of a coordinating role. This position is based on the premise that for certain routes there are too many operators while on other routes there are next to none. In other words, a priority need has been identified by both the surveyed entrepreneurs and institutional representatives to rationalize and regulate shipping services.

Rather than detail the views of entrepreneurs from the various provinces or from trade and nontrade sectors, we will discuss the three shipping operations included in our survey--two are based in Honiara and the third is in the Western Province. Two have ships and other assets valued at approximately \$500,000 while the third has assets valued at approximately \$250,000. One company is operating satisfactorily, one might be termed marginal (although this could be optimistic), and the third is having substantial problems, an unsatisfactorily operating business.

#### A Successful Shipping Company

This company has been operating for four years. It is privately owned and was originally financed by personal savings (five percent), commercial banks (19 percent), and the DBSI (76 percent). Its assets have increased from an initial investment of \$150,000, plus a \$35,000 overdraft for working capital, to \$250,000 today. The company has diversified into wholesale and retail trading and is involved in copra trading.

The owner has a diploma in administration and has worked for a number of years in that capacity. He has traveled, worked, and studied overseas.

He does not use a business adviser or accountant because he feels that he has sufficient skills to manage the company. However, he does stay in contact with people who act as business advisers, including bank officers. Records are up-to-date and kept in a double-entry ledger.

The entrepreneur has made use of government's five-year tax holiday for new industries. He employs over 30 people, mostly on his two ships. He admits, however, that one of his major problems is finding qualified marine engineers. He stated that government should give priority to improving communication and air services as well as road transportation. He feels that an improved road system would greatly increase his business.

This entrepreneur had a very positive view of the economy's future and added that he intended to expand his business. He stated that although government should improve transportation and technical training facilities, he could handle his business affairs and solve most of his own problems.

When asked if the traditional cultural system constrained his business he answered that occasional problems, such as people asking for jobs and money, were temporary and could be overcome. In other words, tradition was not a barrier to success.

In summary, this entrepreneur is confident in his managerial skills and ability to solve problems. He has been able to establish a viable

business that meets the needs of his community as well as those of his family. He has been able to successfully diversify and expand operations.

#### A Marginal Shipping Company

This company has been operating for two years. It is owned by "the people" of one of the provinces. We interviewed the manager, who is fairly young (mid-20's) but well educated, including a university degree in commerce and managerial training overseas. He had also worked as an accountant for four years.

The company has assets valued at \$540,000, financed by shareholders (seven percent) and a DBSI loan (93 percent). The company employs 21 full-time and four part-time people. It does not use a business adviser or an external accountant. This could be important since the manager stated that government's provision for tax holidays for new industries was needed but not utilized. The manager seemed unaware of the tax holiday provision.

Records were kept in multiple ledgers. Although generally up-to-date, detailed current statements were unavailable (or not offered). However, the manager is aware of the company's current situation.

Of note is the manager's view that government is providing insufficient support to the shipping industry and that there was a priority need to rationalize and coordinate the industry. He stated that competition was a problem, including that from government ships. Aside from the need for a tax holiday the manager felt that government should provide overseas training, including day-to-day management experience, technical training in marine engineering, and more capital. However, he also noted that the shareholders, "the people" of the province, have to produce more goods and make more use of the company if it is to become profitable.

We state that the manager's views on government's lack of support are interesting because they provide quite a contrast to those of the owner of the successful shipping company. One sees government as the problem while the other feels that he can succeed independently of government. Also of interest is that the successful owner was a civil servant whereas the manager of the marginal company had only worked in business. This might indicate that the successful entrepreneur is more aware of government's limited capacity to solve business problems than the less experienced manager.

We have classified this company as "marginal" for four reasons: (1) it is showing a loss, (2) it had to liquidate a small subsidiary trading company, (3) it seems to be having some difficulty solving its problems, however, (4) it is young (two years old) and seems to have some potential to right itself.

Although fairly young, the manager seems competent and enthusiastic. He is giving the company direction and acknowledges that more effort is required.

Although current operating loss levels do not seem excessive they are encountering some difficulty in repaying loans. Herein we find what we consider to be a major problem--the size of the original loan. The successful entrepreneur had contributed only five percent of the original investment and had borrowed the other 95 percent, however, 19 percent was for working capital. This marginal operation had borrowed 93 percent of the original investment but working capital constituted only seven percent. We believe that this additional working capital has enabled the successful entrepreneur both to weather more storms and to capture more opportunities when they have arisen.

### The Unsuccessful Shipping Company

This company has problems. It has been operating for three years and is jointly owned by two provinces and a third outlying area. The manager was repeatedly absent so we interviewed another company official.

This company borrowed \$500,000 from the DBSI. Its revenues are decreasing. It urgently needs an estimated \$50,000 for working capital. It employs ten full-time people. Although there were record books and a computerized ledger system, all of the records had been stolen.

The company is in need of training at all levels. This seems to be especially severe with respect to management. The company official stated that financial assistance and support from overseas aid programs were needed.

Because records were lacking and we were repeatedly unable to contact the manager we will not provide much detail. However, this company apparently is overextended in terms of credit and management. We foresee little prospect for the company to become profitable, even with considerable assistance, until its management problems are corrected. Even then, the burden of such a large debt suggests that any assistance would have to reduce that debt, which would make it something other than a private business. We are especially concerned with what appears to be management's inability to maintain, if not increase the cash flow. Furthermore, management does not seem able to capture an available market, which suggests a confused set of objectives.

### Conclusions

It is well known that shipping problems exist. There is a need to expand and rationalize services and to train management and technical staff.

We have presented data on three shipping companies that are owned and operated by indigenous Melanesians. We found (1) a successful operation owned by a confident, optimistic, and experienced entrepreneur; (2) a marginal operation managed by a well-trained and energetic but somewhat inexperienced person; and (3) an unsuccessful operation that was overextended. The successful operation had expanded and diversified, the



marginal operation seemed to be able to right itself, and the unsuccessful operation seemed to be lacking objectives.

We believe that these three cases describe the shipping industry better than other sources because they pinpoint the problems and strengths of the shipping companies. We have attempted to illustrate that improvements can be made in shipping companies, and hence the shipping industry. We have tried to show that improvements cannot occur in a vacuum. Rather, improvements will be tied to the people who own and operate the shipping companies. Not surprising, our data suggest that the problems can be dealt with in a number of ways. A well-intentioned idea is not a substitute for good management. In brief, we found one company that received a substantial loan, which based on management capacity should have been more closely examined. The idea might be viable, but it takes people to implement it.

## CHAPTER 4. SATISFACTORY AND UNSATISFACTORY BUSINESSES

A major constraint to quantitative analysis is that recordkeeping by businesses is generally poor. This constraint causes substantial difficulty in assessing a business' performance. However, it must be emphasized that a profit margin of X% is insufficient criteria for assessment since many qualitative factors also play major roles in determining a successful business in the social-cultural-economic environment of Solomon Islands. In many instances these qualitative factors involve value judgments by the survey team, which reflect the role of a particular entrepreneur in the community. Hence we find successful businesses that (1) keep poor records, (2) are only "breaking even," (3) occasionally run out of stock, and (4) have limited potential for expansion. Yet some of these businesses continue to operate under the pressure of large fluctuations in national and local economies. They continue to provide a source of goods and services and outlets for local products. They extend "reasonable" credit for consumer purchases based on future anticipated earnings by these consumers. In other words, they have an integral role in the small local economies that collectively form the nation's economy.

In this context it is difficult to arrive at a "pure" or concise definition of a successful business. We have attempted to utilize the following as criteria. (Note: a business need not satisfy all of the criteria; rather, they are taken collectively, upon which a judgment is made).

1. Recordkeeping. When records are maintained we have been able to make a quantitative assessment of a business' performance. A business is judged to be "satisfactory" if it is breaking even or showing a profit after a "reasonable" income has been subtracted to provide for the entrepreneur's living expenses and/or "some" funds are set aside (savings or reinvestments) for growth (expansion and/or upgrading).

2. Stocks. If stock levels are maintained and a steady flow of customers is apparent, the business is performing satisfactorily. This criteria assumes that a business has been operating for several years and has not exceeded trade credit levels imposed by wholesalers and suppliers. Being able to maintain stocks while meeting the needs of a constant clientele indicates sound management.

3. Loan/Credit Repayments. If entrepreneurs are repaying loans and/or making regular payments to other creditors and suppliers while maintaining stocks and turnover, the business is considered to be successful.

Table 4. Number of Businesses Surveyed by Performance and Province

Province	Satisfactory Business Performance	Unsatisfactory Business Performance	Total
Santa Ysabel	5	0	5
Central	3	2	5
Malaita	5	1	6
Makira/Ulawa	4	5	9
Eastern Islands	10	2	12
Western	5	5	10
Guadalcanal	3	3	6
	---	---	---
Sub-total	35	18	54
Honiara	14	6	20
	---	---	---
Total	49	24	73

This chapter presents collected data with respect to the structure of the business, sociodemographic characteristics of the entrepreneurs, business operations, and business problems and needs. The purpose is to show noticeable trends where they appear.

### Structure of the Business

One particular aspect warranting discussion is that 39 percent of the unsatisfactorily performing businesses have secondary activities while only 24 percent of the satisfactory businesses have activities outside of their primary function. This could indicate that a number of the unsatisfactory businesses have either overdiversified or diversified too quickly. When this possible explanation is combined with the general trend of lower values of total assets (than satisfactory businesses) undercapitalization, not only of the business but for all of the business' activities, might appear to be a major problem. Without refuting this argument, one view held by the institutional representatives is that businesses tend to expand and diversify too quickly and attempt to affect unsatisfactory or marginal performance by entering into other activities. A marginal, say, trade business does not become more successful by starting up a marginal transportation operation. Over--or too rapid--diversification implicitly indicates a lack of clear objectives and market research and an overstatement of internal (to the business) capacity.

Registration under the Companies Act, age of the business, and reasons for starting the business did not produce any noticeable trends between satisfactory and unsatisfactory businesses. As mentioned above, satisfactory businesses generally had higher values of total assets than unsatisfactory businesses. The major exceptions were in Honiara and the Central Province, where larger unsatisfactory businesses skewed the data.

Of interest is the source of capital. Generally, satisfactory businesses tended to have a higher value for self-financing arrangements (including shareholding, borrowing from friends and relatives, and personal savings). Similarly, satisfactory businesses made more use of commercial banks while unsatisfactory businesses utilized the DBSI. While this statement reflects an objective of the DBSI to increase local participation in the private sector the question arises as to whether or not DBSI loans to marginal businesses have increased their operating performance. We cannot answer that question due to limitations of the survey (e.g., no pre- or post-testing). However, we can suggest that this may be an issue requiring further research.

### The Entrepreneur

Although it is difficult to define a specific trend between the age of the entrepreneur and business performance, in certain areas (Honiara, Western, Makira/Ulawa, and Central) successful businesses appear to be operated by somewhat older individuals. However, given the exceptions (Malaita, Guadalcanal, and Eastern) and the limited sample, firm conclusions are impossible.

These limitations and/or lack of a definite pattern are also true for sex, family size, education, and religion. For example, although the data indicate that Anglicans tend to be more successful it is difficult to state a relationship between religion and success without a larger sample.

Training is also somewhat indefinite as a success indicator. As the summary below suggests, the total number of entrepreneurs with training is similar for both satisfactory and unsatisfactory businesses. The major difference is that entrepreneurs that are trained in business and trades are more successful. However, business training encompasses a range of courses, such as one by the BDB (especially prominent in Eastern Province responses) as well as university degrees. Hence it is again difficult to define a relationship. However, a point could be made that people who seek and attend business training courses tend to be more successful than those people who do not.

Table 5. Training (%)

Area of Training	Business Performance	
	Satisfactory	Unsatisfactory
Trades	36	8
Business	24	12
Management	8	12
Other	6	12
Total	74	46
N =	22	11

The data indicate that wage and salary work experience that is relevant to the business is not a factor in determining success and failure (61 percent of satisfactory and 59 percent unsatisfactory businesses had entrepreneurs with relevant work experience). However, the data could be misleading since relevant work experience could be one of a number of factors that when combined tend to increase the possibility for success.

Several other sets of data yield clear trends. Of satisfactory businesses, 20 percent of the entrepreneurs had overseas work and/or training experience while only eight percent of the entrepreneurs operating unsatisfactory businesses had this background. In terms of entrepreneurs with other family members in business, 22 percent of satisfactory and 17 percent of unsatisfactory business entrepreneurs responded affirmatively. The successful non-Melanesian entrepreneurs outnumber unsuccessful ones by a ratio of more than 3 to 1 (N=10 and 3, respectively). Four of the five expatriates operated successful businesses.

The summary below describes entrepreneurs born in Solomon Islands with respect to certain characteristics that may affect business performance. Although the sample size limits firm conclusions the data suggest that those entrepreneurs with training in business or management, relevant work experience, and overseas experience tend to be more successful. However, several implicit factors need to be mentioned. First, lack of education and/or training is a constraint to development, hence those entrepreneurs with training are limited in number. Similarly, the small size of the monetized sector means that few people have relevant work experience. Third, given the preceding information and the cost of transportation, even fewer have had the opportunity to travel overseas. Thus the people who have several or all of these characteristics could already be termed "successful" in the eyes of their communities and, in effect, to represent an elite. This select group knows how to get things done, to succeed, and to open doors. Thus it is difficult to clearly pinpoint a cause and effect relationship: it is far easier to conclude with a truism "that nothing breeds success like success."

Table 6. Factors Affecting Business Performance of Entrepreneurs Born in Solomon Islands

	Satisfactory N	Unsatisfactory N
Training (Business/Management) and Relevant Work Experience	15 (31%)	6 (25%)
+ Overseas Experience, or	9 <sup>a</sup> (18%)	2 (8%)
+ Other Family in Business	4 <sup>b</sup> (8%)	4 <sup>d</sup> (17%)
All Factors	4 <sup>c</sup> (8%)	2 (8%)

Notes: <sup>a</sup>Includes one Polynesian and one part-European.

<sup>b</sup>Includes two part-Europeans.

<sup>c</sup>Includes one part-European.

<sup>d</sup>Includes one other Pacific Islander.

### Business Operations

Business operations were assessed based on the following criteria:

1. Total Assets. Satisfactory businesses generally have higher values. Exceptions are due primarily to the specific sector, such as shipping.
2. Stocks. Satisfactory businesses have more invested in stocks than unsatisfactory businesses.
3. Working Capital. Satisfactory businesses have more working capital.
4. Plant and Equipment. No clear pattern emerges because sectors such as shipping skew the results.
5. Reserves. Satisfactory businesses generally have higher values.
6. Credit and
7. Trade Debt. Follows the pattern of Plant and Equipment. One large loan can have a major impact on the data.

8. Bad Debts. Satisfactory businesses reported higher levels of bad debts due to a greater capacity to lend and absorb them and more important, better recordkeeping.

9. Turnover,

10. Gross Profit, and

11. Net Profit. Satisfactory businesses have higher values.

12. Use of Profits. Satisfactory businesses have profits and tend to reinvest, save, or distribute them to shareholders or themselves. The low number reporting profits reflects a reluctance to divulge information and that some satisfactory businesses are marginal or break-even operations.

13. Outlook. Satisfactory businesses basically are satisfied with the economy.

14. Future Plans. Expansion or maintenance of current levels of operations are common to satisfactory businesses while unsatisfactory businesses tend not to respond or are considering contracting levels of operation.

With respect to recordkeeping, there are again no surprises: satisfactory businesses keep better records than unsatisfactory businesses. Among unsatisfactory businesses, neither private accountants nor computers or business systems (e.g., Kalamazoo) were reported as being used for accounting. This is interesting since several of the unsatisfactory businesses are quite large and yet have failed to develop appropriate bookkeeping systems.

The use of advisers also offers few surprises: successful businesses make more use of advisers. Eight satisfactory businesses used private accountants as opposed to none of the unsatisfactory businesses. Implicit is that successful businesses are purchasing a service as well as making an investment, which the unsatisfactory businesses either feel is unimportant or lack the wherewithal to do so.

### Business Problems

As the summary table suggests, a number of problems are given similar priorities by both satisfactory and unsatisfactory businesses. These include skilled workers, government, and, to an extent, capital. However, capital as a problem can mean either lack of physical access or problems in obtaining loans. Furthermore, capital can be used for expansion, a short-term overdraft, or, in the case of some unsatisfactory businesses, a vehicle to pay off current debts with little hope of ever repaying a new loan. The higher number of satisfactory businesses viewing capital as a problem are presumably considering expansion.

Table 7. Business Problems (%)

Problem	Satisfactory	Unsatisfactory
Capital	57	46
Training	49	75
Skilled Workers	41	42
Government	29	29
Transportation	53	25
Traditional System	43	29
Competition	27	42
Weak Market	10	21
Taxes	12	0
Site	8	0
	—	—
Total number of businesses	49	24

Several striking differences also are apparent including training, transportation, the traditional system, competition, and a weak market. Unsatisfactory businesses see training as their foremost problem. Although one could argue that the entrepreneurs of both satisfactory and unsatisfactory businesses could use more training, it is interesting that it had such a high response by the unsatisfactory businesses since no major difference was apparent between the two with regard to past training.

Although transport is skewed by the Eastern Province, interpreted the high response by satisfactory businesses could be interpreted as an indication of frustration with a situation beyond their control, which can have a major impact on operations.

Surprisingly, more satisfactory businesses considered the traditional system to be a problem. Although they have made adjustments to accommodate social obligations the successful entrepreneur also seems to recognize their costs more readily than the unsuccessful ones.

Unsatisfactory businesses clearly saw competition and a weak market as problems of greater importance than their successful counterparts. One could argue that this response indicates an attempt to shift the blame for lack of success to others. This may be true in some cases, yet there is some proliferation of, say, trade stores in certain areas, and the market can be weak at various times or in certain areas.

### Business Needs

As the summary table on business needs indicates, training and loans are given high priorities, as in the case of business problems. However, information flows also receive prominence, although not clearly stated as a problem. Information areas include market, equipment, products, price, training, and incentives.



Table 8. Business Needs (%)

Needs	Satisfactory	Unsatisfactory
BDB	12	12
Information	53	50
Training	33	64
Loans	49	62
Import Duties	14	8
Financial Services	14	8
Site	22	4
Transport	6	17
Taxes	4	4
SIBA	4	0
Travel	6	4
	--	--
N =	49	24

The need for improved transportation dropped considerably from its rating as a problem. Although this might infer that it is not that a high priority, the question read "What are the specific needs of your business?" Hence improved transportation may fall outside of a business' needs yet remain a fundamental constraint.

Site increased in rating from the data on problems. This again may reflect the specificity of the question. A similar interpretation could be given to import duties. In the questionnaire import duties are defined as reduced tariffs for consumer goods sold by trade stores and import protection for manufacturers. They are combined here to reflect a perceived (by the entrepreneurs) need to review the overall import-export tax structure.

Financial services, the Solomon Islands Business Association (SIBA), overseas travel, and the BDB relate to training, information, and professional support. Taken together, they suggest a demand for a wider range of often specialized services.

### The Use of Incentives

Although proportionately more satisfactory businesses stated that they lacked information on incentives and assistance the summary data indicate that generally satisfactory businesses make more use of incentives and assistance in a wider range. In particular the BDB is utilized by satisfactory businesses, especially in areas outside of Honiara.

Table 9. The Use of Incentives and Assistance (%)

Incentive	Satisfactory	Unsatisfactory
BDB	41	17
Loans	31	33
Training	12	0
Government	10	8
Overseas	6	4
Private	6	8
Cooperatives	8	4
Tax	8	12
No information	14	8
N =	49	23

A key question from the data is why more businesses are not making more use of incentives and assistance. One possible explanation might be that a number of businesses expressed the view that "loans are only for the rich," suggesting that information flows are inadequate and that some entrepreneurs do not demonstrate much initiative to find out about the types of incentives and assistance that are available.

## Chapter 5. INFORMATION SYSTEMS AND TRAINING

If we had to identify the key problem faced by businesses, as well as their number one priority need, we would without hesitation cite information. We define information quite broadly to include, for example, how and why banks operate, which overseas supplier has the best prices for tinned beef, the daily cash flow records of a trade store, and how to obtain a tax holiday. Implicitly or directly related to all of these is a training process. And we must stress that training does not mean to gain only knowledge and skills but also the confidence to successfully use them to solve problems.

Since we have identified information to be the top priority and have defined it very broadly, this chapter reflects, in essence, our conclusions. In this chapter we will try to fill the gaps that appear earlier. We will also try to give some cohesion to the report.

When we refer to a lack of cohesion in the earlier chapters we are describing the difficulty that we have encountered in trying to isolate the reasons contributing to an entrepreneur's success or failure. Simply, a complex of reasons tend to reflect an individual entrepreneur's strengths and weaknesses rather than a profile or formula for success that is "written in stone." The data indicate that there are no set rules so we have had to untangle many factors in order to provide insight as to how the entrepreneurs operate as well as how their operations can be assisted and improved.

This chapter is broken into four sections:

- (1) The Context for Information Systems,
- (2) Information for Entrepreneurs,
- (3) Skills for Entrepreneurs, and
- (4) Other Information Needs.

It does not exhaust every option. Rather, we have identified certain problems and recommended possible solutions. The recommended solutions do not necessarily reflect what can or should be implemented since considerable adaptation would be necessary.

### The Context for Information Systems

In the introductory chapter we described several general problems affecting Solomon Islands with respect to information systems and training. These were:

- (1) low literacy levels,
- (2) lack of skilled manpower.

(3) a colonial legacy that did not emphasize training and rural development or the involvement of indigenous Melanesians in business, and

(4) a dual economy in which cash income is scarce.

What these factors point to is a population that is unfamiliar with the handling of money, let alone business. This does not mean that the population is unfamiliar with individuals who are able to accumulate wealth, power, and prestige. For example, Scheffler (1965:182) describes early Choiesul Island society as consisting of groups that show allegiance to a leader whose position has been assumed based on abilities that include cleverness and wealth. This tradition, which stresses ability rather than inheritance, suggests competition and the success of the individual (Scheffler 1985:181). Thus we would conclude that this is a tradition that is conducive to the success of an individual entrepreneur. However, Scheffler (1985:184) also notes that one of the primary ways for a leader to gain and maintain allegiance is through gift giving and support for kinsmen. Thus we could find conflict between the tradition that emphasizes individual success and the tradition of supporting one's kinsmen when the context is the contemporary world of business and daily cash-flow worries.

Herein we find what could be a significant problem. Tradition has been retained in contemporary Solomon Islands society, hence one is expected to support kinsmen. In opposition are the entrepreneurs' worries about cash flow and keeping costs down. The entrepreneur is viewed as a leader who has cash and goods that are in short supply (note the lack of cash income in certain areas as described in the first chapter) and yet desired and increasingly needed by rural populations. People without access to cash incomes look to a kinsman, the entrepreneur, who has money or who can provide some wage employment for assistance, and based on tradition they feel he should support them.

We believe that cash is viewed as a good, a means of exchange, say, similar to a pig in a nonmonetized economy, rather than as a resource that can be used to make more cash or for social investments. This is obviously simplistic. However, we believe that there is a general unfamiliarity with how and why a business operates, how and why banks operate, and how and why cash can be used as an investment for future dividends. We base our views on data collected during the survey and we believe the data also indicate a possible solution.

The entrepreneurs were asked to describe the way in which the traditional cultural system affects their businesses. We found that entrepreneurs who were satisfactorily operating their businesses viewed tradition as more of a problem than the less successful entrepreneurs. However, they also felt that they could deal with the problem. One entrepreneur was especially articulate in describing the problem and his solution.

This entrepreneur has been operating in Honiara for six years and is from an island that has considerable migration to the capital. He has seen his business increase in value five-fold over his initial investment (including loans). He related that his kinsmen had come to him for jobs and money. Although he gave them money and goods from time to time, he was

"very strict." For example, the kinsmen that worked for him (and several were employed) were treated like everyone else; in other words, they were fired if they did not perform. This entrepreneur set the rules, took the time to explain them, and enforced those rules. He said that people had come to understand what he was doing in business and why he was doing it and that they respected him.

Another successful entrepreneur in the rural areas dealt with a similar situation. He said that requests for credit were at one time a problem. Currently, he does not extend credit. He has retained his status among his kinsmen because he gives support but will not jeopardize his business by giving credit that might not be repaid.

Although it would appear that we might be digressing from the conclusion that there is a general lack of information on how businesses operate and the use of money, we believe that these cases highlight the problem. People come to the entrepreneur asking for support not realizing that they could hurt the business. When the entrepreneur explains why he must operate in a certain manner it seems that kinsmen understand and respect the entrepreneur for what he is trying to accomplish.

We believe that the time spent on explaining how and why a business operates is a sound investment by the entrepreneur. Furthermore, we believe that government could utilize the radio to communicate this information. This is currently being done in Gizo, where a BDB officer has a radio program. We recommend that (1) this format be expanded nationwide, (2) it be broadened to include banks to discuss their purpose and the use of money, and (3) business associations and individual entrepreneurs play major roles in communicating this information.

The cost of producing such a radio program is small. It requires coordination, which costs in time. We believe, however, that the investment would be worthwhile and would have a major impact on increasing the general population's knowledge and awareness of business and money. By raising awareness the context for operating a business should improve.

### Information for Entrepreneurs

We have interpreted the data as indicating three main areas in which entrepreneurs need information. As noted in the introduction to this chapter, training is the process by which information is received and used. The three areas are:

- (1) the role of government in facilitating business activity,
- (2) daily business operations, and
- (3) using advisers and looking for help.

## The Role of Government in Facilitating Business Activity

No single body is responsible for commercial affairs. Rather, several departments are responsible, plus provincial governments and statutory bodies such as the DBSI and the NPF. These entities do not address land development applications. Without a coordinating authority, and the need to register with one department for this and apply to another department for that, not only do delays occur but also a considerable amount of information is generated for an entrepreneur to digest. Does this arrangement assist entrepreneurs? We think not.

We have described examples in which an entrepreneur was unaware of provisions for tax holidays, and advisory services and where a number of entrepreneurs failed to understand the micro-loan guarantee scheme. We believe that the lack of not only a coordinating body but also coordinated information is at the crux of this confusion. We have to note that government departments, such as the BDB, and banks are attempting to deal with this problem. Their efforts include publications on how to start a business. However, we believe that coordinated information from a coordinating authority would greatly improve the situation.

We arrive at this conclusion based on two sets of data. First, the survey of businesses indicates that government incentives for businesses are not fully being utilized by entrepreneurs. Second, the interviews with institutional representatives as well as independent evaluations indicate that Solomon Islands government has designed a comprehensive and positive incentives package for businesses. This does not mean that complaints by a specific entrepreneur about a particular incentive such as training are unjustified, but that the package generally is quite favorable and yet it is not being used.

We recommend that government should consider a coordinating authority such as the Economic Development Board in Fiji, and that one of its tasks be to prepare and publicize coordinated information that details how and why government assists businesses. Furthermore, we recommend that advisory groups of entrepreneurs be established to review the effectiveness and appropriateness of the incentives package. We believe that HTI lecturers and students could be used to conduct surveys specifically aimed at assessing the use and effectiveness of incentives.

## Daily Business Operations

In the section on skills needed by entrepreneurs we discussed marketing, bookkeeping, and other related subjects. Information needs regarding daily business operations means something different. The information we are interested in here is how an entrepreneur solves his daily problems.

One example might be the firmness shown to and time spent explaining business operations to kinsmen. We have cited examples of entrepreneurs who have been successful in dealing with kinsmen. What about the unsuccessful ones? Three entrepreneurs identified problems with kinsmen as being the primary reason for their lack of success. One case was

especially troubling. In this instance the entrepreneur had a good concept for the business (diversified retailing plus accommodation and food and liquor sales) and had an available market (e.g., sufficient size and no competition). Although we believe that lack of recordkeeping was a significant problem, the bad debt levels incurred through giving credit to kinsmen cannot be ignored. We believe that this entrepreneur could have benefited from the experience of the entrepreneurs who had successfully met their traditional obligations while operating a business.

Another example would be with respect to diversification and expansion of a business. While we found successful examples such as the shipping and copra trading entrepreneur on an outer island, the entrepreneur who had used road transportation as a springboard for his manufacturing activities, and the manufacturer who had used retailing as his base, we also found a number of unsuccessful cases. We noted in the preceding chapter that unsatisfactorily operating businesses tended to be more diversified and undercapitalized. We believe that this reflects a lack of knowledge of working capital as well as timing one's expansion and/or diversification. A successful entrepreneur can explain these concepts in an applied context better than textbooks.

We are suggesting that two needs should be addressed. First, entrepreneurs should have a forum in which to meet and discuss their problems. This was mentioned in the second chapter in the section on business associations. We believe that some of the entrepreneurs know how to solve their problems and that this ability is at least as important as a specific skill or technique. Techniques can be taught but their application requires an actual context.

Second, a successful role model is needed. We have made this point before. We add here that an element of confidence can be conveyed by having successful indigenous Melanesian entrepreneurs present the ways and means by which their businesses have become successful.

The idea of establishing active business associations in the provinces would seem to be an appropriate vehicle to meet these needs.

#### Using Advisers and Looking for Help

We have noted that there appears to be some confusion regarding available advisory services. We have also indicated that some entrepreneurs do not seek assistance until their business is failing at which time advice could be too late to save it. In addition, we have emphasized that entrepreneurs with satisfactorily operating businesses make more use of advisers than those with unsatisfactorily operating businesses.

We believe that these facts indicate a serious deficiency in the information system. This situation is regarded as serious because many situations require the use of external advisers. If business activity is expected and desired to increase, more advisory services will have to be made available.

In the near term the deficiency in the information system can be easily remedied. Efforts to increase awareness of the BDB's role are already in place and can be furthered through more publicity via the media. However, it is recommended that specific radio presentations on why and how to use business advisers be aired. Business associations and banks can also assist in disseminating this information.

In the long term, however, there will be a need to coordinate and rationalize the current advisory network. We have described a formal network of advisory services with respect to large international accounting firms that serve larger businesses, small Solomon Island-owned accounting firms that cater to small-and medium-sized businesses, and the BDB, which assists small, medium, and in several cases large businesses. Thus these various agencies appear to have a natural tendency to assist a specific-sized operation. However, certain problems are appearing.

The Registrar General's 1983 Annual Report states that "Too many of the smaller companies cannot continue to pay for professional advice after incorporation." The report goes on to say that "The Business Advisory Section (BDB presumably) seems unable to help them". Thus the cost of private services puts them out of the reach of smaller businesses and government's advisory service's capability to assist businesses seems to be questionable. The cost issue suggests that coordination of the formal network is an essential prelude to the expansion of government's services. The capability issue could reflect the need to upgrade government services through training and other resources.

We note the "other resources" because funds are presently limited for government to extend their services to rural areas. However, businesses in the rural area are especially small and in need of advisory services. These businesses would seem to be natural clients of government services. In addition, Hailey found in his survey of businesses in Fiji that government advisory assistance seemed to concentrate on urban businesses that had access to other services. If rural businesses are to be reached government will have to invest more resources to complement radio programs.

