

INDIGENOUS SMALL ENTERPRISE DEVELOPMENT

The Case of Ngukurr, Northern Australia

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ABSTRACT

Within Australia, the destruction of the previously productive Indigenous economic system has, since the 1970s in particular, been characterized by a dependence on government services and programs. A number of researchers, commentators and practitioners however, have begun to question the implications of such dependence for the economic and social well being of Indigenous Australians.

It is a central argument of this paper that it is necessary to achieve an increased degree of economic equality before many of the social inequalities which also confront Indigenous Australians can be addressed. It is further argued that small business development provides the most promising avenue for the achievement of economic development leading to an increased degree of Indigenous control over resources.

An Indigenous owned and operated small enterprise in the Ngukurr community of South-Eastern Arnhem Land in Northern Australia has been examined. Based upon a number of such case studies of small enterprise within Indigenous communities, the following conclusions are drawn. First, it is possible to establish and maintain profit-making Indigenous owned and operated small enterprises in remote parts of Australia, in spite of the constraints such enterprises operate under. Second, skills that are vital to the success of small enterprise are scarce amongst potential managers and employees of Indigenous owned and operated small enterprise. Third, considerable investment in both human and physical capital is often required to enable profitable enterprise within such remote environments. Finally, it is apparent that the Federal government's Indigenous employment

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and business program has the potential to play an important role in supporting the commercial viability of Indigenous owned and operated small enterprises in Indigenous communities.

Introduction

A wide range of data relating to social and economic indicators demonstrate that, compared with other Australians, Indigenous people within Australia suffer from poorer health, are likely to live far shorter lives, lack education and training and are not able to participate anywhere near as much in the mainstream economy through employment or by operating and managing their own businesses. Their incomes are significantly lower (two thirds of the national average) than other Australians (Reeves 1998).

The destruction of the previously productive Indigenous economic system and the scarcity of opportunities to participate in the mainstream economy have contributed to the creation of high levels of welfare dependency among Indigenous people and associated social problems (Miller 1985, Royal Commission into Aboriginal Deaths in Custody 1991, Reeves 1998, Pearson 2000). It is a central premise of this paper that it is necessary to achieve an increased degree of economic equality for Indigenous Australians before many of the social inequalities which also confront Indigenous Australians can be addressed. It is argued in the following section that correctly carried out, the promotion of Indigenous-owned and operated small and medium-sized enterprises (SMEs) can play an important role in the amelioration of the economic and social problems faced by Indigenous individuals and communities.

In this context, it is important to appreciate that questions of economic development are inextricably linked with social and cultural factors. Indigenous economic systems differ significantly from the abstract models of market allocation, exchange and distribution favoured by neo-classical economists. It is likely for example, that culture can be expected to influence the objectives and choices of Indigenous owner managers of a small enterprise (McKinley 1998). The conventional goal of maximising profit to the exclusion of other important objectives, may come into question. Culture may be expected, *a priori*, to affect an objective such as maximising

efficiency in the production and consumption of goods and services. In some societies for example, extensive consultation and negotiation may be seen as more important than reducing the amount of time involved in a production process. Alternatively, spiritual and religious concerns may be given increased priority in ways that lead to the interruption of production schedules. Both social and business objectives therefore, become important in the Indigenous management of small enterprise. Some elements of the neo-classical approach, such as the conditions required for an efficient allocation of resources, are likely to remain important. However, an over reliance upon this approach to measure development and explain underdevelopment is likely to prove insufficient in any attempt to understand the complex interrelationships which characterise these questions.

Whereas the significance of factors like savings and capital formation is generally stressed in discussions of economic development, the nature of the enterprises which create the environment for such phenomena, and the role of entrepreneurship which guides such organisations, has not received adequate attention (Magee 1997).

This paper presents some of the results of research concerned with the establishment of Indigenous owned and operated small enterprises in the Ngukurr community of south-eastern Arnhem Land in the north of Australia (Fuller, Antella, Cummings and Simon 2000). In addition to a general examination of the potential benefits associated with the development of Indigenous small business enterprises and the constraints under which they operate, the paper also presents the results of a case study of an Indigenous-owned small enterprise in the Ngukurr community.

The following section discusses the importance of Indigenous owned and managed small enterprises to the process of economic development. The background and socio-demographic characteristics of the Indigenous community of Ngukurr are then examined. The next section outlines the methodologies employed in the study that inform the investigation reported in this paper. The social, physical and economic factors that affect the commercial viability of Indigenous business are then presented as a result of the case study investigation. Finally, the main conclusions and their implications for government policy formulation are discussed.

