

*Small Enterprises
in North Palestine*

Reality and Needs



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Basim Makhool

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منشآت الأعمال الصغيرة في شمال فلسطين
الواقع والاحتياجات

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يصدر هذا التقرير بالشراكة مع تشسفي وتمويل سخّي من الحكومة الإيطالية

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Executive Summary



This study sought to identify the problems facing small enterprises; the support services provided to them; the impact of Israeli measures on the performance of these enterprises; their needs in the areas of management, finance and ancillary services which may enhance their performance.

The interest in small enterprises springs from the positive impact they have on the development of national economies. As a result, most countries of the world – developed and developing – have adopted policies and special programs aimed at encouraging and supporting small enterprises. However, in spite of this interest, there is no consensus definition of what constitutes a small enterprise. Small enterprises have several characteristics and advantages which distinguish them from large enterprises. These include ease of establishment, independence and flexibility of management, the potential to create job opportunities and ability to adapt to new developments and changes, their dependence on self-training, high quality of production, the geographical spread of industrialization, short period of return on invested capital. In addition, small enterprises play as important a role in the economic development process as large enterprises. They contribute effectively and primarily to this process through their influence in rendering macro-economic changes which represent gross national product, saving, investment, consumption and exports.

To undertake the study, 251 questionnaires were completed between 15-30 June 2004 in the northern West Bank governorates of Nablus, Jenin, Qalqilya and Tulkarm. The sample of the study was limited to four activities: carpentry and furniture, car mechanics (including car painting and repair) smithery and food industries (excluding bakeries). It was found that 98% of sales of the sample enterprises were directed towards local markets and in the case of the food

industries, this figure rose to 100%. It was also found that 35% of enterprises depended on personal promotion and a network of social ties, with some 90% of enterprises depending on direct distribution channels. The study also found that 58% of enterprises depended on competition based on quality while 20.6% depended on price competition.

The study found that the economic activities of the sample firms have dropped significantly since the Al-Aqsa Intifada started in September 2000. Production capacity utilized in the first half of 2004 was 25% as opposed to 83% before the intifada. Profits had also plummeted by 65% against pre-intifada levels.

One-third of the firms in the study sample had received support services in the field of training for some of their employees. However, 68% of owners said that they were dissatisfied with the quality of these services. Moreover 43.3% of firms, in the sample, did not belong to a trade union for representation purposes. The main reason attributed by the firm's owners was a lack of confidence in the ability of trade unions to provide support services to their members. The majority of businesses depended on self-financing sources (personal savings), and 85% of business had been self-financed. The enterprises also faced difficulties in obtaining finance, in part because too many guarantees were required by financing institutions. The study found that 95% of investigated enterprises were in need for financing which averaged \$17,000 per enterprise.

The small enterprises questioned were found to be suffering from a wide range of problems: machinery, production, marketing, pricing, distribution, raw materials, labor, finance, debt collection, number of currencies in circulation, and government procedures. Future needs in the field of training were also investigated. It was found that there was a need for training in marketing, pricing, production, promotion, distribution, accounting, storage, purchases, legal issues, management and finance.

In light of the findings of the study, the researcher came up with a number of recommendations to enhance the participation of small enterprises in the

economic development process. One recommendation is setting up a public authority responsible for supporting and developing these enterprises and supervising their activities, leading to a conducive environment for the establishment of more such small businesses. Another suggestion is to form a financing system to assist small enterprises with supporting banks providing specialized credit programs to them, or to establish a bank to finance and guarantee credit risks for small enterprises, and develop the powers of chambers of commerce, trade and industrial unions.

A country's economy consists of a number of institutions which make use of available human and natural resources to provide goods and services which accumulate capital and create national wealth. The major activities in the economy are distributed among various sectors including the private and public sectors. Networks of large, medium and small businesses are established to carry out all these activities. There is a consensus that small and medium enterprises are a basic source of economic growth, forming a basis from which large economic institutions spring (Al-Abedeem, 2004).

The importance of the small enterprises springs from the following:

- ◆ There is a consensus among politicians and economists that small enterprises are a huge developmental force in the national economy of any country in the world.
- ◆ There is a burgeoning trend among international donor agencies as well as regional and international organizations, to provide specialized small enterprises with technical assistance and resources intended to promote self-reliance.
- ◆ Most countries of the world, both developed and developing, have started to encourage policies and programs aimed at supporting and encouraging these enterprises.
- ◆ Given the increasing role of the small enterprise sector, and in an attempt to monitor the problems facing it and its future needs, Bisan Center for Research and Development initiated this collection of field data on small enterprises in northern West Bank. The study aimed at identifying the difficulties facing small enterprises and the support services

provided to them. Further, this study sought to find out the impact of Israeli measures on the performance of these projects, and identify their needs in terms of management, finance and support services which may help improve performance.

Sample and Methodology



For data collection, 251 questionnaires were completed in the northern governorates of Nablus, Jenin, Qalqilya and Tulkarm between 15-30 June 2004. The sample was limited to four economic activities: carpentry of furniture, car mechanics (including painting and repair) smithery, food industries (excluding bakeries).

The sample was chosen on the basis of visits to key concentration centers in which the firms were located. We tried to get lists of names of firms from unions which represent the sectors involved in the study but no such lists exist. Therefore, the sample was not randomly chosen in the scientific sense. Nevertheless, we believe that the results can be used to generalize on the other remaining establishments operating/involved in study's subject activities since the problems they suffer and their needs are largely similar. The number of employees was taken into consideration as a criterion for the size of the enterprise and the sample covered the enterprises which employ less than five workers. The data, collected by well-trained researchers, was checked and sorted using SPSS. In this study, the researcher used the descriptive methods to conduct data analysis including percentage frequency and cross tabulations among significant variables.

Concept of Small Enterprises



To begin with, there is no general consensus on one definition of what constitutes a small enterprise. For example, a small enterprise in America is would be considered a large enterprise in a developing country. Even within the same country, the evaluation of an enterprise varies according to the situation the country's economy is experiencing. Thus a business considered large at one stage might be defined as a small enterprise at another stage of economic development. The concept of a small enterprise also differs from one country to another given differences in the potentials, capabilities, socio-economic conditions and stage of growth of the enterprise.

Generally, a small project or business is defined according to a number of quantitative measures of size, employment, value of assets, volume of sales or value added. However, given the various characteristics of economic activities, several implications have emerged in these standards. For example, the employment criterion neglects the rest of production elements particularly capital and production technology. The same applies to the capital where quality and quantity of other production elements are neglected. Nor do sales necessarily reflect size of production activities carried out by the establishments since the role of the project or enterprise is limited to simple production processes such as packaging, packing, bottling in containers of various sizes. Thus an enterprise may seem small in sales but large in value of assets, or large in assets but small in terms of employment. The value added, theoretically, is the best measure for it avoids the problems of the previous measure. However, all measures and the other monetary measures (sales and assets) are affected by fluctuation of prices thus necessitating their re-evaluation to measure the real changes in size of enterprises. Another shortcoming in quantitative measure is their negligence of quality characteristics which distinguish small enterprises from large enterprises.