One final element to the formal advisory network is the HTI. We have mentioned that HTI lecturers and students could be utilized in an advisory capacity as well as to conduct surveys. We believe that government, banks and the chartered accounting firms should support the use of the HTI as a data collection resource. The regular collection of data that focuses on business problems and the use of incentives will help target more effective programming by these agencies.

The informal advisory network is more difficult to describe. Our data have identified several entrepreneurs who utilize "an uncle good in maths" and a neighbor "as a private bookkeeper" in the rural areas. We did not identify any urban entrepreneurs who had similar arrangements. The use of this informal system reflects positive behavior by these entrepreneurs in terms of management and problem solving. However, two factors are present. First, the informal system is difficult to define yet it is present and is a useful resource. Use of this system could be encouraged by radio programs. Second, the informal advisers could easily exceed their knowledge base. Although someone might be capable of setting up a



bookkeeping system, the same person might not know anything about managing finances. If the person offers advice on subjects without sufficient knowledge and the entrepreneur follows these suggestions, serious problems could result.

However, the informal advisory system could, like its financial infrastructure counterpart, be an important resource, especially in outlying areas. A possible solution to someone exceeding their knowledge base is to explain why and how advisers are used and to identify them over the radio. The use of the media is where we began and we believe it to be the key.

### Skills for Entrepreneurs

There are five specific skill areas in which we believe entrepreneurs require training:

- (1) starting a business,
- (2) marketing,
- (3) bookkeeping,
- (4) the use of credit, and

(5) business planning. Although additional areas could be identified and specific technical skills are required by manufacturers, these five areas are detailed below.

### Starting a Business

This has been identified based on the Registrar General's 1983 Annual Report, which suggests that entrepreneurs starting out are not aware of, for example, legal requirements. In addition, our survey data indicate that businesses have problems with, for example, undercapitalization, although this is not unique to new (less than two years old) businesses. We have also identified this as a skill area based on comments from the BDB, banks, and other agencies that newly established entrepreneurs have a wide range of questions concerning how to start their businesses.

Although one could argue that "starting a business" is an information issue that could be handled via the media and by specific publications from the BDB and the banks, we disagree in part. We believe that a formal, even if brief, training period is necessary. The content of such a course should include what needs to be done (e.g., legal and loan procedures), how to do it, and why. We believe that the purpose of formal training is "to teach one how to learn;" in other words, to establish a framework by which information (e.g., radio programs) can be sorted and utilized. In effect, then, we are recommending the development of problem solving skills through the knowledge that systems and networks are available that can help to solve problems.

Although one could argue that a brief, say, one- or two-week course would be beneficial not only to the entrepreneurs but also to the BDB and the banks; it could be even more easily argued that resources are insufficient to mount such a program. We disagree. We believe that resources are sufficient if they are pooled and if priority is given to training entrepreneurs. This type of program could be extended to outlying provinces as well. Extension will be discussed later in the section.

### Marketing

A number of entrepreneurs identified "too much competition" and a "small weak market" as some of their leading problems. These are marketing issues. In addition, we have determined that businesses tend to be imitative, which is again partly a marketing issue, as is the presentation of products.

Although somewhat hazy, the data seem to suggest that marketing is a skill that is currently weak but needed. Specific needs (based largely on isolated comments by entrepreneurs and on observation) include (1) how to identify a market, (2) how to create or enter a market, (3) how to test a product's acceptance, and (4) how to retain market position. Some might argue that if a course covered these areas it would be too advanced, while others might argue that it is too basic. At this point we cannot determine the effectiveness of a marketing course, but two factors suggest the viability of such a course. First, none of the entrepreneurs had taken marketing courses, however, we presume that those people with university degrees in commerce would have had at least one. Marketing seems to be a necessary skill and since nearly all of the entrepreneurs have had no exposure to such a course it might be in high demand. Second, entrepreneurs begin their businesses with ideas, concepts of what they want to do. A marketing course could help to refine that concept and thereby enable the entrepreneur to more effectively allocate his resources.

We recommend that a marketing course for entrepreneurs be conducted on a trial basis. The location of resources suggests that Honiara would be a likely trial site.

### Bookkeeping

The survey data clearly indicate that bookkeeping is poor even with established systems. Thus while this skill is required training should also include the necessity of bookkeeping; in other words, how bookkeeping can help the entrepreneur manage his business and make more money.

We have not singled out stock taking or inventory control, which could be a separate course in its own right. However, we have included it here as part of general recordkeeping. We must also note that in some of the surveyed businesses inventory control was extremely poor. Small rural trade stores could greatly benefit from such a course.

## The Use of Credit

The survey indicated two main problem areas with respect to credit. First, some entrepreneurs did not understand the terms and conditions of loans, including the fact that a certain level of viability has to be determined before a loan will be granted. Second, some businesses were undercapitalized, especially with respect to working capital. We believe that some of the businesses are understating their needs when applying for loans.

Although the banks can regulate loans training in the use of credit would seem to be a viable complement to their efforts. Such training should be weighed against the ongoing debate about loans, which includes comments by entrepreneurs such as "loans are only for the rich." Again, this course could be conducted on a trial basis.

## Business Planning

We can infer from the survey data that a number of entrepreneurs are not fully aware as to when and how they should expand and why, when, and how they should diversify. This could signify that some entrepreneurs have no objectives and, even more basic, are unable to assess the future. This absence of planning is contributing to what we see as the impending failure of several of the businesses in the survey.

As with marketing and the use of credit, a training course on business planning could be conducted on a trial basis. Such a course should emphasize the overall management of information systems and their application.

## Final Thoughts on Skills

Entrepreneurs in the survey identified lack of training as one of their major problems. However, it was rated as a lower priority need. We have utilized the survey data, interviews with the institutional representatives, and on-site evaluations of the survey team to identify five key skills areas that are deficient and could be aided by formal, even brief, training courses.

We have identified these problem areas so that training could go beyond a generic "lack of management skills." In fact we have purposely avoided this generic term because we believe that certain skills are necessary for "good management." The identified areas for training satisfy this requirement.

In recommending training courses in these five areas we have attempted to be realistic in terms of resources and priorities. Thus "starting a business" and "bookkeeping" are considered to be high priorities that should be conducted on an ongoing basis and extended to outlying regions. Although the other recommended courses could be more important or useful to a particular entrepreneur, the availability of resources suggests that "a trial basis in Honiara" might be the most reasonable format.

In terms of mobilizing resources to implement a formal training programs we suggest the following:

1. The role of the BDB. The BDB currently has a training function and conducts courses. This role should be expanded and courses should be held, on a more frequent and regular basis especially in outlying areas.

2. The role of banks and advisory agencies. Currently these institutions provide information and assist with some training. Again, this role should be expanded and extended to outlying areas. Although the prospect of improved loan applications and general business management may be sufficient incentive to facilitate their involvement in training, these institutions may disagree. This will require further analysis and discussion.

3. Mobile training proposal. The nature of these courses indicates that they be short (e.g., one or two weeks). A second feature of the recommended training is that it be regular and frequent (e.g., two or three times per year). If courses are to be held in outlying areas it would seem that a mobile approach to training might be appropriate. Thus people based in Honiara would be traveling to outlying areas on a regular basis to conduct courses. Funds would have to be made available to increase staff and their travel allowances.

4. Course structure. We emphasize the short course periods because the entrepreneurs have stated that their time is limited. Some entrepreneurs have been even more explicit, stating that one-half-day sessions are the maximum time that they can leave their businesses.

5. The role of HTI. Again, the HTI can have a viable role in the development of curricula and, in some instances, teaching courses.

Based on all of our data collection efforts we believe that considerable resources in Solomon Islands which are currently underutilized. In many instances these resources could be mobilized, given adequate coordination and a sense of direction or purpose. Training would seem to be a sufficiently important subject to facilitate coordination and the mobilization of these resources. Although government could incur additional costs some reduction might be possible through the use of overseas funds, especially given the priority attached to private sector development by a number of donor countries.

#### Other Information Needs

Several other information and training needs complement but fall outside of those listed above. These include prices, trade, and overseas travel.

#### Price Information

We have described pricing problems within the country. Rather than see prices regulated we suggest that prices be publicized nationwide over

the radio. Although this will cause some price increases the general trend should be reduced and stabilized prices, especially in outlying areas.

However, an even greater problem exists regarding prices from overseas suppliers. The survey data indicate that people use only a limited number of suppliers. There is a not uncommon perception that Hong Kong and Taiwan have the best prices. While this may be true for certain items, it does not apply to all items. Specifically, people do not appear to be buying competitively.

By not diversifying suppliers or buying competitively consumers have to pay more. With limited cash available, especially in rural areas, this lowers the entrepreneurs sales volume.

During our interviews we found several entrepreneurs who had teletype machines and used the telephone and telex to contact overseas suppliers to find the best prices. These entrepreneurs had some of the largest trade stores, were successful, and were based in Honiara.

We believe that consideration should be given to establishing an office with international communications capacity that could be used by entrepreneurs to buy competitively. Dissemination of price information to outlying areas and ordering by entrepreneurs from these areas could utilize existing networks: the BDB and the internal (to Solomon islands) communication system. In addition, if the recommendation to establish business associations in the other provinces as well as to enhance present associations is adopted, then this network could be utilized.

### Trade Information

The above recommendation to facilitate the purchase of international goods could also be applied to exports. Some of the larger concerns that involve major export items already have this capacity. Thus coordination of the information systems could be possible. Although the range of export goods may presently be limited it could increase, and this type of information system would enable people to be in a position to take advantage of export possibilities.

### Overseas Travel

We have noted that entrepreneurs with training in business or management, relevant work experience, and overseas experience are likely to own satisfactorily operating businesses. Although we cannot pinpoint the role of overseas experience in this equation we will assume that its impact has been positive. However, even if it has been positive the other factors have not diminished in value. We make these points because several entrepreneurs stated that overseas travel for businessmen would be highly beneficial. Presumably government or an aid source would pay for these tours. Without refuting the view of these entrepreneurs we would argue that travel alone would not have much impact because a context is necessary to sort and apply the information received on such tours. That context is provided by experience and education. However, the suggestion could be

merited if the tours were focused on specific issues or problems. But it would be costly.

## Conclusion

Although the data presented in this chapter indicate certain characteristics that can facilitate an entrepreneur's success, there is no single or combination of factors that clearly separates the unsuccessful from the successful entrepreneur. In other words, there are too many exceptions to a particular trend, which means that no clear profile of a successful entrepreneur exists.

However, the data can be utilized from two different perspectives. First, the identifiable trends can be applied to policy formulation. For example, when we state that entrepreneurs who are satisfactorily operating their businesses make more use of business advisers than those unsatisfactorily operating businesses, the expansion of advisory services is implicitly recommended. Whether government, the private sector, or a combination of the two assume responsibility for this expansion is another issue. It is important that the data indicate that business advisers are beneficial. However, more business advisory services do not guarantee more successful businesses since as we found successful businesses not using advisers and unsuccessful businesses using advisers. These exceptions do not invalidate the data's application to policy formulation, but they suggest that within the broad trends is a range of unique and individual behavior.

Attempting to utilize the data from the micro perspective, or a specific business/individual entrepreneur, presents certain problems because of the exceptions noted above and the limitations of the questionnaire that did not address personality or psychological characteristics such as motivation, aggressiveness, and analytical abilities. However, the data do enable certain generalizations based on inference. For example, we have noted that satisfactorily operating businesses have more bad debts, which reflects not only better recordkeeping but also more awareness of daily business operations than demonstrated by the unsatisfactorily operating businesses. Another inference would be that entrepreneurs owning satisfactorily operating businesses seem to be able to solve problems. Although these entrepreneurs may not have bookkeeping skills they find someone who does. Similarly these entrepreneurs indicate that kinsmen seeking credit can be a problem, but not an insurmountable one.

What these micro-based inferred generalizations seem to be saying is that successful entrepreneurs are more confident in their ability to own and operate a business than their unsuccessful counterparts. The data do not clearly indicate the way in which confidence is developed. This is where we believe that successful role models and business associations can have substantial impacts.

## APPENDIX A. THE DEVELOPMENT OF THE STUDY

### Purpose

Mandated by the Standing Committee of the Pacific Island Conference, this study is part of a two-year project assessing indigenous business ventures in the Pacific. The purposes of the project are (1) to analyze indigenous business ventures in the Pacific with respect to identifying the economic and social factors that contribute to the success and failure of such ventures and (2) to recommend policy options and entrepreneur development and managerial assistance programs that can be readily adapted to the Pacific island environment. Case studies have been conducted in seven countries. Surveys have been completed in Tonga, Solomon Islands, Marshall Islands, Fiji, and Western Samoa. Surveys have been proposed for Papua New Guinea and Cook Islands. The project is directed by Dr. Te'o Fairbairn, an economist from Western Samoa.

Dr. Fairbairn has designed a basic questionnaire to be administered to approximately 70 business ventures in each country, both successful and unsuccessful, covering a wide range of important sectors (e.g., transportation, agriculture, retail trade, and manufacturing). The questionnaire has been adapted and expanded to reflect the specific Solomon Islands business environment. Attention has been focused on rural and urban areas that reflect government's development objectives.

### Rationale

Since independence the number of businesses in Solomon Islands, especially those businesses owned by indigenous Melanesians, has substantially increased. This increase largely has corresponded with growth in the public sector. With continued public sector growth constrained by relatively stagnant or highly vulnerable (to prices for exports) revenues and increasing costs, government would like to see a larger and more dynamic private sector so that economic growth rates can be sustained.

Although recent private sector growth and performance has been positive certain inefficiencies are becoming apparent. Duplication, and resulting overcompetition, lack of management and technical skills, and major breakdowns in information flows are but some of the major problems. However, these problems are not unique to Solomon Islands; rather, they typify small businesses globally (Townesley 1983:49-50). As Adam Smith stated in 1776 regarding the small grocer, "He must have all the knowledge, in short, that is necessary for a great merchant" (Brien 1984:4).

Smith's statement has been difficult to realize in many nations, developed and developing, over time. The current failure rate of small businesses in the United States supports this comment. In the context of a small market (228,000) dispersed on scores of islands, scattered over 800,000 km<sup>2</sup> of ocean, and speaking 90 dialects the problems are compounded. The uniqueness of the Solomon Islands private sector must also be viewed from the perspective of sociocultural (including political and economic)

transition. The majority of Solomon Islanders live in villages predominated by subsistence agriculture. Yet cash inflows are increasing, as is the desire for nontraditional goods and services. While a larger and more dynamic private sector may reflect a realistic objective, it could also cause cultural dislocation as different modes of production and lifestyles are adopted.

Hence determining reasons for a business' success or failure becomes one objective of the study. Whether explicit or implicit, a current constant throughout the survey and its analysis is the role of business--relative to the use of money and capitalism--in the development of Solomon Islands. This sometimes may be difficult to identify and discuss, but it is always present.

Thus within the context of Solomon Islands the specific issues that need to be addressed are (1) how to increase participation in business, especially by indigenous Melanesians and particularly outside of Honiara, and (2) how to improve business performance.

### Organization of the Survey

Originally a sampling procedure was established based on population, geographical distribution, ethnicity, and economic activity (sector). Due to problems in obtaining responses this was quickly discarded. The result was that the businesses included in the survey were included because of their willingness to participate. In Honiara as many businesses agreed to participate as those who either said "no" or were continuously unavailable. Thus data may not be totally representative of the private sector.

The business survey itself was conducted over a three-week period by six field officers of the Business Development Branch of the Ministry of Home Affairs and National Development. Utilizing Dr. Fairbairn's questionnaire the field officers underwent a brief training period in Honiara, followed by the actual survey in Honiara (20 businesses plus six businesses in Guadalcanal Province), and then surveys in the other provinces (47). The field officers also completed an assessment of support infrastructure in their provinces and integrated this assessment with provincial development objectives.

The Business Development Branch (BDB) felt that this exercise would be beneficial to the field officers because they had only been with the BDB for roughly two years and had only been through one two-week training course. Aside from learning survey techniques they would also have the opportunity to familiarize themselves with businesses in their provinces and to learn more about overall national development.

The 73 businesses surveyed are disaggregated by main activity (Table 1) and major variables (Table 2). The final number surveyed was determined by time and other resources: to survey certain areas would have required considerably more time due to transportation problems (e.g., the availability of canoes) and work commitments of the field officers. Thus although the survey is not totally representative it should indicate the



major problems and needs of businesses. The major variables selected reflect an attempt to isolate particular issues.

Dr. Fairbairn's questionnaire is basically qualitative. Although questions were included on matters such as turnover and net profit, where quantitative data were desired, daily cash-flow records that would have yielded some of this data were not kept. Since recordkeeping generally is poor quantitative performance data must be read with considerable suspicion. However, it must be stressed that this is the first study of businesses in Solomon Islands. Thus the study falls into the "exploratory research" genre, or in other words, a first attempt to define problems and mechanisms to correct them.

The outline of the above major constraints and limitations suggests that problems could occur utilizing the data for decision making. In an absolute sense this is correct. However, taken from another perspective the data could be quite useful. No survey can claim to pinpoint a particular reason for success or failure in all cases. Rather, indications and broad trends can be identified that suggest not only problems but possible solutions. This is the case here. In addition, the data can be utilized in dialogues between government, key private financial institutions (e.g., banks and accounting firms), and the business community to develop policy. Thus the limitations and constraints do not restrict application if they are recognized.

The attached questionnaire indicates the focus of the data collection. As shown in the questionnaire, considerable emphasis has been given to structural and institutional problems and needs.

SURVEY OF INDIGENOUS BUSINESS  
ENTERPRISES - SOLOMON ISLANDS

QUESTIONNAIRE

Interviewer \_\_\_\_\_

Date \_\_\_\_\_

The purpose of the survey is to collect information from individual business enterprises so as to gain a clearer picture of problems confronting local business and measures that can be taken to overcome them.

Your cooperation is greatly appreciated and all information will be kept strictly confidential.

The interviewer will seek your response to the following business topics:

A. BACKGROUND

Name of business:

Location:

Type of business:

Form of organisation:

Nature of other business or other business connection if any:

Main market outlet/area (if relevant):

Ownership structure:

Length of present ownership:

Total age of business:

How was business established or acquired?:

How was capital to start/buy business obtained?:

- o Self-financed
- o Development Bank Loan
- o Commercial Bank Loan
- o Other Loan
- o Other Loan
- o Overseas funds
- o Other sources

Value of original investment:

Amount of money spent on subsequent expansion:

Other forms of assistance received when business was acquired/formed, including technical and "in-kind" assistance:

Reasons for going into business (social and economic):

B. ENTREPRENEURSHIP

Entrepreneur:

Age:

Sex:

Marital status:

Race:

Size of family:

Province originally from:

Traditional status:

Religion:

Church status:

Spouse:

Occupation:

Race:

Entrepreneur's Educational level:

Training experience:

Previous work experience:

And which considered most useful for present work:

Overseas experience:

Relevant information on family background (past and present)  
including business involvement of parents:

C. BUSINESS STRUCTURE

Business assets on hand - estimate approximate "market" value:

- o buildings
- o plant
- o equipment
- o working capital
- o stocks on hand

Value of funds in reserve:

Current trade debt levels:

Estimated "bad debt" levels (describe):

Loan/credit outstanding and main creditors (describe relationship):

Indicate main "suppliers", if relevant (describe relationship):

Present source of business advice (if applicable):

Labour:

Size of (a) family

(b) those of working age: M — F —

Use of family labour:

- o Management
- o Labour - full-time
- o - part-time

Use of paid labour:

- o Management
- o Clerical
- o Labour - full-time
- o - part-time

D. BUSINESS PERFORMANCE

System used to keep regular records:

Current revenue level (turnover, gross profit, net profit, etc.):

Revenue trend over recent period:

Outlook:

Cost levels:

Profit/surplus on loss level:

If there is surplus, what is being done to it:

Are you satisfied with the present situation?

Do you have plans to expand or to start a new business?

If so please describe:

How many hours per day do you work at your business?

E. PROBLEMS

Describe the major problems/constraints as encountered by the business venture and indicate relative importance of each, e.g.:

- o Market factors; e.g.:
  - o weak local market
  - o competition from imported items
  - o weak marketing institutions
  - o other
- o Capital shortage:
- o Lack of business and management training:
- o Too much competition from other businesses:
- o Transportation:
- o Inadequate government help:
- o Social/cultural pressures (e.g. traditional obligations):
- o Lack of skilled workers/personnel
- o Other

In what way and to what extent have these problems affected business performance?

What efforts has entrepreneur made to solve these problems?

Views on what government can do to overcome problems:

P. "SUCCESSFUL" CASES

Major factors making for success as perceived by the entrepreneur, ranked in order of importance e.g.:

- o personal qualities
- o good management:
- o market advantage:
- o satisfactory government support:
- o social/cultural factors:
- o Other

G. SUPPORT SYSTEMS

1. Do you utilize any government incentives? (describe what, when, how long, \$, why?):

taxes:

loans:

training:

land (e.g., industrial estate) - including provision of services (water, electricity):

market information:

technical information and backup (especially for manufacturing):

pre-investment feasibility studies/ or post-investment performance evaluation:

2. If not, why not?



3. If support from elsewhere (e.g., UN), describe:
4. Do you get information or assistance from other businesses or any other sources? Describe:
5. How much do you interact with other businesses?
6. How much do you travel? Where?
7. Do you get useful information from the media (e.g., radio, newspapers, Chamber of Commerce publications, UN, other)? Describe:
8. How could information system be improved?

H. NEEDS

1. What could be done to help your business? List and describe, including who should provide assistance.
2. What can you do to improve your business? List and describe.
3. What were your objectives and expectations when you entered business?
4. Have these been met - why/why not?

5. Any other comments.

APPENDIX A

Independent assessment by interviewer of responses to Section E and F.

E. Assess the nature and significance of the stated problems as you see them:

F. Reasons for the "success" of the business enterprise in question as you see it:

## APPENDIX B. BACKGROUND ON THE ECONOMY AND BUSINESS DEVELOPMENT

Solomon Islands is a scattered archipelago stretching over 1,400 km (803,000 km<sup>2</sup> of ocean), with a total land area of 29,000 km<sup>2</sup>. The 1980 estimated population of 228,000 had increased at a 3.4 percent average annual growth rate (AAGR) since 1976 and is projected to increase at a 3.6 percent AAGR for the 1980-85 period to 268,000 (NDP\*). Ninety percent of the population are Melanesian. Approximately 90 dialects are spoken.

Economic production is largely in the agricultural sectors, including noncash production, which accounted for 36 percent of total GDP (SI\$135 million) in 1981 (SIMA 1982). Major commercial products include fish, copra, timber logs, palm oil, rice, and beef. All of these products are exported, except beef, and in the future as production declines, rice (SIMA 1982). Secondary and private tertiary industries have limited roles in GDP.

Real GDP increased at a 7.4 percent AAGR from 1973 to 1978, slowing to 2.2 percent AAGR for 1978 to 1981, which included real decreases in 1980 and 1981 (SIMA 1982; World Bank 1980). Even with a high AAGR for population real per capita income increased at a 4 percent AAGR during 1973-78. With the fall of copra prices and general declining terms of trade after 1978 real per capita income in 1981 had fallen to 1978 levels (SIMA 1982; World Bank 1980).

The economy is highly open, with imports (c.i.f. value) equal to 57 percent of GDP (SI\$135 million), exports (f.o.b. value) 42 percent and the trade deficit 16 percent in 1981 (SIMA 1982). Imported inflation and price increases, especially for fuel, accounted for roughly two-thirds of the 1981 14.5 percent increase in the Honiara Retail Price Index (SIMA 1982). This relationship resulted in a 6 percent devaluation of the Solomon Islands dollar, which is valued daily against a basket of major payment currencies: the U.S. dollar, Australian dollar, Japanese yen, and British pound (SIMA 1982).

At the time of the last census (1976) only 16 percent (16,410) of those aged 15 and over were working in formal wage and salary employment. Of those workers in the formal sector 30 percent (4,917) were in the capital, Honiara, which accounted for only 7.6 percent of the total population (Central Planning Office [CPO] 1980). In 1980, government employees accounted for 41 percent (7,369) of formal employment (Statistics Office 1981). Primary industries had 34 percent (6,833) of formal employment in 1980, secondary industries 20 percent, and tertiary,

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\* NDP = National Development Plan 1980 to 1984. The NDP was unpublished due to a change in government. The present coalition submitted the 1981-84 Program of Action as a replacement. The current Prime Minister described the NDP as "containing useful information" (APRU:1982). Thus the NDP has been used as a data source in this study but not for policy initiatives. The Program of Action was unavailable.

primarily government, 46 percent (Statistics Office 1981). Reversing low educational levels has been viewed as a national development priority (World Bank 1980).

Given the above constraints, the current national Program of Action has set the following objectives:

1. Devolution of decision making,
2. Equitable distribution of development,
3. Increased economic productivity, and
4. Redirection of programs and policies of the government to serve Solomon Island needs (APRU 1982).

The Monetary Authority is more specific with respect to the economy:

A realistic economic strategy for increased investment, higher productivity and resumption of savings, is now urgently required; this must be accompanied by monetary policies that contain inflation and ensure financial resources are available for national development (SIMA 1982).

Described below are (1) the role of business in the economy, (2) government policies and incentives to encourage business development, and (3) major issues relating to the private sector. Discussion is limited by the availability of data. The purpose of presenting this general overview is to provide a context for the assessment of small businesses.

### The Role of Business in the Economy

From 1971 to 1980 the number of companies incorporated in Solomon Islands increased from 106 to 274, a 10 percent AAGR (Statistics Office 1981). In 1980 only two were public companies. Authorized capital increased at a 4.5 percent AAGR to over 1970 SI\$26 million during the period; whereas paid-up capital increased at 8.1 percent AAGR to over 1970 SI\$15 million. Forty-three companies that were incorporated overseas were operating in 1980, down from 48 in 1970.

Other private sector entities include:

1. Government Shareholding Agency (GSA), which had invested SI\$6.8 million (1970 SI\$3.7 million) in a number of statutory bodies and major commercial joint ventures by the end of 1979. Thirty-three percent of GSA's investment was in the Development Bank of Solomon Islands.
2. Cooperative Societies have increased in number from 145 in 1970 to 226 in 1978, and membership from 8,000 to 16,000 over the same time period. These societies perform a number of functions including wholesale purchasing and marketing, retailing to and marketing for individuals, and collecting and distributing savings and loans.

3. Small businesses that have not been incorporated under the Companies Act probably play a major role in retailing, transportation, and smallholder agricultural production, especially in the rural areas. The exact number is not exactly known.

Of the 20,365 in wage and salary employment at the end of 1980, 36 percent were classified as "government" employees, 6 percent as "nonprofit bodies" employees, 3 percent "cooperatives," 4 percent "statutory authorities," and 50 percent "private business," which includes government commercial joint ventures. Table B1 shows total wage and salary employment by main industrial sectors. As the table indicates, sectors 1 (34 percent) and 9 (28 percent) provide the bulk of wage and salary employment. Manufacturing (10 percent), construction (9 percent), wholesale and retail trade (9 percent) and transportation and communication (7 percent) also are important.

Since the available data do not allow disaggregation by private and public sector commercial joint ventures, a rough estimate can be made of the size of the private sector exclusive of government. By eliminating all of the employees in industrial sectors 4 and 9 and all of those people working in establishments with 100 or more employees, roughly 30 percent (6,188) could loosely be termed as strictly private sector employees. Using this "rule of thumb" methodology, of the 6,188 "private sector" employees 30 percent are in wholesaling and retailing, 22 percent in agriculture, 15 percent in manufacturing, 14 percent in transportation, 13 percent in construction, and 5 percent in financial services.

Small establishments have a major role in terms of the number of operations but they do not employ a correspondingly large number of people. Aside from sector 9, small (less than 20 employees) establishments have major roles in wholesaling and retailing, and transportation and communication.

Three commercial trading banks are registered in Solomon Islands: Australia and New Zealand Banking Group Ltd., The Hong Kong and Shanghai Banking Corporation, and the National Bank of Solomon Islands. Additional financial institutions are the Development Bank of Solomon Islands and the National Provident Fund (national superannuation scheme). Table B2 shows advances by sector. Primary industry received 37.1 percent of all loans in November 1980, manufacturing 3.1 percent, and construction 2.2 percent, for a total of 42.4 percent for primary and secondary industries. Tertiary industry received 46.6 percent while loans to individuals accounted for 11 percent.

Table B3 considers only Development Bank loans. Several trends appear:

1. Although the loaned amount has increased substantially over the time period the number of loans has increased nearly 15-fold, which indicates more small loans,

2. Small loans are especially prominent in the commercial trading sector,

Table B1. Employment by Size of Establishment at 31 December 1980

Industry	0 - 4		5 - 9		10 - 14		15 - 19		20 - 49		50 - 99		100+		All Establishment	
	No	Total People	No	Total People	No	Total People	No	Total People	No	Total People	No	Total People	No	Total People	No	Total People
Agriculture, Forestry, Fishery	10	16	6	41	3	33	2	35	13	428	11	839	14	5441	59	6833
Mining	1	2	-	-	-	-	-	-	-	-	-	-	-	-	1	2
Manufacturing	8	18	14	97	7	82	4	71	13	379	4	300	6	1133	56	2080
Electricity, Water	3	4	5	38	4	44	-	-	2	82	1	86	-	-	15	254
Construction	5	9	5	32	1	11	-	-	11	371	6	408	4	993	32	1824
Wholesale, Retail	283	674	44	298	15	152	12	199	15	344	3	196	-	-	372	1863
Transport, Communication	30	70	32	217	8	93	5	85	9	283	1	82	2	589	87	1439
Financial Services	9	23	4	27	1	14	1	17	7	222	-	-	-	-	22	303
Community, Social, Personal Services	460	1494	146	1011	32	382	22	392	27	838	2	101	7	1549	696	5767
TOTAL	809	2310	256	1781	71	811	51	799	97	2947	28	2012	33	9705	1340	20365
As % of Total	60.4	11.3	19.1	8.7	5.3	4.0	3.8	3.9	7.2	14.5	2.1	9.9	2.5	47.7	100.4	100

Sources: Statistics Office. 1981.



Table B2. Sectoral Analysis of Advances in 1981 (All Trading and Savings Banks) SI\$'000

Date*	Manu- factur- Indus- try	Other Production				Transport	Services		Other	Total <sup>2</sup>	Persons	Total
		Agric & Forestry	Fishing	Construc- tion	Total <sup>1</sup>		Retail	Other				
1977												
November	256	669	404	194	1523	276	1371	940	1239	3826	536	5885
%	4.4	11.4	6.9	3.3	21.5	4.7	23.3	16.0	21.1	65.0	9.1	100.0
1978												
February	263	529	1296	161	1986	614	2175	749	563	4101	963	7313
May	242	917	1615	156	2688	536	1056	548	1520	3660	753	7343
August	343	873	641	127	1641	540	1057	532	1528	3657	802	6443
November	398	922	1268	202	2392	492	1370	471	1468	3801	978	7569
%	5.3	12.2	16.8	2.7	31.6	6.5	18.1	6.2	19.4	50.2	12.9	100.0
1979												
February	323	499	434	256	1189	459	1562	265	1384	3670	1031	6231
May	381	259	696	382	1337	400	1258	274	1259	3191	1032	5941
August	355	351	1901	373	2625	540	1210	1147	1965	4872	1078	8930
November	466	430	1989	363	2782	380	1539	854	1575	4348	1727	9323
%	5.0	4.6	21.3	3.9	29.8	4.1	16.5	9.2	16.9	46.6	18.5	99.9
1980												
February	602	1885	4416	393	6694	379	2653	587	4574	8193	1893	17382
May	702	1810	3823	401	6034	412	2741	545	2568	6266	3193	16195
August	709	1491	6244	447	8182	895	2107	885	3837	7724	2152	18767
November	660	1791	6202	483	8476	2477	2738	714	4108	10037	2380	21553
%	3.1	8.3	28.8	2.2	39.3	11.5	12.7	3.3	19.1	46.6	11.0	100.0

Source: SIMA, 1982.