Increasing Economic Opportunity through Small Enterprise

There are a number of important ways in which economic independence for Indigenous Australians can be enhanced and the economic development of their communities promoted. These include paid employment as wage and salary earners, deriving income from capital, such as land and other assets, and in the provision of community services, especially in remote communities. However, an important avenue will also lie in the establishment of small to medium sized business enterprises (Aboriginal and Torres Strait Islander Commission 1998).

The Royal Commission into Aboriginal Deaths in Custody (RCIADC 1991) made valuable proposals about the means by which policies (and programs) might be structured to maximize the opportunities for improving the economic situation of Indigenous people. Many of these proposals, as with much in the field of Indigenous economic policy development in Australia, have remained dormant. Johnston (RCIADC 1991) suggested the need to consider the question of economic development in the wider context of the social, as well as the economic, aspirations of Indigenous people rather than, as has been the preference of some agencies, to attempt to artificially separate these two aspects of development and change. He pointed to the importance of maximizing (1) Indigenous participation in the setting of policy and in the design, implementation, evaluation and review of programs. He also considered the need for such programs to be (2) responsive to local needs.

Empirical research conducted in a number of Indigenous development settings has demonstrated that policies which promote sustainable economic and human development are most likely to be successful when:

- the idea of development is of local, or endogenous, rather than of an exogenous construction (Blunt 1995),
- means or strategies for attaining development goals are the product of deliberations by Indigenous communities themselves; and
- the delivery of technical assistance from outside the local community is through, or in collaboration with, Indigenous organisations, and makes use of Indigenous knowledge (Blunt and Warren 1996).

For example, evidence in relation to rural development in the Transkei (McAllister 1996), Indigenous strip weaving organisations among the Yoruba of Nigeria (Wolff and Wahab 1996), community management in Ghana (Cosway and Anankum 1996), financial institutions in rural India (Shah and Johnson 1996), and Indigenous community economic development in Australia (RCIADC 1991, Reeves 1998) has demonstrated the validity of these propositions.

In addition, the need for programs to be responsive to local needs is important, given the substantial regional differences that have been found to exist with regard to Indigenous Australians. These include substantial apparent differences in physical and human resource endowments, population size, growth and structure and the stability and flexibility of political institutions (RCIADC 1991, Reeves 1998).

Johnston detailed a number of economic sectors which he saw as providing potential for Indigenous economic development. These included areas such as:

- Pastoral enterprise,
- Tourism,
- Arts and crafts, and
- Land management and rehabilitation.

However, important constraints to Indigenous small enterprise, particularly in the fields of arts and crafts and tourism, lie in the limited market size and associated lack of economies of scale, due to relatively low population levels in many Indigenous communities (Taylor and Roach 1998).

A higher level of Indigenous participation in the small business sector can be expected to have important effects upon the level of aggregate Indigenous employment (Miller 1985). This is not only because of the direct employment of owner-operators but, perhaps even more importantly, because of the potential for increased Aboriginal and Torres Strait Islander employment in Indigenous owned and managed businesses. The importance of such businesses as role models, enabling a wider understanding and appreciation of the demands inherent in a market-based society, also needs to be emphasized.

In addition, while care needs to be exercised in comparisons with Indigenous communities in Australia, a number of potential benefits have been cited with respect to ethnic small businesses. These include the provision of confidence, leadership and role modelling, increased

interaction between different groups leading to social harmony, greater social stability derived from feelings of commitment and belonging to society, a reduction of the role of illegal business as an occupation of last resort and decreased reliance on social welfare (Stanger 1992: 17).

Within Australia, ninety six per cent of total non-agricultural private sector businesses were classified as small in 1998–99 (Australian Bureau of Statistics, 1999, Cat. No. 1321). Small businesses were defined for such purposes as non-manufacturing businesses employing less than 20 people and manufacturing businesses employing less than 100. Such businesses employed nearly fifty per cent of the total non-agricultural private sector workforce and are estimated to have contributed around 30 per cent of gross national product. They are therefore of substantial importance in terms of employment and wealth generation (McMahon et al. 1993).