To avoid the shortcomings of quantitative measures in identifying small enterprises, a definition was introduced to reflect the quality characteristics of projects or small businesses. Under this, a small enterprise is defined as “a business managed by its owner(s) [which] is largely personal in nature and is largely local limited to the area in which it operates”. That is, the enterprise depends on the local market to sell its products. Further, the enterprise is relatively small in size in terms of the activity it belongs to and the small size of its capital and small volume of production. Besides, this small enterprise largely depends on internal sources for financing capital in order to grow (Bombak, 1989, p. 4). Others define a small enterprise as one that primarily hinges upon its management independence, limitation of number of workers, limited capital, its dependence on simple/low technology, limited organization, employment and low production (Al-Abdeen, 2004).

The following are examples of different definitions of small enterprises in different countries. One definition is according to number of employees and/or size of invested capital (First Arab Forum for Role of Small and Medium Industries in Economic Development, 1998; Muhanna and Abu Baker, 2001). The United Nations Organization for Industrial Development (UNIDO) defines a small enterprise as one managed financially and administratively by one person. He/she is also in charge of all related to the enterprise. According to UNIDO, such a business 10-50 people.

The World Bank defines small enterprises as those establishments or businesses employing 10-50 employees. For the Japanese, a small enterprise is one that employs less than 300 people or has capital of 100 million Yen (for industrial firms) or less than 30 million Yen for wholesale trade companies, and less than 50 workers and 10 million Yen for retail trade companies, and less than five workers in the services sector. In the United States, small enterprises are those employing less than 500 workers whereas in South Korea, small enterprises are those employing between 20-300 employees. The Canadian definition of a small enterprise is one that employs 500 workers in the industrial sector and

one employee in the services sector. In Saudi Arabia, small enterprises are those employing between 50-200 employees and investing between 20-50 million Saudi Riyal or \$4.5million-13.5 million. In Egypt, a small enterprise is one that invests one million Egyptian pounds, or some \$294,000 dollars. In India, a small enterprise has 50-100 employees and a capital of \$148,000 while in Malaysia a small enterprise has 75 employees and an invested capital of \$960,000. In Ethiopia, a small enterprise is one that employs 50 employees and invests \$48,000 while in Indonesia, a small enterprise employs 5-19 employees and invests less than \$267,000. A small enterprise in France has 50 employees, whereas in Australia, a small enterprise has less than 100 employees in the industrial sector and less than 20 employees in the services sector.

Characteristics and Advantages of Small Enterprises



Small enterprises have a number of characteristics and advantages which make them more suitable for the economic conditions of some countries and more appropriate for the form of economic activity that has overlapping relationships in some sectors within the country. The characteristics can be summed up as follows (Al-Abedeen, 2004):

1. Ease of establishment

Small enterprises, with their simple organizational and administrative structures, are characterized by low value necessary capital for establishment and operation. Accordingly, the need for loans is limited as are the risks, thus facilitating the establishment and operation of such firms. This also qualifies them to become effective instruments to attract individuals' savings and employ them in production. In addition, the procedures for the establishment of small enterprises are relatively easy and less costly than for their larger counterparts

2. Independence and flexibility of management

Management of most small enterprises is concentrated in the hands of their owners. Therefore, they are characterized by flexibility, since it is in the interest of proprietors to achieve the best success possible. This also implies the following:

- ◆ Simplicity of organization used and ease of getting consultancies and new expertise.

- ◆ Low administrative, marketing and fixed costs such as rent and depreciation. In addition, workers' wages are also low, enabling small enterprises to price goods and services lower.
- ◆ Less red tape, short production cycle and paper work, high standard of effectiveness in communication, speed of obtaining necessary information for work.
- ◆ Clear-cut plans and flexible policies, simplified work procedures. Small firms are characterized by high levels of personal contacts in daily internal administrative activity through direct contact between enterprise owners and employees in these firms. This close contact within small enterprises has a direct impact on the level of productivity.
- ◆ Personal relations in these enterprises are realized in the external surrounding through personal ties which emerge between owner or manager of the small enterprise and customers and the surrounding environment. This has a direct effect not only on maintaining the market of the firm but also on its development and expansion.

3. Job Creation

Given their use of unsophisticated methods of production and operation and their dependence on intensive labor, these firms help in providing a large number of job opportunities for employees. Close and direct contacts between owners and workers are possible. Owners keep abreast of employees' conditions and strengthen personal and human relationships among them, which can have a positive impact on productivity. These firms allow a large number of job opportunities for different levels of skilled labor at low capital cost. This guarantees absorption of workforce which has different skills and different productivity levels.

4. Potential to adapt to changes

Low costs, simplicity of production techniques and flexibility of management and operation enable small enterprises to adapt rapidly to changes in, for example, consumers' tastes and desires, while large firms find it more difficult to change plans, programs and product lines. The small enterprises' potential to adapt changes can be seen in the following:

- ◆ Small enterprises have the potential to change workforce structure or production, marketing or financing policies to face dramatic or deep changes without hesitation, thus helping them to overcome economic upheavals or cycles and otherwise.
- ◆ They have the ability to modernize and innovate quickly particularly in differentiating goods, packaging, and packing quickly in line with customer desires and at a rate that surpasses sometimes their large counterpart enterprises. They also have the freedom to enter or leave the market due to the low fixed assets:total asset ratio in most cases.

Small enterprises also have a high capital:total liabilities ratio and enterprise owners' equity, thus making it easy to take decisions regarding entering or leaving the market.

5. Self-training instrument

Given that the burden of financial, technical, administrative and operational tasks lie in-house, the firms are considered self-training centers for both employers and employees. This advantage allows them to acquire further knowledge and get more information and know-how. As such, these small enterprises become "fertile soil" for creating and developing a cadre of regular employees who form the basis for the increase of successful investments and expansion of a variety of opportunities in production potentials.

6. High quality of production

Given their dependence on specific and specialized business areas, small enterprises are mostly characterized by accuracy and quality which accompany specialization and business concentration. Work in small enterprises depends on professional skills and production design, as dictated by fluctuations in customer preferences. This in turn improves incentive-led productivity, innovation, creativity high levels of personal responsibility among employees, desire for recognition. In turn, this leads to an increase in profitability as a result of the increase in volume of sales. Personal communication with customers improves accuracy and accelerates the identification of changes in customer needs and demands.

7. Understanding the local market

Small enterprises meet the needs of end consumers as well as local intermediary consumers. In so doing, they are controlled by the following:

- ◆ Limited markets. Small enterprises meet the desires of a limited and distinguished number of consumers, thus allowing quick coverage of the market and identification of purchasing habits and consumption behaviors.
- ◆ Attractive to low and medium income households. Small enterprises have flexibility in product sizing and can package goods in small size containers to meet basic needs at affordable prices.