\* Third Wednesday of each month.

Notes: 1. T = Agriculture & Forestry + Fishing + Constructions.  
2. T = Transport + Retail + Other Services + Other.

Table B3. Development Bank Loans - Approval by Sector (SI\$'000)

	1/10/75-31/12/77		1/1/78-31/12/78				1/1/79-31/12/79				1/1/80-31/12/80		
	No	Amount	No	%	Amount	%	No	%	Amount	%	No	%	Amount
<b>AGRICULTURE FORESTRY FISHING</b>	<b>116</b>	<b>214</b>	<b>190</b>	<b>65.7</b>	<b>390</b>	<b>26.5</b>	<b>642</b>	<b>61.5</b>	<b>809</b>	<b>31.9</b>	<b>1236</b>	<b>63</b>	<b>1345</b>
Cocoa	-	-	3	1.0	16	1.1	13	1.2	52	2.1	27	1	118
Mixed Farming	1	2	4	1.4	3	0.2	6	0.2	20	0.8	42	2	162
Copra	5	44	24	8.3	93	6.3	41	3.9	144	5.7	61	3	113
Cattle	96	80	32	11.1	15	1.0	83	8.0	73	2.9	120	6	147
Piggeries and Poultry	6	13	11	3.8	42	2.9	35	3.4	25	1.0	94	5	133
Fisheries	5	46	14	4.8	13	0.9	98	9.4	91	3.6	98	5	117
Forestry	3	30	4	1.4	147	10.0	15	1.4	138	5.4	61	3	36
Rural Institutions	-	-	98	33.9	60	4.1	351	33.6	266	10.5	730	37	513
Other	-	-	-	-	-	-	-	-	-	-	3	-	6
<b>INDUSTRY</b>	<b>3</b>	<b>12</b>	<b>25</b>	<b>8.7</b>	<b>460</b>	<b>31.2</b>	<b>88</b>	<b>8.4</b>	<b>360</b>	<b>14.2</b>	<b>117</b>	<b>6</b>	<b>346</b>
Food, Beverage and Tobacco	-	-	9	3.1	135	9.2	37	3.5	26	1.0	75	4	69
Textile and Leather	-	-	2	0.7	108	7.3	4	0.4	-	-	8	-	85
Wood and Wood Products	1	-	4	1.4	3	0.2	8	0.8	52	2.1	12	1	7
Metal Products	-	-	3	1.0	71	4.8	-	-	-	-	2	-	16
Furniture and Fixture	-	-	3	1.0	41	2.8	6	0.6	35	1.4	12	1	11
Marine/General Engineering	2	12	4	1.4	93	6.3	5	0.5	231	9.1	2	-	116
Others	-	-	-	-	-	-	4	0.2	1	0.6	5	-	42
<b>CONSTRUCTION</b>	<b>1</b>	<b>2</b>	<b>25</b>	<b>8.7</b>	<b>234</b>	<b>15.9</b>	<b>26</b>	<b>2.5</b>	<b>186</b>	<b>7.3</b>	<b>15</b>	<b>1</b>	<b>171</b>
<b>COMMERCE</b>	<b>10</b>	<b>323</b>	<b>25</b>	<b>8.7</b>	<b>190</b>	<b>12.9</b>	<b>64</b>	<b>6.1</b>	<b>572</b>	<b>22.6</b>	<b>121</b>	<b>6</b>	<b>520</b>
Store	10	323	12	4.2	178	12.1	64	6.1	572	22.6	120	6	518
Rural Trading & Marketing Centre	-	-	13	4.5	12	0.8	-	-	-	-	1	-	2
<b>SERVICE AND TRANSPORTATION</b>	<b>4</b>	<b>12</b>	<b>24</b>	<b>8.3</b>	<b>200</b>	<b>13.6</b>	<b>248</b>	<b>23.8</b>	<b>607</b>	<b>24.0</b>	<b>477</b>	<b>24</b>	<b>2022</b>
Shipping	1	1	12	4.2	51	3.5	205	19.6	191	7.5	429	22	1746
Vehicles	3	11	9	3.1	121	8.2	37	3.5	137	5.4	40	2	142
Tourism	-	-	1	0.3	25	1.7	2	0.2	131	0.2	1	-	10
Others	-	-	2	0.7	3	0.2	4	0.4	148	5.8	7	-	124
<b>TOTAL</b>	<b>134</b>	<b>562</b>	<b>289</b>	<b>100.0</b>	<b>1473</b>	<b>100.0</b>	<b>1044</b>	<b>100.0</b>	<b>2533</b>	<b>100.0</b>	<b>1966</b>	<b>100</b>	<b>4404</b>

Source: Statistics Office. 1981.

Note: Figures may not sum due to rounding.

3. This trend also appears in furniture-making and fixture and land transportation,

4. Shipping, on the other hand, shows an inverse relationship, and

5. Agriculture, especially "Rural Institutions" is the main destination by amount and accounts for nearly one-third of all loans by number.

Table B4 shows that loans of less than \$1,000 account for 91 percent by number but only 23 percent by amount. Most of these loans reach maturity within two years. Loans greater than \$50,000 account for less than 1 percent by number but 56 percent by amount. Similarly these loans reach maturity in five or more years, with the largest over 10 years.

Table B5 shows the geographical distribution of Development Bank loans. In provinces where there is a branch office (Western, Malaita, Makira/Ulawa, and Guadalcanal/Honiara) loans account for 84 percent of the total by number and 74 percent by amount. Santa Isabel Province accounts for 7 percent of total loans by number and 14 percent by amount. Loans in Honiara account for 2 percent by number and 23 percent by amount. In provinces with considerable agricultural potential, Western and Malaita, the opposite relationship is seen. Most of the loans are made to Solomon Island nationals who are first-time borrowers.

Savings are shown in Table B6. As indicated, most of the accounts are small, with 99 percent by number accounting for 64 percent of the total amount. These accounts average \$85.00. Savings figures shown represent 5.1 percent of GDP compared with Fiji's 12.7 percent (savings/GDP) (Government of Fiji 1981). In per capita terms Solomon Islands has 1980 US\$29 compared with Fiji's \$222 (Government of Fiji 1981).

As SIMA (1982) has noted, savings and investment are critical development issues. Figures on Development Bank loans indicate that distribution by location, sector, and amount could also be added as a critical development issue.

Table B4. Characteristics of Development Bank Loan and Equity Investment Approvals (SI\$'000)

	1/10/75-31/12/77		1/1/79-31/12/78				1/1/79-31/12/79				1/1/80-31/12/80			
	No	Amount	No	%	Amount	%	No	%	Amount	%	No	%	Amount	%
<b>SIZE</b>														
Up to \$500	31	12	97	23	33	2	461	44	161	6	1040	53	342	9
\$501 - \$1,000	45	32	117	40	92	6	453	43	381	15	753	38	628	14
1,001 - 5,000	40	73	29	10	84	6	70	7	154	6	109	6	275	6
5,001 - 10,000	11	89	18	6	136	9	18	2	128	5	25	1	194	4
10,001 - 20,000	2	31	9	3	137	9	19	2	304	12	15	1	241	5
20,001 - 50,000	2	60	13	5	426	29	13	1	455	18	13	1	422	6
50,001 - 100,000	3	265	3	1	235	16	6	1	406	16	4	-	278	6
Over \$100,000	-	-	3	1	330	23	4	-	545	2	7	-	2024	50
<b>TOTAL</b>	<b>134</b>	<b>562</b>	<b>289</b>	<b>100</b>	<b>1473</b>	<b>100</b>	<b>1044</b>	<b>100</b>	<b>2533</b>	<b>100</b>	<b>1966</b>	<b>100</b>	<b>4404</b>	<b>100</b>
<b>AVERAGE SIZE \$(Actual)</b>	<b>4192</b>		<b>5098</b>				<b>2426</b>				<b>2240</b>			
<b>MATURITY</b>														
Up to 1 year	6	7	48	17	153	11	235	23	261	10	727	37	433	10
Over 1 year to 2 years	10	27	106	37	126	9	469	45	360	14	979	50	718	16
Over 2 years to 3 years	65	113	74	25	115	8	250	24	474	19	158	8	252	6
Over 3 years to 4 years	4	18	12	4	15	1	20	2	69	3	12	-	22	-
Over 4 years to 5 years	1	2	20	7	311	23	26	2	290	11	16	1	80	2
Over 5 years to 10 years	42	189	25	9	543	39	35	3	701	28	52	3	871	20
Over 10 years	6	205	2	1	131	10	9	1	380	15	22	1	2028	46
<b>TOTAL</b>	<b>134</b>	<b>562</b>	<b>287</b>	<b>100</b>	<b>1394</b>	<b>100</b>	<b>1044</b>	<b>100</b>	<b>2533</b>	<b>100</b>	<b>1966</b>	<b>100</b>	<b>4404</b>	<b>100</b>

Source: Statistics Office. 1981.

Table B5. Development Bank Loans by Province

	1/10/75-31/12/77		1/1/78-31/12/78				1/1/79-31/12/79				1/1/80-31/12/80			
	No	Amount	No	%	Amount	%	No	%	Amount	%	No	%	Amount	%
LOCATION														
Central Province	6	4	20	7	17	1	124	12	304	12	176	9	99	2
Eastern Province	2	3	1	1	1	-	10	1	7	-	11	-	5	-
Guadalcanal Province	24	30	42	15	347	24	167	16	327	13	307	16	800	18
Santa Isabel Province	5	4	13	4	19	1	80	8	83	3	142	7	614	14
Makira/Ulawa Province	30	43	31	11	26	2	113	11	115	4	100	5	329	8
Malaita Province	40	57	84	29	196	13	268	25	594	22	472	24	495	1
Western Province	19	79	58	20	97	7	219	21	298	12	719	37	1054	24
Honiara	8	342	40	14	770	52	63	6	850	34	39	2	1007	23
TOTAL	134	562	289	100	1473	100	1044	100	2533	100	1966	100	4404	100
PURPOSE														
New Projects	100	198	222	77	557	38	828	79	1084	43	1810	92	3623	60
Expansions & BMR	34	364	67	23	917	62	216	21	1449	57	156	8	1781	40
TOTAL	134	562	289	100	1473	100	1044	100	2533	100	1966	100	4404	100
NATIONALITY														
Nationals	128	373	265	92	900	61	1036	99	2087	82	1962	100	4291	97
Expatriates	6	189	24	8	574	39	6	1	446	18	4	-	113	3
TOTAL	134	562	289	100	1473	100	1044	100	2533	100	1966	100	4404	100
TYPE OF BORROWER														
New Borrower	115	433	281	97	1373	93	919	88	1733	68	1899	96	3489	79
Repeat Borrower	19	129	8	3	101	7	125	12	800	32	77	4	915	21
TOTAL	134	562	289	100	1473	100	1044	100	2533	100	1966	100	4404	100

Source: Statistics Office. 1981.

Note: Figures may not sum due to rounding.

Table B6. Savings Accounts Held with Commercial Banks at 30 June 1980

Size of Account	No. of Account	Total Value (S\$'000) <sup>1</sup>	Average Size of Accounts <sup>1</sup> (S.I. \$)
Not exceeding \$2,000	45,555	3,855	85
\$2,001 - \$4,000	224	593	2,648
\$4,001 - \$6,000	89	412	4,630
\$6,001 - \$10,000	52	388	7,460
\$10,000 - \$20,000	24	326	13,600
More than \$20,000	10	457	45,678
<b>TOTAL</b>	<b>45,954</b>	<b>6,031</b>	<b>74,101</b>

Source: Commercial Banks in Statistics Office. 1981.

<sup>1</sup>Estimated figures.

### Policies and Incentives

As noted, increased economic production is a primary national development objective. Other relevant objectives include equitable distribution of development and the promotion of programs aimed at meeting "Solomon Island needs." Taken together these could be interpreted as increasing the role of Solomon Islanders in economic development through increased geographic distribution of opportunity.

Solomon Islands also recognizes the need for private foreign investment and technical and management expertise. Foreign investment is encouraged, especially in large export-oriented projects, preferably in a joint venture with local businesses (Peat et al. 1983). Foreign investment is discouraged in:

1. General road transportation,
2. Middleman marketing of primary products,
3. General retail or wholesale trading,
4. Service industries and manufacturing (excluding specialized or advanced technology fields),
5. Small-scale rural fisheries,
6. Real estate development construction, and
7. Internal shipping (Peat et al. 1983).

In addition to commercial trading banks the Development Bank of Solomon Islands (DBSI) is a major source of finance. As discussed in the preceding section small loans to Solomon Islands-owned commercial enterprises are emphasized. The DBSI was established in 1978 as the successor to the Agricultural and Industrial Loans Board with the following objectives:

1. Providing financial capital to suitable enterprises,
2. Promoting the participation of Solomon Islanders in Solomon Islands economic development,
3. Encouraging the economic development of rural areas,
4. Stimulating processing and other industrial activities that may strengthen Solomon Islands economy, and
5. Providing advisory and extension services related to credit finance (CPO 1980).

As the above data indicate, the DBSI has many small loans. The "micro-loan" program lends a maximum of \$1,000 at a flat interest rate of 6 percent per annum (Kadau 1982). This program has been termed "impressive" (Cole and Thompson 1981).

Other incentives include:

1. Financial concessions, including import and export (with re-export) duty reductions and tariff protection,
2. Financial assistance in the form of providing a joint venture partner where the project is perceived as being of major economic significance in the national interest, and
3. Assistance in such areas as obtaining suitable land tenure with related planning and design, infrastructure and communications support, staff recruiting and training, and marketing.

Peat, Marwick, Mitchell and Co. (1983) summarize tax information with:

Customs Duty. Customs duty is levied on goods entering the country on a single line tariff and varies between commodities.

Export Taxes. Similarly the taxes vary between commodities; some, however, are specific, as opposed to ad valorem, and in such cases rebateable against income taxes.

Excise Duties. These are least significant since they presently apply only to tobacco and tobacco products.

Stamp Duty. Certain documents such as those involved in the transfer of property or shares are required to be stamped. The rate of stamp duty imposed depends on the nature of the document.

Gift Duty. There is no gift duty in Solomon Islands.

Summary of Company Tax Information

1. Company Tax Rate
  - Residents 35 percent
  - Nonresidents 50 percent
2. Other Income Taxes Nil
3. Tax Year Ending 31st December
4. When Company Tax Payable Quarterly - in advance
5. Withholding Taxes
  - Dividends 20 and 35 percent
  - Interest 15 percent
  - Royalties 15 percent
  - Other Varies 2.5 to 15 percent
6. Tax Losses
  - Carry Forward Indefinite
  - Carry Bank -
  - Required Continuity of Ownership not less than 51 percent
7. Assessability of Dividend Income
  - (a) For companies Tax credit
  - (b) For individuals Tax credit - in some
8. Whether Taxed on a Group Basis No
9. Availability of Tax Holidays For companies with pioneer status and approved companies and activities.
  - Capital Gains Tax No
  - Other Taxes, etc. Customs/Excise Duty  
Export Tax  
Stamp Duty  
Estate Duty



Bank lending and interest rates for 1981 are described in Table B7. As indicated, interest rates are relatively low except for longer term deposits. Even the higher earning development bonds (10 percent) were well below the rates for deposits such as "money market accounts" in the United States,

Table B7. Interest Rate Structure 1981 (percent)

BANKS' INTEREST ON DEPOSITS	JANUARY	DECEMBER
Call rate	3.50	3.75
1 month	4.50-4.75	5.25
2 months	5.50	5.75-6.00
3 months	6.00	6.25-6.75
6-12 months	6.50	6.25-7.25
Savings	3.50	3.50
OTHER FINANCIAL ASSETS		
National Provident Fund contribution accounts	8.00	8.00
National Saving Certificates	7.00	7.00
Treasury bills	-	7.00
Development bonds	9.00	7.00
BANKS' LENDING RATES		
Overdrafts:		
Minimum	9.00-10.75	9.00-12.00
Maximum	10.50-12.5	12.50-14.50

Source: Solomon Islands Monetary Authority. 1982.

Note: Lending rates are usually "standard" rates, applicable to normal nonrisk loans. In cases of large deposits the rate payable by the banks is negotiable.

which were above 15 percent during 1981. However, lending rates were well below U.S. prime rates during 1981. Apparently there are no differentiations for interest rates based on size of the deposit.

In-service and general training facilities appear to be limited, which is substantive since "the labor force consists largely of unskilled laborers" (Peat et al. 1983). Financial incentives on training are not stated. An investor can secure a seven-year moratorium on land rents if locating in a "Fixed Term Estate" (75 years) (Peat et al. 1983). Some of these estates, such as in Honiara, are full service (e.g., roads, electricity, water). Insurance has been termed "fragmented, costly and directed entirely from outside Solomon Islands" (CPO 1980).

### Key Issues

Solomon Islands has a dual economy, with a majority of the labor force working in the noncash sector while the monetized sector is dependent on exports and public expenditures. Main exports are highly vulnerable to commodity price fluctuations. The open economy is vulnerable not only to fluctuating export commodity prices but also to inflation imported from its main trading partners (e.g., Australia and the United Kingdom).

Government foresees a substantive role for the private sector in utilizing Solomon Islands resources. Resource utilization requires the establishment of operations in rural areas. This, in effect, will increase participation in the monetized sector.

During the recent world recession, which resulted in depressed export earnings, savings rates declined to pre 1978-79 levels (SIMA 1982). Developing a financial resource is considered to be necessary for the expansion of the monetized sector and hence resource utilization.

Investment levels also fell during the recent recession. However, this has been attributed to "a lack of financially suitable" investment opportunities rather than lack of capital (SIMA 1982). Government plays a leading role in investment, both in public and commercial joint ventures. Government investment also declined primarily due to lack of "planning and execution" (SIMA 1982). Thus the identification and implementation of commercial investment opportunities must be improved if further resource utilization is to occur.

Although the DBSI's "micro-loan" program has largely been successful overall use of the DBSI could be increased. Failure to fully exploit this resource is due not to lending rates but to a breakdown in information and extension systems (CPO 1980). Misunderstanding of the DBSI's role and lack of facilities and staff, especially in rural areas, significantly constrains operations.

At present many small loans are in commercial retailing and transportation. Although this has a net positive effect by increasing rural access to goods and services, future growth will depend on increased economic production and its geographic distribution. This will require

increased exploitation of resources in rural areas as well as centralized forward processing (which could be located in selected rural centers).

Efforts to increase forward processing, or manufacturing, have come primarily from public expenditures or overseas investors. This trend is expected to continue. However, there are constraints in the identification and implementation systems. At present, technical support systems appear to be limited. This requires the import of costly expertise. In the data available no mention has been made of any assessment of rationalizing these expenditures or the demand for such services.

Even with constraints and development issues private businesses are increasing. As shown in Table B8 the increase is substantial, especially for companies owned by Solomon Islanders. This increase, as well as a continued increase, has created and will create more demands for services and recognition. How these demands will be met by government and financial institutions is a significant question.

Table B8. Incorporated Companies Just Prior to Independence and in 1984

	30 June 1978	30 June 1984
Total Incorporated Companies	196	436 <sup>a</sup>
-wholly owned by Solomon Islanders	22	155 <sup>b</sup>
Total Paid-up Capital	\$16.90 million	\$39.7 million
-paid-up capital of companies wholly owned by Solomon Islanders	\$ 0.09 million	\$ 0.9 million

Source: Registrar of Companies, 2 October 1984, personal communication.

<sup>a</sup>Includes 20 companies in which Solomon Islanders had the majority of paid-up capital, 14 companies in which Solomon Islanders had an equal share, and 15 companies with minority shareholding.

<sup>b</sup>Includes 25 naturalized citizens owning companies.

<sup>c</sup>Dollars are current dollars.

<sup>d</sup>30 June 1978 is just prior to independence.

## APPENDIX C. THE INSTITUTIONAL REPRESENTATIVES VIEW OF THE ECONOMY

A component of the field study involved interviewing senior officials of organizations that are central to the management and direction of Solomon Islands' economy. The purposes of the interviews were (1) to determine the current state of the economy and its future and (2) to elicit discussion on the problems and potential of small businesses as viewed from key positions within both the public and private sectors. The results of the interviews can be compared with responses (to similar questions) of the owners of small businesses as an indicator of communication/information flows between policymakers and those people who are affected (i.e., the small business person). The results also can enable a focus on possible measures to improve the environment for small businesses. However, this "improved environment" should be treated cautiously: as one of those interviewed stated, "It's easier to highlight problems than to find workable solutions."

Table C1 shows the 30 organizations (14 private and 16 public sector; note: the DBSI, a statutory body, has been included under private sector banks) represented by the people interviewed. Table C2 indicates the citizenship and years of residence in Solomon Islands of the interviewed expatriates (21) and the ethnic origin of the interviewed Solomon Islands citizens (14).

In all but two cases the interviews lasted less than one hour, with most lasting approximately one and one-half hours. The interviews were essentially open-ended. However, several issues were raised during all of the interviews:

1. Current performance of the economy,
2. Future of the economy,
3. The effectiveness of governments private sector policies and their implementation, and
4. The problems and needs of small businesses.

In all cases the interviewees were cooperative. Discussions were conducted in private and the responses were confidential.

### Current State Of The Economy

As expected during a period of both higher prices and increased production for major commodities and their ensuing added cash flow to both the public and private sectors, the current state of the economy has stimulated optimism and a generally positive outlook. As Table C3 indicates, 57 percent of all of the interviewees viewed the economy positively while 43 percent had mixed feelings. The majority (73 percent) of those people with mixed feelings work for government, which tends to support to some degree the statement by someone in the private sector that

Table C1. Organizations Interviewed

Private Sector	Public Sector
<u>Banks</u>	<u>Statutory Bodies</u>
ANZ	National Provident Fund
Shanghai	Central Bank
National Bank of Solomon Islands	Government Shareholding Agency
Development Bank of Solomon Islands (DBSI)	
<u>Accountants</u>	<u>Central Government</u>
Price, Waterhouse	Ministry of Finance
Peat, Marwick, and Mitchell	Inland Revenue
Coopers and Lybrand	Statistics Office
Fred Seda	Chief Economic Planner
<u>Other</u>	Foreign Investment Division
Cameron MacNamara - Engineering Consultants	Registrar General
	Honiara Technical Institute - Business Studies
<u>Associations</u>	<u>Economic Production Sectors</u>
Solomon Islands Business Association	<u>in Government</u>
Chinese Association	Ministry of Natural Resources
Honiara Chamber of Commerce	Forestry Division
Gizo Chamber of Commerce	Geology Division
	<u>Ministry of Home Affairs and</u>
	<u>National Development</u>
	Agriculture Division
	Cooperatives Division
	Provincial Fisheries Development Division
	Land Use Division
	Business Development Branch

Table C2. Nationality and Years in Solomon Islands of Those Interviewed

Nationality/ Ethnic Group	Years				Citizen	Total
	Less than 1	1 - 3	4 - 9	10+		
Australia	-	5	6	-	-	11
United Kingdom	2	1	-	3	-	6
New Zealand	1	-	-	-	-	1
India	-	1	-	-	-	1
Sri Lanka	1	1	-	-	-	2
Solomon Islands	-	-	-	-	14	14
- Melanesian	-	-	-	-	(12)	(12)
- Other	-	-	-	-	(1)	(1)
- Naturalized	-	-	-	-	(1)	(1)
Total	4	8	6	3	14	35

"civil servants seem to be more negative (than the private sector) about the economy's prospects."

Generally, all of the interviewees indicated that higher commodity prices, especially for copra, determined their views on the economy. The people with mixed feelings stressed that the higher prices were temporary and would fall within the year.

A total of 12 percent stated that the opportunities for businesses were increasing or that the "business climate was improving." This could indicate that the relationship between the public and private sectors is improving and that certain government policies and initiatives are having a positive effect. The Small Loan Guarantee Scheme and the Foreign Investment Act were specifically mentioned as being positive.

### Future Of The Economy

Table C4 shows the experts' views on the future of the economy. As the table indicates the economy's future is more uncertain than its current state. Although the entrepreneurs with a positive view justified their position with statements that investment opportunities were increasing and that management of the economy and private businesses were improving, they all recognized that there are and will continue to be problems implementing policies.

Specific implementation problems included the extension of policies and programs to rural areas and inconsistent policies. Extension problems are of special concern since there is a generally held view that the future of the Solomon Islands economy is dependent on the utilization of natural resources in rural areas, in particular, the development of smallholder agriculture. The major determinant here is the lack of resources (e.g., manpower, finance) to implement rural development policies.

Inconsistent policies also received prominence as a major concern. Two main policy areas were identified: (1) the role of provincial governments and (2) foreign investment. Presently each of the provinces is able to set its own tax rates and business regulations, which can vary from province to province, and that many provincial decisions are made in isolation without consulting or integrating with national policies. This situation is considered (by those responding) to be (1) confusing to investors and (2) a deterrent to investment. Although the confusion could dissipate over time, one of the interviewees views the existing situation as "additional government red tape."

Foreign investment was generally felt to have improved over the last year. However, a number of the interviewees still feel that inconsistencies exist (between policies) and that some policies have been applied retroactively. In particular there seems to be some confusion as to the role of the Foreign Investment Division: "is its objective to promote investment or to be a policing agency?" As an outgrowth of this confusion some of the respondents mentioned that personality conflicts had developed. Taken together the preceding suggest uncertainty to a potential investor, which is not a desirable climate for investment.

Table C3. Current Performance of the Economy

Performance Institutional Representatives	Current Performance			Reasons for Current Performance (of those responding:)		
	Positive	Mixed	Negative	Positive	Mixed	Negative
Banks Organizations = 4 Individuals = 4	100%	-	-	copra prices 75% high liquidity 25%	-	-
Accountants/ Consultants Organizations = 5 Individuals = 5	80%	20%	-	copra prices 40% overall performance of export commodities 40%	copra prices 20%	-
Statutory Bodies Organizations = 5 Individuals = 3	67%	33%	-	copra prices 67%	copra prices 33%	-
Business Associations Organizations = 4 Individuals = 5	60%	40%	-	overall performance of export commodities 40% copra prices 20%	improving business climate 40%	-
Central Government Organizations = 7 Individuals = 7	43%	57%	-	opportunities increasing 29% commodity prices and performance by smallholder agricultural producers 14%	commodity prices 57%	-
Economic Production Sectors in Government Organizations = 4 Individuals = 11	36%	64%	-	copra prices 36%	copra prices 64%	-
Total Organizations = 30 Individuals = 35	57%	43%	-	commodity/copra prices 49% opportunities increasing 6% high liquidity 3%	commodity/copra prices 37% improving business climate 6%	-



Table C4. Anticipated Future Performance of Economy

Future Performance Institutional Representatives	Anticipated Future Performance			Why			Major Concern(s)		
	Positive	Mixed	Negative	Positive	Mixed	Negative	Positive	Mixed	Negative
Banks Organizations = 4 Individuals = 4	75%	25%	-	opportunities and management skills increasing 50%; development of agro-processing 25%	implementation problems 25%	-	rural development 25%; consistency of foreign investment policies 50%	extension programmes 25%	-
Accountants/Consultants Organizations = 5 Individuals = 5	20%	80%	-	agricultural development 20%	problems implementing rural development 40%; inconsistent foreign investment policies 40%	-	policy implementation 20%	rural extension 40%; inconsistent policies 40%	-
Statutory Bodies Organizations = 3 Individuals = 3	33%	67%	-	increasing investment opportunities 33%	problems implementing rural development 67%	-	infrastructure 33%	infrastructure 33%; need for more opportunities 33%	-
Business Associations Organizations = 4 Individuals = 5	60%	40%	-	opportunities increasing 60%	mixed signals from government 40%	-	inconsistent policies 20%; increasing local participation 40%	consistency of foreign investment policies 40%	-

Table C4. Anticipated Future Performance of Economy (Cont'd)

Future Performance Institutional Representatives	Anticipated Future Performance			Why			Major Concern(s)		
	Positive	Mixed	Negative	Positive	Mixed	Negative	Positive	Mixed	Negative
Central Government Organizations = 7 Individuals = 7	43%	57%	-	policy management improving 14%; opportunities increasing 29%	inconsistent policies and uneven implementation 57%	-	inconsistent policies, especially foreign investment 43%	policy and implementation 43%; human factor 14%	-
Economic Production Sectors in Government Organizations = 4 Individuals = 11	36%	64%	-	opportunities for small-holders increasing 27%; increasing investment opportunities 9%	problems with infrastructure 36%; inconsistent foreign investment policies 18%; drop in commodity prices 9%	-	rural infrastructure 36%	rural infrastructure 36%; foreign investment policies 27%	-
Total Organizations=30 Individuals = 35	43%	57%	-	increasing investment opportunities 34%; management improving 9%	inconsistent policies 23%; implementation problems 31%; drop in commodity prices 3%	-	rural development 20%; inconsistent policies 17%; local participation 6%	rural development 26%; inconsistent policies 29%; human factor 3%	-

Two additional concerns were also voiced: (1) too rapid localization and (2) the "human factor." The concern with localization stems from a view that government policy does not recognize the need for a specific skill in a private business. The policy has been described as "politically appropriate but unrealistic." The "human factor" implies the capacity to adapt to changing situations in a positive manner. The question then is how individuals will adjust to a fluctuating economy (dependent on commodity prices) and capture a range of opportunities.

The future of the economy has been described by the interviewees as being tied to the development of smallholder agriculture, which is dependent on the capability of the public sector to implement programs. There also is a widely held view that the success of the smallholder is dependent on the development of larger operations, or "building blocks" (e.g., plantations). These "building blocks" involve substantial investment levels, which require a stable investment climate. Although the national election (held one month after data collection) could be a major cause of the above uncertainty (about the economy) the reality is that a number of well-placed individuals are hesitant about the future. This can be corrected but it is currently not a positive input to the economy's future.

#### Policies And Their Implementation: Problems

Policy and implementation problems are more clearly disaggregated in Table C5. Although the table attempts to separate policies from implementation problems in reality the separation is not always apparent or feasible. As an example, if one were to consider a timber project owned by a joint venture between Solomon Islands and an overseas firm, then all of the policy areas (noted in the table) would be involved as would the implementation issues: considerable coordination would be required, objectives clearly stated, and substantial resources would have to be made available.

Thus the table's presentation tends to trivialize the complexity of a medium to large project. However, the table can help to pinpoint issues that might negatively affect such a project.

As indicated, the policies were ranked as follows:

1. Support Services. Specific policy issues included the extension of financial and credit facilities to rural areas, repair services, consulting and other technical support, and training. Lack of resources has been the main constraint to the evolution and implementation of these policies. However, several people commented that government had not established clear objectives with respect to target populations and specific programs. Due to an absence of concise objectives coordination becomes difficult.