As an important indicator of Indigenous involvement in small enterprise in Australia, Fuller et al. (1999) have examined the incidence of Indigenous self-employed, based upon data from the 1996 Population Census. They found that the level of Indigenous involvement in self-employment in Australia is low in comparison to the involvement of the Non-Indigenous population. In 1996, 2.5 per cent of Indigenous males classified to be in the work-force, and 2.1 per cent of Indigenous females, were self-employed. This level of self-employment was less than half that of the Non-Indigenous population. In comparison, 8.6 per cent of Non-Indigenous males and 5.7 per cent of Non-Indigenous females were recorded in the Census as being self-employed.

The viability of Indigenous small enterprise in northern Australia is affected by problems similar to those faced by a number of businesses in remote areas, including remoteness from key suppliers, distance from markets, access to management skills and skilled labour, and harsh climate and physical conditions (Young 1988). However, these problems are exacerbated by additional constraints. These include problems stemming from customary behaviour and attributes culturally specific to Indigenous Australians living in remote regions of the Northern Territory. Other problems are of a historical nature and largely the result of decisions taken by Non-Indigenous people.

However, while the number of Indigenous Australians currently involved in the provision of goods and services to their remote communities

and surrounding regions is currently relatively low, the costs associated with either importing or travelling to a regional centre to acquire such goods are high. In addition, research and field work undertaken within remote communities in the north of Australia (Fuller, Antella, Cummings and Simon 2000, Fuller and Jones 1999) indicates that Indigenous people living within such communities clearly prefer to deal with businesses owned and operated by Indigenous people from their communities. This is supported by research undertaken within Native American communities in the USA (Duffy and Stubben 1998).

While suffering economic disadvantage on both the supply and demand sides, Indigenous businesses are to a degree protected from competition by their relative remoteness, as well as the clearly established preferences of consumers. There are in addition, a range of essential services that need to be provided to Indigenous communities that are currently provided by Non-Indigenous businesses. Field research by Fuller et al. (2001) has shown that Indigenous people have ambitions to establish a range of small enterprises. These include retail outlets for food, second-hand furniture, and vehicle parts as well as eco-tourism and pastoral enterprises. The key challenges facing such Indigenous businesses lie in the need for adequate training and management support as well as access to adequate sources of finance at a reasonable level of cost.

An ability to create wealth is likely to rest primarily upon the application of systematic methods of thinking promoted by education and training and entrepreneurial abilities, to questions associated with the production of goods and services (Singer 1964). It may be of concern that a small enterprise model for development could lead to the perpetuation of relatively lower skills and educational levels within the employed work force of an Indigenous community. In the short run there may be attempts to deal with educational disadvantage in Indigenous communities by the employment of external experts associated with larger scale enterprises. In addition, complex large-scale technologies may be imported into communities.

However, both such measures are likely to perpetuate economic and social disadvantage by preventing Indigenous communities from developing means of production and associated organizational arrangements appropriate to resource endowments. It also inhibits the ability of Indige-

nous Australians to participate in the process of learning vital to economic and human development (Goulet 1971, Freire 1972, Miller 1985, Todaro 1994). Ngukurr is an example of a remote Indigenous community in northern Australia where Indigenous entrepreneurs are currently attempting to face the challenges of enterprise development. The following section presents socio-demographic information from the 1996 population census relating to the community of Ngukurr to establish an understanding of the context in which Indigenous small enterprises are required to operate in the north of Australia.