8. Spread of industrialization

Small enterprises, furthermore, are an instrument of spreading social and economic development as they lead to a concentration of craftsmen and small manufacturers in urban areas. As a result, the establishments of small enterprises can lead to an increase in industrialization in the area with the small enterprises becoming a focal point other new industries. As such, small enterprises work to expand industrial development horizontally and vertically.

9. Short period of production cycle

Small enterprises are characterized by short production cycles and high turnover enabling them to overcome the lengthy period of return on invested capital and accordingly reduce individual investment risks. However, it should be remembered that opportunities for expansion and creativity in these small enterprises are weak because of the low volume of realized profit. This leads to weakness in the ability of small enterprises to allocate part of the profit for re-investment or for rebuilding or modernizing the business. This is considered a major shortcoming in the growth mechanism of small enterprises particularly since they depend on the personal finance of owners. Small enterprises also lack the potential to borrow substantially and don't receive government financing.

Role of Small Enterprises in Economic Development Process



Small enterprises occupy a leading role in economic development process, every bit as important as their larger counterparts. The economic nature of small and large enterprises suits certain economic activities. If small enterprises take the on the role of the large companies, they will lose the element of economic efficiency, wasting national economic resources. Therefore, small enterprises specialize in certain economic activities which they perform at a high degree of efficiency (Al-Abdeen, 2004).

Small enterprises contribute effectively and significantly to the economic development process through their influence in key macro economic indicators including Gross national product (GNP), saving investment, consumption, and exports. The following is a brief outline of the influence of small enterprises in all these indicators.

1. Enterprises have a three-directional influence on GNP.

- A.** They provide goods and services either to end users or intermediate parties, thus increasing the country's national income.
- B.** They achieve a rise in the productivity rates of the production factors employed in comparison with government general employment work. They also represent a conducive environment for creativity and innovation, thus increasing worker's productivity.
- C.** They contribute to reduction of losses and waste at the national level in two aspects:
 - These enterprises benefit from external economies of large projects.

In addition, they achieve external economies of scale for large enterprises at the same time.

- They speed up the sales cycle, thus reducing the costs of storage and marketing. This in turn helps in the delivery of consumer goods at the lowest possible cost.

All these factors combined lead to an increase in the size of GNP and diversification by including several alternative or complementary products.

2. Regarding saving

Small enterprises are considered production units and consultancy centers which work to mobilize the private savings of individuals to employ them in the development of national economy. Furthermore, these enterprises absorb surpluses of unused funds and savings of small savers by using them in production, service investment, employing, developing, and involving them in profit making. That is, these enterprises are considered an additional channel to attract savings to contribute to the financing of investment at the national economic level, thus increasing contribution of private/personal saving to financing development and reducing dependence.

3. Regarding investment

These enterprises are characterized by high rate of capital cycle (rotation), thus making them the core for large projects particularly in the industrial sector which in turn leads to an increase in the volume of total investment in national economy. This secures high rates of economic development through investment and the labor multiplier.

4. Consumption

Employees in the small enterprises receive low wages in comparison with their counterparts in large enterprises. The marginal propensity to consume

the products of small enterprises is high among low-income people (The marginal propensity to consume is the amount of increase in consumer spending resulting in an increase in cash income by one monetary unit.) This situation, accordingly, leads to an increase in total demand in society and an expansion in cycle of spending, production and investment. This in turn leads to an expansion in economic activity cycle within the community and an increase in rate of growth.

5. Exports

Small enterprises have proved that they are well placed to “invade” foreign markets and contribute to the increase of exports, bring in hard currency, alleviating deficits in the balance of payment. Further, they have contributed to creating a surplus in balance of payments in some countries. Small industries can also contribute effectively to boosting exports of many products through the development of modern small industries, which supply the local markets with consumer products, to be produced for foreign markets. To this end, small industrial firms have to be given orientations on techniques of production, technical assistance and necessary economic management. It’s also possible to help them change production programs by introducing household and craft industries in line with the needs of external markets, consumer’s desires and tastes for hand-made traditional products.

Experiences from industrialized and developing countries have proved the importance of small firms in increasing exports. In Japan, small and medium enterprises account for 30% of the country’s total industrial products. This is in addition to indirect exports which account for 20% of total exports of large industrial firms. Some 17% of small and medium Japanese enterprises are direct exporters. In France, 9,000 small and medium firms and 15,000 craft firms account for 27% of the country’s total exports. Direct investments of small enterprises represent 10-15% of French total investments abroad. In Italy, small and medium firms account for 47% of total exports.

Furthermore, small enterprises have a positive effect on the course of the economic cycle in two directions concurrently. Firstly they contribute to the creation of new jobs at low capital cost, thus contributing to the alleviation of joblessness. In addition, these enterprises produce a new class of leadership in society. Secondly, small enterprises contribute to the reduction of inflation by putting an end to non-productive transfers through their absorption of investment and economic employment.

This dual impact of the small enterprises on unemployment and inflation makes it suitable to encourage more firms to enter this economic activity provided that organizational rules are there to guarantee their continuity, presence and practice of this positive role.

Distribution of Sample Firms



The sample of the study was limited to the northern West Bank governorates of Nablus, Qalqilya, Tulkarm and Jenin. The subjects completed 251 questionnaires: 40.5% in Nablus, 24.6% in Tulkarm; 24.4% in Jenin, 10.5% in Qalqilya. The enterprises, at the governorate level, were distributed as follows: 20% were in Jenin, Tulkarm and Qalqilya and 40% in Nablus. All firms in the sample were managed by men, 30.3% of whom had completed preparatory education; 49.4% of whom completed high school; 11.6% had a diploma, and 8.8% of whom had university degrees. On average, the managers had 21 years experience. The average number of employees in the sample enterprises was four. The enterprises were selected from four major groups: furniture and carpentry (22.7% of firms in the sample); smithery (22.7%); food (25.5%); car mechanics (29.1%). Some 83.2% of the sample firms were involved in producing finished products, 10.4% intermediate goods, while the rest were involved in packaging and bottling or a mixture of activities. Most of the sample enterprises (88%) had telephone lines, 9.2% had fax services, 10.8% had computers and 3.2% had internet access.

Marketing and Competition



In this study, marketing outlets were divided into two: the local market and the Israeli market. It was found that 98% of sales were in the local market. In the food industries, all sales were directed towards local market. This was an expected finding given the small enterprises' dependence on local markets to dispense their products. In the case of service enterprises, the projects' production cannot be exported to other countries or cannot be transported. In other cases, such as with carpentry and smithery products, the cost of transportation does not justify its marketing in locations far away from project site.