2. Rural Development/Infrastructure. Extension of transportation and communication received prominence. Quality of life services such as health and education also were noted. However, the major concern was developing smallholder agriculture and fishing—where and how. Where projects have been established, they have not always yielded the desired results since rural

Table C5. Problems with Government Private Sector Policies and Their Implementation

Problems with  Institutional Representatives	Policies for					Implementation		
	Rural Development/ Infra- Structure	Support Services (technical, financial)	Investment	Foreign Investment	Specific Sectors	Lack of Coordination	Unclear Objectives	Lack of Resources
Banks Organizations = 4 Individuals = 4	75%	100%	100%	75%	25%	100%	75%	100%
Accountants/Consultants Organizations = 5 Individuals = 5	100%	100%	100%	100%	80%	100%	60%	100%
Statutory Bodies Organizations = 3 Individuals = 3	100%	100%	67%	67%	33%	100%	67%	100%
Business Associations Organizations = 4 Individuals = 5	40%	40%	80%	40%	0	60%	20%	40%
Central Government Organizations = 7 Individuals = 7	57%	100%	71%	57%	43%	86%	57%	100%
Economic Production Sectors in Government Organizations = 7 Individuals = 11	82%	100%	82%	45%	45%	82%	45%	100%
Total Organizations = 30 Individuals = 35	74%	83%	71%	60%	40%	86%	51%	91%

residents have not captured many of the intended opportunities. This suggests communication, especially follow-up, problems.

3. Investments. Aside from the problems discussed above (i.e., the role of provincial governments and inconsistencies) a basic issue is the structure of investments and corresponding incentives. If the policy to increase participation by Solomon Islanders in business is considered then questions arise concerning the objective (and, therefore, structure) of the investment: e.g., there seems to be considerable abundance (read "duplication") of small trade stores, many with cash-flow and management problems, low debt-equity ratios, and low levels of capitalization. Therefore, should investment and investment incentives be more selective?

4. Foreign Investment. Although this has been discussed above, including the notation that the "situation is improving," the key appears to be uncertainty. Several comments made by the interviewees might be useful: a) "government would like to see increased foreign investment;" b) yet, "government does not promote foreign investment;" c) "policies and regulations are unclear and applied inconsistently;" d) "what is a joint venture?" and e) "what does government want from foreign investment?" The above would seem to suggest that there is indeed some confusion, which in itself affects investment.

5. Specific Sectoral Policies. Specifically mentioned were timber, agriculture (both smallholder and plantation), and wholesaling and retailing in Honiara. Comments on this wide range of sectors generally focused on unclear objectives: i.e., "what does government want to happen?" and "how will that be implemented?"

This discussion may appear to be superficial and too general. However, these generalities when taken together indicate a specific pattern: a nonrationalized policy environment, where uncertainty exists, where resources or the means to implement them are unavailable, and where the dialogue between government and the private sector appears not to have been sufficient in policy formulation.

A final issue that was not described in the table is land. The fragmented traditional landholding system has been viewed as beneficial in some respects since it has limited the establishment of certain projects, which might have had negative impacts on landowners. On the other hand, the system is also viewed as having limited the development of other projects, which could have had positive impacts. If government wishes to see "building block" projects developed in rural areas then increased attention will have to be given not only to the land system but also ensuring that the landowners are able to capture opportunities generated through the multiplier effects of these projects.

#### Problems and Needs of Indigenous Businesses

Table C6 indicates the "experts" view of business problems, as follows:

1. Lack of Support Services. (e.g., training, technical advice, repair facilities, financial advice). Training in particular was mentioned by those

Table C6. Problems of Indigenous Businesses

Problems	Lack of Experience with/Knowledge of Business Operations/Objectives	Lack of Management Skills	Wantok System	Lack of Finance	Under-Capitalisation	Lack of Physical Infrastructure	Lack of Support Services (Technical, financial)	Lack of Markets	Lack of Contacts (including overseas)	Duplication
Institutional Representatives										
Banks Organizations=4 Individuals = 4	100%	100%	25%	0	25%	50%	100%	25%	0	50%
Accountants/ Consultants Organizations=5 Individuals = 5	100%	100%	40%	20%	40%	80%	100%	60%	60%	40%
Statutory Bodies Organizations=3 Individuals = 3	100%	100%	100%	0	33%	100%	100%	67%	100%	67%
Business Associations Organizations=4 Individuals = 5	40%	60%	80%	40%	40%	20%	60%	40%	20%	40%
Central Government Organizations=7 Individuals = 7	57%	100%	71%	0	29%	43%	86%	43%	29%	14%
Economic Production Sectors in Government Organizations=7 Individuals = 11	55%	73%	64%	45%	45%	100%	100%	64%	27%	36%
Total Organizations=30 Individuals = 35	69%	83%	63%	23%	34%	69%	89%	51%	34%	37%

people who identified this as a problem. Lack of support services was also given the highest ranking as a "need" of indigenous businesses (Table C7).

2. Lack of Management Skills. This was ranked as both the second most critical problem and need of indigenous businesses. The view is that business operators either lack the most basic skills (e.g., stock-taking, bookkeeping) or the opportunity to build on existing skills.

3. Lack of Experience with and Knowledge of Business Operations and Objectives. To some extent this is similar to lack of management skills. However, it is somewhat different since it implies some confusion regarding "what is a business, its objectives and how it works." In other words, it is the context in which management skills are applied. This correlates to some degree with improved information flows and general awareness as noted in Table C7.

4. Lack of Physical Infrastructure. In addition to communication, transportation, and other services (e.g., water and power), availability of land (i.e., industrial development sites and suitable commercial office space) is an important consideration. Regular shipping for rural areas is especially critical.

5. Traditional or Wantok System. Although this was cited as a key problem nearly all of the respondents did not view it as an insurmountable one. The problem aspects directly relate to increasing the awareness of the general population with respect to what a business is and how it operates (Table C7).

6. Lack of Markets. In many respects this is an "economies of scale" issue, which is compounded by lack of physical infrastructure and management skills, specifically, marketing. Although attempts have been made at rationalization marketing for certain sectors/projects, no studies have been done on the "total market of the Solomon Islands." Hence rationalization appears to be somewhat "ad hoc." As a need, however, markets were placed below market knowledge.

7. Duplication. Thirty-seven percent felt that too many of the same type of businesses were in operation (e.g., retail shops).

8. Undercapitalization. Thirty-four percent of the "experts" felt that a key problem was that many businesses begin operating without sufficient investment.

9. Lack of Finance. This was seen as a problem by only 23 percent of the respondents. None of the representatives of banks, statutory bodies, or central government viewed this as a problem as opposed to only one representative of the accountants/consultants. The people who saw lack of finance as a problem also viewed it as a priority need of businesses.

Table C7. Needs of Indigenous Businesses

Need	Finance	Markets	Market Knowledge	Physical Infra-Structure	Support Services (technical, financial)	Management Training	Awareness by General Population of Business Operations	Increased Investment	Improved Information
<b>Institutional Representatives</b>									
Banks Organizations = 4 Individuals = 4	0	25%	100%	75%	100%	100%	100%	75%	100%
Accountants/ Consultants Organizations = 5 Individuals = 5	20%	60%	100%	100%	100%	100%	80%	100%	80%
Statutory Bodies Organizations = 3 Individuals = 3	0	67%	100%	100%	100%	100%	100%	67%	100%
Business Associations Organizations = 4 Individuals = 5	40%	0	40%	60%	80%	80%	40%	20%	60%
Central Government Organizations = 7 Individuals = 7	0	43%	71%	43%	100%	100%	100%	43%	100%
Economic Production Sectors in Government Organizations = 7 Individuals = 11	45%	55%	73%	82%	100%	82%	36%	73%	73%
Total Organizations = 30 Individuals = 35	23%	43%	63%	74%	97%	91%	69%	60%	80%



#### APPENDIX D. THE REGIONAL DEVELOPMENT CONTEXT

As in most countries development in Solomon Islands has been geographically uneven. This is due primarily to the type and range of available resources and markets. Given the highly fragmented nature of Solomon Islands, including the many islands and the dispersed population, this is an understandable outcome. Government has attempted to ameliorate spatial unevenness through decentralized rural development initiatives, including the formation of provincial governments.

Although these policies can and have had a positive effect major limitations exist on how they can facilitate the development of a private sector. For example, in 1974 14.2 percent of all households reported no cash income (CPO 1980). One district had only one percent reporting no cash income whereas another had 25 percent reporting no cash income (CPO 1980). These figures clearly indicate unequal distribution not only of cash income but of the opportunity to increase income. These two aspects of income distribution, one current and the other future, describe a relatively small finite market in the near term. This places considerable pressure on businesses to operate efficiently because even a slight drop in consumer expenditures (cash income) can cause loss of profitability.

Although data on consumer expenditures are lacking some inferences can be made based on data from other Pacific island studies (Rizer 1985 on Pohnpei; Bureau of Statistics 1982 on Fiji). These studies indicate that households with low levels of cash income tend to purchase basic foodstuffs, usually imported, and have little residual cash income (i.e., savings) available for investment in cash-generating (i.e., income-producing) projects. In other words, cash income leaks from a local savings/investment area and potential to increase cash income is limited.

In this context, one finds government's rural development initiatives. Table D1 describes regional development in Solomon Islands. It reflects the above unevenness as well as government initiatives to improve the situation through such measures as infrastructure development. From the standpoint of welfare economics, or improving the quality of life for rural people, government's efforts have been positive since health centers have been built and sea transportation has increased. However, efforts to increase economic production, and thus the size of the market, have not been totally successful to date. This can be attributed largely to external factors, in particular world copra prices. When prices are high the economy is buoyant with more spending and more investment. Attempts by government to diversify the economic base, such as cattle and cocoa, are beginning to pay dividends; yet the full benefit of these efforts are still several years in the future.

The extended gestation period for many of the economic production projects means that right now there has been only limited extension of the financial infrastructure necessary for private sector efficiency to the less-developed areas. Although this could change in the future the fact remains that today an aspiring entrepreneur in Makira/Ulawa does not have access to local banking facilities and the businessman in Santa Ysabel cannot find an accountant.

Table D1. Regional Development in Solomon Islands

		Province							
		Santa Ysabel	Central	Makira/ Ulawa	Malaita	Eastern Islands	Western	Guadalcanal	Honiara
Economic & Financial Infra- structure	DBSI	X	-	X	X	-	X	X	X
	Commercial Banks	-	-	-	X	-	-	X	3
	Accountants	-	-	-	-	-	X	X	X
	Office Equipment Sales and Service	-	-	-	-	-	X	X	X
	Engineering Services	-	dock yard	govt	govt plus private	govt only	limited but will expand with Noro	X	X
	Air Transportation	X	-	X	X	X	X	X	X
	Sea Transportation	poor	X	poor	X	irregular	some good some areas poor	weather coast poor	X
	Road Network	poor	poor	poor	poor	poor	poor	X	X
	Post and Telecommunication	poor	poor	poor	poor, small exchange	poor	small exchange	X	X
Production	Major Products for Domestic Consumption	spice, cattle, fish	-	-	timber, cattle, fish	nuts	timber, fish for Honiara, pigs, cash crops	rice, timber poultry	-
	Major Products for Exports	copra, cocoa	copra 25% of SI-1977 (80% from Levern), cannery	copra	copra, cocoa	copra	fish, copra	copra, palm oil, logs cocoa, shells	-
	Potential Products	exotic hardwoods	reef fish, crayfish	timber, chillies	spices, crayfish	spices	boat build- ing-repairs reef fish	minerals	-
	Manufacturing	nil	cannery	nil	nil	nil	limited	agro- processing related to plantations	majority of SI manufac- turing
	Secondary school	X	X	X	X	X	X	X	X
Social Infra- structure	vocation/trade school	-	-	-	-	-	-	-	-
	Hospital/Health Center	-	-	-	X	-	X	X	X
	Urban Center-Size	Buala	Tulagi	Kirakira	Auki	-	Gizo, Munda Noro	Honiara	Honiara

Thus government has assumed the lead role in utilizing resources and increasing economic production, in effect, developing a market of sufficient size to facilitate a more active private sector. This conclusion is supported by Table D2, which indicates that in a number of provinces public sector employment constitutes the majority of those people working for wages and salaries. Clearly, without public sector employment in certain areas cash, and for that matter the private sector, would be limited to copra production.

Returning to Table D1, it is obvious that the only area in which the private sector is well catered to is Honiara. It is also the only area with a market large enough to facilitate a private sector that offers a wide range of goods and services. Honiara and its environs--Guadalcanal Province--have the largest concentration of population and as inferred by the table are not the most active producers of goods, other than copra, that earn money (another determinant of market size). The Central Province, as the base for the fishing fleet and site of a fish cannery, has a somewhat concentrated market but relies on nearby Honiara for private sector support facilities. The Western Province with Gizo and Munda also has market concentrations that will increase with the development of Noro.

Table D2. Structure of Wage and Salary Employment

Province	Wage and Salary Employment <sup>(a)</sup>			Wages and Salaries Workforce as % of Total Workforce <sup>(b)</sup>
	in Public Sector (%)	in Private Sector (%)	Total (Number)	
Santa Ysabel	61.3	38.7	563	14.1
Central	25.1	74.9	2,113	22.2
Makira/Ulawa	82.0	18.0	607	9.7
Malaita	90.9	9.1	1,463	5.6
Eastern Is.	56.7	43.3	593	9.1
Western	49.9	50.1	3,319	16.2
Guadalcanal	31.4	68.6	2,998	17.4
Honiara	58.8	41.2	6,022	53.4
Total	51.9	48.1	17,678	16.0

Source: NDP 1980-1984

<sup>a</sup>Figures based on Table 3.98 in NDP.

<sup>b</sup>Figures based on Table 3.102 in NDP, which gives total wage and salary employment as 16,410 and total workforce as 102,625. Published data do not enable reconciliation of Tables 3.98 and 3.102.

The other provinces reflect diffused markets and copra dependency. Some improvements are taking place in Malaita and Makira/Ulawa, but for the most part structural change in the market remains only a future possibility.

Since independence the number of businesses has increased, especially those operations that are owned by Solomon Islands citizens. This is in line with the government's development goals. Another key objective of government is to facilitate the even distribution of development. This is reflected by efforts to improve transportation and the establishment of income-producing projects. However, between rural development and private sector objectives lies a considerable gap, which is characterized by (1) small dispersed markets that are highly dependent on copra prices, (2) lack of local investment options for the small income producers, and (3) government-initiated economic projects that often utilize plantation-type structures and have longer gestation periods. Thus the prospect for a vibrant market and private sector in areas outside Honiara is if not limited then certainly some years in the future.

Table D3 highlights data collected during the study with respect to specific sectors. The table indicates the concentration of certain sectors such as business services and food services in urban areas, especially in Honiara. More important, the table shows that small markets have constrained not only the development of a specific sector but also the extension of the support infrastructure necessary to question it. Small markets can be interpreted as meaning rural areas in this instance.

Clearly then, Table D3 indicates the considerable hurdle that small dispersed markets represent. While many items can be produced in Solomon Islands, ranging from manufactures to agricultural products, the cost of reaching markets and achieving economies of scale often can be prohibitive. Attempting to reconcile this reality with rural development initiatives is obviously not an easy matter.

Table D3. Performance by Specific Sectors

Sector	Retail Wholesale	Clothing Retail & Tailor	Food Service	Accommodation	Personal Services	Tourist Related Stores	Building Construction & Repair Services	Business Services	Manufacturing	Shipping	Agriculture
Issue	N=37	N=4	N=5	N=2	N=2	N=4	N=7	N=2	N=3	N=3	N=3
Market Size	generally adequate even in rural areas	limited to urban areas	limited to urban areas	govt stations and urban areas; basically weak and seasonal	urban centers only	basically limited to Honiara; also handle export of crafts	aside from main urban centers market is small	limited to Honiara and Gizo; market is small but increasing	mostly in and around Honiara; those in other areas cater only for specific small local markets	seasonal and cyclical (e.g., copra prices); otherwise market is small	small markets weak; export products have better opportunities
Market Acceptance/Competition	competition high in certain areas, which affects profits but not necessarily prices	generally positive, especially for second-hand stores	generally positive	govt operates some rest houses, usually at a loss in outlying areas	generally positive from a limited market	competition high in Honiara	small market affects profit	increasing acceptance	limited products in limited acceptance areas	competition high in certain areas	low markets a problem, certain exports well-received
Market Potential	determined by economy; as a whole general improvement could help marginal and losing operations or could result in more duplication	increasing	limited	limited	gradual increase	increase would require considerably more tourists	limited but gradual increase possible	increasing	increasing rationalization and coordination essential	rationalization and coordination essential	need for assessment of local market
Major Weaknesses	competition/duplication; standard of small operations very weak; no rationalization	cost of imports	market size	very small market	small market	duplication, market size, product selection	weak and small market	small market, low levels of capitalization	market size, marketing skills, marketing preference for imported items	competition, over-capitalized	internal markets and market access
Major Strengths	existing market	increasing market demand	lack of competition	lack of competition	lack of competition, high value products	fairly stable known market	demand for services	increasing market demand	little competition locally	market demand/need	exports
Support Infrastructure	rural areas and outlying provinces weak	no specific problems except competition from imports for locally-made items	technical and financial advice weak	transport and advice weak	currently no specific problems	marketing assistance weak	technical and financial advice weak or not utilized (depending on area)	technical advice weak or not utilized	technical backup limited	technical backup weak, financial advice under-utilized	internal marketing strategies needed, extension weak

## APPENDIX E. SANTA YSABEL PROVINCE

Santa Ysabel Province is comprised of Santa Ysabel island (3,490 km<sup>2</sup>) and a number of smaller ones. Located roughly 100 to 150 km northwest of Honiara, Santa Ysabel contains 14 percent of the land area of Solomon Islands and about five percent of the population (10,000 in 1976). The largest population center, the government station at Buala, has less than 500 inhabitants, indicating a highly dispersed population. Copra is the main product (nine percent of the Solomon Islands total in 1977) and is the major source of cash income. Cocoa, spices, cattle, groundnuts, and fish are also produced. The NDP 1981-1984 (pp. 90-91) states that agriculture offers the greatest potential to the Province but that transportation, communication, and market access are major constraints.

Five businesses were included in the survey (see Table E1): a trade store and a nontrade operation in the Buala area and three trade stores in rural areas. All of the businesses were operating satisfactorily. Only the two businesses in the Buala area had been formally registered under the Companies Act (Table E2). The average age of the businesses was 6.4 years, with a range of one to 12 years (Table E3). All of the businesses started with the intent of providing a service to the community while 60 percent also had profit as a motive (Table E4).

The average age of the owners or managers was 34.5 years (Table E5). Of interest is that the average age of the urban owners/managers was 24 years while it was 45 years for rural business owners/managers. All of the owners/managers were males (Table E6) and all but one were married (Table E7). Rural families were larger than the younger urban families (Table E8). All of the owners/managers who responded to the question stated that they belonged to the Church of Melanesia (Table E9).

With the exception of one rural business owner who had attended a technical school, the owners/managers had only attended primary school (Table E10). In addition to the one owner who had received technical training, another owner/manager had attended a business training course (Table E11). All of the owners/managers had been previously engaged in wage and salary employment (Table E12). Two of the owner/managers had been employed in jobs in which they could apply the required skills to their businesses. In addition, one had worked overseas.

All of the owner/managers were Melanesian (Table E13) and were from Santa Ysabel Province (Table E14).

Although two of the businesses had received loans from the DBSI and one from a commercial bank, the bulk of capital came from personal funds or investments made by relatives. This is shown in Table E15. This emphasizes points made in the main report: there is a strong informal lending network.

Table E16 describes total assets. Several anomalies appear to be due to the small sample size and limited records. First, the nontrade operation does not show any assets other than plant and equipment. Second, the urban trade store is a relatively large (for Santa Ysabel) store, which

skews the data. Third, the upper figure for plant and equipment for rural businesses is skewed by a trade store that also operates a ship. Otherwise, rural businesses are smaller than urban businesses. Fourth, the response rate was low for the reserves category (40 percent). Thus even though all of the businesses could be termed "small," some were much larger than others.

While the informal lending network (Table E15) has provided the businesses with an important source of capital, it is not necessarily "free." As Table E17 shows, bad debts levels can be somewhat high for such small businesses. This is corroborated by the business persons who state that borrowing by kinsmen through the traditional system has caused some problems. Although in one sense this could be interpreted as paying dividends on the investments made by relatives, the bad debt levels also reflect the fact that copra is the major source for cash and because of shipping, weather, and fluctuating prices is not an altogether stable income source. Hence the business owners have to provide credit during periods when copra earnings are low. Table E17 also shows that recordkeeping is limited.

Table E18 again indicates limited data: only two of the five businesses had up-to-date cash-flow records. These were the two largest businesses included in the sample. However, it should also be noted that one of the businesses without records uses an accountant in Honiara for bookkeeping (all of the records are kept in Honiara with the owner receiving a monthly living allowance, with the balance being put into a savings account for the business).

Table E19 shows that most (60 percent) of the businesses use their profits for personal needs. However, as Table E23 indicates, this is not totally accurate because some profits are undoubtedly set aside for expansion. Yet one could conclude that the owner and his family are the primary beneficiaries of profits.

Recordkeeping systems used by the businesses are shown in Table E20. Although all of the businesses use some type of system the detail with which records are kept varies. As discussed above, records generally are incomplete.

Table E21 indicates that all of the businesses use an external adviser. Most prominent is the BDB, which 60 percent of the businesses used. All of these businesses were in rural areas. Of the urban businesses, one uses a private accountant while the other uses the Cooperatives Division. Of note is that all of the businesses were operating satisfactorily and all of them used external advisers.

Given that all of the businesses were operating satisfactorily it could be expected that the owners/managers generally had a favorable view of the economy's future. This is shown in Table E22 which indicates that all of them were positive about the economy's future. Related to this view is Table E23, which shows future plans for the business. As the table indicates, 80 percent of the businesses planned expansion while the remainder intended to maintain current levels of operation.

Table E24 shows the types of government incentives or assistance programs that are used by the businesses. As the table indicates, the only additions to the business advisers (Table E21) provided by government are two businesses that have DBSI loans. Only one business reported not receiving any information or not using any of the programs.

Business problems identified by the owners/managers are shown in Table E25. Since Santa Ysabel is some distance from Honiara it could be expected that transportation is seen as a key problem by 80 percent of the businesses. However, it is not only external (sea and air) transportation linkages that have been criticized since the lack of roads on the main island is also seen as a constraint. Specifically, the lack of roads limits the export of goods, such as copra, because it is difficult to get them to transit points.

The traditional system was also viewed as a problem. The business operators felt that wantoks can expect more credit than that given to others as well as have greater access to, for example, goods in a trade store. Noteworthy, however, is that the business operators did not see the traditional system as an insurmountable problem. Rather, most of them thought they could deal with it but that it would take time to explain to kinsmen the way in which businesses had to operate.

Training, specifically in business management, was also seen as a key problem. One business operator also indicated the need for increased technical/vocational training.

Lack of capital was considered to be a problem by only one business.

With respect to the needs of businesses, Table E26 does not provide as much guidance as was hoped. Again, one business wanted more capital, another requested a better site, and a third said that improved transportation was essential. One of these businesses also stated that they needed more and better information from government. Unfortunately, 40 percent of the businesses did not respond to the question.



Table E1. Activity of Businesses (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
Trade	1	3	4	-	4	-
Nontrade	1	-	-	1	1	-
Secondary Activity						
Trade	1	-	-	1	1	-
Nontrade	-	1	1	-	1	-
None	1	2	3	-	3	-
Total Businesses	2	3	4	1	5	-

Table E2. Ownership of Businesses (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Partnership	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Co-op	1	-	1	-	1	-
- Registered	1	-	1	-	1	-
Family	-	3	3	-	3	-
- Registered	-	0	0	-	0	-
Self	1	-	-	1	1	-
- Registered	1	-	-	1	1	-
No Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total Businesses	2	3	4	1	5	-
- Registered	2	0	1	1	2	-

Table E3. Age of Business: Santa Ysabel

Parameter: Age (years)	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	3.0	1.0	1.0	3.0	1.0	--
- Upper	10.0	12.0	12.0	3.0	12.0	--
Mean	6.5	6.3	7.2	3.0	6.4	--
Median	6.5	6.0	8.0	3.0	6.0	--
No Response	--	--	--	--	--	--

Table E4. Reasons for Starting Business (by number of responses): Santa Ysabel

Parameter: Reasons	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to community	2	3	4	1	5	-
Profit	1	2	2	1	3	-
To be own boss	-	-	-	-	-	-
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For national development	-	-	-	-	-	-
Other	-	-	-	-	-	-
No response	-	-	-	-	-	-
Total businesses	2	3	4	1	5	-

Table E5. Age of Owner/Manager: Santa Ysabel

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	21	45	21	27	21	--
- Upper	27	45	45	27	45	--
Mean	24.0	45.0	37.7	27.0	34.5	--
Median	24	45	45	27	45	--

Table E6. Sex of Owner/Manager (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Sex	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	2	3	4	1	5	-
Female	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E7. Marital Status of Owner/Manager (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Marital Status	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	1	3	3	1	4	-
Single	1	-	1	-	1	-
Total	2	3	4	1	5	-

Table E8. Owner/Manager's Family Size (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	1	4	1	1	1	-
- Upper	1	9	9	1	9	-
Mean	1.0	7.0	6.7	1.0	4.6	-
Media	1	8	6	1	4	-

Table E9. Religion of Owner/Manager (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	-	-	-	-	-	-
Anglican	-	-	-	-	-	-
COM	1	3	3	1	4	-
SDA	-	-	-	-	-	-
SSEC	-	-	-	-	-	-
United	-	-	-	-	-	-
Methodist	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response	1	-	1	-	1	-
Total	2	3	4	1	5	-

Table E10. Education of Owner/Manager (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	2	2	3	1	4	-
Secondary	-	-	-	-	-	-
Certificate	-	-	-	-	-	-
Trades	-	1	1	-	1	-
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E11. Owner/Manager's Training (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
Training	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	1	-	-	1	1	-
Business	-	1	1	-	1	-
Management	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response/None	1	2	3	-	3	-
Total	2	3	4	1	5	-

Table E12. Owner/Manager's Work Experience (by number of responses):  
Santa Ysabel

Parameter:	Location		Activity		Operational	
Work Experience	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	2	2	3	1	4	-
Relevant to Business	2	-	1	1	2	-
Overseas Experience	-	1	1	-	1	-
No Response/None	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E13. Owner/Manager's Race (by number of responses): Santa Ysabel

Parameter: Race	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	2	3	4	1	5	-
Polynesian	-	-	-	-	-	-
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E14. Owner/Manager's Province of Birth (by number of responses): Santa Ysabel

Parameter: Province of Birth	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	2	3	4	1	5	-
Central	-	-	-	-	-	-
Malaita	-	-	-	-	-	-
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	-	-	-	-	-	-
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E15. Source of Capital Investment by Amount (SI\$'000s): Santa Ysabel

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/shares (number)						
- Range						
Lower	1.0	0.5	0.5	---	0.5	---
Upper	6.0	1.0	1.0	6.0	6.0	---
- Mean	3.5	0.3	0.8	6.0	1.0	---
- Median	3.5	0.5	0.8	6.0	1.0	---
PBSI (number)						
- Range						
Lower	---	0.0	0.0	---	0.0	---
Upper	---	4.0	4.0	---	4.0	---
- Mean	---	1.7	0.8	---	1.0	---
- Median	---	1.0	0.5	---	0.0	---
Commercial Banks (number)						
- Range						
Lower	---	0.0	0.0	---	0.0	---
Upper	---	2.5	2.5	---	2.5	---
- Mean	---	0.8	0.6	---	0.5	---
- Median	---	0.0	0.0	---	0.0	---
Other (number)						
- Range						
Lower	0.0	---	0.0	---	0.0	---
Upper	20.0	---	20.0	---	20.0	---
- Mean	10.0	---	5.0	---	4.0	---
- Median	10.0	---	0.0	---	0.0	---
Total (number)						
- Range						
Lower	6.0	2.0	2.0	6.0	2.0	---
Upper	21.0	4.5	21.0	6.0	21.0	---
- Mean	13.5	3.2	7.6	6.0	7.3	---
- Median	13.5	3.0	3.8	6.0	4.5	---

Table E16. Total Assets of Businesses (SI\$'000s): Santa Ysabel

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	0.0	0.0	0.0	---	0.0	---
Upper	30.0	7.8	30.0	---	30.0	---
- Mean	15.0	2.7	9.5	---	7.6	---
- Median	15.0	0.3	4.0	---	0.3	---
<b>Working Capital</b>						
- Range						
Lower	---	0.5	0.0	---	0.0	---
Upper	---	5.8	5.8	---	5.8	---
- Mean	---	2.7	2.0	---	1.6	---
- Median	---	1.7	1.1	---	0.5	---
<b>Plant/Equipment</b>						
- Range						
Lower	2.6	0.0	0.0	2.6	0.0	---
Upper	24.9	11.4	24.9	2.6	24.9	---
- Mean	13.8	3.8	9.1	2.6	7.8	---
- Median	13.8	0.1	5.8	2.6	2.6	---
<b>Reserves</b>						
- Range						
Lower	---	0.0	0.0	---	0.0	---
Upper	---	2.9	2.9	---	2.9	---
- Mean	---	1.5	1.1	---	0.9	---
- Median	---	1.5	0.8	---	0.0	---
<b>Total</b>						
- Range						
Lower	2.6	3.2	3.2	2.6	2.6	---
Upper	54.9	25.0	54.9	2.6	54.9	---
- Mean	28.8	10.7	21.7	2.6	17.9	---
- Median	28.8	3.8	14.4	2.6	3.8	---



Table E17. Credit Levels (SI\$'000s): Santa Ysabel

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (business owes)							
- Range							
Lower	--	0.0	0.0	--		0.0	--
Upper	--	4.0	4.0	--		4.0	--
- Mean	--	2.2	1.6	--		1.3	--
- Median	--	2.5	1.2	--		0.0	--
Trade Debts (business owes)							
- Range							
Lower	--	--	--	--		--	--
Upper	--	--	--	--		--	--
- Mean	--	--	--	--		--	--
- Median	--	--	--	--		--	--
Bad Debts (owed to business)							
- Range							
Lower	0.0	0.0	0.0	--		0.0	--
Upper	1.0	0.1	1.0	--		1.0	--
- Mean	0.5	0.03	0.2	--		0.2	--
- Median	0.5	0.0	0.1	--		0.0	--

Table E18. Business Turnover (SI\$'000s/month): Santa Ysabel

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Turnover</b>							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	0.0
Upper		20.0	1.4	20.0	0.0	20.0	--
- Mean		10.0	0.5	4.5	0.0	4.3	--
- Median		10.0	0.0	0.7	0.0	0.0	--
- No Records		1	2	2	1	3	--
<b>Gross Profit</b>							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	--
Upper		5.0	1.2	5.0	0.0	5.0	--
- Mean		2.5	0.4	1.6	0.0	1.2	--
- Median		2.5	0.0	0.6	0.0	0.0	--
- No Records		1	2	2	1	3	--
<b>Net Profit</b>							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	--
Upper		1.0	0.1	1.0	0.0	1.1	--
- Mean		0.5	0.03	0.2	0.0	0.2	--
- Median		0.5	0.0	0.05	0.0	0.0	--
- No Records		1	2	2	1	3	--

Table E19. Use of Profits (by number of responses): Santa Ysabel

Parameter:		Location		Activity		Operational	
Use		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family		2	1	2	1	3	-
Shareholders		1	-	1	-	1	-
Reinvested							
in business		1	-	1	-	1	-
Savings		-	-	-	-	-	-
Total		5	-	4	1	5	-
None		-	-	-	-	-	-

Table E20. Recordkeeping Systems (by number of responses): Santa Ysabel

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	1	3	4	-	4	-
Double-entry Ledger	-	-	-	-	-	-
Computer/Business System	-	-	-	-	-	-
Accountant	1	-	-	1	1	-
None	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E21. Source of Business Advice (by number of responses): Santa Ysabel

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	-	3	3	-	3	-
Co-ops	1	-	1	-	1	-
Private Accountants	1	-	-	1	1	-
Other	-	-	-	-	-	-
Total	2	3	4	1	5	-
None	-	-	-	-	-	-

Table E22. Views on the Economy's Future (by number of responses): Santa Ysabel

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	2	3	4	1	5	-
Satisfactory	-	-	-	-	-	-
Mixed	-	-	-	-	-	-
Negative	-	-	-	-	-	-
Total	2	3	4	1	5	0

Table E23. Future Plans for the Business (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Plan to:						
Expand	1	3	4	-	4	-
Maintain current levels	1	-	-	1	1	-
Contract	-	-	-	-	-	-
Dissolve	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	2	3	4	1	5	-

Table E24. Use of Government Incentives/Assistance (by number of responses): Santa Ysabel

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Incentive/Assistance						
BDB - Advisory	-	3	3	-	3	-
Co-ops - Advisory	1	-	1	-	1	-
DBSI - Loans	-	2	2	-	2	-
Government/Provincial Financial Assistance	-	-	-	-	-	-
Overseas Assistance	-	-	-	-	-	-
Tax Holidays	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal (number of businesses)	1	3	4	-	4	-
No information/none	1	-	-	1	1	-
Total (number of businesses)	2	3	4	1	5	-

Table E25. Business Problems (by number of responses): Santa Ysabel

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	-	1	1	-	1	-
Training	1	1	2	-	2	-
Skilled Workers	-	-	-	-	-	-
Government Delays/ Regulations	-	-	-	-	-	-
Transportation	2	2	3	1	4	-
Traditional System	1	1	2	-	1	-
Competition	-	-	-	-	-	-
Weak Market	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
No Response	-	1	1	-	1	-

Table E26. Needs of Businesses (by number of responses): Santa Ysabel

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory Services	-	-	-	-	-	-
Training	-	-	-	-	-	-
Loans	-	1	1	-	1	-
Reduce Import Duties	-	-	-	-	-	-
Reduce Export Duties	-	-	-	-	-	-
Improved Financial Services	-	-	-	-	-	-
Better Sites	1	-	1	-	1	-
Improved Transport	1	-	1	-	1	-
Reduce Taxes	-	-	-	-	-	-
More Business Associations	-	-	-	-	-	-
Overseas Travel	-	-	-	-	-	-
More Information	-	1	1	-	1	-
No Response	1	1	1	1	2	-

## APPENDIX F. CENTRAL ISLANDS PROVINCE

The Central Islands Province is widely scattered, with Rennell Island 270 km south of the provincial headquarters at Tulagi, which is only 40 km north of Honiara, and the Russell Islands 105 km west of Tulagi. During the intercensal period (1970-76) the province's population increased at 3.7 percent per annum to 13,576. However, growth was much higher (4.7 percent AAGR) in the Florida Islands, where Tulagi is located.

