UNDERSTANDING MICROENTERPRISES
[Theoretical and Empirical Understanding]

6.1. Introduction:

This chapter focuses on understanding of the concept of microenterprises and their nature. References have been made to current literature on field practices. The purpose of this chapter is to give a clear perspective to an emerging phenomenon.

Poverty and unemployment are global challenges and most countries-developed, developing and undeveloped- have to deal with them. Overcoming these challenges and bringing the poor out of poverty is a priority task for most countries. The conventional view was that the poor are not capable of coming out of their disadvantaged circumstances on their own. However, recent research and the experiences of several NGOs show that the poor and the underprovided are striving to overcome their problems and that participatory development has instilled hope in the poor that they can take the ownership of the efforts to beat poverty and disadvantaged circumstances. To do so, they need various kinds of support and guidance.

6.2. Evolution of the Self-Employment Approach:

Creating employment opportunities is one of the main challenges in the development sector. Thus, development planning has always placed great emphasis on job creation and self employment. Self employment also received emphasis in the employment policies since the 1970s. It pursued the Gandhian approach to self employment by promoting village and cottage industries. The policy was not seriously implemented and it soon became clear that providing wage employment would be difficult as the agricultural sector had exhausted its employment potential (Verma, S.B. 2005). Thus, the focus shifted to promoting self employment.

‘People Centered’ approach to development was advocated since the 1990s and the use of microfinance in participatory development resulted in some promising experiences in the field. In participatory development processes, the people take responsibility for their development and are empowered to decisions that concerned
their destiny. The success of models like the Grameen Bank experience facilitated the process. This was a paradigm shift and was the outcome of a decentralized approach to local economic development. Local resources, facilities, and skills were used to build a sustainable local economy. The approach was also an endorsement of the Gandhian philosophy of development.

This model is affordable, cost effective and meets local requirements and needs. Such local and small economic activities are nowadays referred to as microenterprises. Microenterprises are often traditional and more informal. They are based on local resources and require very little capital. Technology needs are minimal and needs very few individuals to run. These microenterprises are based on local market demands and those working in them are seen as owners and entrepreneurs.

India has a large amount of natural resources that are unused. It is natural that these resources be used to promote self employment opportunities to the poor and underprivileged. Thus, recent poverty alleviation and employment promotion programmes- SGSY, PMRNY, MEDPs etc.- have focused on the self employment and microenterprises. Entrepreneurship is promoted through the Entrepreneurship Development Program which provides training and helps the participants to build the required skills. However, most such programs focus on entrepreneurship and not on enterprise development. Enterprise development encompasses several aspects - capacity building, skill development, profit management, production or service management, identifying and creating new markets, networking, public-private partnership, innovations, cluster development, brand building, collective marketing etc. Due to a competitive global market, Business Development Service Providers (BDS) for these have become important and crucial in development of microenterprises. It is not being taken seriously today.

Since the 1990s, microfinance has been used as a major strategy to help the poor to come out their poverty. Often, micro-credit, microfinance and microenterprise are used and understood as alternative concepts but that is not so. Micro-credit is limited to small loans or credit. Microfinance is a wider concept and includes micro-savings, micro-credit, micro-insurance, micro-pension etc. Microenterprises are small or petty business ventures, usually conducted by the poor. They are limited to an income
generation activity but are included in the concept of business activity in which profit is a major motive of the owner/entrepreneur.

Microenterprises are mostly the outcome of the efforts at promoting self-employment. Since the 1990’s, it is a worldwide phenomenon and went hand in hand with microfinance. Microenterprises are generally known as poor people’s businesses. They are small in size and scale and locally served. Microenterprise is seen as one of the alternatives for the livelihood of the poor. Entrepreneurial spirit and efficient role of the supporting systems for the expressions seem to be important factors in development of microenterprise.

The author was keen to understand whether these enterprises are profit making and sustainable. It was also important to understand the motives behind a microenterprise it, as well as entrepreneurs’ capacity to run them efficiently and effectively, how they manage costs etc.

6.2.1. Going Back to the Roots of Entrepreneurship Concept:

To understand the phenomena of microenterprise, it is important to go back and understand the origins of the works of ‘Joseph Schumpeter’ a German economist. In his ‘The Theory of Economic Development’ (1920), he first discussed the entrepreneurship spirit and economic development. According to him an entrepreneur is an innovator and risk taker. Innovations by entrepreneurs lead to economic development of society as entrepreneur responds to the need of the society.