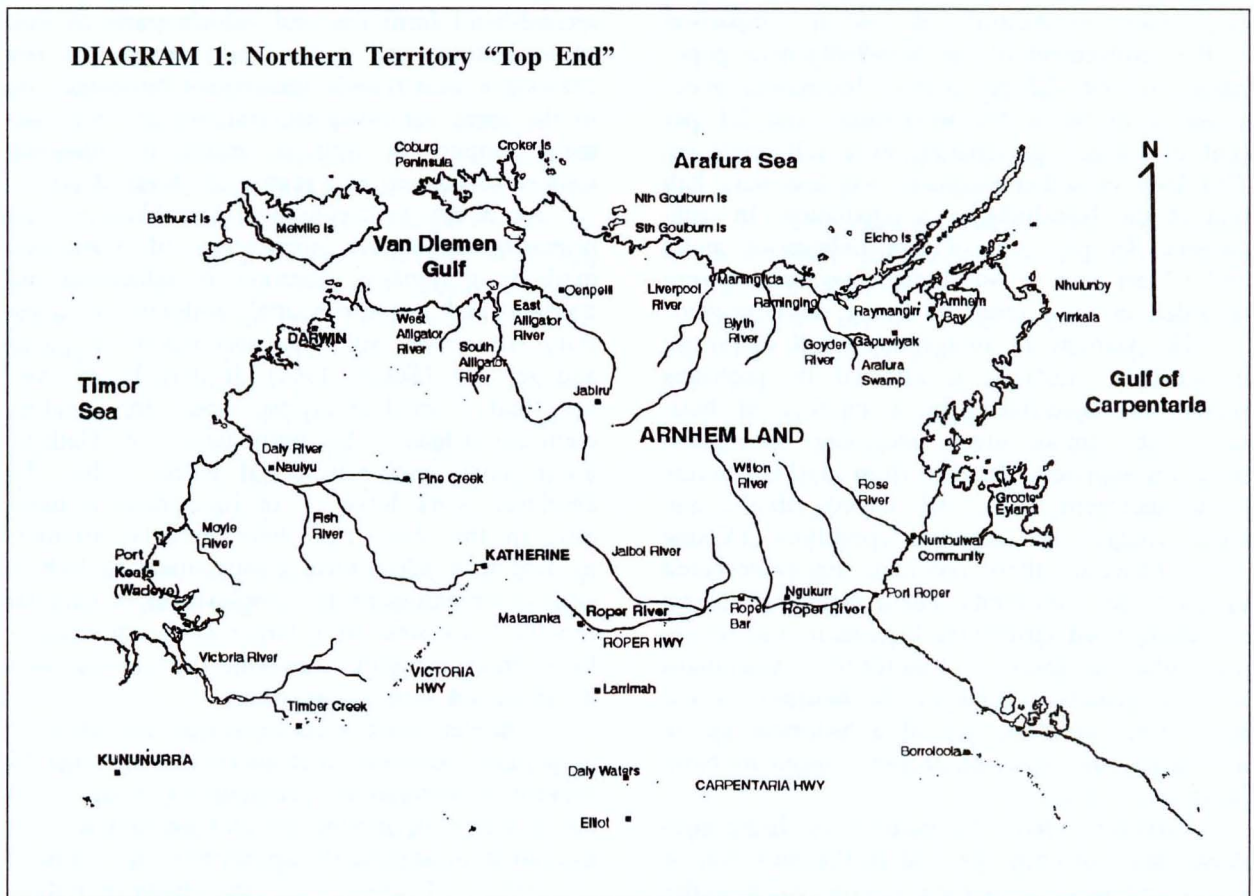
Ngukurr — Background and Socio-Demographic Characteristics

The community of Ngukurr is located on the Roper River in south-eastern Arnhem Land, 280 kilometres east of the Northern Territory regional centre of Katherine. The geographical location of Ngukurr can be seen in Diagram 1. According to census data (Australian Bureau of

Statistics, 1998, Cat. No. 2020.0), the total population was 901 persons as at the 30 June 1996. Ninety three percent of the population identified as Indigenous Australians. An Anglican mission was established on the lands of the Ngalakan people in 1901. Indigenous peoples from other clans were encouraged to move from their clan estates to the community. Seven main clans are now located in the community (Wolfe-Keddie 1996).

Compared to the Non-Indigenous population at Ngukurr, as well as the Non-Indigenous population of the Northern Territory (Australian Bureau of Statistics, 1998, Cat. No. 2020.0), a far higher proportion of Indigenous Australians were located in the younger age range of 0–14. Forty two per cent of the Indigenous population within Ngukurr could be found in this age range. This compared with 22 per cent of the Non-Indigenous population living within the Northern Territory. The life expectancy of the Indigenous population living in Ngukurr is low relative to that of the Non-Indigenous population. No males were recorded as surviving to the age of 65

DIAGRAM 1: Northern Territory "Top End"



years and above within the community of Ngukurr, and only 3 per cent of females were found to have reached this age range.

Sixty-nine per cent of the Indigenous community spoke an Indigenous dialect. This provides an important insight into the continuing importance of traditional language as a means of communication within the community. In addition, Kriol remains an important form of communication through the adaptation and integration of the traditional language with English. The importance of these methods of communication have important implications for the ease with which Indigenous people from Ngukurr can discuss business and commercial concepts with the mainstream commercial community.

The great bulk of the employed population were dependent on the Federal Government's Community Development Employment Projects Scheme (CDEP). The CDEP scheme

allows unemployed Indigenous people to forgo the unemployment benefit that they would otherwise be entitled to, in exchange for the payment of a wage in return for work in their community. Usually, CDEP participants carry out relatively unskilled community development tasks such as rubbish collection or building maintenance. CDEP employment is usually part-time and participants do not earn wages that exceed the equivalent of their unemployment benefit unless the CDEP organization in which they work can generate additional income through commercial activity (Fuller and Howard 2000).