It was found that 35% of enterprises depended on personal promotion (personal selling) and on a network of social ties; 19.2% depended on advertisements in newspapers, on local radio and TV stations; 16.7% depended on their catalogs for promotion of products; 13.4% depended upon display of products in exhibition stores belonging to the establishment; and 16% of enterprises depended on a mixture of the aforementioned tools to promote their products.

Channels of distribution for the sample firms were divided into direct sales to consumers, to wholesale traders, or through an agent or a mixture of all methods. Given the nature of projects studied, direct sales to the consumer was the predominant method of product distribution, with 90% of the enterprises depending on this method as opposed to 5% which depended on retailers. The remaining enterprises depended on different methods to sell their products.

The methods of competition were divided into four groups: superior quality

of product, lower price, credit facilities for payment, and after sales services. It was found that 58% of enterprises depended on quality improvement as a means to compete, 20.6% depended on price competition, 10.5% depended on after sale services and 14% depended on credit facilities for payment as means to attract customers. Methods of competition also varied from one activity to another. Food industries depended more than other economic activities on quality competition (78% of enterprises). In contrast, carpentry and furniture workshops depended more than others on credit facilities (25% of enterprises). Car mechanic stores depended on after sales services a means to compete with other firms.

Impact of Israeli Measures on Small Enterprises Sector



Like other economic sectors, the small enterprise sector was hard hit by the tough measures and policies Israel has employed to quell Palestinian resistance in the Al-Aqsa Intifada. Since September 2000, Israel has closed down all access to the West Bank and the Gaza Strip; isolated Palestinian population centers from each other transforming them into cantons; and placed severe restrictions on travel to Jordan, Egypt and across the Green Line, frequently closing border crossings completely. In March 2002, Israeli carried a large-scale offensive into Palestinian self-rule areas. At present, all villages, towns and cities in the West Bank and Gaza Strip are under a new Israeli military occupation.

The Israeli measures and policies have exacerbated the problems facing Palestinian economic establishments. Demand for Palestinian-made products, in local and foreign markets, has dropped significantly while costs of production, imports, transportation, distribution and marketing have all increased. At the same time, the military operations have led to the paralysis of economic life in all Palestinian Territories (Nasser, 2002; MAS, 2003). All these ramifications have led to a weakness in business sector performance and competitive ability, forcing tens of firms to shutdown after failing to overcome the difficulties caused by the repeated storming of the Palestinian Territories. Israeli has attacked and destroyed hundreds of workshops and businesses. According to recently published data, some 174 factories and industrial workshops were totally or partially destroyed in the first 24 months of the intifada. Of these 65% were in the West Bank and the rest in the Gaza Strip (2002).

In a survey of the attitude of businessmen and economic enterprise owners towards economic conditions and developments in the Palestinian Territories, the Palestinian Central Bureau of Statistics found that Palestinian firms had faced numerous difficulties: procurement of raw materials (33.1% of firms); movement restrictions preventing employees in accessing places of work (37.2%); interruption of work rhythm due to closures and prolonged curfews (26.1%). Also 49.5% of managers complained of financial difficulties due to limited banking credit facilities. In the West Bank, 46.4% of company managers said their employees experienced problems reaching their place of work; 42.3% described problems related to transportation and delivery of products to market; 37.6% said prolonged and frequent curfews caused interruptions and other problems. About 60% of managers had difficulties procuring banking credit for their firms and establishments (Palestinian Central Bureau of Statistics, 2003).

The field survey also revealed that the economic activities of these establishments had dropped significantly. Average production capacity following the outbreak of Al-Aqsa Intifada decreased to 25% as opposed to 83% before the Intifada. Capacity in car mechanics dropped to 20.7% while in food industries capacity was down to 29.46%. In general the food industries were the least affected activities in terms of production capacity in comparison with other businesses. The nature of products manufactured by food industries is probably the reason, for these food products are basic commodities which individuals cannot do without.

As a result of Israeli measures, it was found that profit had dropped by 65% in comparison with pre-intifada profits. However, the impact of these measures on profitability of economic activities differed from one firm to another. In car mechanics, profitability plummeted by 74%, in carpentry and furniture by 59% and in food industries and smithery by 63%.

The Israeli military measures also impacted the performance of small firms

in other ways. It was found that 73% of firms in the sample, were compelled to temporarily halt work for different periods; 83% found themselves forced to decrease production; 42% of firms faced tremendous difficulties in getting raw materials and other production inputs; also 43% of firms faced difficulties in delivering their products to customers; 30% had their products damaged during transportation. Furniture and food stuff was cases in point. About 20% of firms reported an increase in number of bounced checks. Half of all firms experienced a shortage in cash liquidity as well as inability to repay debts to suppliers and workers. Some 35% of firms reported direct losses in assets and damage of property as a result of Israeli military offensives. Finally, 14% of these firms faced difficulty in having their workers reach their places of work on time.

Support Services Provided to Small Enterprises



Small enterprises need relatively more support and complementary services than large enterprises due to their limited financial resources and management skills. In a small enterprise, opportunities for specialization are limited and the manager has to carry out a large number of responsibilities. Therefore, the lack of management skill is widespread in small enterprises. There is also a narrow margin of error in decision making in small enterprises in comparison with large enterprises. One wrong decision in a small enterprise may result in heavy losses or costs high enough to put an end to the project. As a result, complementary services are very important for small enterprises. To improve opportunities for the procurement of better support services, firms resort to union bodies: general federations and trade unions. It was found that 33% of firms had received backup services in training for some of their employees; 16.3% reported receiving advice in the field of finance, 13.3% said that they received advice in marketing, 9.9% reported receiving advice in production and 8.9% said they received some legal advice. When the subjects were asked about the quality of the support services provided to them, it was found that 68% were dissatisfied with the quality of these services. In general they gave a poor rating for these services; only 3.9% said that the services were excellent while 28% believed that the services were good. Dissatisfaction with the support services amounted to 74% among carpentry and furniture owners.

When asked about membership in trade or professional unions, it was found that 43.3% of the firms did not belong to any union group. However,

it was found that 64% of food industries, in the sample, had membership in trade unions. When they were asked to give the reasons for failure to join one of the existing union bodies, it was found that the main reason was lack of confidence among small enterprises in the ability of trade unions to provide ancillary services to their members. For this reason, about 53% refused to join unions. Other reasons were cited too: about 20.4% of firms said that they did not ask for membership in trade union due to high membership fees; 18.4% said that the number of membership rules/conditions discouraged them to join; 7.1% reported difficulty in membership procedures as another valid reason for not joining any of the trade unions.

State of Current Financing and Financing Needs



The overwhelming majority of firms depended on self-financing sources (personal savings). About 85% of enterprises were self-financed and 15% received partial financing from finance institutions. It was also found that 83% of projects which had received financing from finance institutions did not receive all facilities they had asked for.