Max Weber (Protestant Ethics) says that entrepreneurial spirit has a connection and relation with religious thought. Protestant belief promotes entrepreneurship and there are fewer entrepreneurs among Catholics. It is also said that followers of Hinduism and Jain religion believers are also less entrepreneur and says it is due to the religion they follow but various studies have proved it is not so. According to Max Weber, the entrepreneur is a charismatic individual who takes initiatives and encourages others to follow. So entrepreneurship has been discussed but hardly enterprises development discussed in the literature. Hence the efforts are made here with this study to know the process development of enterprises with reference to poor and marginalized in the society i.e. Microenterprises.
6.3. Microenterprise:

Since the 1960’s, efforts were made to train and motivate people to entrepreneurship.

Attitudes could be developed, capacities and skills could be built to develop and promote entrepreneurship, and these were the assumptions in the approaches of the time. Considerable emphasis was placed on developing the entrepreneurial spirit through ‘Entrepreneurship Development Programmes’ in several countries. Special initiatives were taken by the International Labour Organization (ILO) in collaboration with national governments. Governments formulated policies and programmes; and also established institutions to promote enterprises by their citizens. “Enterprises development will lead to economic growth and development” was the thrust of the rationale behind the actions.

In their study, ‘Microenterprise and the poor’, Clark, Peggy and Kays, Amy(1995,1999) found that training and technical assistance in development of MEs is a critical service component. Effectiveness of training is a very important factor, and the quality and frequency of technical assistance to MEs was also seen as important.

Microenterprises are also commonly described as businesses with limited capital operated by owner and having a few, if any, employees and not a major factor in their market (Tezler, 1992).

Servon (1997, 2000) mentions Microenterprise is a business of a low income people. Thus, emphasis on training and technical assistance is a must as it has a complementary role in poverty alleviation.

An important learning from the evaluation study conducted on ‘Self Employment Learning Program’ which was implemented in the US from 1989 to 1994 was that, most individuals in the program could bring their families out of poverty in five years time. The income of most families doubled in these five years. 50% of the MEs could get health insurance as it is compulsory in US. The MEs of this program felt the need for ongoing technical support; they needed the new expansion strategy from the government( ibid ).
In the MSMED Act of India, 2006, MSMEs (Micro Small and Medium Enterprises) are broadly classified into two categories – Manufacturing and those engaged in providing services. The Act defines Microenterprises as those businesses that have invested a maximum of Rs 10,00,000 in plant and equipment for services and a maximum of Rs 25,00,000 for a production set up. A MSME can start even an investment of Rs 100.

Microenterprises are usually set up as a livelihood option to meet the costs of day to day living. The profit motive is secondary. The microenterprises employ not more than five to ten people. It can be individually, family or group owned. Microenterprises also usually operate in the informal sector and could a trading (street vendors, food stalls), beauty-parlours, transport operators etc. are service sector set up or even a small manufacturing unit( machine shops or assembly units etc.).

Microenterprises are set up a little investment in fixed assets and inventory. They operate mostly on cash and carry terms. The enterprises sales may not be distinguished from any other kind of income of the individual or household earning. These enterprises may be quite unstable and footloose. If better opportunity arises or cost can not be recovered, the entrepreneurs may move on or shift to other activity (Sedeme, March 2008).

‘Microenterprise’ has been found in literature related to Non-farm sector, employment, Self Employment, Microfinance, Self Help Groups etc. It is a strategy for creation of jobs, self employment promotion in non-farm sector, rural industrialization and economic development with special reference to the poor, marginalized and excluded population of the society.

A very broad understanding of the concept of income generation activities (IGAs) and Business/ Enterprise is shown in the following table:

<table>
<thead>
<tr>
<th>Income Generation Activity</th>
<th>Business /Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity oriented</td>
<td>Profit oriented</td>
</tr>
<tr>
<td>Based on available skills</td>
<td>Based on the market opportunities</td>
</tr>
<tr>
<td>Minimal focus on profit</td>
<td>Strong focus on profit</td>
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</table>
In literature, three concepts are discussed- entrepreneur, entrepreneurship and enterprise. Sometime, these terms are used interchangeably. However, these are distinct terms and have different meanings. The author made an effort to clarify the differences in their meanings.