CDEP is also a key program with regard to the promotion of Indigenous owned and operated small businesses. The scheme can contribute substantially to the potential profitability of small enterprise by paying the wages of CDEP participants who work within an approved enterprise. In addition, the CDEP scheme makes available

funding for capital and operational expenditure for Indigenous owned and operated enterprises. Due principally to the prominence of CDEP in employment arrangements, the Indigenous male unemployment rate was 8.3 per cent and the female rate 6.1 per cent. The overall labour force participation rate was a relatively low 51 per cent. This compares with an Indigenous rate of 42 per cent and a Non-Indigenous rate of 75 per cent, for the Northern Territory as a whole.

The Indigenous Australian median individual income of \$144 was substantially below the \$571 of Non-Indigenous persons. For the Northern Territory as a whole, the median income of Non-Indigenous persons was \$543 for males and \$344 for females.

With respect to educational qualifications, 27 per cent of Indigenous people at Ngukurr had left school by the age of 15, and a high 40 per cent by the age of 16 years. In addition, 79 per cent of Indigenous people reported that they held no qualifications. A further 19 per cent did not respond to the question. Such relatively low skill levels have major implications for the achievement of commercial business outcomes within the community, and suggests that the provision of vocationally based training would be a good investment of government funds

Reflecting the current relatively low level of Indigenous business development within Ngukurr, and the high level of dependence on CDEP, 90 per cent of individuals were employed within the industry classification, government administration and defence. Seventy three per cent of males and females were employed in the occupational group labourers and related workers. A further 18 per cent of males, and 8 per cent of females, worked as intermediate production and transport workers or in elementary clerical, sales and service.

Inductive Field Research Methodology

The small enterprise studied in this paper is a butcher shop with an associated vertically integrated, small-scale pastoral operation used for agistment and cattle fattening purposes. As Ellana et al. (1988) have argued, involvement in organizations concerned with the production of goods and services has been of most interest to Indigenous Australians where the underlying methods of production have remained relatively similar between production for subsistence and production for market exchange or cash. Partly

for this reason, Indigenous Australians have demonstrated a high level of interest in becoming commercially engaged in this sector of the economy (RCIADC 1991). In addition, pastoral and associated activities have represented a significant element of Indigenous involvement with the mainstream economy since the colonization of Australia (RCIADC 1991). Indigenous Australians have also demonstrated an ability to master the skills associated with some pastoral activities (Stevens 1974). To an important extent therefore, the chosen case study is judged to be indicative of Indigenous business and entrepreneurial aspirations. Principally for these reasons, it has been thought important to investigate the opportunities and constraints to the development and growth of this type of Indigenous enterprise.

Selection of and entrée to the case study are greatly facilitated by the researcher's pre-existent linkages to and familiarity with the site and setting of the case study. Since case selection is a matter of obtaining access to an organizational type that represents the particular category of organisation, operation and issue being studied, purposeful selection is the order of the day. The more the researcher has foreknowledge of a particular case setting, the more appropriate it may be as a subject of study—offering easier site access and affording the researchers' greater familiarity with an organization's history and the cultural context (Jorgensen 1989, Silverman 2000).

In the case of the Ngukurr, Don Fuller has had long term personal associations with senior members of the Ngukurr community. Eileen Cummings is a senior member of the Ngalakan clan, the traditional owners of the land on which the community of Ngukurr has been established. Such past connections were crucial to accessing and understanding the cultural context of the enterprise, given that for access by any researcher, an invitation must be extended by senior Indigenous members of a community.

Following Dodd (1993) and Stafford-Smith et al. (1994), information concerning the small enterprise examined here, was initially gathered using a structured interview schedule to ascertain fundamental descriptive logistical and financial information, through both closed and open ended questions. Further interviews were conducted using a semi-structured approach in order to penetrate interviewees' perceptions, understandings and to elicit in particular, cultural and social issues, activities and influences. Interviews

were conducted with the assistance of a senior traditional owner familiar both with the local dialect and culture as well as English and mainstream culture.