The Central Islands Province includes the Polynesian Islands of Rennell and Bellona. Thus there is a sizeable (20 percent) representation of Polynesians. Melanesians account for 79 percent of the total population, with the remaining one percent (123 people) divided between Gilbertese (30), Europeans (23), and others (63), who are presumably Japanese working in the fishing industry (Statistics Office 1981).

Due primarily to the fishing base at Tulagi, males outnumber females by a ratio of 1.17:1.00 (for every 100 males there are 85 females). Another important demographic factor is religion. Members of the Church of Melanesia account for 68 percent of the population, followed by SSEC with 11 percent, and Roman Catholics and SDAs each with 9 percent.

Although subsistence production continues to predominate the province produces roughly 25 percent of all Solomon Islands copra, 30 percent of all the cocoa, and 19 percent of all the cattle. As in the case of population, these cash-earning activities are unevenly distributed, with, for example, 80 percent of the copra coming from the Levers plantations on Russell Islands (CPO 1980). A major cash employer is the cannery and fishing fleet based at Tulagi. With the fishing industry located at Tulagi the cash economy is larger than in most other areas in Solomon Islands.

The business survey included four trade stores and a bar and restaurant operation (Table F1), all of which were in the Tulagi area. While three of the businesses were operating satisfactorily, two were not. Of the two unsatisfactorily operating businesses, one was improving its performance while the other looked like it would go bankrupt.

Only the one business had not been formally registered under the Companies Act (Table F2). The average age of the businesses was 9.2 years, with a range of two to 15 years (Table F3). Eighty percent of the businesses were started with the intent of providing a service to the community while only 20 percent also had profit as a motive (Table F4).

The average age of the owners/managers was 40 years (Table F5). Four of the owners/managers were males (Table F6) and all but one were married (Table F7). The owners/managers all belonged to different churches (Table F9).

Although one manager/owner had only attended primary school (Table F10), only two had received further training and neither of these had training in skills that could directly be applied to their businesses (Table F11). Four of the owners/managers had previously been engaged in wage and salary employment (Table F12). Three of the owners/managers had

been employed in jobs in which they could apply the required skills to their businesses. In addition, one had worked overseas.

Four of the owners/managers were Melanesian (Table F13) and three were from Central Islands Province (Table F14).

Of interest is that both of the troubled businesses had received substantial loans, one from the DBSI and the other from a commercial bank (Table F15). Both operations seemed to have sufficiently sized markets and regular customers. The cause of the problems in both instances was poor management. In the improving case the owner lived elsewhere and had relied solely on a manager. A poor manager had previously been in control, which had caused the problems. This manager was replaced and the situation is now improving. In the case of the near-bankrupt business, management assistance is critical since the current owner lacks sufficient experience to correct the situation.

Table F16 describes total assets. While the businesses generally were larger than others in the survey, several points should be made. First, considering that all of them are primarily trade operations, the average investment in plant and equipment is considerable. This is especially apparent for the unsatisfactorily performing businesses. Second, and related to the first point, reserves seem to be somewhat small. Third, working capital seems adequate. Again, however, management is the critical factor because although these businesses appear to have sufficient resources two are having problems. This is also shown in Table F17, which indicates that the troubled businesses could be overextended in terms of credit. This is compounded by relatively low levels of turnover (Table F18).

Table F19 shows that most (60 percent) of the businesses use their profits for reinvestment or savings.

Recordkeeping systems used by the businesses are shown in Table F20. Although all of the businesses use some type of system the detail with which records are kept varies. Records generally are incomplete.

Table F21 indicates that all but one of the businesses use an external adviser. Most prominent is the BDB which 60 percent of the businesses used.

All of the businesses that were operating satisfactorily generally had a favorable view of the economy's future. This is shown in Table F22. Related to this view is Table F23 which shows future plans for the business. As the table indicates, satisfactorily operating businesses planned to maintain current levels while the remainder intended to contract or dissolve operations.

Table F24 shows the types of government incentives or assistance programs that are used by the businesses. As the table indicates, both successful and unsuccessful operations used a variety of programs, which probably reflects frequent contact with Honiara.

Business problems identified by the owners/managers are shown in Table F25. Clearly, lack of training and skilled workers are prominent. In addition government delays, transportation, the traditional system, and lack of capital were viewed as problems by a majority of businesses.

Training again receives prominence in Table F26 (Business Needs). More loans and more information were also identified by a majority of the businesses. In addition, more assistance was requested of the BDB.



Table F1. Activity of Businesses (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Activity						
Main Activity						
- Trade	4	-	4	-	3	1
- Nontrade	1	-	-	1	-	1
Secondary Activity						
- Trade	1	-	-	1	-	1
- Nontrade	-	-	-	-	-	-
- None	4	-	4	-	3	1
Total	5	-	4	1	3	2

Table F2. Ownership of Businesses (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Ownership						
Joint-Venture	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Partnership	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Co-op	1	-	1	-	1	-
- Registered	0	-	0	-	0	-
Family	4	-	4	-	2	2
- Registered	4	-	4	-	2	2
Self	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Non-Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total	5	-	5	-	3	2
- Registered	4	-	4	-	2	2

Table F3. Age of Business: Central Islands

Parameter:	Location		Activity		Operational	
Age (Years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	2.0	-	2.0	-	2.0	13.0
- Upper	15.0	-	14.0	-	14.0	15.0
Mean	9.2	-	9.2	-	6.0	14.0
Median	13.0	-	13.0	-	2.0	14.0

Table F4. Reasons for Starting Business (by number of responses):  
Central Islands

Parameter:	Location		Activity		Operational	
Reason for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	4	-	4	-	2	2
Profit	1	-	1	-	1	-
To be own boss	-	-	-	-	-	-
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For National Development	-	-	-	-	-	-
Other	1	-	1	-	1	-
No response	-	-	-	-	-	-
Total Responses	6	-	6	-	4	2

Table F5. Age of Owner/Manager: Central Islands

Parameter:	Location		Activity		Operational	
Age (Years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	21.0	-	21.0	-	21.0	NA
- Upper	65.0	-	65.0	-	65.0	32.0
Mean	40.0	-	40.0	-	42.7	32.0
Median	37.0	-	37.0	-	42.0	32.0

Table F6. Sex of Owner/Manager (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Sex	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	4	-	4	-	3	1
Female	1	-	1	-	3	1
Total	5	-	5	-	3	2

Table F7. Marital Status of Owner/Manager (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Marital Status	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	4	-	4	-	3	1
Single	1	-	1	-	3	1
Total	5	-	5	-	3	2

Table F8. Owner/Manager's Family Size (by number of responses):  
Central Islands

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	3	-	3	-	5	3
- Upper	11	-	11	-	11	4
Mean	5.8	-	5.8	-	7.3	3.5
Median	5.0	-	5.0	-	6.0	3.5

Table F9. Religion of Owner/Manager (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	-	-	-	-	-	-
Anglican	1	-	1	-	1	-
COM	1	-	1	-	-	1
SDA	-	-	-	-	-	-
SSEC	1	-	1	-	1	-
United	1	-	1	-	1	-
Methodist	1	-	1	-	-	1
Other	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	5	-	5	-	3	2

Table F10. Education of Owner/Manager (by number of responses):  
Central Islands

Parameter: Education	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	1	-	1	-	1	-
Secondary	2	-	2	-	1	1
Certificate	1	-	1	-	1	-
Trades	-	-	-	-	-	-
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	1	-	1	-	-	1
Total	5	-	5	-	3	2

Table F11. Owner/Manager's Training (by number of responses): Central Islands

Parameter: Training	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	-	-	-	-	-	-
Business	-	-	-	-	-	-
Management	-	-	-	-	-	-
Other	2	-	2	-	1	1
No Response/None	3	-	3	-	2	1
Total	5	-	5	-	3	2

Table F12. Owner/Manager's Work Experience (by number of responses):  
Central Islands

Parameter: Work Experience	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	4	-	4	-	3	1
Relevant						
to Business	3	-	3	-	3	-
Overseas Experience	1	-	1	-	1	-
No Response/None	1	-	1	-	-	1
Total Businesses	5	-	5	-	3	2

Table F13. Owner/Manager's Race (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Race	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	4	-	4	-	3	1
Polynesian	-	-	-	-	-	-
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	-	-	-	-	-	-
Other	1	-	1	-	-	1
Total	5	-	5	-	3	2

Table F14. Owner/Manager's Province of Birth (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	3	-	3	-	2	1
Malaita	1	-	1	-	1	-
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	1	-	1	-	-	1
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	5	-	5	-	3	2

Table F15. Source of Capital Investment by Amount (SI\$'000s): Central Islands

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/shares						
-Range						
Lower	0.9	-	0.9	-	1.1	0.9
Upper	10.0	-	10.0	-	5.0	10.0
-Mean	4.0	-	4.0	-	3.0	5.5
-Median	3.0	-	3.0	-	3.0	5.5
DBSI						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	10.0	-	10.0	-	4.0	10.0
-Mean	2.8	-	2.8	-	1.3	5.0
-Median	0.0	-	0.0	-	0.0	5.0
Commercial Banks						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	40.0	-	40.0	-	0.0	40.0
-Mean	8.0	-	8.0	-	0.0	20.0
-Median	0.0	-	0.0	-	0.0	20.0
Other						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	16.0	-	16.0	-	16.0	0.0
-Mean	3.2	-	3.2	-	5.3	0.0
-Median	0.0	-	0.0	-	0.0	0.0
Total						
-Range						
Lower	1.1	-	1.1	-	1.1	10.9
Upper	50.0	-	50.0	-	21.0	50.0
Mean	18.0	-		-	14.5	30.5
Median	10.9	-	10.9	-	7.0	30.5

Table F16. Total Assets of Businesses (SI\$'000s): Central Islands

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
-Range						
Lower	5.0	-	5.0	-	15.0	5.0
Upper	20.0	-	20.0	-	20.0	20.0
-Mean	15.0	-	15.0	-	16.7	12.5
-Median	15.0	-	15.0	-	15.0	12.5
<b>Working Capital</b>						
-Range						
Lower	1.0	-	1.0	-	1.0	4.0
Upper	15.0	-	15.0	-	15.0	10.0
-Mean	8.2	-	8.2	-	9.0	7.0
-Median	10.0	-	10.0	-	11.0	7.0
<b>Plant/Equipment</b>						
-Range						
Lower	0.3	-	0.3	-	0.3	13.0
Upper	41.0	-	41.0	-	24.5	41.0
-Mean	16.9	-	16.9	-	10.2	27.0
-Median	13.0	-	13.0	-	5.9	27.0
<b>Reserves</b>						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	6.0	-	6.0	-	6.0	5.0
-Mean	2.6	-	2.6	-	2.7	2.5
-Median	2.0	-	2.0	-	2.0	2.5
<b>Total</b>						
-Range						
Lower	23.9	-	23.9	-	23.9	33.0
Upper	65.5	-	65.5	-	65.5	65.0
-Mean	42.7	-	42.7	-	38.6	49.0
-Median	33.0	-	33.0	-	26.3	49.0



Table F17. Credit Levels (SI\$'000s): Central Islands

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (Business Owes)							
-Range							
Lower		0.0	-	0.0	-	0.0	15.0
Upper		20.0	-	20.0	-	18.0	20.0
-Mean		10.7	-	10.7	-	6.2	17.5
-Median		15.0	-	15.0	-	0.7	17.5
Trade Debts (Business Owes)							
-Range							
Lower		0.0	-	0.0	-	0.0	0.0
Upper		5.0	-	5.0	-	1.0	5.0
-Mean		1.2	-	1.2	-	0.3	2.5
-Median		0.0	-	0.0	-	0.0	2.5
Bad Debts (Owed to Business)							
-Range							
Lower		0.0	-	0.0	-	0.0	0.0
Upper		2.0	-	2.0	-	0.0	2.0
-Mean		0.4	-	0.4	-	0.0	1.0
-Median		0.0	-	0.0	-	0.0	1.0

Table F18. Business Turnover (SI\$'000s/month): Central Islands

Parameter:	Location		Activity		Operational	
Item	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover						
-Range						
Lower	0.0	-	0.0	-	0.0	1.2
Upper	12.7	-	12.7	-	12.7	4.1
-Mean	3.7	-	3.7	-	4.2	2.6
-Median	1.2	-	1.2	-	0.0	2.6
Gross Profit						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	10.0	-	10.0	-	10.0	0.9
-Mean	2.9	-	2.9	-	4.5	0.4
-Median	0.9	-	0.9	-	3.4	0.4
Net Profit						
-Range						
Lower	0.0	-	0.0	-	0.0	0.0
Upper	6.0	-	6.0	-	6.0	0.5
-Mean	1.6	-	1.6	-	2.5	0.2
-Median	0.5	-	0.5	-	1.5	0.2

Table F19. Use of Profits (by number of responses): Central Islands

Parameter:	Location		Activity		Operational	
Use	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family	-	-	-	-	-	-
Shareholders	-	-	-	-	-	-
Reinvested						
in Business	1	-	1	-	1	-
Savings	2	-	2	-	2	-
Total	3	-	3	-	3	-
None	2	-	2	-	-	2

Table F20. Recordkeeping Systems (by number of responses): Central Islands

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	1	-	1	-	1	-
Double-entry Ledger	4	-	4	-	2	2
Computer/Business System	-	-	-	-	-	-
None	-	-	-	-	-	-
Total	5	-	5	-	3	2

Table F21. Source of Business Advice (by number of responses): Central Islands

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	3	-	3	-	2	-
Co-ops	1	-	1	-	1	-
Private Accountants	-	-	-	-	-	-
Other	2	-	2	-	2	-
Total	6	-	6	-	5	1
None	1	-	1	-	-	1

Table F22. Business Owners' Views of the Economy's Future (by number of responses): Central Islands

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	-	-	-	-	-	-
Satisfactory	3	-	3	-	3	-
Mixed	1	-	1	-	-	1
Negative	1	-	1	-	-	1
Total	5	-	5	-	3	2

Table F23. Future Plans for the Business (by number of responses):  
Central Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Plan to:						
Expand	-	-	-	-	-	-
Maintain						
current levels	3	-	3	-	3	-
Contract	1	-	1	-	-	1
Dissolve	1	-	1	-	-	1
No Response	-	-	-	-	-	-
Total	5	-	5	-	3	2

Table F24. Use of Government Incentives/Assistance (by number of responses):  
Central Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Incentive/ Assistance						
BDB-Advisory	3	-	3	-	2	1
Co-ops-Advisory	1	-	1	-	1	-
DBSI-Loans	4	-	4	-	2	2
Government/Provincial						
Financial Assistance	-	-	-	-	-	-
Overseas Assistance	1	-	1	-	1	-
Tax Holidays	1	-	1	-	-	1
Other	-	-	-	-	-	-
Subtotal	10	-	10	-	6	4
No Information/None	-	-	-	-	-	-
Total	10	-	10	-	6	4

Table F25. Business Problems (by number of responses): Central Islands

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	3	-	3	-	2	1
Training	5	-	5	-	3	2
Skilled Workers	5	-	5	-	3	2
Government Delays/ Regulations	4	-	4	-	2	2
Transportation	3	-	3	-	3	-
Traditional System	3	-	3	-	2	1
Competition	-	-	-	-	-	-
Weak Market	2	-	2	-	1	1
Taxes	-	-	-	-	-	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
Subtotal	25	-	25	-	16	9
No Response	-	-	-	-	-	-
Total	25	-	25	-	16	9

Table F26. Needs of Businesses (by number of responses): Central Islands

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory Services	2	-	2	-	1	1
Training	4	-	4	-	3	1
Loans	3	-	3	-	1	2
Reduce Import Duties	-	-	-	-	-	-
Reduce Export Duties	-	-	-	-	-	-
Improved Financial Services	-	-	-	-	-	-
Better Sites	-	-	-	-	-	-
Improved Transport	-	-	-	-	-	-
Reduce Taxes	-	-	-	-	-	-
More Business Associations	-	-	-	-	-	-
Overseas Travel	-	-	-	-	-	-
More Information	3	-	3	-	2	1
Subtotal	12	-	12	-	7	5
No Response	-	-	-	-	-	-
Total	12	-	12	-	7	5

## APPENDIX G. MAKIRA/ULAWA PROVINCE

Makira/Ulawa Province is southwest of Guadalcanal, with the government station, Kira Kira, about 150 km from Honiara. The province contains 11 percent of Solomon Islands total land area and eight percent of the work force are in wage or salaried jobs, the lowest ratio in the country. Of the eight percent, 60 percent work for government (central and provincial).

Copra is the main source of cash, with roughly three-fourths produced by smallholders. Cattle, fish, and crayfish are also cash-earning sources. These products are sold both in the province and in Honiara. Some of the copra-producing areas have not yet recovered from a cyclone in 1979.

All of the nine businesses surveyed were trade stores (Table G1)--three cooperatives and two community-owned stores. Five of the nine were registered (Table G2)--two out of three urban stores and three out of the six rural stores. The average age of the businesses was eight to nine years (Table G3) with a range of three to 21 years. Over one-half of the businesses were started with the intent of providing a service to the community while only one had profit as a motive (Table G4).

The average age of the owners/managers was around 33 to 34 years (Table G5). The average age of the satisfactorily operating owners/managers was 41.8 years while it was 25 years for unsatisfactorily operating business owners/managers. All of the owners/managers were males (Table G6) and all but one were married (Table G7). Families included about five members except for the younger unsatisfactorily operating group (Table G8). Four of the owners/managers who responded to the question stated that they belonged to the Church of Melanesia while four were Anglicans (Table G9).

With the exception of one rural and one urban business owner, who had attended secondary school, the owners/managers had only attended primary school (Table G10). Five owners had received additional training (Table G11). All but two of the owners/managers previously had been engaged in wage and salary employment (Table G12). Three of the owners/managers had been employed in jobs in which they could apply the required skills to their businesses. None had worked overseas.

All but one of the owners/managers were Melanesian (Table G13) and all were from Makira/Ulawa Province (Table G14).

Of interest in Table G15 is that one community-owned store had received a bank loan for \$5,000, which has been paid off, and this operation had also received a grant for \$15,000 from an overseas aid agency. The only other bank loan, for \$10,000, went to the other community-owned store. The rest of the stores had generated their own capital.

With respect to total assets (Table G16) the community-owned stores were quite visible: both were operating satisfactorily, were located in urban areas, and had assets valued at \$137,500 and \$23,700. The next largest store, in terms of total assets, was \$6,400, with the rest of the

stores at \$5,000 or less. Both of the largest stores had the bulk of their assets in working capital while the other stores tended to have most of their assets in stocks.

Tables G17 (Credit Levels), G18 (Business Turnover), and G19 (Use of Profits) reflect either poor data (obtained by the survey) or poor records. Some of this can be explained by Table G20, which shows the recordkeeping systems used by the businesses. The largest store uses a double-entry system and maintains up-to-date records. Three other stores, including the second largest, use single-entry systems. However, recordkeeping for these stores was mixed, with one being kept current and the others either incomplete or not current. As the table shows, the rest of the businesses either did not have a system or had a system that was not being used. These businesses were the five smallest, with the largest having total assets of only \$4,000. Of these five, 60 percent were operating unsatisfactorily. Thus there could well be a correlation between size (e.g., total assets), recordkeeping, and success. However, we also found a number of exceptions in other provinces, which suggests that general conclusions are difficult.

Table G21 indicates that only four of the businesses use an external adviser. Both cooperatives and the BDB were used by two businesses.

Only four out of five businesses that were operating satisfactorily offered a view on the economy's future. This is shown in Table G22, which indicates that most of them were satisfied with the economy's future. Related to this view is Table G23, which shows future plans for the business. As the table indicates, one of the respondents planned expansion while two intended to maintain current levels of operation and the other planned to contract.

Table G24 shows the types of government incentives or assistance programs that are used by the businesses. As the table indicates the only additions to the business advisers (Table G21) provided by government are three businesses (one with a DBSI loan, one with overseas assistance, and another a source for trade information).

Table G25 shows business problems in the province. Lack of training in business management was seen as the major problem. This was followed by lack of skilled workers and the traditional system as stated by the owners or managers, all of whom were in rural areas. However, the two satisfactorily operating business owners who cited the traditional system felt that they had been able to cope with it. In both instances, the owners were firm with respect to borrowing and extending credit. Limits had been placed on the amount of credit.

Poor transportation, both road and shipping, was also identified as a key problem. Of interest is that lack of capital was identified as a problem by only 22 percent of the businesses. This reflects other data, including that only one business planned to expand its operations. Both of the owners citing lack of capital were running small unsatisfactorily operating stores and felt that competition and lack of training in business management were also constraints.

Training is also seen as the primary need of businesses (Table G26). As noted above, recordkeeping would seem to be a priority.



Table G1. Activity of Businesses (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
- Trade	3	6	9	-	5	4
- Nontrade	-	-	-	-	-	-
Secondary Activity						
- Trade	-	-	-	-	-	-
- Nontrade	1	3	3	-	2	2
- None	2	3	6	-	3	2
Total	3	6	9	-	5	4

Table G2. Ownership of Businesses (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Partnership	2	-	2	-	2	-
- Registered	1	-	1	-	1	-
Co-op	1	2	3	-	1	2
- Registered	1	2	3	-	1	1
Family	-	2	2	-	1	1
- Registered	-	1	1	-	1	1
Self	-	2	2	-	1	1
- Registered	-	-	-	-	-	-
No Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total	3	6	9	-	5	4
- Registered	2	3	5	-	3	2

Table G3. Age of Business: Makira/Ulawa

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	5.0	3.0	3.0	-	6.0	3.0
- Upper	11.0	21.0	21.0	-	21.0	14.0
Mean	8.0	9.2	8.8	-	9.2	8.3
Median	8.0	6.0	6.0	-	5.0	8.0

Table G4. Reasons for Starting Business (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Reasons for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	3	2	5	-	3	2
Profit	-	1	1	-	1	-
To be own boss	-	-	-	-	-	-
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For national development	-	-	-	-	-	-
Other	-	1	1	-	-	1
No Response	2	-	2	-	2	-
Total	5	4	9	-	6	3

Table G5. Age of Owner/Manager: Makira/Ulawa

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	18.0	25.0	18.0	-	30.0	18.0
- Upper	55.0	52.0	55.0	-	55.0	32.0
Mean	34.3	32.8	33.4	-	41.8	25.0
Median	30.0	30.0	30.0	-	41.0	25.0

Table G6. Sex of Owner/Manager (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Sex	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	3	6	9	-	5	4
Female	-	-	-	-	-	-
Total	3	6	9	-	5	4

Table G7. Marital Status of Owner/Manager (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Marital Status	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	2	6	8	-	5	3
Single	1	-	1	-	-	1
Total	3	6	9	9	5	4

Table G8. Owner/Manager's Family Size (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	1.0	3.0	1.0	-	5.0	1.0
- Upper	8.0	8.0	8.0	-	8.0	4.0
Mean	5.0	4.8	4.9	-	6.6	2.8
Median	6.0	4.5	5.0	-	6.0	3.0

Table G9. Religion of Owner/Manager (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	1	-	1	-	1	-
Anglican	1	3	4	-	3	1
COM	1	3	4	-	1	3
SDA	-	-	-	-	-	-
SSEC	-	-	-	-	-	-
United	-	-	-	-	-	-
Methodist	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	3	6	9	-	5	4

Table G10. Education of Owner/Manager (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	2	5	7	-	4	3
Secondary	1	1	2	-	1	1
Certificate	-	-	-	-	-	-
Trades	-	-	-	-	-	-
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	3	6	9	-	5	4

Table G11. Owner/Manager's Training (by number of responses): Makira/Ulawa

Parameter: Training	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	1	1	2	-	2	-
Business	-	2	2	-	-	2
Management	1	-	1	-	1	-
Other	-	2	2	-	2	-
No Response/None	1	1	2	-	-	2
Total	3	6	9	-	5	4

Table G12. Owner/Manager's Work Experience (by number of responses): Makira/Ulawa

Parameter: Work Experience	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	2	5	7	-	5	2
Relevant to Business	1	2	3	-	2	1
Overseas Experience	-	-	-	-	-	-
No Response/None	1	1	2	-	-	2
Total	3	6	9	-	5	4

Table G13. Owner/Manager's Race (by number of responses): Makira/Ulawa

Parameter: Race	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	2	6	8	-	5	3
Polynesian	1	-	1	-	-	1
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	3	6	9	-	5	4

Table G14. Owner/Manager's Province of Birth (by number of responses):  
Makira/Ulawa

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	-	-	-	-	-	-
Malaita	-	-	-	-	-	-
Makira/Ulawa	3	6	9	-	5	4
Eastern	-	-	-	-	-	-
Western	-	-	-	-	-	-
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	3	6	9	-	5	4

Table G15. Source of Capital Investment by Amount (SI\$'000s): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/shares (number)						
- Range						
Lower	-	0.1	0.1	-	0.1	0.1
Upper	5.0	1.0	5.0	-	5.0	0.4
- Mean	5.0	0.4	1.3	-	2.0	0.2
- Median	5.0	0.2	0.4		1.0	0.2
DBSI (number)						
- Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
- Mean	-	-	-	-	-	-
- Median	-	-	-	-	-	-
Commercial Banks (number)						
- Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
- Mean	-	-	-	-	-	-
- Median	-	-	-	-	-	-
Other (number)						
- Range						
Lower	-	0.0	0.0	-	0.0	-
Upper	15.0	20.0	20.0	-	20.0	-
- Mean	15.0	5.0	7.0	-	11.7	-
- Median	15.0	0.0	0.0	-	15.0	-
Total (number)						
- Range						
Lower	-	0.1	0.1	-	0.1	0.1
Upper	20.0	21.0	21.0	-	21.0	0.4
- Mean	20.0	5.4	8.2	-	13.7	0.2
- Median	20.0	0.2	0.4	-	20.0	0.2
	2 no re- sponse	2 no re- sponse	4 no re- sponse	-	2 no re- sponse	2 no re- sponse

Table G16. Total Assets of Businesses (SI\$'000s): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	2.0	0.0	0.0	-	0.8	0.0
Upper	3.0	2.5	3.0	-	3.0	3.0
- Mean	2.7	1.2	1.7	-	2.1	1.3
- Median	3.0	1.4	2.0	-	2.0	1.1
<b>Working Capital</b>						
- Range						
Lower	0.0	0.0	0.0	-	0.5	0.0
Upper	89.0	4.0	89.0	-	89.0	4.0
- Mean	33.6	1.6	12.2	-	21.1	1.1
- Median	11.7	1.1	1.6	-	3.0	0.1
<b>Plant/Equipment</b>						
- Range						
Lower	0.0	0.0	0.0	-	0.0	0.0
Upper	41.0	0.4	41.0	-	41.0	4.6
- Mean	15.2	0.1	4.6	-	8.2	1.2
- Median	4.6	0.0	0.0	-	0.0	0.2
<b>Reserves</b>						
- Range						
Lower	1.0	0.0	0.0	-	0.0	0.0
Upper	10.0	0.6	10.0	-	10.0	1.0
- Mean	4.2	0.1	1.5	-	2.4	0.2
- Median	1.5	0.0	0.1	-	0.6	0.0
<b>Total</b>						
- Range						
Lower	4.0	0.0	0.0	-	3.0	0.0
Upper	137.5	6.4	137.5	-	137.5	6.4
- Mean	55.1	2.9	20.3	-	34.5	2.7
- Median	23.7	3.0	5.1	-	5.1	2.2