6.3.1-Entrepreneur: - An entrepreneur is a person who takes a risk and starts a business venture to earn a profit. An entrepreneur can be defined as one who initiates, and establishes an economic activity or enterprise. An entrepreneur is an individual who, for some reasons, initiates, establishes, maintains and expands new enterprises (Rao, Pareek, 1978).

6.3.2-Entrepreneurship:- Entrepreneurship is a quality or an attribute of the person, who is an entrepreneur. Entrepreneurship thus refers to the general trend in a society or community of setting up new enterprises. (op-cit).

6.3.3-Enterprises: - Enterprises are economic activities or acts of an entrepreneur which is business itself. Enterprises are categorized as Big/Heavy, Medium, Small and Microenterprise. They are mostly categorized on the basis of capital investment and the number of individuals working in it. Enterprises are further divided into formal and informal sectors of economy, and also into production and service sectors. Enterprises can also be agro based. Such enterprises are known as belonging to the farm sector; the others are called non-farm sectors enterprises. In India, various efforts are in the progress of development of entrepreneurial environment and motivation for it like training, policies and programmes etc. Enterprise development is a process that progresses through several stages. Here, the author’s interest is to understand the microenterprise phenomenon in Self Help groups in the context of the rural areas of India.

Earlier published literature, referred to microenterprises as self employment promotion activities. The focus was mostly an individual self employment act.
However, since the 1990’s, the group approach- towards the building up of enterprises is being extensively promoted and implemented to help the poor and the underprivileged. (Morduch Jonathan, 1999).

…An enterprise involves deliberate decisions on investment, after assessing risk and possibilities for profit and loss, a proposition which is distinct from the practice where agriculture serves merely as a means of livelihood or a hereditary vocations ....(ibid, pp- 43).

Enterprises development consists of building, management and further developmental growth with expansion of economic activity. Entrepreneurs have to constantly be acquiring the necessary skills and capacities that are needed for the success, profit and sustainability of the enterprises. (ibid).

The author is particularly interested in the term ‘enterprise’ as it relates to a business activity of SHGs. One must have a clear understanding of the concept of enterprise, the process of its development and its management aspects, than of entrepreneurship.

6.3.3.1-Establishing Enterprise:

Setting up of an enterprise begins with proper identification of a business opportunity which assures a profit. This is then followed by organizing the resources, distribution of responsibilities and work, setting up of the production systems, production, packaging, costing, storage, transportation, market delivery, recovery of the dues/bills, returning the loan and earning the income and profits.

6.3.3.2-Management of the Enterprise:

Entrepreneurs not only build their enterprises; they must also be capable of managing it properly to ensure its progress and sustainability. The proper management of an enterprise must cover all its aspects- production planning, implementation, adequate control over finances, planning of marketing strategy, managing other resources including human capital, supervision etc.

6.3.3.3-Constraints in the Development of Microenterprise:

Literature reviews revealed a few constraints in the promotion and development of microenterprises. These constraints emerged from various studies and reviews on entrepreneurship efforts in general. These have given us some understanding on the
Chapter Six

causes. The result is an adverse influence on the full fledged promotion of entrepreneurship. The constraints are mostly systemic and arise from a lack of supportive policies and programmes, institutional support, ongoing motivational supports, guidance and consultancy services, access and availability to financial services, technological guidance and supports. These services are also called Business Development Services (BDS) and they cover areas like Production, Managerial, Regulatory and Market related concerns. These services can be provided by professionals- individuals or by Institutions (NGOs, financial institutions, government departments, consultancy services etc). Availability of credit to the small enterprises was found be the most crucial constraint in the development of enterprises. (Reddy T.K, 2008)

Many nations have addressed this issue in their microfinance policies and the maturity of the microfinance sector is the result of the actions. Microfinance has established its importance but only financial inputs are not sufficient for the development and growth of microenterprises. Studies have shown that there are other aspects that play an important complementary role. To understand these aspects, we must take a holistic view to understand the dynamics of microenterprises.

Issues related to the development of microenterprise are discussed in literature published after the year 2000. However, to this day there is no definitional clarity on microenterprises. Researchers apply their own concepts and definitions in their studies. It is possible that, with further research a generally accepted definition will emerge. This study is a contribution in that direction. The author has attempted to learn and understand the process of development of microenterprise and has initiated an understanding of the process.

6.4. The Importance of Promoting and Developing Microenterprises:

Microenterprises are seen with their diverse possible dynamic impacts on individuals, families, groups and communities. The probable impacts as gained from literature and from empirical studies are discussed in the following paragraphs.