These findings reflect the obstacles which impede the small projects' attempts to obtain financing from banks and other credit institutions. The most important difficulties are the mortgage conditions, personal guarantees and registered (tabu) land which credit institutions ask for in order to provide the loans. Some 59% of the small firms' managers believed that this number of guarantees limited their ability to obtain the finance they needed. Another problem is the high risk element in small enterprises, the preference of finance institutions to deal with large enterprises in general for reasons pertinent to risk, and fixed costs when studying the application for loan. About 56% of investigated firms said that interest rate decreased their desire to go to finance institutions. The same percentage of managers said that the deterioration of security and economic conditions in the Palestinian Territories limited the desire of finance institutions to give loans and credit facilities given the high-risk element. Some 40% of project owners also refrained from dealing with banks for religious reasons, citing that bank credits are forbidden under Islam since they are a form of usury.

Subjects of the study cited long procedures and long delay in studying applications for finance. This came last in list of reasons limiting abilities of firms to obtain their finance needs. Some 31% of firms reported a long delay in studying applications for finance and in responding to them.

When the subjects were asked about their financing needs in the near future, it was found that 95% of enterprises were in need of financing of an average of \$17,000. Carpentry and furniture firms said they were in need of an average \$29,000 while smithery enterprises were in need of an average \$14,000; food industries required on average \$14,800 and car mechanics workshops were in need of \$12,500 on average. Two-thirds of the firms requiring financing said credit facilities would be used to finance assets (modernization or purchase of equipment, machinery, land and buildings), 18% of firms require the funds to pay back due loans, and 15.5% to finance operating capital. These findings clearly show that the necessary financing was long-term finance (financing of assets) rather than short-term finance (financing of operating capital). Therefore, there is a need to direct finance programs to focus on long-term financing to help firms to improve their performance.

Problems of the Palestinian Business Sector



A number of studies have found that the Palestinian business sector's large and small firms have suffered from a number of problems (Makhool, 1999; Nasser, 2001; Palestinian Central Bureau of Statistics, 2002; Swell, 2001). These problems can be summed up as follows:

1. Palestinian firms depend largely on the Israeli economy through the development of complementary industries (subcontracting) for Israeli industries, thus making them vulnerable to Israeli border closures and travel restrictions.
2. The firms operating in the industrial sector are small in size. Some 90% of firms operating in industry employed less than 5 employees, thus weakening their ability to adapt to regional and local changes.
3. Scarce use of modern and developed technology in Palestinian industry. Most of industrial firms still use old machinery, thus leading to low quality and an increase of production costs.
4. High costs of export and import-related application forms to and from Palestinian Territories.
5. High cost of transporting not only goods and services but also raw materials necessary for Palestinian industry.
6. Weak role of support institutions, including finance institutions, federations and unions.
7. Weakness of the structure and appearance of Palestinian goods and

products. A lot of effort is needed to make them more eye-catching to local and foreign consumers.

8. Industrial policy-related problems. A public policy that encourages establishment of industrial enterprises is missing. There is also a weak investment environment in the Palestinian Territories as well as a weak legal and physical infrastructure. These factors combined have increased risks and led to reluctance of investors to invest.
9. Lack of information about international markets, and few export opportunities.
10. Licensing. A number of industrial firms are located inside population centers, thus making it difficult for them to meet conditions required for licensing.
11. Under the prevailing taxation system of the Palestinian Territories, tax rates imposed on companies and other operating institutions are high.
12. Low technical and professional levels of employees working in the industrial sector, thus reflecting negatively on the quality of production and productivity.

The field survey revealed that the firms generally suffered similar problems. These were related to machinery, equipment, production, marketing, pricing, distribution, raw materials, labor, finance, debt collection, multiple currencies in circulation, and bureaucratic government procedures. What follows is a summary of the most important elements of these problems as identified by the firms in the sample.

1. Equipment-related problems

It was found that 50.2% of examined firms had faced equipment problems such as difficulty in the procurement of spare parts. Some 65% of firms suffered

from this problem while 57% experienced difficulties getting maintenance services; 11% experienced difficulties in findings skilled labor to operate the equipment. It was also found that 64% of firms had used outdated equipment which negatively impacted the quality of products and costs.

2. Production-related problems

It was found that 48% of firms suffered production difficulties. Much of these had to do with an increase in percentage of damaged products; 46% of firms reported suffering from this problem and 32% suffered from low quality products. Consequently, there was a drop in sales and in ability to compete. About 23% of firms had difficulty in applying standards; 73% of firms suffered from high cost of production in comparison with imported goods, thus weakening their competitive advantage.

3. Marketing-related problems

It was found that 51% of firms had marketing difficulties since establishments depended on goods without trademarks. About 28% of firms had difficulty marketing their products due to the lack of well known brands.

4. Pricing-related problems

It was found that 34% of firms suffered difficulties in pricing and that 29% were not able to accurately estimate the cost of service or cost of unit produced reflecting negatively on the profitability of the firm. Moreover, 31% of firms had difficulties in distributing indirect costs. This in turn contributes to errors in setting appropriate prices for products. Furthermore, 64% of firms had difficulties estimating the consumers' ability to pay. Also 40% of firms reported facing difficulties in understanding and thus designing successful strategies to respond to the pricing policies of competitors.

5. Distribution-related problems

It was found that 30% of firms had difficulties in distributing their products in the local and foreign markets. About 61% of firms said that they had difficulties delivering goods to purchasers at the right time. Also 63% of firms reported high costs of delivering products from production centers to distribution centers. And about 43% reported damage of their products during transportation.

6. Raw material-related problems

The study found 63% of firms experienced difficulties in obtaining raw materials and also complained of their high costs. About 76% believed that the prices of raw materials were high, thus contributing to a rise in production costs and prices of finished products and accordingly a low profitability. In addition, 44% of enterprises complained of low quality available raw materials and a further 53% faced difficulties in importing the necessary quantity and quality of raw materials. Also 32% of firms had difficulties determining the standards of raw materials before purchase.

7. Labor-related problems

It was found that 23% of firms had labor difficulties including high wages. About 57% of firms believed that their workers' wages were high. This would have implications on their ability to compete. Also 49% of firms said that workers' productivity was low. Close to 57% of firms complained about workers' absences or late arrival for work. In addition, 43% of these firms complained about workers' low level of experience. Some 14% of firms reported workers' failure to respect/honor ethics of their professions in terms of loyalty, and faithfulness to their work.

8. Finance-related problems

It was found that 42% of firms had finance-related problems with 60% reporting a lack of financing resources. Also 70% of firms believed interest rates of finance

institutions were high. Additionally, 59% of firms reported that fluctuations led to confusion and errors in estimating production costs and credits as well as to direct losses in the value of firms' balance and dues. The small firms' hedging ability becomes very weak, thus making them vulnerable to big losses in most cases. The fluctuation in rates of exchange and the multiple operations lead to a difficulty in pricing the finished products. About 49% reported suffering from this problem. This was in addition to 35% of firms who reported difficulties in estimating the costs of products. It was also found that 29% of firms had difficulties in managing liquidity and inventories.