From an ethnographic perspective, the researchers endeavoured to understand the enterprise and its functions from the interviewees' perspective, drawing on their prior and current knowledge of cultural and social factors, Indigenous context, characteristics and perceptions. The process involved the conduct of an analysis of the respective strengths, weaknesses (i.e., the enterprise's internal environment), opportunities and threats (i.e., the external environment of the enterprise)—termed 'SWOT' analysis (Flavel and Williams 1996, Wheelen and Hunger 2000). In the light of that SWOT analysis, key commercial and social objectives were developed. This then led to the development of strategies aimed at facilitating the achievement of those objectives. This analyses formed the basis of a business plan for the enterprise. A financial plan was prepared as an integral component of this business plan. This plan was prepared in accordance with the methodology recommended by the Aboriginal and Torres Strait Islander Commission (2000) and is outlined in the section dealing with the main findings from the case study.

The SWOT analysis involves an interpretation of the organization's current strategic status by the planning process participants. It draws together a complex mix of industry, market, political, community, cultural and social factors and attempts to juxtapose them as a basis for further planning that incorporates a vision grounded in an appreciation of both possibilities and limitations faced by the enterprise (Wheelen and Hunger 2000).

The case has been investigated by means of inductive field research and therefore is presented as a field-based case study. This is a methodology in the involved research tradition whereby the researchers involve themselves directly in the research site, immersing themselves in the world of the actors (the organizational participants), seeking to understand their context, activities, behaviours, attitudes and processes. Field research aims to inductively identify and explain concepts, variables and their relationships as they emerge from observations on site in the field, rather than deductively pre-determining them from literature or prior published studies (Parker 1994, Patton 1980). The

methodology is inherently multimethod in that it typically employs observations, semi-structured interviews, and document analysis. It does not follow a predetermined script as per a traditional positivist study, instead being flexible in the application of changing methods and procedures according to the data sources identified and findings gradually made on site (Atkinson and Shaffir 1998).

This field study of the enterprise at Ngukurr has employed multiple methods—physical site inspection, interviews and archival document analysis—all conducted at various points in time over a longitudinal period. In the qualitative research tradition this affords the opportunity for more extensive data access and collection of information. This is expected to enhance the validity and reliability of findings (McKinnon 1988, Atkinson and Shaffir 1998, Creswell 1998, Silverman 2000).

A Case Study of Indigenous Small Enterprise

The two owners of the enterprise intend to source funding to improve the building to ensure that the butcher shop conforms with government health regulations. While the slaughtering of animals had occurred in the field adjacent to the butcher shop, health regulations require the construction of facilities and the use of processing equipment designed to minimize the chance of human infection caused by eating contaminated meat products. The owners also intend to expand the small herd that is carried by the associated pastoral property. According to the owners, a main goal is to provide improved economic returns to benefit, in particular, the next generation. An increased degree of financial independence from government was also seen to be an important objective. It is expected that the expansion of the business will benefit the community by providing meat that is of higher nutritional quality than the products presently available. In addition, the meat can be cut in a manner preferred by Indigenous people living at Ngukurr.

During the interview phase of the investigation, the owners of the enterprise expressed interest in a relatively large-scale expansion of the pastoral activities undertaken in association with the butcher shop. However, both the findings of the authors and the available literature (Dodd 1993, Stafford-Smith et al. 1994) suggest

that a rapid increase in cattle numbers aimed at establishing a larger-scale pastoral enterprise is likely to involve higher levels of capital investment and associated higher levels of risk compared with a small scale pastoral activity designed to supply cattle to the butcher shop.

The effective management of a large-scale pastoral enterprise necessitates the adoption of a trading strategy. A trader approach attempts to match stocking rates with available resources, with little active buying. Stock numbers are allowed to increase in good years, but are reduced rapidly through sales in poor years to avoid damage to pasture, and to maximize returns from sales before animals lose condition. A trader approach requires ready and efficient access to markets and marketing skills and an ability to undertake investment strategies in other sectors of the economy, which can be accessed to supplement cash flows in periods when sales are relatively low.

The SWOT analysis found that among the enterprise's weaknesses were a lack of skills in business management, financial management and control and marketing. Other weaknesses included a restricted access to cattle supplies and lack of an established network for the sale of cattle. The underdeveloped state of the property's infrastructure is also a significant weakness as far as the management of a large herd is concerned. In addition, the high level of competition that a larger-scale Indigenous pastoral enterprise would face from established Non-Indigenous large-scale pastoral enterprises represents an external threat to viability. It was therefore concluded that the enterprise was not well suited to the establishment of a larger-scale pastoral property involving high cattle numbers and a trading strategy, at this time.

The financial plan prepared for the enterprise presented in the following section, indicates that the operation of the butcher shop has the potential to generate considerable revenue in the short to medium term. It is therefore likely that the operation of the butcher shop, supported by a small killer herd, as a small enterprise, will be more consistent with the economic and financial aspirations of the enterprise's owners, compared with an expanded larger-scale pastoral enterprise.