1. Economic Development- It is seen that, in communities that have the highest level of entrepreneurial spirit, the development process has also advanced considerably. The enterprise development process simultaneously gives a push and opportunities for
other economic activities like transportation, machinery manufacture, storage, housing, warehouses, construction etc. As enterprises are developed, people get employed, idle resources get utilized, new products and services are available which may make life more comfortable. The demand for insurance, finance and other services also increases.

2. Employment Creation: Enterprise development creates different kinds of direct and indirect job opportunities such as self employment, wage employment, consultancy services, support service sectors etc. Eventually, these increase the income opportunity for the jobless.

3. Rising Income Levels- Microenterprise development creates additional jobs and work. When farm employed people move to non-farm jobs, even the income in farm jobs increases because of the shifting of the employment avenues and change in manpower demand supply equation.

4. Innovations and New Products and Services- Entrepreneurs are people who are constantly in search of something new that they can do so that the community benefits from their actions. In the process the enterprise also gains. The products and services that entrepreneurs offer give the customer a choice to satisfy a need or demand.

5. Assets Creation- Enterprises need resources. Hence, they must own or hire them e.g. land, building, machineries, vehicles, equipments, tools etc. Assets creation gives security and strength to the enterprise and its promoter.

6. Decentralized Economic Development- Enterprises are mostly established in a sector where there is none or less availability of the product or service they offer. Indirectly, this results in decentralization of the development process. Enterprise development is given priority in areas where the customer does not have easy access to the product or service. This assures the entrepreneur a profit.

7. Reduces the Immigration Rate to the Cities - Decentralized development and a local focus helps to create jobs locally. Directly and indirectly this contributes to reduce migration to urban areas.

8. Poverty Reductions- Microenterprises create the job opportunities for the unemployed persons which results in the reduction of the poverty levels of the
individuals who benefit. Resources are used to a usable and marketable product which is a value addition process. The process of value addition generates an income for the entrepreneur or worker. As the microenterprises developed, the economy in the area is driven forward and other income opportunities are created. Thus, the wealth creation is set in motion. Eventually, this will result in the reduction of poverty levels.

9. Entry Point for Starting of Small and Medium Enterprises- When a microenterprise becomes successful and sustainable; it may have an opportunity to grow and has the potential to become a small enterprise. Its resource base will increase by the addition of more machinery, manpower, a higher capital requirement etc. At this stage one may say that a microenterprise has sustained itself and grown.

6.5. Nature of Microenterprises:

- **New production/services, flexibility in production:** Microenterprises usually begin with a very small scale to meet local needs. It can result from an innovation or may be a new activity. It may also be combined with more than one product or service. It may be seasonal and is flexible by nature and functioning. It may not have any standardization.

- **Capacity to execute small orders and to offer customized services:** Microenterprises are based on local resources and local markets. Thus, they have the capacity to meet small and specific demand for their products and services.

- **Informal labour relations:** The worker in microenterprises has an informal relationship with his employer and co-workers. In times of a surge in demand, even family members and friends help out. Work may vary from a half day to the seasonal type. The enterprises do not require high education and skills; and the use of technology is also minimal. At times, traditional skills are applied. The enterprises are run by the owner and a few individuals (usually family). The total strength does not exceed ten and those employed may not receive regular wages.

- **Local resource based:** As microenterprises cater to local needs, they also mostly use locally available resources for processing and value addition. Thus, local resources are given a value. Examples are fish processing, fruit
processing, farm produce processing etc. The products may themselves be the input for downstream processing. Thus, the microenterprises may serve as ancillaries to larger units. This is seen as a very crucial component in the success of microenterprises.

- **Local markets based:** The scale of production and services of the microenterprises is small and serves local markets. Larger scales are not possible because of lack of knowledge of bigger markets. Thus microenterprises are not willing to take the risk of scaling up. For this reason institutional support is necessary till such time the enterprises are able to expand into new markets with confidence. At times, the enterprises may be constrained by limited capacity. It must be mentioned that the famous Chitale Dairy of Pune began operations as a microenterprise. Thus, the potential exists in most microenterprises to develop and grow.

- **Less capital incentive, less capital requirement:** The enterprises innovate and start on a small scale and cater to local demand. Thus, volumes are low. Most times, the enterprises are set up with the personal savings of the entrepreneur or with family support. If he/ she has received any formal training or is a part of a government sponsored scheme he/she may be able to access finance from a bank. The amount would be small and ant sufficient to meet needs. The entrepreneurs are poor and not in a position to pledge personal assets or arrange guarantors for bigger amounts.