9. Import-related problems

It was found that 27% of firms, namely food industries and carpentry, had difficulties securing their necessary imported raw materials. Also 52% believed that the prices of imported raw materials were high and complained of difficulties in import procedures. A further 44% complained that customs and taxes imposed on them were also high. Thirty percent of firms reported that they suffered from a shortage of information about suppliers. It was found also that 21% of firms reported weakness in available resources to finance imports.

10. Problems related to government procedures

It was found that 52% of firms faced huge difficulties resulting from government tax policies with 77% of them believing that the taxes imposed on them were high. Also 43% believed the policy of public tenders was not as transparent as it should be. It was also found that 58% firms believed that the government policy had failed to protect their products from competition of imported counterparts.

Small enterprises need relatively more backup and complementary services than large enterprises given their limited financial resources and management potential. The small enterprise manager is Mr Everything. He has to be in charge of many different responsibilities and opportunities for specialization are limited. Shortages in management skills are therefore a significant factor in these enterprises. There is also a narrow margin of error in decision making in small enterprises as opposed to large enterprises since one wrong decision may result in heavy losses or costs which are enough to put an end to the project. This highlights the importance of securing complementary services for small enterprises.

Training needs have been divided into ten areas: marketing needs, pricing, production, promotion, distribution, accountancy, storage and purchases, legal issues, management and finance. The following details the generalized training needs at the macro level for all the business sectors studied. For sector-specific needs see Table 1.

1. Training needs in marketing

It was found that 41% of investigated firms felt a need for training in marketing of produced goods; 25% of firms needed training in opening new market outlets; 22% wanted training in analysis of potential competitors to understand areas of strength and weakness, 12% asked for training in studying consumer behavior and demand.

2. Training needs in pricing

It was found that 40% of investigated firms wanted training in identifying and determining consumers' purchasing power since this would have a bearing in determining pricing and credit policies. It was also found that 34% of firms

were in need of training in understanding competitors' pricing policies and mechanisms; a quarter of firms identified a need for training in evaluating production costs including changing fixed, direct and indirect costs.

3. Training needs in production

It was found that 37% of investigated firms wanted training in following up international developments in production technology and standards; 28% needed training in quality control; 18% expressed an interest in training in planning of production processes; 15.4% of firms felt a need for training to understand and apply local standards for products.

4. Training needs in promotion

It was found that 35% of firms required training to understand and estimate the extent of the firms' need for promotion; a third of firms wanted training in evaluating available promotional tools and techniques; 17% of firms needed training in analysis of promotion strategies followed by competitors; 14% of firms wanted training in determining promotion budgets.

5. Training needs in distribution

It was found that 38% of investigated firms needed training in evaluating available distribution channels; 35% wanted training in evaluating distribution channels used by competitors; 27% felt the need for training in evaluating the efficiency of distribution channels used currently by the firm.

6. Training needs in accountancy

It was found that 32% of firms wanted training in dealing with tax authorities and income tax, in particular, in the methods of closing tax files; 17% expressed a desire for training in collection of dues from buyers; 16% felt a need for training in book keeping; 15% of firms said they wanted training in preparation

and analysis of financial statements; 14% of firms wanted training in administrative accounting.

7. Training needs in storage and purchasing

It was found that 52% of firms wanted training on methods for determining inventory quantities; 48% wanted training on how to determine storage amounts of manufactured goods and their management.

8. Training needs in management

It was found that 28% of firms were in need of training in project management; 24% were interested in time management; 13% wanted training in conflict management and public relations; 12% in defining and distributing tasks and responsibilities among workers; 7% asked for training in strategic planning.

9. Training needs in finance

It was found that 44% of investigated firms felt the need for training in negotiating skills with financiers and credit institutions in particular; 25% wanted training in financial management; 20% of firms were interested in training in cash management; 8% asked for training in management of accounts payable facilities; 3% wanted training in management of accounts receivable facilities.

10. Training needs in legal issues

It was found that one-third of investigated firms wanted training in understanding firm-licensing procedures; 24% of firms felt a need for a better understanding of taxation systems; 13% of firms expressed a desire to obtain training in understanding export and import procedures; 12% of firms asked for training to understand investment incentives; 7% of firms wanted training in dispute settlements; 5% of firms asked for training to understand environmental laws.

Conclusions and Recommendations



The necessary policies and procedures to enhance involvement of small enterprises in the economic development of the Palestinian Territories:

In the light of the study findings, it was very clear that the small enterprises surveyed for the study are facing numerous problems. As the small enterprises play a decisive role in influencing basic macro-economic changes, it is necessary to investigate ways of enhancing existing enterprises and motivate the establishment of more enterprises. The best ways are the following:

A. Establishing a public authority to be in charge of supporting and developing small enterprises, supervising their activities in a way that creates favorable market opportunities for the establishment of more such firms, and find suitable solutions for their problems. The authority in question should assume the following responsibilities.

1- Creating an integrated specialized database on small enterprises in terms of regulations governing their operations, licensing, and establishment procedures. In order to create a database for these small enterprises, it's necessary to do the following:

a) Conduct a comprehensive survey of small enterprises according to their production activities. To this end, a suitable mechanism is needed to follow up this survey regularly to identify changes in their conditions.

b) Determining the mechanism for these firms to contribute to the economic development plans.

2- Providing consultancy services and advice to owners of these firms and to those who wish to establish such firms. These services should include

- a) Project feasibility study services – conducting samples of economic feasibility studies for different types of small projects and similar feasibility studies to emphasize importance of projects;
 - b) assisting in choosing investment opportunities;
 - c) Consultancy services and other information about available investment opportunities, marketing opportunities, equipment and finance sources, internal management, diversification and expansion of activities, legal consultancy services, and information about local and foreign labor markets.
- 3- Covering training needs of small enterprises after listing them and identifying their types through specialized and well-organized training courses and programs.
 - 4- Providing small enterprise owners with information, advice and consultancy services about local and regional markets to enable them to adapt their services and productivity potentials in accordance with market needs, and new or alternative opportunities.
 - 5- Assisting small enterprises, which have failed economically, to leave the markets without causing confusion for business circles.
 - 6- Promoting merger of similar and integrated enterprises with economic units or entities to strengthen their competitive positions.
 - 7- Finding a suitable way to coordinate among small enterprises to limit sharp competition among small enterprises and create a common ground for cooperation among them, thus reducing degree of risks facing them and defining areas of coordination among them to cope with the negative conditions, and coordinate in areas of purchase and exploit production capacity marketing and training etc.
- B.** Drafting a finance system to help the small enterprises by supporting the banks to provide credit programs or by establishing a bank to develop small

enterprises and assume responsibility for financing and guaranteeing credit risks for small enterprises. The bank should provide the necessary loans and at the same time be capable of conducting accurate economic feasibility studies and financial analysis of firms' budgets.