Table G17. Credit Levels (SI\$'000s): Makira/Ulawa

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (business owes)							
- Range							
Lower		-	-	-	-	-	-
Upper		-	-	-	-	-	-
- Mean		-	-	-	-	5 no	4 no
- Median		-	-	-	-	response	response
Trade Debts (business owes)							
- Range							
Lower		-	-	-	-	-	-
Upper		-	0.5	-	-	-	0.5
- Mean		4 no	5 no	-	-	5 no	3 no
- Median		response	response	-	-	response	response
Bad Debts (owed to business)							
- Range							
Lower		0.3	0.1	0.1	-	0.3	0.1
Upper		0.5	0.2	0.5	-	0.5	0.2
- Mean		0.4	0.2	0.3	-	0.4	0.2
- Median		1 no	4 no	0.2	-	3 no	2 no
		response	response	5 no	-	response	response

Table G18. Business Turnover (SI\$'000s/month): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Item	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover						
- Range						
Lower	0.7	0.6	0.6	-	0.7	0.6
Upper	8.9	1.8	8.9	-	8.9	1.5
- Mean	5.6	1.3	2.5	-	3.5	1.2
- Median	1.5	1.5	1.5	-	1.8	1.5
	3 no response		3 no response		2 no response	1 no response
Gross Profit						
- Range						
Lower	-	-	-	-	-	-
Upper	7.5	-	7.5	-	7.5	-
- Mean	2 no response	6 no response	8 no response	-	4 no response	4 no response
- Median	response	response	response	-	response	response
Net Profit						
- Range						
Lower	-	-	-	-	-	-
Upper	0.5	-	0.5	-	0.5	-
- Mean	2 no response	6 no response	8 no response	-	4 no response	4 no response
- Median	response	response	response	-	response	response

Table G19. Use of Profits (by number of responses): Makira/Ulawa

Parameter:		Location		Activity		Operational	
Use		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family		-	-	-	-	-	-
Shareholders		-	-	-	-	-	-
Reinvested							
in business		2	-	2	-	1	1
Savings		-	-	-	-	-	-
Total		2	-	2	-	1	1
None/No Response		1	6	7	-	4	3

Table G20. Recordkeeping Systems (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
System	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	1	2	3	-	2	1
Double-entry Ledger	1	-	1	-	1	-
Computer/Business System	-	-	-	-	-	-
None	1	4	5	-	2	3
Total Businesses	3	6	9	-	5	4

Table G21. Source of Business Advice (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
Source of Advice	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	1	1	2	-	2	-
Co-ops	-	2	2	-	1	1
Private Accountants	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	1	3	2	-	3	1
None	2	3	7	-	2	3

Table G22. Views on the Economy's Future (by number of responses): Makira/Ulawa

Parameter:	Location		Activity		Operational	
View	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	1	1	2	-	2	-
Satisfactory	1	-	1	-	1	-
Mixed	-	1	1	-	1	-
Negative	-	-	-	-	-	-
Total	2	2	4	-	4	-

Table G23. Future Plans for the Business (by number of responses):  
Makira/Ulawa

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Plan to:						
Expand	1	-	1	-	1	-
Maintain current levels	2	-	2	-	2	-
Contract	1	-	1	-	1	-
Dissolve	-	-	-	-	-	-
No Response	5	-	5	-	1	4
Total	9	-	9	-	5	4

Table G24. Use of Government Incentives/Assistance (by number of responses):  
Makira/Ulawa

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Incentive/ Assistance						
BDB-Advisory	1	1	2	-	2	-
Co-ops-Advisory	-	2	2	-	1	1
DBSI-Loans	1	-	1	-	1	-
Government/Provincial Financial Assistance	-	-	-	-	-	-
Overseas Assistance	1	-	1	-	1	-
Tax Holidays	-	-	-	-	-	-
Other	1	-	1	-	1	-
Subtotal Businesses	2	2	4	-	3	1
No Information/None	1	4	5	-	2	3
Total	3	6	9	-	5	4

Table G25. Business Problems (by number of responses): Makira/Ulawa

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	1	1	2	-	-	2
Training	2	4	6	-	3	3
Skilled Workers	-	3	3	-	1	2
Government Delays/ Regulations	-	-	-	-	-	-
Transportation	1	2	3	-	3	-
Traditional System	-	3	3	-	2	1
Competition	1	1	2	-	-	2
Weak Market	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
No Response	1	1	2	-	1	1
Total Businesses	3	6	9	-	5	4

Table G26. Needs of Businesses (by number of responses): Makira/Ulawa

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory Services	-	1	1	-	-	1
Training	1	3	4	-	2	2
Loans	-	1	1	-	1	-
Reduce Import Duties	1	-	1	-	1	-
Reduce Export Duties	-	-	-	-	-	-
Improved Financial Services	-	-	-	-	-	-
Better Sites	-	-	-	-	-	-
Improved Transport	-	1	1	-	-	1
Reduce Taxes	-	-	-	-	-	-
More Business Associations	-	-	-	-	-	-
Overseas Travel	-	-	-	-	-	-
More Information	1	-	1	-	1	-
Subtotal Businesses	2	5	7	-	4	3
No Response	1	1	2	-	1	1
Total Businesses	3	6	9	-	5	4

## APPENDIX H. EASTERN ISLANDS PROVINCE

Located some 350 km east of Honiara, the Eastern Islands Province is isolated from the rest of Solomon Islands. Comprised of widely scattered islands the province contains 2.8 percent of Solomon Islands total land area and 6.2 percent (12,000 in 1976) of the population. This has resulted in increasing internal migration from more densely populated areas and the probability that migration to other provinces will increase.

Since the closure of a major logging operation in 1978-79 cash earning activities have constricted. Compounding this loss of jobs has been declining copra production (2.2 percent of Solomon Islands total production) because of a pest invasion. Copra is exclusively produced by smallholders. There are few other cash-earning possibilities.

In addition to a lack of cash-earning activities poor shipping and communications are formidable barriers to economic growth. Through higher prices charged for goods irregular and costly supply have further constricted an already small market.

Small market size is to some degree reflected in Table H1 which shows the activities of the surveyed businesses. Aside from the obvious prominence of the trade stores the table shows that only one business had a secondary activity. This can be compared with the total sample: businesses in the Eastern Islands Province included in the survey represented 16 percent of the total sample and only seven percent of the total businesses with secondary activities. It is not unusual to find diversified businesses in Solomon Islands, but according to the survey results it is uncommon for a business to diversify if based in the Eastern Islands. While there could be many reasons for this one could be that the limited market size has reduced demand for possible secondary activities.

Only two businesses had been formally registered under the Companies Act (Table H2). The average age of the businesses was approximately two to three years, with a range of one to seven years (Table H3). All of the businesses were started with the intent of providing a service to the community and to make a profit (Table H4).

The average age of the owners/managers was about 43 years (Table H5). All of the owners/managers were males (Table H6) and all but two were married (Table H7). Families of unsatisfactorily operating business owners/managers were larger than the successful owners/managers (Table H8). Nearly all of the owners/managers stated that they were Anglicans (Table H9).

Most of the owners/managers had only attended primary school (Table H10). In addition, most had received some training (Table H11).

Table H12 describes the work experience of the owners or managers. As the table shows, most of the owners/managers had worked for wages or salaries and most were employed in positions that required skills that were applicable to their businesses. The relationship between applicable work experience and a satisfactorily operating business is not necessarily clear

because of the limited sample. However, it is interesting to note that of the Eastern Islands businesses included in the survey proportionately more were operating satisfactorily than for the total sample and proportionately more of the owners/managers had applicable work experience. Thus a relationship could exist between owners/managers who had been previously employed in jobs applicable to their businesses and the success of the businesses. In addition, one had worked overseas.

Most of the owners/managers were Melanesian (Table H13) and were from the Eastern Islands Province (Table H14).

One had received a loan from the DBSI and one from another source. Thus the bulk of capital came from personal funds or investments made by relatives. This is shown in Table H15. This emphasizes points that were made in the main report: there is a strong informal lending network.

Table H16 describes total assets. Of note is that businesses have a considerable portion in stocks. Also, plant and equipment is much less (as a proportion) than in the Central Islands.

As Table H17 shows, credit and bad debts are minimal. While this reflects lack of access to lending facilities it is probably also positive because turnover is so small (Table H18).

Table H19 shows that most of the businesses use their profits for personal needs. However, a number (33 percent) also reinvest in their business.

Although most (67 percent) businesses use a recordkeeping system (Table H20), not all were complete. A single-entry ledger was the most common.

Table H21 indicates that nearly all of the businesses used a business adviser. However, the BDB was the only source of advice.

Given that nearly all of the businesses were operating satisfactorily it could be expected that the owners/managers had a generally favorable view of the economy's future (Table H22). Related to this view is Table H23 which shows future plans for the business. As the table indicates, most of the businesses planned expansion while of the remainder only one intended to contract current levels of operation.

Table H24 shows the types of government incentives or assistance programs that are used by the businesses. As the table indicates, the only additions to the business advisers (Table H21) that are provided by government are two businesses that have DBSI loans--one that received government financial assistance and one with a tax holiday. Only one business reported no information or did not use any of the programs.

Table H25 shows business problems. Lack of capital could again reflect the small size of the market. Poor transportation supports the above conclusion that shipping is a major problem. Of interest is that the business owners felt that establishing warehouses would help to reduce vulnerability to irregular shipping.

Complaints about competition could also reflect the small market, as could duplication. The traditional system was identified as a problem by two-thirds of the businesses. However, most of the owners also felt that they could overcome the problems created by requests from kinsmen to borrow money or receive credit.

Lack of training and skilled workers were also identified as problems by most of the businesses. While these are fairly straightforward issues several points can be made. First, the owners stressed the need for training in business management. Second, the lack of skilled workers reflects not only low training levels but also the likelihood of someone being trained and then emigrating. This is largely because of the lack of cash-earning activities.

Table H26 emphasizes the need for more contact with Honiara and beyond. The businesses want more training, loans, and information, which are especially critical because of distance, transportation, and supply problems.



Table H1. Activity of Businesses (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
Trade	6	4	10	2	9	1
Nontrade	1	1	-	-	1	1
Secondary Activity						
Trade	-	-	-	-	-	-
Nontrade	-	1	1	-	-	-
None	7	4	9	2	-	-
Total	7	5	10	2	10	2

Table H2. Ownership of Businesses (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	-	1	1	-	1	-
- Registered	-	0	0	-	0	-
Partnership	1	-	1	-	-	1
- Registered	0	-	0	-	-	0
Co-op	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Family	5	2	7	-	7	-
- Registered	2	0	2	-	2	-
Self	1	2	1	2	1	1
- Registered	0	0	0	0	0	0
No Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total	7	5	10	2	10	2
- Registered	2	0	2	0	2	0

Table H3. Age of Business: Eastern Islands

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	1.0	1.0	1.0	1.0	1.0	1.0
- Upper	7.0	4.0	7.0	1.0	7.0	3.0
Mean	2.7	3.2	3.3	1.0	3.1	2.0
Median	2.0	4.0	3.0	1.0	3.0	2.0

Table H4. Reasons for Starting Business (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Reasons for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	7	5	10	2	10	2
Profit	7	5	10	2	10	1
To be own boss	-	-	-	-	-	-
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For national development	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	7	5	10	2	10	2

Table H5. Age of Owner/Manager: Eastern Islands

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	21.0	30.0	21.0	35.0	21.0	45.0
- Upper	76.0	46.0	76.0	45.0	76.0	45.0
Mean	42.2	43.0	43.0	40.0	42.1	45.0
Median	37.5	34.0	35.0	40.0	35.0	45.0

Table H6. Sex of Owner/Manager (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Sex	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	8	5	11	2	11	2
Female	-	-	-	-	-	-
Total	8	5	11	2	11	2

Table H7. Marital Status of Owner/Manager (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Marital Status	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	6	5	9	2	9	2
Single	2	-	2	-	2	-
Total	8	5	11	2	11	2

Table H8. Owner/Manager's Family Size (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	1	4	1	6	1	8
- Upper	10	8	10	8	10	10
Mean	6.0	5.8	5.7	7.0	5.4	9.0
Median	6.0	6.0	6.0	7.0	6.0	9.0

Table H9. Religion of Owner/Manager (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	-	1	1	-	1	-
Anglican	7	4	10	1	9	2
COM	-	-	-	-	-	-
SDA	-	-	-	-	-	-
SSEC	-	-	-	-	-	-
United	-	-	-	-	-	-
Methodist	-	-	-	-	-	-
Other	1	-	-	1	1	-
No Response	-	-	-	-	-	-
Total	8	5	11	2	11	2

Table H10. Education of Owner/Manager (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	4	4	7	1	7	1
Secondary	3	1	3	1	3	1
Certificate	1	-	1	-	1	-
Trades	-	-	-	-	-	-
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	8	5	11	2	11	2

Table H11. Owner/Managers Training (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Training	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	1	2	2	1	2	1
Business	3	1	4	-	4	-
Management	2	-	2	-	2	-
Other	1	-	1	-	1	-
No Response/None	1	2	2	1	2	1
Total	8	5	11	2	11	2

Table H12. Owner/Managers Work Experience (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Work Experience	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	5	3	6	2	7	1
Relevant to Business	5	2	5	2	6	1
Overseas Experience	1	-	1	-	1	-
No Response/None	3	2	5	-	4	1
Total Businesses	7	5	10	2	10	1

Note: A total of 13 people were included because both part-owners of a joint venture were included. The joint venture was an urban trade store that was operating satisfactorily.

Table H13. Owner/Manager's Race (by number of responses): Eastern Islands

Parameter:	Location		Activity		Operational	
Race	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	6	5	9	2	9	2
Polynesian	1	-	1	-	1	-
Chinese	-	-	-	-	-	-
European	1	-	1	-	1	-
Part-European	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	8	5	11	2	11	2

Table H14. Owner/Manager's Province of Birth (by number of responses):  
Eastern Islands

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	-	-	-	-	-	-
Malaita	1	1	2	-	2	-
Makira/Ulawa	-	-	-	-	-	-
Eastern	6	4	8	2	8	2
Western	-	-	-	-	-	-
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	1	-	1	-	1	-
Total	8	5	11	2	11	2

Table H15. Source of Capital Investment by Amount (SI\$'000s): Eastern Islands

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/shares (number)						
- Range						
Lower	0.1	0.2	0.1	1.0	0.2	0.1
Upper	6.4	1.4	6.4	1.4	6.4	1.4
- Mean	2.1	0.5	1.6	1.2	1.7	0.8
- Median	1.6	0.3	1.0	1.2	1.0	0.8
DBSI (number)						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	7.0	0.0	7.0	0.0	7.0	0.0
- Mean	0.0	0.0	9 nos	0.0	9 nos	0.0
- Median	1.0	0.0		0.0		0.0
	9 nos					
Commercial Banks (number)						
- Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
- Mean	-	-	-	-	-	-
- Median	-	-	-	-	-	-
Other (number)						
- Range						
Lower	-	-	-	-	-	-
Upper	3.0	-	3.0	-	3.0	-
- Mean	9 nos	-	9 nos	-	9 nos	-
- Median	-	-	-	-	-	-
Total (number)						
- Range						
Lower	0.1	0.2	0.1	1.0	0.2	0.1
Upper	9.8	1.4	9.8	1.4	9.8	1.4
- Mean	3.7	0.5	2.9	1.2	2.9	0.8
- Median	1.6	0.3	1.0	1.2	1.0	0.8

Table H16. Total Assets of Businesses (SI\$'000s): Eastern Islands

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	1.0	0.0	0.3	0.0	0.3	0.0
Upper	15.0	2.1	15.0	8.0	15.0	2.0
- Mean	5.8	0.8	3.9	4.0	4.3	1.0
- Median	4.4	0.8	2.0	4.0	2.1	1.0
<b>Working Capital</b>						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	4.1	1.3	4.1	2.0	4.1	1.5
- Mean	1.5	0.8	1.3	1.0	1.3	0.8
- Median	1.5	1.0	1.1	1.0	1.1	0.8
<b>Plant/Equipment</b>						
- Range						
Lower	0.3	0.0	0.3	0.0	0.5	0.0
Upper	6.9	2.0	6.9	0.9	6.9	0.3
- Mean	3.3	0.9	2.6	0.4	2.7	0.2
- Median	3.7	0.5	2.4	0.4	2.4	0.2
<b>Reserves</b>						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	7.0	1.5	7.0	0.2	7.0	1.0
- Mean	1.8	0.8	1.6	0.1	1.6	0.5
- Median	0.8	0.5	0.6	0.1	0.6	0.5
<b>Total</b>						
- Range						
Lower	4.8	0.0	2.9	0.0	2.9	0.0
Upper	24.9	5.4	24.9	11.1	24.9	4.8
- Mean	12.4	3.4	9.3	5.6	9.9	2.4
- Median	11.1	4.2	5.7	5/6	5.7	2.4



Table H17. Credit Levels (SI\$'000s): Eastern Islands

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (business owes)							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	0.0
Upper		7.0	0.0	7.0	0.0	7.0	0.0
- Mean		1.6	0.0	1.2	0.0	1.1	0.1
- Median		0.2	0.0	0.0	0.0	0.0	0.1
Trade Debts (business owes)							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	0.0
Upper		3.5	0.4	3.5	0.0	3.5	0.1
- Mean		0.8	0.2	0.6	0.0	0.6	0.1
Bad Debts (owed to business)							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	0.0
Upper		0.3	0.0	0.3	0.0	0.3	0.2
- Mean		0.1	0.0	0.1	0.0	0.1	0.1
- Median		0.1	0.0	0.0	0.0	0.0	0.1

Table H18. Business Turnover (SI\$'000s/month): Eastern Islands

Item	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	9.3	1.0	9.3	0.9	9.3	1.0
- Mean	4.2	0.4	3.1	0.4	3.1	0.5
- Median	3.8	0.00	1.0	0.4	0.1	0.5
Gross Profit						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	4.3	0.4	4.3	0.0	4.3	0.0
- Mean	1.7	0.1	1.1	0.0	1.1	0.0
- Median	0.6	0.0	0.2	0.0	0.2	0.0
Net Profit						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	3.2	0.3	3.2	0.2	3.2	0.0
- Mean	0.8	0.1	0.6	0.1	0.6	0.0
- Median	0.2	0.1	0.2	0.1	0.2	0.0

Table H19. Use of Profits (by number of responses): Eastern Islands

Use	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family	4	3	6	1	6	1
Shareholders	-	-	-	-	-	-
Reinvested in						
Business	3	1	4	-	4	-
Savings	-	-	-	-	-	-
Subtotal	7	4	10	1	10	1
None	-	1	-	1	-	1

Table H20. Recordkeeping Systems (by number of responses): Eastern Islands

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	5	2	6	1	6	1
Double-entry Ledger	1	-	1	-	1	-
Computer/Business System	-	-	-	-	-	-
None	1	-	-	1	-	1
No Response	-	3	3	-	3	-
Total	7	5	10	2	10	2

Table H21. Source of Business Advice (by number of responses): Eastern Islands

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	6	5	9	2	9	2
Co-ops	-	-	-	-	-	-
Private Accountants	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	6	5	9	2	9	2
None	1	-	1	-	1	-

Table H22. Views on the Economy's Future (by number of responses): Eastern Islands

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	-	1	-	1	1	-
Satisfactory	7	3	9	1	8	2
Mixed	-	-	-	-	-	-
Negative	-	1	1	-	1	-
Total	7	5	10	2	10	1

Table H23. Future Plans for the Business (by number of responses):  
Eastern Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Plan to:						
Expand	5	4	7	2	8	1
Maintain current levels	2	-	2	-	2	-
Contract	-	1	1	-	-	1
Dissolve	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	7	5	10	2	10	1

Table H24. Use of Government Incentives/Assistance (by number of responses):  
Eastern Islands

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Incentive/ Assistance						
BDB-Advisory	3	5	6	2	8	-
Co-ops-Advisory	-	-	-	-	-	-
DBSI-Loans	1	1	2	-	2	-
Government/Provincial Financial Assistance	1	-	-	1	-	1
Overseas Assistance	-	-	-	-	-	-
Tax Holidays	1	-	1	-	1	-
Other	2	1	3	-	2	1
Subtotal						
# Businesses	6	5	9	2	9	2
No Information/None	1	-	1	-	1	-
Total	7	5	10	2	10	2

Table H25. Business Problems (by number of responses): Eastern Islands

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	7	5	10	2	10	2
Training	5	3	7	1	6	2
Skilled Workers	5	2	5	2	6	1
Government Delays/ Regulations	1	1	2	-	2	-
Transportation	7	5	10	2	10	2
Traditional System	5	3	8	-	7	1
Competition	6	3	8	1	7	2
Weak Market	-	-	-	-	-	-
Taxes	1	-	1	-	-	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
Total	7	5	10	2	10	2

Table H26. Needs of Business (by number of responses): Eastern Islands

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory Services	1	1	1	1	2	-
Training	4	3	5	1	5	1
Loans	5	5	7	2	7	2
Reduce Import Duties	1	-	1	-	1	-
Reduce Export Duties	-	-	-	-	-	-
Improved Financial Services	-	-	1	-	2	-
Better Sites	1	1	2	1	3	-
Improved Transport	1	-	2	-	1	1
Reduce Taxes	1	-	2	-	-	-
More Business Associations	-	-	-	-	-	-
Overseas Travel	1	-	-	-	-	-
More Information	6	2	9	1	8	2
Subtotal	6	5	9	2	9	2
No Response	1	-	1	-	1	-
Total	7	5	10	2	10	2

## APPENDIX I. MALAITA PROVINCE

Malaita Province contains 15 percent (4,200 km<sup>2</sup>) of all the land in Solomon Islands and 31 percent of the total population (60,000 in 1976). Population density is high in certain areas (coastal strip), which has resulted in considerable outmigration from the province. This is reflected in lower population growth rates (2.5 percent AAGR versus 3.4 percent AAGR for Solomon Islands during 1970-76) and the noticeable presence of Malaitans in public service and in business in other provinces. Of the 17 Solomon Islanders in the business survey who are living away from their province of birth 82 percent were Malaitans.

While Auki is the third largest urban area in Solomon Islands and, as the population figures indicate, the market is sizeable, there is little industry in the province. Copra production is the main source of cash but amounts to only 10 percent of total Solomon Islands production. Some sawmilling, fishing, and shell collection also exist. Subsistence agriculture is the main production activity. Thus while we find a considerable market with respect to population, lack of cash income sources has effectively reduced its size. This is in contrast to Tulagi, where the population is small but many people have sources of cash income because of the tuna industry's presence.

Six businesses were surveyed in Malaita (Table I1)--two trade stores in Auki, two nontrade operations in Auki, and two nontrade operations in rural areas. All of the nontrade operations were operating satisfactorily. Of the trade stores only one was operating satisfactorily. With the exception of a joint venture all of the businesses were owned by one individual and none had been registered under the Companies Act (Table I2).

The age of the businesses ranged from newly established to 18 years (Table I3). Table I4 shows reasons that were given by the business owners for starting their business. As the table indicates "service to the community" is an important consideration but "to be own boss" is considered to be just as important, with "profit" being the most common motive. The prominence of "profit" is somewhat different from the responses that were given in other provinces. Although profit was always an important motivation we found that "service to the community" was a more common response. While it is difficult to explain this difference because of the small sample the prominence of profit as a motive for starting a business could reflect Malaita's higher population density and the outmigration described above.

The age of urban nontrade unsatisfactorily operating owners was greater than for the other categories (Table I5). However, the table also indicates that urban nontrade owners generally were older. All of the owners were married (Table I7) males (Table I6).

As in the case of the owner's age, urban nontrade owners had larger families (Table I8). Fifty percent of the owners were Roman Catholic (Table I9).

With the exception of one urban business owner who had attended a technical school, the owners/managers had only attended primary school (Table I10). In addition to the one owner who had received technical training, three other owner/managers had attended further training courses (Table I11). Five of the owners/managers previously had been engaged in wage and salary employment (Table I12). Four of the owners/managers had been employed in jobs in which they could apply the required skills to their businesses.

All of the owners/managers were Melanesian (Table I13) and (of those responding) from Malaita Province (Table I14).

Although two of the businesses had received loans from the DBSI and one from a commercial bank the bulk of capital came from personal funds or investments made by relatives. This is shown in Table I15. This emphasizes points that were made in the main report: there is a strong informal lending network.

Table I16 describes total assets. Of notice is the considerable difference between the total assets of trade and nontrade operations, which are on average eight times larger than the trade stores. Also, some of the urban nontrade operations apparently have limited working capital. However, these operations are currently performing satisfactorily.

Credit levels (Table I17) are considerably less than one might expect from businesses with the levels of assets noted in Table I16. But as shown in Table I15, most of the capital investment comes from personal funds or the informal lending network, so it is possible that working capital and reserves also are generated internally. While this last statement is verified by Table I19 (Use of Profits) the turnover figures shown in Table I18 suggest that the levels of working capital and reserves described in Table I16 would be difficult to generate. However, as Table I20 shows, recordkeeping is limited and so the figures may in fact be greater than those shown.

Table I21 indicates that nearly all of the businesses use an external adviser. Most prominent is the BDB, which 60 percent of the responding businesses used. Of note is the use of "other" advisers, which included a relative, a friend who works for a relevant government agency, and a teacher.

Given that all but one of the businesses were operating satisfactorily, it could be expected that the owners/managers had a generally favorable view of the economy's future. This is shown in Table I22, which indicates that all of the satisfactorily operating businesses were positive about the economy's future. Related to this view is Table I23, which shows future plans for the business. As the table shows, business owners plan to expand their businesses. Although this could reflect higher copra earnings it is also possible that earnings from fishing and other agriculture have increased. Clearly, Malaita's economy appears to have generated considerable optimism.

Table I24 shows the types of government incentives or assistance used by the businesses. In addition to those types of assistance already

mentioned (business advisers—BDB, DBSI loans, and overseas assistance); the provincial government and other agencies have supported an agricultural and a manufacturing business.

In terms of business problems, lack of capital and government delays and regulations were seen as being harmful by all of the businesses. The traditional system and transportation were also viewed as major problems.

Table I26 shows what business owners feel are their primary needs. As the table indicates, "more information" (e.g., technical, prices) and increased access to loans were primary concerns. While we found that one-half of the surveyed businesses had received loans, they were generally small (less than \$5,000). Since the DBSI has a branch in Auki it should be anticipated that the number and amount of loans will increase provided, of course, that the economy remains buoyant. Nontrade businesses were especially concerned about lack of information and advice that is available regarding machinery and other equipment. They felt that this had constrained their businesses and that they had missed opportunities to sell their products in other provinces.



Table I1. Activity of Businesses (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Activity						
Main Activity						
- Trade	2	-	2	-	1	1
- Nontrade	2	2	-	4	4	-
Secondary Activity						
- Trade	1	-	-	1	1	-
- Nontrade	-	-	-	-	-	-
- None	3	2	2	3	4	1
Total	4	2	2	4	5	1

Table I2. Ownership of Businesses (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Ownership						
Joint Venture	1	-	-	1	1	-
- Registered	0	-	-	0	0	-
Partnership	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Co-op	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Family	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Self	3	2	2	3	4	1
- Registered	0	0	0	0	0	0
No Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total	4	2	2	4	5	1
- Registered	0	0	0	0	0	0

Table I3. Age of Business: Malaita

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	0.0	6.0	2.0	0.0	0.0	2.0
- Upper	4.0	18.0	18.0	2.0	18.0	2.0
Mean	2.7	12.0	7.5	1.0	6.0	2.0
Median	2.0	12.0	5.0	1.0	5.0	2.0

Table I4. Reasons for Starting Business (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Reasons for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	2	1	-	3	3	-
Profit	3	2	2	3	4	1
To Be Own Boss	3	-	2	1	2	1
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For National Development	-	-	-	-	-	-
Other	-	1	-	1	1	-
No Response	-	-	-	-	-	-
Total Businesses	4	2	2	4	5	1

Table I5. Age of Owner/Manager: Malaita

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	38.0	26.0	26.0	45.0	26.0	47.0
- Upper	47.0	43.0	47.0	45.0	45.0	47.0
Mean	41.7	34.5	38.5	45.0	38.0	47.0
Median	45.0	34.5	40.5	45.0	40.5	47.0

Table I6. Sex of Owner/Manager (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Sex	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	3	2	2	3	4	1
Female	-	-	-	-	-	-
Total	3	2	2	3	4	1

Note: 1 No Response

Table I7. Marital Status of Owner/Manager (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Marital Status	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	3	2	2	3	4	1
Single	-	-	-	-	-	-
Total	3	2	2	3	4	1

Note: 1 No Response

Table I8. Owner/Manager's Family Size (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	9	8	4	11	4	12
- Upper	12	4	12	11	11	12
Mean	10.7	6.0	8.2	11.0	8.0	12.0
Median	11.0	6.0	8.5	11.0	8.5	12.0

Table I9. Religion of Owner/Manager (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	2	1	1	2	2	1
Anglican	-	-	-	-	-	-
COM	-	-	-	-	-	-
SDA	-	-	-	-	-	-
SSEC	-	1	1	-	1	-
United	-	-	-	-	-	-
Methodist	-	-	-	-	-	-
Other	1	-	-	1	1	-
No Response	1	-	-	1	1	-
Total	4	2	2	4	5	1

Table I10. Education of Owner/Manager (by number of responses): Malaita

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	2	2	1	3	4	-
Secondary	-	-	-	-	-	-
Certificate	1	-	1	-	-	1
Trades	-	-	-	-	-	-
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	1	-	-	1	1	-
Total	4	2	2	4	5	1

Table I11. Owner/Manager's Training (by number of responses): Malaita

Parameter: Training	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	1	-	-	1	1	-
Business	1	1	-	2	2	-
Management	1	-	1	-	1	-
Other	-	-	-	-	-	-
No Response/None	1	1	1	1	1	1
Total	4	2	2	4	5	1

Table I12. Owner/Manager's Work Experience (by number of responses): Malaita

Parameter: Work Experience	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	3	2	2	3	4	1
Relevant to Business	2	2	2	2	2	1
Overseas Experience	-	-	-	-	-	-
No Response/None	1	-	-	1	1	-
Total	4	2	2	4	5	1

Table I13. Owner/Manager's Race (by number of responses): Malaita

Parameter: Race	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	4	2	2	4	5	1
Polynesian	-	-	-	-	-	-
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	4	2	2	4	5	1

Table I14. Owner/Manager's Province of Birth (by number of responses):  
Malaita

Parameter: Province of Birth	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	-	-	-	-	-	-
Malaita	2	1	1	2	2	1
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	-	-	-	-	-	-
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	2	1	1	2	2	1