- **Lower overheads:** Overheads are low as a result of a combination of them being family run, low capital investments and inexpensive raw material and energy. Operating costs are also low. They also belong to the informal sector due to which certain regulatory costs are avoided. On the other hand, person consumption and consumption for business are not segregated. Therefore, it is difficult to accurately work out product cost. The problem is compounded by the lack of adequate skills and awareness. At a certain stage, when the business is established, it would be advisable to move to a more formal setup.

- **Entrepreneur’s need to learn new skills and capacities:** As business grows there will arise a need to invest in new technology and production systems. It is also possible that regulatory requirements of standardization and quality may have to be applied. Examples are mechanized cutting, automatic
packaging, labeling, prices labels, ingredients, batch traceability, expiry dates etc. Managerial and business skills become important. Entrepreneurs must familiarize themselves with the changing requirements as they grow.

- **Need to understand, adopt and invest in suitable and affordable technology:** Sometimes, the microenterprises have to compete with more organized setups. In such cases, they have to match them in quality and pricing. To face these challenges enterprises must adopt appropriate technology and invest in equipment to achieve standardization. At times, the required equipment may not be available or affordable and the entrepreneur has to innovate or create a niche demand for his/her products or services. This approach or positioning of the product or service also drives the local economy and other enterprises may benefit from these innovations. Innovation, cooperation and interdependence are crucial factors in the development of economy. To give an example, when women SHGs started to make jackfruit chips and the demand increased, they found that they could not continue with the manual process. They needed machinery which was developed by a local fabricator, Sagar Engineering. Thus, one business gives birth to the development and manufacture of a new product or service. The benefits reach many people.

### 6.6. Types of Microenterprises:

In the course of the study, the author came across various different types of enterprises that could be classified as Farm sector, non-farm sector, Service sector, Production and in trading based enterprises. These are described further in the following paragraphs.

**Farm sector and Non-farm sector:**

Indian economy is classified in two broad sectors- farm and non-farm. A third sector, services, is still in its early stages. Till very recently, the farm sector was looked at as major source of employment. However, it is now clear that the employment of the farm sector cannot be increased as agriculture is not expected to significantly add to the GDP. The industrial sector also has a limited capacity to absorb the numbers who
cannot be employed in the farm sector. It is now felt that employment opportunities will grow in this sector by using the self employment approach. The non-farm sector covers all aspects of business-production and processing, trading and services.

The Self Employment approach believes in the capacity of individuals to develop and explore opportunities. Self employment also encourages individuals to look beyond the traditional avenues. It encourages creativity and the use of local resources and fulfills local needs. The state is expected to provide support that will result in the enterprises becoming viable and sustainable. Only then will the objective of self employment be achieved.

**Production based Enterprises:**

Production based enterprises use local raw material for processing and production needs. India has a wide variety and a large base of natural resources. However, value addition by processing has not been sufficiently developed due to an absence of appropriate skills and technology. A huge potential exists for processing products into value added items for consumption. Some examples are rice mills, oil extractors, dal-mills etc. At present, farmers do not process the farm products. Sugar and dairy products are a few exceptions. In most, the value addition is done by non-farmers. If farmers can be motivated to come forward and offered the required support more opportunities for employment can be created.

Thus, institutions like NABARD, SIDBI, UNIDO and other support organizations have taken the initiative in this direction through the Entrepreneurship Development Programmes (EDPs). These programs are delivered through schemes like SGSY, MEDPs, PMRNY etc. are giving emphasis on group of entrepreneurs or team of unemployed, to take up through groups or through creation of business networks development under the Cluster Development approach. Where various level of processors are joining and complete the process of value chain

Rural areas are lagging in receiving the support. These areas are in need of appropriate technology, machinery, energy supply, skills, capacities, market linkages, containers, cold storage, insurance facilities, transport systems and linkages, connectivity, business and technical consultancies as well as financial and legal
supports, which also comes under the agenda of rural industrialization, rural development agenda.

The government sanctions Special Economic Zones (SEZs), but these do not assure locals of employment opportunities. There is the need to develop a proper system in which training and guidance to local residents is provided. The objective is to help the local unemployed to take up new business opportunities individually or in groups.