- C. Develop and expand responsibilities and powers of chambers of commerce and industry as well as industrial and trade unions to allow them to work at high efficiency, promote the establishment of more small enterprises, take care of them and provide them with the necessary support to help them find solutions for their problems. This is in addition to providing them with information, expertise and consultancy services.

Table 1: Training Needs (% of sample's enterprises)

Area of Training	Car Mechanics	Carpentry & Furniture	Smithery	Food Industries
Marketing				
Study of competitors	31.7	14.6	34.2	11.8
Study of market needs	41.5	53.7	26.3	41.2
Consumers' evaluation of products	12.2	4.9	15.8	13.7
Opening new market outlets	12.2	26.8	23.7	33.3
Pricing				
Estimation of cost per produced item	25	28.1	26.7	21.7
Analyzing competing price of other products	28.1	21.9	40	43.5
Determining prices which consumer can afford	46.9	50	33.3	32.6
Production				
Planning production processes	12.8	11.9	23.7	24.-
Quality control	33.3	26.2	18.4	32.-
Production standards	10.3	14.3	15.8	20
Following up international developments in the produced commodity	41.-	47.6	42.1	20
Promotion				
Analysis of competitors' promotion methods	15	14.3	16.1	23.3
Evaluation of promotion needs	40	28.6	38.7	30.2
Determining promotion budget	2.5	20.-	19.4	16.3
Evaluation of promotional tools available	42.5	37.1	28.5	25.6
Distribution				
Analysis of competitors' distribution methods	40.7	27.3	26.1	44.4
Preferences among available distribution methods	33.3	45.5	39.1	33.3
Evaluating effectiveness of distribution channels currently used	25.9	27.3	34.8	22.2

Area of Training	Car Mechanics	Carpentry & Furniture	Smithery	Food Industries
Accounting				
Bookkeeping	18.8	13.8	17.4	14.6
Preparation of financial statements	3.1	31.-	8.7	17.1
Dealing with tax departments	37.5	24.1	34.8	31.7
Administrative accounting	31.3	10.3	8.7	9.8
Capitalization of costs	0	3.4	26.1	22.-
Collection systems	9.4	10.3	4.3	2.4
Storage and purchase				
Estimation of inventory quantities of goods	41.4	55.2	36.-	53.7
Determining inventory quantities of raw materials and spare parts	58.6	44.8	64.-	46.3
Laws				
Licensing procedures	17.2	30.-	42.9	40.-
Export of import procedures	17.2	20.-	17.9	2.5
Taxation systems	31.-	20.-	21.4	25.-
Environmental laws	10.3	6.7	14.3	5.-
Investment incentives	10.3	13.3	3.6	12.5
Settlement of disputes	13.8	6.7	0	7.5
Management				
Time management	29.-	20.-	26.1	20.6
Conflict management	16.1	12.-	13.-	11.8
Distribution of tasks and systems	6.5	16.-	13.-	14.7
Public relations ^{3.2}	16.-	21.7	14.7	
Strategy planning	6.5	8.-	0	11.8
Project management	35.5	28.-	26.1	23.5
Finance				
Financial management	17.9	25.9	26.1	28.6
Cash management	17.9	11.1	21.7	26.2
Management of receivable facilities	10.7	11.1	13.-	2.4
Management of payable facilities	0	3.7	8.7	0.-
Borrowing skills and dealing with financiers	53.6	48.1	30.4	42.9

Questionnaire of the study

1) Name of field researcher

Date of questionnaire completion: / /

2) Governorate:

1. Nablus 2. Tulkarm 3. Jenin 4. Qalqilya

3) Economic activity

1. Food industries (bakeries excluded) 2. Smithery 3. Carpentry 4. Car repair

4) Year of establishment:

5) Percentage of production capacity employed:

6) Since the beginning of 2004 to present
(How much of your production capacity do you use?)

7) How much was your production capacity prior to the Intifada?

8) Your profits during this intifada, in comparison with pre-Intifada profits
declined by %.

9) Firms operate in
1. Industrial area 2. Commercial area 3. Residential area
4. Agricultural area

10) Manager of firm
1. Male 2. Female

11) Educational level of manager:
1. Elementary or less 2. Secondary 3. Diploma

12) Manager's related years of experience:

13) Number of salaried workers at present:

14) Number of non-salaried workers at present:

15) Nature of firm's business

1. Production of finished commodity
 2. Production of intermediate commodity
 3. Packing and packaging
 4. Other (specify):
-

16) Does the firm have?

1. Internet access
2. Computer
3. Fax
4. Telephone (fixed/mobile)

17) How do you promote your products?

1. Advertising in daily papers or on local TV and radio stations.
2. Participation in trade exhibitions.
3. Have a place for products display.
4. Publication of catalogues.
5. Other (please specify):

Order of Relevant Problems According to Importance

Item	1. Very important		2. Important		3. Unimportant	
	1. Yes	2. No				
18. Are there equipment-related problems? 19. If you have answered yes, what sort of problems are related to equipment	1. Shortage of spare parts <input type="checkbox"/>	2. Absence of maintenance for services <input type="checkbox"/>	3. Lack of experience in operating equipment <input type="checkbox"/>	4. Old equipment <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	
20. Are there production-related problems? 21. If you have answered yes, what are these production-related problems?	1. Yes	2. No				
	1. High percentage of damaged products <input type="checkbox"/>	2. Low quality in comparison with consumers' demand <input type="checkbox"/>	3. Weak standards <input type="checkbox"/>	4. High cost of production <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	
22. Are there marketing-related problems? 23. If you have answered yes, what are these marketing-related problems?	1. Yes	2. No				
	1. Lack of well-known brand names <input type="checkbox"/>	2. Severe competition with local products <input type="checkbox"/>	3. Severe competition with imported products <input type="checkbox"/>	4. Lack of marketing experience <input type="checkbox"/>	5. High cost of promotional tools <input type="checkbox"/>	6. Others (please specify) <input type="checkbox"/>
24. Are there pricing-related problems? 25. If you have answered yes, what are these pricing-related problems?	1. Yes	2. No				
	1. Ability to calculate cost of production per item <input type="checkbox"/>	2. Distribution (capitalization) of indirect costs <input type="checkbox"/>	3. Estimation of consumer's purchasing power <input type="checkbox"/>	4. Understanding pricing policy of competing firms <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	