At present, the enterprise is operated as a non-incorporated partnership. The owners plan to establish the enterprise as a Proprietary Company, with a board of Directors comprising the senior traditional owners of the land on which

the property operates. The SWOT indicated that an important internal strength of a small-scale pastoral enterprise and associated butcher shop rested on the fact that the owners of the enterprise were also the senior traditional owners of the land on which the pastoral enterprise and butcher shop is based. Cultural factors in the form of existing land and kinship arrangements were also found to be important potential strengths in relation to established methods of profit distribution. It is intended that profit be distributed through the company to members of the land-owning clan. This arrangement reflects the importance of strong kinship relationships, as well as spiritual and cultural connections to the land, for the nature and structure of the enterprise. It is interesting to note in this context, that the concept of a limited liability company is seen by Indigenous owners to be a relevant and useful instrument which can be utilized as a vehicle to promote Indigenous business and economic development.

An assessment of the skills available to the enterprise suggests that there is a severe shortage of individuals, either within the land owning clan or the wider Ngukurr community, who possess financial and business management skills. The significance of this constraint is heightened by the fact that there are no formal vocational training programs or facilities available in Ngukurr.

Main Findings from Case Study

The enterprise, through the operation of the butcher shop, has an established record as an earner of relatively substantial amounts of revenue and profit. However, the future development of the enterprise is constrained by the need to access finance to undertake the necessary improvements to capital and infrastructure required for the facility to conform with health regulations.

Livestock had been purchased from the nearby Indigenous-owned Elsey station at a cost of \$350 per head. These were transported to Ngukurr at a cost of \$50 per head. The animals were then butchered and sold to members of the Ngukurr community. It is estimated that the sale of processed meat generated \$800 in revenue for each animal slaughtered. The meat sold in the main store at Ngukurr is imported to the community, and of relatively poor quality. Because meat originates from outside the community, the meat is cut and prepared in a manner not pre-

ferred by Indigenous people. Conversely, the meat prepared and sold by the butcher shop discussed here, is both fresh and cut according to local taste. Consequently, the demand for the products has been relatively high. Within the first six months of the period surveyed in this study, an average of five animals per week were slaughtered to meet this demand. The number then rose to eight beasts per week in the second half of the period. Given such slaughtering rates, the enterprise is projected to earn gross revenue of \$270,400 per annum.

However, costs are also relatively high. The total fixed costs of the enterprise are estimated to be \$103,149. Included within this category, following the methodology outlined by ATSIC (2000), are total business running costs, interest and repayments generated by start-up costs including building costs to meet health regulations, the opportunity cost of the owners' labour and a return of 15 per cent on the owners' investment. The opportunity cost of each owners' labour is assumed to be \$25,000 per annum. As there are two partners as owner-managers, the total amount allocated is \$50 000. This amount was determined following comparisons with similar operations undertaken elsewhere in Northern Australia. For most Indigenous members of the work-force dependent upon the CDEP program however, the opportunity cost of labour remains equivalent to welfare payments. Business running costs are defined to include rent, telephone and postage bills, licences, promotion, management and accounting services, insurance and the depreciation of plant and equipment.

Variable costs are defined by ATSIC as expenses directly related to the rate of production (ATSIC, 2000:77). In this case, the most important of these are the purchase of cattle for \$350 per head and transport at \$50 per head. Also included are fuel for the operation of plant and equipment, maintenance, light and power, and consumables. Labour is paid by the Federal government Indigenous employment and business formation program (CDEP). Variable costs are estimated at \$146,400. Using these definitions, the estimated variable and fixed costs of the enterprise, including the opportunity cost of the owners' labour, are estimated to total \$249,549 per annum. It is therefore projected under this methodology that the enterprise has the potential to generate a profit of \$20,851 per annum. The potential profitability of the enterprise is enhanced because the labour costs of the busi-

ness are initially paid by the CDEP scheme. However, while the CDEP scheme may initially result in enhanced profitability for the enterprise, the manner in which the scheme is administered has severely constrained the development of the enterprise over time, by restricting access to funds necessary to re-invest in enterprise growth and infrastructure development.