Some examples of Farm and Non-Farm based enterprises are given in the following table for the purpose of understanding.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Farm sector opportunity</th>
<th>Non farm/off farm sector opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>Agro processing, food processing etc.</td>
</tr>
<tr>
<td>2</td>
<td>Fisheries</td>
<td>Fish processing, aquaculture etc.</td>
</tr>
<tr>
<td>3</td>
<td>Horticultural</td>
<td>Fruit processing etc.</td>
</tr>
<tr>
<td>4</td>
<td>Forestry</td>
<td>Furniture, forest products, honey collecting, medicinal herb processing etc.</td>
</tr>
<tr>
<td>5</td>
<td>Animal husbandry</td>
<td>Meat processing, dairy products, leather work etc.</td>
</tr>
<tr>
<td>6</td>
<td>Poultry</td>
<td>Selling eggs, meet selling</td>
</tr>
<tr>
<td>7</td>
<td>Floriculture</td>
<td>Incenses making, florist, and related business etc.</td>
</tr>
</tbody>
</table>

These are some of the opportunities requiring modern and global linkages. Most of the resources are available in the rural areas but rural unemployed lack the skills, technology, backward and forwards linkages etc.

### 6.7. Characteristics of a Successful Enterprise:

**What Makes an Enterprise Successful?**

**Innovation,** - Innovations are basic to the success of an enterprise. Enterprises also have a risk component. Demand and Acceptance in the market are important means for making profits. All innovations may not be accepted in the market. If an innovation is accepted, the next challenge is to manage it, maintain and improve quality, control costs and do everything to ensure its continued acceptance and competitiveness.
Risk Involved – As the market is constantly changing and there are new demands there is the fear of not being able to meet market expectations. An enterprise that is unable to meet the challenge must risk closure or develop new products and services to survive. The enterprises must do everything possible to retain its customers in order to survive.

Creativity- Entrepreneurs constantly strive to attract and retain customers. This ensures that the production and profit cycles are not interrupted. The approach calls for creativity and innovation.

Profit Oriented and based on the Market Demand: The profit motive drives the setting up and running of enterprises. Profits depend on market acceptance and how effective the marketing strategies are. Continuous feedback from customers and the response to feedback, market analysis and study are very important for the sustainability of the enterprises.

High Growth Rate – Enterprise’s success is based on the high profit margins and constant growth. Growth depends on new products and services that are introduced in the market at the right time and the right price. A high growth rate helps expansion of the business as well as good returns. It also helps generate additional employment opportunities and better standards of living for workers. New entrepreneurship opportunities may also open up.


1. Perceiving and identification the entrepreneurial opportunity
2. Determining the opportunity costs, risk assessment and evaluation, market survey, viability and profitability are also determined.
3. Skills and capacities are assessed and training needs identified.
4. Resource allocation, planning and organization
5. Submission of proposal to the financial institutions
6. Scrutiny of proposal and approval
7. Investments are made and the resources are brought together
8. Compliance with legal requirements and commencement of production and services.
9. Costing, Pricing, Packaging and Labelling
Chapter Six

Factors Influencing Micro-enterprises

10. Publicity and advertisement
11. Markets and delivery systems
12. Collection of receivables
13. Disbursement of salaries, wages and repayment of loans
15. The next business cycle starts.

Figure 6.1:
Factors Influencing the Enterprise Development
6.9. Processes Followed Nationally and Internationally For Promotion and Development of Microenterprises:

6.9.1. The International Experience:

Since the year 1996, studies were carried in the US where the government intervention took place with planned programmes for the promotion of microenterprises (MEs). The entrepreneurial spirit and qualities were fostered and developed, mostly by training the poor participants. These participants were able to move to a better life with more income. The effectiveness of the programs in achieving the objective of poverty reduction was established. The study based on this programmes (1994, US Micro enterprises development program) showed that training and institutional support to the microenterprises were important factors in making an enterprises successful and grow.

The Banco-sol experience in Bolivia and its corresponding program in Indonesia (Rayat Indonesia bank) described the success of microfinance and microenterprise development through the group approach and handholding.

Grameen groups are formed mostly of individuals who are microentrepreneurs. With microfinance support they are collectively able to develop the enterprises of group members. The enterprises could be run by the individuals or by the group. Microfinance delivery to the poor and marginalized was seen to be effective by the group approach. The group members find this approach to be useful because peer pressure is an effective control mechanism. Based on these international experiences, the India initiative took root with the SGSY- a self employment programmes in which the group based approach was adopted to alleviate poverty. The author’s interest was to learn and understand how SHG based microenterprises are effective in the economic development of group members.