Item	1. Very Important		2. Important		3. Unimportant	
	1. Yes	2. No				
26. Are there distribution-related problems? 27. If you have answered yes, please what are these distribution-related problems?	1. Difficulty in delivering product to end-users <input type="checkbox"/>	2. Products are vulnerable to damage during transportation <input type="checkbox"/>	3. Others (please specify) <input type="checkbox"/>			
28. Are there problems related to raw materials? 29. If you have answered yes, please what are these problems related to raw materials?	1. Yes 1. Their high cost <input type="checkbox"/>	2. No 2. Their low quality <input type="checkbox"/>	3. Lack of regular availability <input type="checkbox"/>	4. Failure to meet standards <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	
30. Are there labor-related problems? 31. If you have answered yes, what are these labor-related problems?	1. Yes 1. High wages <input type="checkbox"/>	2. No 2. Low productivity <input type="checkbox"/>	3. Lack of punctuality or work disruption <input type="checkbox"/>	4. Weakness of work ethics (loyalty & devotion) <input type="checkbox"/>	5. Inexperience <input type="checkbox"/>	6. Others (please specify) <input type="checkbox"/>
32. Are there finance-related problems? 33. If you have answered yes, what are these finance-related problems?	1. Yes 1. Lack of sufficient finance <input type="checkbox"/>	2. No 2. High cost of finance <input type="checkbox"/>	3. Complicated procedures for financing <input type="checkbox"/>	4. Difficult or too many guarantees <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	

Item	1. Very Important		2. Important		3. Unimportant	
	1. Yes	2. No.				
34. Are there debt collection-related problems? 33. If you have answered yes, what are these debt collection-related problems?	1. Increase in number of bounced checks <input type="checkbox"/>	2. Bankruptcy of some debtors (no facilities) <input type="checkbox"/>	3. Long period of collection <input type="checkbox"/>	4. Problems in courts <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	
34. Do you have currency problems? If you have answered yes, what are these multi-currency circulation problems?	1. Yes	2. No.				
	1. Fluctuation of exchange rate of these currencies <input type="checkbox"/>	2. Difficulty in estimating or determining sale prices of products <input type="checkbox"/>	3. Fluctuation of production costs according to price changes <input type="checkbox"/>	4. Difficulty in cash balance and inventory management due to price fluctuation <input type="checkbox"/>	5. Others (please specify) <input type="checkbox"/>	
35. Are there import-related problems? 36. If you have answered yes, what are these import-related problems?	1. Yes	2. No				
	1. High cost of importation <input type="checkbox"/>	2. High customs duties <input type="checkbox"/>	3. Difficulty in communication with suppliers <input type="checkbox"/>	4. Difficulty in getting finance for imports <input type="checkbox"/>	5. High cost of transportation and storage <input type="checkbox"/>	6. Others (please specify) <input type="checkbox"/>

Item	1. Very Important		2. Important		3. Unimportant	
	1. Yes	2. No				
37. Are there government procedure-related problems? 38. If you have answered yes, what are these government procedure-related problems?	1. Taxes and fees <input type="checkbox"/>	2. Public tenders <input type="checkbox"/>	3. Public investments <input type="checkbox"/>	4. Government privileges <input type="checkbox"/>	5. Intervention in economic activities: ie cement, cigarette trade <input type="checkbox"/>	6. Absence of a strategy to protect and support local products <input type="checkbox"/>
39. How has your business been affected by Israeli measures to quell the intifada?	1. Stoppage of work temporarily <input type="checkbox"/>	2. Decline of production by % <input type="checkbox"/>	3. Difficulty in transportation of materials <input type="checkbox"/>	4. Difficulty in transportation of goods <input type="checkbox"/>	5. High percentage of product damage <input type="checkbox"/>	6. Rise of bounced checks <input type="checkbox"/>
			7. Difficulty in getting access to firm <input type="checkbox"/>	8. Difficulties in debt repayments <input type="checkbox"/>	9. Losses in assets (destruction) <input type="checkbox"/>	

40. About% of my sales are in the local market as opposed to the Israeli market.

41. Mechanism of distribution of production in local markets.

1. Direct to consumer%.
2. Through wholesale traders%.
3. Through retailers %.

42. Your strategy in competition is based on (choose one only)

1. Superiority of product quality.
2. Low prices
3. Credit facilities.

4. After sales services: maintenance, spare parts...

43. Are you a member of an industrial union, a chamber of commerce or a professional society?

1. Yes
2. No.

44. If you have answered no, is it attributed to

1. High membership fees.
2. Low quality of membership services available.
3. Complexity of procedures.

4. Difficulties in meeting membership requirement.

45. What was the nature of advice/consultancy you received in the past?

1. Financial
2. Marketing
3. Economic feasibility
4. Training
5. Legal
6. Production
7. Exhibition
8. Export
9. Import

46. On the basis of your previous experience, how would you evaluate the level of consultancy services in the Occupied Territories?

1. Excellent
2. Good
3. Bad

47. Have you received any finance from financial institutions?

1. Yes
2. No.

48. Have you received all financial facilities you have asked for from finance institutions.

1. Yes
2. No.

49. What factors limit your ability to get these facilities?

Please specify **1. Most important** **2. Important** **3. Least important**

1. Difficulty in conducting necessary economic feasibility studies.
2. Too many guarantees required by finance institutions.
3. High interest rates and commission
4. I refuse to borrow.
5. High risk due to current circumstances.
6. Loan applications take a long time to study.

50. If there were finance sources, what would be your finance needs?

51. Are you in need for financial facilities during the coming period?

52. Why do you need these facilities?

1. Modernization/replacement/purchase of machinery and/or building and/or land for project
2. Payment for raw materials/maintenance/workers' salaries.
3. Payment of past due debts.

53. Are you or those who work with you in need of training in the following fields?

1. Study of competition.
2. Study/analysis of market needs.
3. Consumers' evaluation of my products.
4. Opening new market outlets.
5. Pricing:
 - a) Estimation of cost per produced item.
 - b) Determining competitive prices of other products.
 - c) Determining prices which consumers can afford.

Production:

- a) Planning production process.
 - b) Quality control.
 - c) Production specifications (standards).
 - d) Following up international developments
6. Promotion:
 - a) Analysis of competitors' promotional tools.

- b) Evaluation of need for promotion.
 - c) Setting promotion budget.
 - d) Studying available promotional tools.
7. Distribution:
- a) Analysis of competitors' distribution tools.
 - b) Preferences of distribution methods.
 - c) Evaluation of present distribution channels.
8. Accountancy:
- a) Bookkeeping
 - b) Preparation of financial statements.
 - c) Dealing with tax departments.
 - d) Accounting.
 - e) Capitalization of costs.
 - f) Collection regimes.
9. Storage and purchase:
- a) Estimating inventory quantities of goods.
 - b) Determining inventory quantities of raw materials and spare parts.
10. Laws:
- a) Licensing procedures.
 - b) Export and import procedures.
 - c) Taxation regimes.
 - d) Environmental laws.
 - e) Investment incentives.
 - f) Settlement of disputes.
 - g) Others (please specify).
11. Management:
- a) Time management.
 - b) Conflict management.
 - c) Task distribution and systems.
 - d) Public relations.
 - e) Strategic planning.
 - f) Project management.
12. Finance:
- a) Financial management.
 - b) Cash management.
 - c) Management of payable facilities.
 - d) Management of receivable facilities.
 - e) Borrowing skills and dealing with financiers.

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