The nominal responsibility for the allocation of CDEP funding to business small enterprises at Ngukurr lies with the Yugal Mangi Community Government Council, composed of the leaders of each of the community clans. Information collected through discussions with clan members within the community however, suggests that meetings between clan leaders are held infrequently. Consequently, control over CDEP funds has effectively been passed to Non-Indigenous officials of the Community Government Council. It is likely that such institutional dysfunction may be attributed in large part to the imposition of a form of democratic collective organisation, foreign to Indigenous elders and which conflicts with Indigenous organizational arrangements and systems of law (Trudgen 2000).

Under these arrangements, the owners have been required to remit revenue streams earned from business operations directly to the Local Government authority. This prevents business operators from retaining such earnings to reinvest in business growth. The details of these revenue streams have not been made available to the relevant ATSIC regional office. Without such information, ATSIC cannot, within its own guidelines, approve business loan funding to the enterprise, even though it has shown the ability to earn substantial revenue flows. It seems highly unlikely that any other lending body, whether public or private, would approve a loan to the enterprise in the absence of this information. The lack of transparency and accountability in the administration of CDEP has therefore constrained the development of an enterprise that has the potential to deliver considerable economic social benefits to both the owners of the enterprise and the wider community at Ngukurr.

Conclusions and Implications for Policy

The business and financial plan undertaken for an Indigenous small business serve to illustrate the opportunities and constraints common to many Indigenous small businesses within

Indigenous communities in northern Australia. The conclusions reached in this particular case study are supported by other research into Indigenous small enterprise in remote communities of northern Australia (Fuller et al. 2001, Fuller and Parker 2002).

First, and most importantly, the case study, suggests that in spite of the obstacles, there is potential for Indigenous owned and operated small enterprises to be established and achieve commercial viability in remote Indigenous communities such as Ngukurr. There are however, likely to be important problems specific to Indigenous enterprise including culturally specific behaviours, as well as factors such as reciprocal obligations, which are found more generally within Indigenous communities. There are also problems largely of a historical nature and largely occurring as a result of decisions taken by Non-Indigenous people. However, it would appear that with careful planning and sufficient mentoring support, there is the potential for profitable Indigenous businesses, able to yield substantial economic and social benefits for their owners, employees and the wider community.

A second important conclusion of this study is that business and financial skills are in short supply in Ngukurr, as they are in other remote Indigenous communities. In particular, many of the Indigenous people who wish to establish small businesses lack the formal education and training required in order to effectively manage a small enterprise. Such individuals require training in business and strategic planning, financial management and control and marketing, as well as technical skills that specifically relate to the sector in which an enterprise will operate. Similarly, people with trade and other vocational skills that could be employed within local enterprises are in short supply.

An important constraint relates to the underdeveloped state of the infrastructure. In order to establish a viable business it is often necessary to invest considerable sums in the improvement of facilities such as staff accommodation and essential services.

Prospective enterprises in Ngukurr and other remote Indigenous communities also need to source funds that are usually not available through normal commercial channels. Indigenous people face difficulties accessing such institutions, due to a number of factors including lower levels of acquired assets, perceived higher levels of risk, lack of familiarity with financial institu-

tions and an inability to prepare formal business, financial and marketing plans required by mainstream commercial lenders.

A possible solution to this problem could be the formation of an Indigenous financial intermediary drawing upon the substantial financial resources currently divided between a number of Indigenous institutions concerned with purchase of land, investments in commercial assets, housing and infrastructure developments and business programs.

Finally, an important aspect apparent from this case study is the central role played by the Community Development Employment Projects (CDEP) scheme. The scheme has the potential to contribute significantly to the commercial viability of Indigenous small enterprises by initially paying the wages of CDEP participants who work within an approved enterprise. In addition, the CDEP scheme makes funding for capital and operating expenditure available for Indigenous owned and operated small enterprises.

The financial resources that the CDEP scheme brings into the community play an important role in indirectly supporting Indigenous owned and operated small enterprises. In the financial year 1999–2000 the Ngukurr CDEP program expended around \$2.7 million in the form of payments for wages and a further \$830,000 for capital and recurrent expenditure purposes directed at potential small business operations. Such levels of expenditure serve to stimulate demand for the goods and services available from a range of Indigenous small enterprises.

However, as noted above, in the absence of procedures to enforce accountability for the administration of the scheme, the program can be detrimental to the formation and growth of Indigenous enterprise. A lack of accountability and transparency in the administration of the program serves to confuse the funding processes to the extent that Indigenous clients become increasingly unsure of the relevant criteria upon which funding decisions for business development purposes are to be made. This in turn, acts as an important disincentive to Indigenous people who may be considering attempting to establish their own small business.

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