Note: 3 No Responses

Table I15. Source of Capital Investment by Amount (SI\$'000s): Malaita

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Self/shares</b>						
- Range						
Lower	0.7	0.2	0.7	0.2	0.2	-
Upper	15.0	22.0	15.0	22.0	22.0	0.7
- Mean	8.4	10.9	7.8	8.0	11.0	0.7
- Median	9.0	10.9	7.8	9.0	10.0	0.7
<b>DBSI</b>						
- Range						
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Upper	0.5	0.8	0.5	0.8	0.8	0.2
- Mean	0.1	0.4	0.2	0.2	0.2	0.1
- Median	0.0	0.4	0.2	0.0	0.0	0.1
<b>Commercial Banks</b>						
- Range						
Lower	0.0	-	-	0.0	0.0	-
Upper	2.8	-	-	2.8	2.8	-
- Mean	0.7	-	-	0.7	0.6	-
- Median	0.0	-	-	0.0	0.0	-
<b>Other</b>						
- Range						
Lower	0.0	-	-	0.0	0.0	-
Upper	5.0	-	-	5.0	5.0	-
- Mean	1.2	-	-	1.2	1.0	-
- Median	0.0	-	-	0.0	0.0	-
<b>Total</b>						
- Range						
Lower	1.2	1.0	1.2	1.0	1.0	-
Upper	15.0	22.0	15.0	22.0	22.0	1.2
- Mean	10.5	11.5	6.9	12.2	14.8	1.2
- Median	12.9	11.5	6.9	12.9	15.0	1.2

Table I16. Total Assets of Businesses (SI\$'000s): Malaita

Parameter: Assets	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	0.1	0.6	0.1	0.5	0.5	-
Upper	32.0	10.0	3.2	10.0	32.0	0.1
- Mean	9.3	5.3	1.6	3.9	9.5	0.1
- Median	2.0	5.3	1.6	2.6	4.6	0.1
<b>Working Capital</b>						
- Range						
Lower	0.3	0.2	0.3	0.2	0.2	-
Upper	14.0	1.5	0.7	14.0	14.0	0.7
- Mean	3.9	0.8	0.5	4.0	3.3	0.7
- Median	0.6	0.8	0.5	1.0	0.5	0.7
<b>Plant/Equipment</b>						
- Range						
Lower	0.2	3.5	0.2	3.5	0.5	-
Upper	17.5	20.0	0.5	20.0	20.0	0.2
- Mean	8.3	11.7	0.4	14.0	11.3	0.2
- Median	7.8	11.7	0.4	16.8	15.1	0.2
<b>Reserves</b>						
- Range						
Lower	0.2	0.3	0.2	0.3	0.3	-
Upper	5.0	2.0	0.5	5.0	5.0	0.2
- Mean	1.8	1.1	0.4	2.2	1.9	0.2
- Median	1.0	1.1	0.4	1.8	1.5	0.2
<b>Total</b>						
- Range						
Lower	1.2	4.6	1.2	4.6	4.6	-
Upper	35.2	33.5	4.6	35.2	35.2	1.2
- Mean	23.3	19.0	2.9	24.2	26.0	1.2
- Median	28.4	19.0	2.9	28.5	33.3	1.2



Table I17. Credit Levels (SI\$'000s): Malaita

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (business owes)		(three pending)					
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	-
Upper		0.5	3.0	0.5	3.0	3.0	0.5
- Mean		0.1	1.5	0.2	0.8	0.6	0.5
- Median		0.0	1.5	0.2	0.8	0.0	0.5
Trade Debts (Business Owes)							
- Range							
Lower		0.0	-	0.0	-	-	-
Upper		0.2	-	0.2	-	-	0.2
- Mean		0.05	-	0.1	-	-	-
- Median		0.0	-	0.1	-	-	-
Bad Debts (Owed to Business)							
- Range							
Lower		-	0.0	-	0.0	0.0	-
Upper		-	1.0	-	1.0	1.0	-
- Mean		-	0.5	-	0.2	0.2	-
- Median		-	0.5	-	0.0	0.0	-

Table I18. Business Turnover (SI\$'000s/month): Malaita

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	0.0
Upper		1.2	2.0	0.6	2.0	2.0	0.0
- Mean		0.4	1.0	0.3	0.8	0.8	0.0
- Median		0.3	1.0	0.3	0.6	0.6	0.0
Gross Profit							
- Range							
Lower		-	-	-	-	-	-
Upper		-	-	-	-	-	-
- Mean		-	-	-	-	-	-
- Median		-	-	-	-	-	-
Net Profit							
- Range							
Lower		0.0	0.0	0.0	0.0	0.0	-
Upper		0.4	0.5	0.2	0.5	0.5	-
- Mean		0.1	0.2	0.1	0.2	0.2	-
- Median		0.1	0.2	0.1	0.2	0.2	-

Table I19. Use of Profits (by number of responses): Malaita

Parameter:		Location		Activity		Operational	
Use		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family							
Shareholders		-	-	-	-	-	-
Reinvested in							
Business		4	-	2	2	3	1
Savings		-	-	-	-	-	-
Total		4	-	2	2	3	1

Table I20. Recordkeeping Systems (by number of responses): Malaita

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	1	-	1	-	-	1
Double-entry Ledger	-	-	-	-	-	-
Computer/Business System	-	-	-	-	-	-
Accountant	1	-	-	1	1	-
None	2	2	1	3	4	-
Total	4	2	2	4	5	1

Table I21. Source of Business Advice (by number of responses): Malaita

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	3	-	2	1	2	1
Co-ops	-	-	-	-	-	-
Private Accountants	1	-	-	1	1	-
Other	2	1	1	2	2	1
Total	6	1	3	4	5	2
None	-	1	-	1	1	-
Total	4	2	2	4	5	1

Table I22. Views on the Economy's Future (by number of responses): Malaita

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	1	3	2	2	4	-
Satisfactory	1	-	1	-	-	1
Mixed	-	-	-	-	-	-
Negative	-	-	-	-	-	-
Total	2	3	3	2	4	1

Table I23. Future Plans for Business (by number of responses): Malaita

Parameter: Plan to:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Expand	2	2	1	3	4	-
Maintain Current						
Leads	-	-	-	-	-	-
Contract	1	-	1	-	-	1
Dissolve	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	3	2	2	3	4	1

Table I24. Use of Government Incentives/Assistance (by number of responses): Malaita

Parameter: Incentive/ Assistance	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB-Advisory	3	2	2	3	4	1
Co-ops-Advisory	-	-	-	-	-	-
DBSI-Loans	1	2	1	2	2	1
Government/Provincial						
Financial Assistance	2	-	1	1	2	-
Overseas Assistance	1	-	1	-	1	-
Tax Holidays	-	-	-	-	-	-
Other	1	1	1	1	2	-
Subtotal	8	5	6	7	11	2
No Information/None	-	-	-	-	-	-
Total	4	2	2	4	5	1

Table I25. Business Problems (by number of responses): Malaita

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	4	2	2	4	5	1
Training	-	-	-	-	-	-
Skilled Workers	-	1	-	1	1	-
Government Delays/ Regulations	4	2	2	4	5	1
Transportation	1	2	-	3	3	-
Traditional System	2	2	2	2	3	1
Competition	1	1	1	1	1	1
Weak Market	1	-	-	1	-	1
Taxes	1	-	-	1	1	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
Subtotal	14	10	7	17	19	5
No Response	-	-	-	-	-	-
Total	14	110	7	17	19	5

Table I26. Needs of Businesses (by number of responses): Malaita

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory Services	-	-	-	-	-	-
Training	2	1	1	2	2	1
Loans	4	2	2	4	5	1
Reduce Import Duties	-	-	-	-	-	-
Reduce Export Duties	-	-	-	-	-	-
Improved Financial Services	-	1	-	1	1	-
Better Sites	1	-	1	1	1	-
Improved Transport	-	-	-	-	-	-
Reduce Taxes	1	-	-	1	1	-
More Business Associations	1	-	-	-	1	-
Overseas Travel	-	-	-	-	-	-
More Information	4	1	2	3	4	1
No Response	-	-	-	-	-	-
Total Businesses	4	2	2	4	5	1

## APPENDIX J. WESTERN PROVINCE

The Western Province contains 30 percent of Solomon Islands total land and is the residence for 20 percent (40,000 in 1976) of the population. However, the province consists of several island groups containing many islands and islets over a large sea area. For example, the provincial capital at Gizo is 370 km northwest of Honiara and is near the center of the province. Yet the province extends 150 km north and northwest of Gizo and over 100 km to the southwest. This dispersion has resulted in uneven development with respect to services and infrastructure. Aside from Gizo there is one other urban area/government station at Munda and one is planned at Noro. Development at Noro will include a deep-water port and the relocation of the bulk of the fishing industry from Tulagi.

The Western Province had 34 percent of its work force in wage and salary employment at the time of the 1976 census. This is high in comparison to the other provinces. It is due to the major logging, plantation agriculture (including copra), and fishing operations. Thus a strong cash economy exists in some areas and subsistence agriculture predominates in others.

Table J1 shows the activities of the businesses surveyed. All of the businesses were located in Gizo and Munda, however, four of the businesses served rural areas. Of interest is that three of the five nontrade businesses were also involved in trading operations. These included wholesaling, retailing, and copra export; the sale of building supplies and furniture; and the sale of furniture. Although all of these secondary activities complemented the primary nontrade activity only one of the businesses was operating successfully. This business had gradually expanded over a four-year period and is distinguishable because of its relatively high ratio of working capital to total assets, 19 percent.

Seven of the 10 businesses were registered under the Companies Act (Table J2). While there was a considerable range of ages for the businesses, trade stores and satisfactorily operating businesses had been in existence much longer than their counterparts (Table J3). Most of the businesses were started to provide service to the community and for profit (Table J4). However, showing that Solomon Islanders "can do" and for national development were also important motives.

While there were marked differences between the ages of trade and nontrade businesses the ages of their owners were nearly identical (Table J5). However, the satisfactorily operating owners were older than their less successful counterparts.

All of the owner/operators were males (Table J6) and all but one were married (Table J7). Most of the families included five to six members (Table J8). Membership in the United Church was the most common religion (Table J9).

Table J10 shows education levels of the business owners/managers. Education levels are generally higher than the total sample since 50 percent had attended secondary school or gone on for post-secondary

education. In addition, seven of the ten owners/managers had attended professional training courses (Table J11). Training ranged from courses in administration to teaching. Advanced training and education are also reflected by the fact that six of the ten owners/managers had worked in public service (Table J12). Nearly all of these former civil servants had retired after 20 years at service, which means that they had acquired a considerable amount of personal savings. However, there was no correlation between education, training, or employment history and a satisfactorily operating business.

Nine of the 10 owners were Melanesian (Table J13). All 10 were from the Western Province (Table J14).

In terms of capital investment (Table J15), several large and small businesses skew the data. However, it should be noted that businesses in the Western Province tended to be larger than those in the other provinces. The DBSI has provided support to six of the businesses and five out of seven in Gizo. The DBSI has an office in Gizo.

Skewed data and larger sized operations are also shown in Table J16 (Total Assets). However, it should be noted that there is probably better balance between the asset items than can be found in other provinces.

While Table J17 (Credit Levels) again indicates data skewed by one or two large businesses, a surprising lack of records was found for businesses of the size shown in Table J16. Hence the figures are probably higher. What is important, however, is that some of the larger businesses without records could encounter future problems because of the lack of records.

This is also reflected in Table J18 (Business Turnover). In particular, the medians indicate an absence of records for a number of businesses. In the case of use of profits (Table J19) only five (out of 10) businesses responded. Of these five, four reinvested in the business and one saved profits. All of these were operating satisfactorily.

Although only one business indicated that records were not kept (Table J20), it is obvious that having a recordkeeping system and using it are quite different. Only three of the businesses had current and complete records. These included one that used an accountant and the largest business that was used in the survey.

Source of business advice is shown in Table J21. Only 50 percent used a business adviser. Three used government personnel (BDB and co-ops) and two used private sources ("other" was a relative).

Table J22 suggests a relationship between success and views on the economy's future. Four out of five satisfactorily operating businesses were either positive or satisfied with the economy. None of the unsatisfactorily operating businesses shared this view. However, only two of these businesses planned to contract current levels of operation or dissolve (Table J23).

Table J24 shows the types of government support used by the businesses. The most apparent set of data is the use of DBSI lending

facilities. Six out of ten businesses had obtained loans from the DBSI, which has a branch in Gizo (five out of the seven businesses in Gizo had DBSI loans). This corroborates the view discussed in the text that physical access is an important determinant in the use of credit. However, it should also be noted that (1) commercial banks had provided loans to two businesses, (2) joint ventures with overseas partners had provided additional capital to two businesses, and (3) shareholders (either cooperatives or village associations) had provided additional capital for three businesses. Thus all of the businesses had access to at least one external source of capital.

Availability of information is also a determinant in the use of government support. Although only 40 percent used government advisory services an additional 30 percent used private accountants and/or bookkeepers. Thus we find 30 percent of the businesses using the provision for tax holidays because they have the information. Only one business owner stated that he lacked information. It should also be noted that the BDB runs a radio program on business development from the Gizo radio station.

Business problems are shown in Table J25. As in the other provinces, lack of training and capital were prominent. Of interest is that competition also was seen as a major problem. This reflects the size of the small urban markets. Thus "weak market" was also indicated as a problem by 30 percent of the businesses.

Table J26 describes the needs of businesses in the Western Province. The business owners and managers gave top priority to business management training and second to increasing information flows. Specific information requests included prices, economic forecasts, and/or training programs. As noted above all of the businesses had access to external sources of capital. Hence increased lending ranked third. Of note is that 75 percent of the businesses requesting more access to lending facilities were operating unsatisfactorily. Given the external sources of capital this could indicate a management problem rather than lack of access to capital.

Taxes, including provincial taxes, and export and import duties were criticized by five of the owners. This was a higher rate of response than for the total sample, which could reflect the urban environment and education levels of the owners and managers.

While a business association was not identified as a priority need it must be stated that one already exists, the Gizo Chamber of Commerce, in the province. Two of the businesses requested improved financial services, including an increased role for commercial banks.



Table J1. Activity of Businesses (by number of responses): Western

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
- Trade	5	-	5	-	3	2
- Nontrade	5	-	-	5	3	
Secondary Activity						
- Trade	3	-	-	3	1	2
- Nontrade	-	-	-	-	-	-
- None	7	-	5	2	4	3
Total	10	-	5	5	5	5

Table J2. Ownership of Business (by number of responses): Western

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Partnership	6	-	3	3	3	3
- Registered	4	-	2	2	2	2
Co-op	1	-	1	-	1	-
- Registered	0	-	0	-	0	-
Family	1	-	1	-	-	1
- Registered	1	-	1	-	-	1
Self	2	-	-	2	1	1
- Registered	2	-	-	2	1	1
No Response	-	-	-	-	-	-
- Registered	-	-	-	-	-	-
Total	10	-	5	5	5	5
- Registered	7	-	3	4	3	4

Table J3. Age of Business: Western

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	0.3	-	2.0	0.3	4.0	0.3
- Upper	18.0	-	18.0	13.0	18.0	6.0
Mean	6.6	-	8.8	4.6	10.6	2.7
Median	5.0	-	8.0	3.0	10.0	2.0

Table J4. Reasons for Starting Business (by number of responses): Western

Parameter:	Location		Activity		Operational	
Reasons for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	8	-	4	4	5	3
Profit	3	-	1	2	2	1
To be own boss	1	-	-	1	-	1
Show that Solomon Islanders "can do"	2	-	1	1	-	2
For national development	2	-	2	-	1	1
Other	-	-	-	-	-	-
No response	-	-	-	-	-	-
Total	10	-	5	5	5	5

Table J5. Age of Owner/Manager: Western

Parameter:	Location		Activity		Operational	
Age (years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	31.0	-	32.0	31.0	44.0	31.0
- Upper	66.0	-	50.0	66.0	66.0	45.0
Mean	44.3	-	44.0	44.6	50.6	38.0
Median	44.0	-	45.0	43.0	49.0	39.0

Table J6. Sex of Owner/Manager (by number of responses): Western

Sex	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Male	10	-	5	5	5	5
Female	-	-	-	-	-	-
Total	10	-	5	5	5	5

Table J7. Marital Status of Owner/Manager (by number of responses): Western

Marital Status	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Married	9	-	4	5	4	5
Single	1	-	1	-	1	-
Total	10	-	5	5	5	5

Table J8. Owner/Manager's Family Size (by number of responses): Western

Family Size	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	1	-	1	5	1	5
- Upper	11	-	7	11	11	7
Mean	5.9	-	4.8	7.0	5.8	6.0
Median	6.0	-	5.0	6.0	6.0	6.0

Table J9. Religion of Owner/Manager (by number of responses): Western

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	-	-	-	-	-	-
Anglican	-	-	-	-	-	-
COM	-	-	-	-	-	-
SDA	1	-	-	1	-	1
SSEC	-	-	-	-	-	-
United Methodist	7	-	4	3	5	2
Other	1	-	1	-	-	1
No Response	1	-	-	1	-	1
Total	10	-	5	5	5	5

Table J10. Education of Owner/Manager (by number of responses): Western

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	5	-	3	2	2	3
Secondary	3	-	2	1	2	1
Certificate/Diploma	1	-	-	1	1	-
Trades	1	-	1	-	-	1
Degree	-	-	-	-	-	-
None	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	10	-	5	5	5	5

Table J11. Owner/Manager's Training (by number of responses): Western

Parameter: Training	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	3	-	1	2	-	3
Business	-	-	-	-	-	-
Management	3	-	2	1	3	-
Other	1	-	-	1	1	-
No Response/None	3	-	2	1	1	2
Total	10	-	5	5	5	5

Table J12. Owner/Manager's Work Experience (by number of responses): Western

Parameter: Work Experience	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	8	-	3	5	5	3
Relevant to Business	6	-	2	4	3	3
Overseas Experience	2	-	1	1	1	1
No Response/None	2	-	2	-	-	2
Total	10	-	5	5	5	5

Table J13. Owner/Manager's Race (by number of responses): Western

Parameter: Race	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	9	-	5	4	4	5
Polynesian	-	-	-	-	-	-
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	1	-	-	1	1	-
Other	-	-	-	-	-	-
Total	10	-	5	5	5	5

Table J14. Owner/Manager's Province of Birth (by number of responses): Western

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	-	-	-	-	-	-
Malaita	-	-	-	-	-	-
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	10	-	5	5	5	5
Guadalcanal	-	-	-	-	-	-
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	10	-	5	5	5	5

Table J15. Source of Capital Investment by Amount (SI\$'000s): Western

Parameter:	Location		Activity		Operational	
Source	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/shares						
- Range						
Lower	0.5	-	1.0	0.5	0.5	0.7
Upper	50.0	-	50.0	10.0	50.0	8.0
- Mean	8.0	-	11.7	4.0	13.3	2.6
- Median	2.3	-	2.6	0.7	4.1	1.0
DBSI						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	140.0	-	12.0	140.0	140.0	20.0
- Mean	19.3	-	4.4	34.3	31.2	6.9
- Median	5.7	-	0.0	9.0	9.0	2.5
Commercial Banks						
- Range						
Lower	0.0	-	-	0.0	0.0	-
Upper	35.0	-	-	35.0	35.0	-
- Mean	3.5	-	-	7.0	7.0	-
- Median	0.0	-	-	0.0	0.0	-
Other						
- Range						
Lower	0.0	-	-	0.0	0.0	0.0
Upper	25.0	-	-	25.0	25.0	9.0
- Mean	3.4	-	-	6.8	5.0	1.8
- Median	0.0	-	-	0.0	0.0	0.0
Total						
- Range						
Lower	0.6	-	1.0	0.6	11.0	0.6
Upper	185.0	-	50.0	185.0	185.0	37.0
- Mean	34.2	-	16.3	52.1	57.1	11.3
- Median	13.2	-	11.8	34.5	34.5	3.2

Table J16. Total Assets of Businesses (SI\$'000s): Western

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	52.0	-	52.0	16.0	52.0	17.9
- Mean	12.3	-	18.3	6.2	13.4	11.1
- Median	8.8	-	15.0	4.0	6.8	15.0
<b>Working Capital</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	35.0	-	13.9	35.0	35.0	8.0
- Mean	7.3	-	5.2	9.4	11.0	3.6
- Median	3.6	-	5.0	2.2	7.0	2.0
<b>Plant/Equipment</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	240.0	-	9.8	240.0	240.0	39.5
- Mean	31.5	-	2.0	61.0	55.0	8.0
- Median	0.2	-	0.0	25.0	9.8	0.0
<b>Reserves</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	30.0	-	30.0	25.0	30.0	6.7
- Mean	6.2	-	6.0	6.4	11.0	1.4
- Median	0.0	-	0.0	0.5	0.0	0.0
<b>Total</b>						
- Range						
Lower	0.0	-	0.0	3.6	24.9	0.0
Upper	316.0	-	52.0	316.0	316.0	65.0
- Mean	57.3	-	31.2	83.1	89.3	25.3
- Median	27.1	-	29.8	25.0	29.8	6.0



Table J17. Credit Levels (SI\$'000s): Western

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (Business Owes)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	120.0	-		5.0	120.0	120.0	9.0
- Mean	14.8	-		1.0	28.6	27.6	2.2
- Median	1.0	-		0.0	9.0	5.0	0.0
Trade Debts (Business Owes)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	12.0	-		12.0	9.0	12.0	2.0
- Mean	2.5	-		3.0	1.9	4.4	0.5
- Median	0.3	-		1.0	0.0	1.0	0.0
Bad Debts (Owed to Business)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	5.0	-		2.0	5.0	5.0	2.0
- Mean	1.4	-		0.4	1.0	1.0	0.4
- Median	0.0	-		0.0	0.0	0.0	0.0

Table J18. Business Turnover (SI\$'000s/month): Western

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover							
- Range							
Lower		0.0	-	0.0	0.0	0.0	0.0
Upper		43.8	-	6.7	43.8	43.8	3.1
- Mean		6.6	-	3.0	9.5	12.5	0.8
- Median		1.9	-	4.0	0.8	4.1	0.0
Gross Profit							
- Range							
Lower		0.0	-	0.0	0.0	0.0	0.0
Upper		12.7	-	0.7	12.7	12.7	2.9
- Mean		1.8	-	0.3	3.1	2.8	0.7
- Median		0.3	-	0.0	0.6	0.7	0.0
Net Profit							
- Range							
Lower		0.0	-	0.0	0.0	0.0	0.0
Upper		2.9	-	0.4	2.9	2.9	0.5
- Mean		0.5	-	0.2	0.8	0.7	0.2
- Median		0.2	-	0.1	0.5	0.2	0.2

Table J19. Use of Profits (by number of responses): Western

Parameter:		Location		Activity		Operational	
Use		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family		-	-	-	-	-	-
Shareholders		-	-	-	-	-	-
Reinvested in							
Business		4	-	2	2	4	-
Savings		1	-	1	-	1	-
Total		5	-	3	2	5	-
None		5	-	2	3	-	5

Table J20. Recordkeeping Systems (by number of responses): Western

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	4	-	2	2	1	3
Double-entry Ledger	3	-	1	2	2	1
Computer/Business System	-	-	-	-	-	-
Accountant	2	-	1	1	2	-
None	1	-	1	-	-	1
Total	10	-	5	5	5	5

Table J21. Source of Business Advice (by number of responses): Western

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	1	-	-	1	-	1
Co-ops	2	-	2	-	2	-
Private Accountants	1	-	-	1	1	-
Other	1	-	-	1	-	1
Total	5	-	2	3	3	2
None	5	-	3	2	2	3

Table J22. Views on the Economy's Future (by number of responses): Western

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	3	-	2	1	3	-
Satisfactory	1	-	-	1	1	-
Mixed	2	-	1	1	1	1
Negative	4	-	2	2	-	4
Total	10	-	5	5	5	5

Table J23. Future Plans for the Business (by number of responses): Western

Parameter:	Location		Activity		Operational	
Plan to:	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Expand	3	-	2	1	3	-
Maintain						
Current Levels	3	-	1	2	2	1
Contract	1	-	1	-	-	1
Dissolve	1	-	-	1	-	1
No Response	2	-	1	1	-	2
Total	10	-	5	5	5	5

Table J24. Use of Government Incentives/Assistance (by number of responses): Western

Parameter:	Location		Activity		Operational	
Incentive/ Assistance	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB - Advisory	2	-	1	-	1	1
Co-ops - Advisory	2	-	2	-	2	-
DBSI - Loans	6	-	2	4	4	2
Government/Provincial						
Financial Assistance	-	-	-	-	-	-
Overseas Assistance	1	-	-	1	-	1
Tax Holidays	3	-	1	2	2	1
Other	-	-	-	-	-	-
No Information/None	1	-	1	-	-	1
Total Business	10	-	5	5	5	5

Table J25. Business Problems (by number of responses): Western

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	5	-	2	3	2	3
Training	6	-	2	4	2	4
Skilled Workers	3	-	1	2	1	2
Government Delays/ Regulations	2	-	1	1	2	-
Transportation	1	-	-	1	-	1
Traditional System	2	-	-	2	1	1
Competition	5	-	3	2	3	2
Weak Market	3	-	1	2	1	2
Taxes	1	-	1	-	1	-
Cash Flow	2	-	1	1	1	1
Site of Business	-	-	-	-	-	-
Subtotal	30	-	12	18	14	16
No Response	-	-	-	-	-	-
Total	30	-	12	18	14	16

Table J26. Needs of Businesses (by number of responses): Western

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB						
Advisory Services	1	-	1	-	1	1
Training	7	-	3	4	3	4
Loans	4	-	2	2	1	3
Reduce						
Import Duties	2	-	2	-	1	1
Reduce						
Export Duties	2	-	-	2	-	2
Improved						
Financial Services	2	-	1	1	1	1
Better Sites	1	-	-	1	1	-
Improved Transport	-	-	-	-	-	-
Reduce Taxes	3	-	1	2	-	3
More Business						
Associations	-	-	-	-	-	-
Overseas Travel	-	-	-	-	-	-
More Information	5	-	2	3	1	4
No Response	-	-	-	-	-	-
Total Business	10	-	5	5	5	5

## APPENDIX K. GUADALCANAL PROVINCE

Guadalcanal Province is comprised of the island of Guadalcanal, which is the largest in the country. The island accounts for 19 percent of the nation's land area and, excluding Honiara, 16 percent of the population. Including Honiara the island contains over 25 percent of the population.

The presence of Honiara, plus the large logging and plantation agriculture operations, gives Guadalcanal a relatively strong cash economy. However, the cash economy is unevenly distributed since, for example, there are few cash-earning opportunities on the weather coast. Major products include rice, palm oil, logs and sawn timber, poultry, port, vegetables for the Honiara market, and 19 percent of total copra production. Thus Guadalcanal has the most diversified economy of all the provinces.

Honiara has had a major impact on Guadalcanal's access to financial services, infrastructure, and markets, including overseas. Thus Guadalcanal has more advantages than the other provinces. This has resulted in considerable immigration as reflected by the 4.7 percent AAGR during the 1970-76 period (compared with 3.4 percent for the nation). This population increase will certainly result in the development of more of the province's resources. If a mine at Gold Ridge is developed the rate of population increase and, by extension, economic development will accelerate.

We surveyed six trade stores in the province: four on the Guadalcanal Plains and two in the Lambi area (Table K1). Only one of the stores had a nontrading secondary activity. Of the six stores three were operating satisfactorily. All of the businesses were small, with total assets of the largest store valued at \$5,500 and those for four of the stores at less than \$2,000.

Only one of the businesses was registered (Table K2). While the average age of the businesses was 4.2 years (Table K3), the satisfactorily operating businesses were younger (2.2 years) than the unsuccessful ones (6.3 years). Only one business gave a reason for starting the business (Table K4), which was both for profit and service to the community.

The average age of the owners/managers was 42.7 years (Table K5). All were males (Table K6) and married (Table K7). Average family size was six persons (Table K8). Fifty percent of the owners were Anglicans, with the rest belonging to the Church of Melanesia, the SSEC, and the United Church (Table K9).

Three of the owners had attended primary school, one secondary school, one had an advanced certificate, and one had never attended school (Table K10). Two of the owners had received training in business as well as another field, including management (Table K11). Four owners had either received no further training or did not respond to the question. While all the owners had been wage or salary earners (Table K12), only two had worked at a job that required skills that could be applied to their businesses. One of these owners also had worked overseas.

Five of the owners were Melanesian and the sixth was Polynesian (Table K13). Two of the owners were from Malaita, one from Santa Ysabel, and three from Guadalcanal (Table K14).

Table K15 shows sources of investment capital. As noted above, the stores were all small and had been financed with personal funds. Table K16 (Total Assets) also indicates smallness. Possibly significant here is that while little difference was apparent between satisfactory and unsatisfactory businesses in terms of assets, the satisfactory operations were considerably younger. This could suggest that either there is a plateau for the size of a store or once a store reached a certain size the owner would siphon off profits.

Credit levels (Table K17) shows that satisfactorily operating businesses make more use of credit and keep better records. As the figures on business turnover (Table K18) suggest, none of the stores keep particularly good records. Only one store reported a profit (Table K19), which was saved.

As mentioned, recordkeeping is poor, with only two stores using any kind of system (Table K20). In addition, only one business used a business adviser (Table K21).

Although the stores are small some of the small local economies obviously have generated sufficient cash to enable the success of three of the stores. As Table K22 shows, owners that had satisfactorily operating stores were satisfied with the economy and its future. One of these owners planned expansion while the other two intended to maintain the current level of operations (Table K23). Two of the unsatisfactorily operating stores planned to contract levels of operation while the third planned to cease operations. Since those planning contraction are already quite small it is difficult to imagine how they could become smaller. It should be noted, however, that these two stores were owned by people with other jobs, which could explain the contraction in terms of a reduction in working hours.

Given the proximity to Honiara's financial services one might expect that the businesses would take advantage of this resource. However, as Table K24 shows only two of the businesses used the BDB and no other government assistance was utilized. This is even more surprising considering that five of the six owners had worked in wage and salary employment, usually in Honiara. Thus physical access and exposure to services does not mean that they will be used. Although one could argue that the small size of the businesses could indicate that these services are not needed, we also found small businesses in other provinces that used a range of government's business assistance initiatives. A possible explanation could be that the trade stores are more closely tied to their immediate local economy than to Honiara's. This would suggest that these stores not taking advantage of Honiara's services or its market.

Business problems are shown in Table K25. Lack of capital and training were most prominent, with a lack of skilled workers and government delays and regulations cited by 50 percent of the businesses. Both the

traditional system and a weak market were indicated as major problems by one-third of the businesses.

Business needs (Table K26) paralleled to some extent the identified problems: training, loans, and reduce import duties. In addition, improved transportation was seen as a major need. However, two-thirds of the owners wanted more information and one-third wanted more BDB advisory services and more financial services. While there could very well be justification for these comments it must be noted that services already available in Honiara are not being utilized.



Table K1. Activity of Businesses (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
Trade	-	6	6	-	3	3
Nontrade	-	-	-	-	-	-
Secondary Activity						
Trade	-	-	-	-	-	-
Nontrade	-	1	1	-	1	-
None	-	5	5	-	2	3
Total Businesses	-	6	6	-	3	3

Table K2. Ownership of Businesses (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Partnership	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Co-op	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Family	-	5	5	-	0	0
Registered	-	0	0	-	0	0
Self	-	1	1	-	1	-
Registered	-	1	1	-	1	1
No Response	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Total	-	6	6	-	3	3
Registered	-	1	1	-	1	0

Table K3. Age of Business: Guadalcanal

Parameter:	Location		Activity		Operational	
Age (Years)	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
Lower	-	0.5	0.5	-	0.5	2.0
Upper	-	9.0	9.0	-	4.0	9.0
Mean	-	4.2	4.2	-	2.2	6.3
Median	-	3.0	3.0	-	2.0	8.0

Table K4. Reasons for Starting Business (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Reason for Starting Business	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Service to Community	-	1	1	-	-	1
Profit	-	1	1	-	-	1
To be own boss	-	-	-	-	-	-
Show that Solomon Islanders "can do"	-	-	-	-	-	-
For national development	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response	-	5	5	-	3	2
Total	-	6	6	-	3	3

Table K5. Age of Owner/Manager: Guadalcanal

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Age (Years)						
Range						
- Lower	-	30	30	-	35	30
- Upper	-	58	58	-	52	58
Mean	-	42.7	42.7	-	39.3	42.7
Median	-	40.5	40.5	-	41	40

Table K6. Sex of Owner/Manager (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Sex						
Male	-	6	6	-	3	3
Female	-	-	-	-	-	-
Total	-	6	6	-	-	-

Table K7. Marital Status of Owner/Manager (by number of responses):  
Guadalcanal

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Marital Status						
Married	-	6	6	-	3	3
Single	-	-	-	-	-	-
Total	-	6	6	-	3	3

Table K8. Owner/Manager's Family Size (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Family Size	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Range						
- Lower	-	3	3	-	3	5
- Upper	-	8	8	-	8	8
Mean	-	6.0	6.0	-	5.7	6.3
Median	-	6.0	6.0	-	6.0	6.0

Table K9. Religion of Owner/Manager (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	-	-	-	-	-	-
Anglican	-	3	3	-	1	2
COM	-	1	1	-	1	-
SDA	-	-	-	-	-	-
SSEC	-	1	1	-	1	-
United	-	1	1	-	-	1
Methodist	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Response	-	-	-	-	-	-
Total	-	6	6	-	3	3

Table K10. Education of Owner/Manager (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	-	3	3	-	2	1
Secondary	-	1	1	-	-	1
Certificate	-	1	1	-	-	1
Trades	-	-	-	-	-	-
Degree	-	-	-	-	-	-
None	-	1	1	-	1	-
No Response	-	-	-	-	-	-
Total	-	6	6	-	3	3

Note: A satisfactorily operating trade business had two owners, both of whom were included.

Table K11. Owner/Manager's Training (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
Training	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	-	-	-	-	-	-
Business	-	2	2	-	1	1
Management	-	1	1	-	1	-
Other	-	1	1	-	-	1
No Response/None	-	4	4	-	2	2
Total	-	6	6	-	3	3

Table K12. Owner/Manager's Work Experience (by number of responses):  
Guadalcanal

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Work Experience						
Wage/Salary Employment	-	6	6	-	3	3
Relevant to Business	-	2	2	-	1	1
Overseas Experience	-	1	1	-	-	1
No Response/None	-	-	-	-	-	-
Total	-	6	6	-	3	3

Table K13. Owner/Manager's Race (by number of responses): Guadalcanal

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Race						
Melanesian	-	5	5	-	3	2
Polynesian	-	1	1	-	-	1
Chinese	-	-	-	-	-	-
European	-	-	-	-	-	-
Part-European	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	6	6	-	3	3

Table K14. Owner/Manager's Province of Birth (by number of responses):  
Guadalcanal

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	1	1	-	1	-
Central	-	-	-	-	-	-
Malaita	-	2	2	-	1	1
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	-	-	-	-	-	-
Guadalcanal	-	3	3	-	1	2
Honiara	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	-	6	6	-	3	3

Note: A satisfactorily operating trading business had two owners, both of whom were included.

Table K15. Source of Capital Investment by Amount (SI\$'000s): Guadalcanal

Parameter: Source	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/Shares (number)						
Range						
Lower	-	0.0	0.0	-	2.0	-
Upper	-	6.0	6.0	-	6.0	0.0
Mean	-	4.0	4.0	-	3.4	7.2
Median	-	3.8	3.8	-	5.7	0.0
DBSI (number)						
Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
Mean	-	-	-	-	-	-
Median	-	-	-	-	-	-
Commerical Banks (number)						
Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
Mean	-	-	-	-	-	-
Median	-	-	-	-	-	-
Other (number)						
Range						
Lower	-	-	-	-	-	-
Upper	-	-	-	-	-	-
Mean	-	-	-	-	-	-
Median	-	-	-	-	-	-
TOTAL (number)						
Range						
Lower	-	0.0	0.0	-	2.0	0.0
Upper	-	6.0	6.0	-	6.0	7.2
Mean	-	6.0	6.0	-	3.0	2.4
Median	-	3.8	3.8	-	5.7	0.0



Table K16. Total Assets of Businesses (SI\$'000's): Guadalcanal

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
Range						
Lower	-	0.0	0.0	-	0.1	0.0
Upper	-	5.0	5.0	-	5.0	5.0
Mean	-	1.9	1.9	-	2.0	1.8
Median	-	0.6	0.6	-	1.0	0.3
<b>Working Capital</b>						
Range						
Lower	-	0.0	0.0	-	0.0	0.0
Upper	-	0.5	0.5	-	0.4	0.5
Mean	-	0.2	0.2	-	0.2	0.2
Median	-	0.1	0.1	-	0.2	0.0
<b>Parts/Equipment</b>						
Range						
Lower	-	0.0	0.0	-	-	0.3
Upper	-	0.2	0.2	-	-	0.3
Mean	-	0.0	0.0	-	-	0.0
Median	-	0.0	0.0	-	-	0.0
<b>Reserves</b>						
Range						
Lower	-	0.0	0.0	-	0.0	-
Upper	-	0.9	0.9	-	0.9	-
Mean	-	0.2	0.2	-	0.5	-
Median	-	0.0	0.0	-	0.5	-
<b>TOTAL</b>						
Range						
Lower	-	0.0	0.0	-	1.2	0.0
Upper	-	5.5	5.5	-	5.5	5.0
Mean	-	2.5	2.5	-	2.7	2.2
Median	-	1.6	1.6	-	1.4	1.7

Table K17. Credit Levels (SI\$'000s): Guadalcanal

Item	Parameter:	Location		Activity		Operational	
		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Outstanding Credit</b>							
(business owes)							
Range							
Lower		-	0.0	0.0	-	0.0	-
Upper		-	5.0	5.0	-	5.0	-
Mean		-	0.8	0.8	-	1.7	-
Median		-	0.0	0.0	-	0.0	-
<b>Trade Debts</b>							
(business owes)							
Range							
Lower		-	0.0	0.0	-	0.0	-
Upper		-	1.3	1.3	-	0.5	-
Mean		-	0.2	0.0	-	0.1	-
Median		-	0.0	0.0	-	0.1	-
<b>Bad Debts</b>							
(owed to business)							
Range							
Lower		-	0.0	0.0	-	-	0.0
Upper		-	0.8	0.8	-	-	0.8
Mean		-	0.2	0.2	-	-	0.4
Median		-	0.0	0.0	-	-	0.4

Table K18. Business Turnover (SI\$'000s/month): Guadalcanal

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Turnover</b>							
Range							
Lower		-	0.0	0.0	-	0.0	0.0
Upper		-	3.0	3.0	-	3.0	3.0
Mean		-	1.3	1.3	-	1.8	0.0
Median		-	0.9	0.9	-	1.8	0.0
<b>Gross Profit</b>							
Range							
Lower		-	-	-	-	-	-
Upper		-	-	-	-	-	-
Mean		-	-	-	-	-	-
Median		-	-	-	-	-	-
<b>Net Profit</b>							
Range							
Lower		-	0.0	0.0	-	0.0	-
Upper		-	0.2	0.2	-	0.2	-
Mean		-	0.0	0.0	-	0.0	-
Median		-	0.0	0.0	-	0.0	-

Table K19. Use of Profits (by number of responses): Guadalcanal

Parameter: Use	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/Family	-	-	-	-	-	-
Shareholders	-	-	-	-	-	-
Reinvested in						
Business	-	-	-	-	-	-
Savings	-	1	1	-	-	1
None	-	1	1	-	-	1
Total	-	5	5	-	3	2

Table K20. Recordkeeping Systems (by number of responses): Guadalcanal

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	-	1	1	-	-	1
Double-entry Ledger	-	1	1	-	1	-
Computer/Business						
System	-	-	-	-	-	-
None	-	4	4	-	2	2
Total	-	6	6	-	3	3

Table K21. Source of Business Advice (by number of responses): Guadalcanal

Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	-	1	-	-	-	1
Co-ops	-	-	-	-	-	-
Private Accountants	-	-	-	-	-	-
Other	-	-	-	-	-	-
None	-	1	1	-	-	1
Total	-	5	5	-	3	2

Table K22. Views on the Economy's Future (by number of responses):  
Guadalcanal

View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	-	2	2	-	2	-
Satisfactory	-	2	2	-	1	1
Mixed	-	1	1	-	-	1
Negative	-	1	1	-	-	1
Total	-	6	6	-	3	3

Table K23. Future Plans for the Business (by number of responses):  
Guadalcanal

Plan to:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Expand	-	1	1	-	1	-
Maintain Current Trends	-	2	2	-	2	-
Contract	-	2	2	-	-	2
Dissolve	-	1	1	-	-	1
No Response	-	-	-	-	-	-
Total	-	6	6	-	3	3

Table K24. Use of Government Incentives/Assistance (by number of responses): Guadalcanal

Parameter: Incentive/ Assistance	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB - Advisory	-	2	2	-	1	1
Co-ops - Advisory	-	-	-	-	-	-
DBSI - Loans	-	-	-	-	-	-
Government/ Provincial Financial Assistance	-	-	-	-	-	-
Overseas Assistance	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Information/None	-	4	4	-	2	2
Total Businesses	-	6	6	-	3	3

Table K25. Business Problems (by number of responses): Guadalcanal

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	-	5	5	-	3	2
Training	-	5	5	-	3	2
Skilled Workers	-	3	3	-	1	2
Government Delays/ Regulations	-	3	3	-	1	2
Transportation	-	1	1	-	-	1
Traditional System	-	2	2	-	1	1
Competition	-	1	1	-	-	1
Weak Market	-	2	2	-	1	1
Taxes	-	-	-	-	-	-
Cash Flow	-	-	-	-	-	-
Site of Business	-	-	-	-	-	-
Subtotal	-	22	22	-	10	12
No Response	-	-	-	-	-	-
Total	-	22	22	-	10	12

Table K26. Needs of Businesses (by number of responses): Guadalcanal

Parameter: Needs	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB Advisory						
Services	-	2	2	-	1	1
Training	-	4	4	-	3	1
Loans	-	3	3	-	2	1
Reduce Import						
Duties	-	2	2	-	1	1
Reduce Export						
Duties	-	-	-	-	-	-
Improved Financial						
Services	-	2	2	-	1	1
Better Sites	-	-	-	-	-	-
Improved Transport	-	4	4	-	3	1
Reduce Taxes	-	-	-	-	-	-
More Business						
Associations	-	-	-	-	-	-
Overseas Travel	-	-	-	-	-	-
More Information	-	4	4	-	3	1
Subtotal	-	21	21	-	14	7
No response	-	-	-	-	-	-
Total	-	21	21	-	14	7

## APPENDIX L. HONIARA

As the national capital and by far the largest urban area, Honiara has the most developed business sector in Solomon Islands. With the size of its market, plus serving as the main overseas trading point, the financial services and economic infrastructure found in Honiara are more comprehensive than in other areas in the country.

A total of 20 businesses were surveyed in Honiara. This is shown in Table L1. As the table shows, 12 businesses were trading operations and eight were involved in nontrade activities. Only four businesses had diversified outside of their primary activity, which is a lower ratio than for the total sample. This could reflect the more specialized nature of the Honiara market. However, all of those businesses that had diversified were operating satisfactorily. All but two of the businesses were registered under the Companies Act (Table L2).

Table L3 shows age of business. Trade stores had been operating longer than nontrade operations and satisfactorily performing businesses were older than their less successful counterparts. Reasons for starting a business are shown in Table L4. Forty-five percent of the businesses did not respond to the question. Of those responding, to be one's own boss was cited by 20 percent of the businesses, with 15 percent citing either "for national development" or "show that Solomon Islanders can do." Responses for "service to the community" and "profit" were given by only 10 percent of the businesses, which is interesting because these were the most common responses in the other provinces. Thus one might conclude that nationalism is higher in the capital than in outlying areas where community and personal reasons are more important.

Age of the owners/managers is shown in Table L5. Trade store and satisfactorily operating business owners/managers were slightly older than their counterparts. Honiara was the only area in which female owners were included in the survey (Table L6). There were four female owners/managers, including two who had a joint venture. All of those responding to the question were married (Table L7). The average family size was 5.3 persons (Table L8). Seven different religions were represented (Table L9).

Table L10 shows the educational levels of the owners and managers of the businesses surveyed in Honiara. Education levels of the owners/managers included in the survey are much higher in Honiara than in other parts of Solomon Islands. Although the sample is too small to disaggregate and then draw firm conclusions, the survey data indicate that higher levels of education do not necessarily correlate with success: proportionally, as many people owning satisfactorily operating businesses had post-secondary education as those people owning unsatisfactorily operating businesses.

Training levels were also higher in Honiara than in the provinces (Table L11). Of special prominence is that those owners/managers who had been trained in management were all operating satisfactorily performing businesses. With respect to work experience (Table L12), the major noticeable item is that the proportion of owners/managers operating



satisfactorily performing businesses with overseas experience was higher than that of unsatisfactory businesses.

Although a majority of the owners/managers were Melanesian (Table L13), the percentage of non-Melanesian owners/managers was higher than in the provinces. In the section on Malaita Province we discussed emigration from Malaita to other provinces. This is clearly shown in Table L14, which indicates the business owner/manager's province of birth. Malaitans enter both trade and nontrade sectors and generally are successful. Whether this is because of migration or being brought up in an area in which the primary resource, land, is heavily utilized is unknown. However, as the table indicates the Malaitans included in the survey seemed to do well.

Source of capital investment is shown in Table L15. Honiara businesses are on average larger than those in the provinces and utilize more sources of capital. Although several large operations tend to skew the data, two interesting trends appear: (1) the unsatisfactorily operating businesses make more use of DBSI facilities and (2) the satisfactorily operating businesses make more use of commercial banks. In addition, personal sources (including shares) are used more often by satisfactorily operating businesses.

Again, total assets (Table L16) are skewed by several large operations. Of notice, however, is that satisfactorily operating businesses have more money invested in working capital, reserves, and stocks than their less successful counterparts.

Credit levels (Table L17) are also higher for satisfactorily operating businesses. This reflects more use of credit facilities and better recordkeeping.

Better records are also indicated in terms of monthly turnover (Table L18). Clearly, satisfactorily operating businesses have better performance (as expected by definition) and can state this performance (e.g., better records). Having better data facilitates the use of commercial banks.

While none of the unsatisfactorily operating businesses reported profits (Table L19), the bulk of satisfactorily operating businesses reinvested their profits in the business.

Recordkeeping systems are shown in Table L20. Noticeable is that proportionately more unsatisfactorily operating businesses have no recordkeeping system and that satisfactorily operating businesses use more sophisticated systems (e.g., double-entry, computer, accountant).

Table L21 shows the sources of business advice used by the surveyed businesses. Generally, no clear pattern emerges except for those using private accountants. All of the businesses using private accountants were operating satisfactorily, which supports the argument in the text that using an external business adviser often indicates satisfactory performance.

Views on the economy's future are shown in Table L22. Clearly, the satisfactorily operating owners/managers are optimistic. However, most

intend to maintain current levels of operation rather than expand (Table L23). The unsatisfactorily operating businesses did not respond to the question.

Table L24 describes use of government assistance. Of notice is the use of the DBSI. In addition, responding unsatisfactorily operating businesses used several types of assistance. However, it should also be noted that satisfactorily operating businesses made more use of private advisory sources than unsatisfactorily operating businesses.

Business problems are shown in Table L25. While training, lack of capital, and competition were the most commonly identified problems it is interesting that a higher proportion of unsatisfactorily operating businesses cited these than did satisfactorily operating businesses. On the other hand, satisfactorily operating businesses were concerned with lack of skilled workers, taxes, and business sites. These answers could reflect a more defined sense of what is needed to increase productivity and increase profit margins.

Table L26 indicates the needs of the surveyed businesses in Honiara. More information and increased access to lending facilities were considered the two most important needs. Of interest is that while four unsatisfactorily and four satisfactorily operating businesses stated that they needed more credit, eight of the businesses that identified more information as a need were operating satisfactorily. As mentioned above, more information is requested on prices, including overseas products and for exports, technology, equipment, and management techniques such as computers.

The request for better sites came almost entirely from satisfactorily operating trading businesses. Thus "better sites" means a prime location with more access by the public. This is discussed in Chapter 3.

Surprisingly, more training and criticisms of taxes were given lower priority. In fact, as many businesses requested overseas travel as those requesting training. This could be due to the higher educational levels mentioned above as well as a recognition that some of the factors that can contribute to the success of a business occur overseas. These factors include prices for imports and exports and new marketing ideas.

It should also be noted that one of the reasons that more "business associations" received such a low ranking is because associations already exist in Honiara. Evidently, the existing associations are meeting expectations or presumably it would have been given a higher priority.

Table L1. Activity of Businesses (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
Activity	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Main Activity						
Trade	12	-	12	-	10	2
Nontrade	8	-	-	8	4	4
Secondary Activity						
Trade	2	-	-	2	2	-
Nontrade	2	-	2	-	2	-
None	16	-	10	6	10	6
Total Businesses	20	-	12	8	14	6

Table L2. Ownership of Businesses (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
Ownership	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Joint Venture	2	-	2	-	2	-
Registered	2	-	2	-	2	-
Partnership	6	-	2	4	3	3
Registered	6	-	2	4	3	3
Co-op	1	-	1	-	1	-
Registered	1	-	1	-	1	-
Family	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Self	11	-	7	4	8	3
Registered	9	-	6	3	7	2
Job Response	-	-	-	-	-	-
Registered	-	-	-	-	-	-
Total	20	-	12	8	14	6
Registered	18	-	11	7	13	5

Table L3. Age of Business: Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Age (Years)						
Range						
Lower	0.2	-	1.0	0.2	0.2	0.7
Upper	16.0	-	16.0	6.0	16.0	3.0
Mean	4.7	-	6.3	2.3	6.0	1.6
Median	3.0	-	5.0	1.5	4.2	1.5

Table L4. Reasons for Starting Business (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Reason for Starting Business						
Service to Community	2	-	-	2	1	1
Profit	2	-	1	1	2	-
To be own boss	4	-	3	1	3	1
Show that Solomon Islanders "can do"	3	-	2	1	2	1
For National Development	3	-	2	1	2	1
Other	-	-	-	-	-	-
No Reponse	9	-	6	3	6	3
Total Responses	23	-	14	9	16	7
Total Businesses	20	-	12	8	14	6

Table L5. Age of Owner/Manager: Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Age (Years)						
Range						
Lower	25.0	-	28.0	25.0	28.0	25.0
Upper	60.0	-	60.0	49.0	60.0	52.0
Mean	38.3	-	39.8	35.0	39.8	34.2
Median	39.0	-	40.5	34.5	39.5	29.0

Table L6. Sex of Owner/Manager (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Sex						
Male	15	-	10	5	11	4
Female	4	-	3	1	3	1
Total	19	-	13	6	14	5

Table L7. Marital Status of Owner/Manager (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Marital Status						
Married	19	-	13	6	14	5
Single	-	-	-	-	-	-
Total	19	-	13	6	14	5

Table L8. Owner/Manager's Family Size (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Family Size						
Range						
Lower	2	-	2	3	2	3
Upper	11	-	11	9	11	9
Mean	5.3	-	5.5	4.8	5.6	4.4
Median	5.0	-	5.0	4.0	5.5	3.0

Table L9. Religion of Owner/Manager (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
Religion	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Roman Catholic	3	-	2	1	2	1
Anglican	4	-	3	1	4	-
COM	4	-	3	1	4	-
SDA	3	-	1	2	3	-
SSEC	3	-	2	1	1	1
United	1	-	1	-	1	-
Methodist	-	-	-	-	-	-
Other	1	-	1	-	1	-
No Response	4	-	2	2	1	3
Total	21	-	13	8	15	6

Table L10. Education of Owner/Manager (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
Education	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Primary	5	-	3	2	4	1
Secondary	4	-	3	1	3	1
Certificate	2	-	2	-	2	-
Trades	-	-	-	-	-	-
Degree	5	-	3	2	3	2
None	1	-	1	-	1	-
No response	4	-	1	3	2	2
Total	21	-	13	8	15	6

Note: A satisfactorily operating trade business had two owners, both of whom were included.

Table L11. Owner/Manager's Training (by number of responses): Honiara

Parameter: Training	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Trades	5	-	4	1	4	1
Business	4	-	2	2	2	2
Management	5	-	4	1	5	-
Other	1	-	1	-	-	1
No Response/None	6	-	2	4	4	2
Total	21	-	13	8	15	6

Table L12. Owner/Manager's Work Experience (by number of responses): Honiara

Parameter: Work Experience	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Wage/Salary						
Employment	18	-	13	5	13	5
Relevant to Business	18	-	13	5	13	5
Overseas Experience	10	-	9	1	9	1
No Response/None	3	-	-	3	2	1
Total	21	-	13	8	15	6

Table L13. Owner/Manager's Race (by number of responses): Honiara

Parameter: Race	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Melanesian	12	-	6	6	8	4
Polynesian	1	-	1	-	1	-
Chinese	1	-	1	-	1	-
European	3	-	3	-	2	1
Part-European	1	-	1	-	1	-
Other	1	-	1	-	1	-
Total	19	-	13	6	14	5

Table L14. Owner/Manager's Province of Birth (by number of responses):  
Honiara

Parameter:	Location		Activity		Operational	
Province of Birth	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Santa Ysabel	-	-	-	-	-	-
Central	-	-	-	-	-	-
Malaita	10	-	6	4	8	2
Makira/Ulawa	-	-	-	-	-	-
Eastern	-	-	-	-	-	-
Western	2	-	1	1	1	1
Guadalcanal	1	-	-	1	-	1
Honiara	1	-	1	-	1	-
Foreign	4	-	4	-	3	1
Unknown	3	-	1	2	2	1
Total	21	-	13	8	15	6

Note: A satisfactorily operating trading business had two owners, both of whom were included.



Table L15. Source of Capital Investment by Amount (SI\$'000s): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Source						
Self/shares (number)						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	100.0	-	20.0	100.0	100.0	40.0
- Mean	10.1	-	4.8	18.7	11.4	7.1
- Median	1.0	-	1.0	1.2	1.8	0.8
DBSI (number)						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	500.0	-	80.0	500.0	80.0	500.0
- Mean	30.1	-	7.5	68.6	6.8	84.3
- Median	0.0	-	0.0	4.3	0.0	0.0
Commercial Banks (number)						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	90.0	-	90.0	50.0	90.0	1.0
- Mean	8.3	-	9.6	6.4	11.8	0.2
- Median	0.0	-	0.0	0.0	0.0	0.0
Other (number)						
- Range						
Lower	0.0	-	0.0	-	-	0.0
Upper	13.0	-	13.0	-	-	13.0
- Mean	0.6	-	1.1	-	-	2.2
- Median	0.0	-	0.0	-	-	0.0
Total (number)						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.5
Upper	540.0	-	111.0	540.0	150.0	540.0
- Mean	76.0	-	22.6	156.1	32.7	177.0
- Median	7.3	-	6.0	26.8	6.0	10.3

Table L16. Total Assets of Businesses (SI\$'000s): Honiara

Parameter:	Location		Activity		Operational	
Assets	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
<b>Stocks</b>						
- Range						
Lower	0.0	-	1.0	0.0	0.0	0.0
Upper	510.0	-	510.0	70.0	510.0	10.0
- Mean	66.6	-	102.6	16.7	94.0	2.7
- Median	10.0	-	30.0	0.0	32.5	0.0
<b>Working Capital</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	220.0	-	220.0	50.0	220.0	40.0
- Mean	24.0	-	29.0	16.5	30.8	6.0
- Median	8.0	-	9.0	5.4	12.5	1.8
<b>Plant/Equipment</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	414.0	-	300.0	414.0	300.0	414.0
- Mean	68.9	-	51.1	95.6	68.8	69.2
- Median	5.5	-	8.0	0.5	8.0	0.0
<b>Reserves</b>						
- Range						
Lower	0.0	-	0.0	0.0	0.0	-
Upper	25.0	-	25.0	8.0	25.0	-
- Mean	4.7	-	6.0	2.8	6.7	-
- Median	0.0	-	1.0	0.0	5.5	-
<b>Total</b>						
- Range						
Lower	0.0	-	8.5	0.0	4.5	0.0
Upper	1,030.0	-	1,030.0	454.0	1,030.0	454.0
- Mean	162.4	-	185.1	128.5	197.7	60.2
- Median	60.5	-	60.5	42.9	91.5	7.1

Table L17. Credit Levels (SI\$'000s): Honiara

Parameter:		Location		Activity		Operational	
Item		Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Outstanding Credit (Business Owes)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	81.0	-		55.0	81.0	81.0	5.6
- Mean	12.6	-		10.2	16.2	17.4	1.4
- Median	3.0	-		3.0	1.5	5.0	0.0
Trade Debts (Business Owes)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	200.0	-		200.0	102.0	200.0	102.0
- Mean	18.6	-		18.8	18.4	19.3	17.0
- Median	0.0	-		0.0	0.0	0.0	0.0
Bad Debts (Owed to Business)							
- Range							
Lower	0.0	-		0.0	0.0	0.0	0.0
Upper	30.0	-		30.0	-	30.0	-
- Mean	1.8	-		2.9	-	2.5	-
- Median	0.0	-		0.0	-	0.0	-

Table L18. Business Turnover (SI\$'000s/month): Honiara

Item	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Turnover						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	416.7	-	416.7	20.0	416.7	1.0
- Mean	33.0	-	51.8	4.8	47.1	0.2
- Median	1.1	-	9.6	0.5	15.5	0.0
Gross Profit						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	50.0	-	50.0	7.0	50.0	-
- Mean	4.4	-	12.6	1.6	6.3	-
- Median	0.0	-	1.0	0.0	1.0	-
Net Profit						
- Range						
Lower	0.0	-	0.0	0.0	0.0	0.0
Upper	12.5	-	12.5	4.5	12.5	0.4
- Mean	1.8	-	2.4	0.8	2.5	0.1
- Median	0.4	-	0.6	0.2	0.9	0.0

Table L19. Use of Profits (by number of responses): Honiara

Use	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Self/family	3	-	3	-	3	-
Shareholders	-	-	-	-	-	-
Reinvested						
in Business	8	-	4	4	8	-
Savings	2	-	2	-	2	-
Total	13	-	9	4	13	-
None	7	-	3	4	1	6

Table L20. Recordkeeping Systems (by number of responses): Honiara

Parameter: System	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Single Ledger	3	-	2	1	1	2
Double-entry Ledger	9	-	6	3	7	2
Computer/Business System	2	-	1	1	2	-
Accountant	1	-	-	1	1	-
None	5	-	3	2	3	2
Total	20	-	12	8	14	6

Table L21. Source of Business Advice (by number of responses): Honiara

Parameter: Source of Advice	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
BDB	5	-	3	2	2	3
Co-ops	-	-	-	-	-	-
Private Accountants	5	-	3	2	5	-
Other	1	-	1	-	1	-
Subtotal	11	-	7	4	8	3
None/Unknown	9	-	5	4	6	3
Total	20	-	12	8	14	6

Table L22. Views on the Economy's Future (by number of responses): Honiara

Parameter: View	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Positive	8	-	6	2	8	-
Satisfactory	3	-	1	2	2	1
Mixed	-	-	-	-	-	-
Negative	1	-	-	1	-	1
Total	12	-	7	5	10	2

Note: No response from eight businesses.

Table L23. Future Plans for the Business (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Plan to:						
Expand	2	-	1	1	2	-
Maintain						
Current Levels	8	-	5	3	8	-
Contract	-	-	-	-	-	-
Dissolve	-	-	-	-	-	-
No Response	10	-	6	4	4	6
Total	20	-	12	8	14	6

Table L24. Use of Government Incentives/Assistance (by number of responses): Honiara

Parameter:	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Incentive/ Assistance						
BDB-Advisory	2	-	1	1	2	-
Co-ops-Advisory	-	-	-	-	-	-
DBSI-Loans	7	-	3	4	4	3
Government/ Provincial Financial Assistance	2	-	2	-	-	2
Overseas Assistance	2	-	2	-	1	1
Tax Holidays	2	-	1	1	1	1
Other	2	-	2	-	2	-
Subtotal	17	-	11	6	10	7
No Information/None	7	-	4	3	4	3
Total Businesses	20	-	12	8	14	6

Table L25. Business Problems (by number of responses): Honiara

Parameter: Problem	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
Capital	10	-	6	4	6	4
Training	11	-	6	5	6	5
Skilled Workers	6	-	3	3	5	1
Government Delays/ Regulations	7	-	2	5	4	3
Transportation	5	-	3	2	3	2
Traditional System	2	-	1	1	1	1
Competition	9	-	6	3	5	4
Weak Market	3	-	2	1	2	1
Taxes	4	-	3	1	4	-
Cash Flow	1	-	1	-	1	-
Site of Business	4	-	3	1	4	-
Subtotal	62	-	36	26	41	21
No Response	3	-	2	1	3	-
Total	20	-	12	8	14	6

Table L26. Needs of Businesses (by number of responses): Honiara

Parameter: Need	Location		Activity		Operational	
	Urban	Rural	Trade	Nontrade	Satisfactory	Unsatisfactory
More BDB advisory services	1	-	-	1	1	-
Training	3	-	1	2	2	1
Loans	8	-	3	5	4	4
Reduce Import Duties	3	-	3	-	3	-
Reduce Export Duties	-	1	-	1	1	-
Improved Financial Services	3	-	2	1	3	-
Better Sites	6	-	5	1	5	1
Improved Transport	1	-	1	-	1	-
Reduce Taxes	2	-	1	1	1	1
More Business Associations	1	-	1	-	1	-
Overseas Travel	3	-	2	1	2	1
More Information	9	-	5	4	8	1
No Response	2	-	1	1	1	1
Total Businesses	20	1	12	8	14	6

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## **PACIFIC ISLANDS DEVELOPMENT PROGRAM**

The Pacific Islands Development Program (PIDP) at the East-West Center helps meet the special development needs of the Pacific islands through cooperative research, education, and training. Its quality in-depth research provides island leaders with information on alternative strategies to reach development goals and meet the needs of the island peoples.

PIDP serves as the secretariat for the Pacific Islands Conference, a heads of government organization, and for the Standing Committee, composed of eight island leaders. PIDP's projects—requested and reviewed by the Standing Committee—respond to the development themes discussed at the First (1980) and Second (1985) Pacific Islands Conference. This process is unique within the East-West Center and in other research and educational organizations serving the Pacific.

Since 1980 PIDP has conducted research and training in nine areas: appropriate government systems, aquaculture, disaster preparedness and rehabilitation, energy, faculty development, indigenous business development, nuclear waste disposal, regional cooperation, and roles of multinational corporations in the Pacific tuna industry.

At its Tenth Meeting in January 1986, the Standing Committee endorsed a set of new projects for PIDP. These are health and nutrition, roles of multinational corporations—petroleum marketing and supply, Pacific youth, policy analysis, role of the private sector in Pacific development, and urban and rural life.

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