6.9.2. Process of Developing of Enterprises in India:

(Individual Entrepreneurs to Group Entrepreneurs)

In India, enterprise development is covered in different policies-Industrial, Economic, Employment, Cooperatives, Rural Development and so on. The approaches to enterprise development also vary and include Public and Private sectors as well as the Cooperative movement. Recently, enterprise development approach has been adopted
by the not-for-profit sector and social enterprises also. As already mentioned enterprises can be set up by individuals, families, partnership firms, companies, groups and, now, even by SHGs.

The process of promotion and development of enterprises in India was initiated during the period 1980-85. The government set up Self Employment Promotion Programmes and schemes as a strategy for poverty alleviation. Some of the initiatives of the sixth plan are e.g. IRDP, TRYSEM and DWCRA.

Since then, various development actions on the subject have been initiated. These are Entrepreneur Development Institutions (EDIs), special financial programmes, policy statements and legislations, development of infrastructural support systems– creation of industrial estates and industrial areas with a minimum level of support, facilities and services. Special financial packages by SIDBI, NABARD, DIC, PMRYs and establishing state level institutions for guidance and training etc. are developed for small and medium enterprises promotion.

However, the inclination of the majority segment of the population was towards employment in the Government or public sector as such jobs assured lifelong livelihood security. This also meant that there was a general aversion to risk taking, a characteristic required of an aspiring entrepreneur. Taking loan was considered to be a morally wrong practice and there was also the fear of the consequences of not being able to repay. Even borrowing money to buy a house was looked down upon. These cultural inhibitions were a hurdle to the development of entrepreneurship.

Traditionally, too, very few communities could boast of investible resources. Thus, the barter system was preferred and since there no investment there was any growth attributable to entrepreneurship. During the British rule, the traditional skills and enterprises (dairy products like ghee, glasswork, handicraft, handmade cloth, leather and other occupations) were destroyed or allowed to die so as to enable British made goods to access Indian markets(R. Vasanthagopal, Santha.S, 2008, page 7). Consequently, the entrepreneurial character of the Indian was suppressed.

After independence, the Five Year Plans made efforts to revive India’s manufacturing base and skills. Various sectors were opened up for development. Industrial policy
included both public and private sectors. The government made huge investments in the public sector and also identified certain areas which were reserved solely for them.

Agricultural development was the priority in the 1st five year plan. The second five year plan focused on industrial development; however the emphasis was on heavy industry, an approach which, it was believed, would drive the growth of smaller industries. Thus there were huge investments on steel, mines and the railways. From the fourth five year plan onward, the small scale and medium sector industries were given emphasis. This encouraged the spirit of entrepreneurship and motivated entrepreneurial individuals.

However, restrictive bureaucratic controls proved to be major hurdles to the development of enterprises. The practice of demanding and paying bribes took root and corruption soon became an accepted fact. Every aspect of business was affected-permissions, licenses, compliance with regulations, finances, production, marketing etc. No government related work could be accomplished without a bribe. The result was a demoralizing impact on many capable and aspiring entrepreneurs. As a consequence, Indian Society’s move towards entrepreneurship was set back by several decades.

6.10. Efforts of the Indian Government to Promote and Develop MEs: 

Self employment was promoted chiefly by the creation of special packages which included training, subsidies, tax concessions, development of industrial estates, and infrastructural support. The Indian government has implemented several programmes with varying focus. Some programmes focused on training and provided a basic tool kit to the beneficiaries so that they could start an income earning activity (TRYSEM). In IRDP, the capital and assets were given to the beneficiaries as a source for job and income generation. All these programmes were directed at individuals and depended on individual initiative.

Since the 1980s, with the starting up of DWARCA, poverty alleviation programs shifted focus to groups in which the targeted beneficiaries were a group of individuals and not a single person.
SGSY succeeded DWACRA in 1999 as a group based development programme. The focus is on promotion of self employment through SHGs. One time training for skills and capacity building is a component of this programme. However, the training institutions do not have a long term vision and their involvement in the program is limited. Training needs are not properly identified and the effects of training not monitored. Lack of appropriate sustained training is proved by the gaps in self employment promotion. This often leads to poor performance at all levels- the beneficiary groups, financial institutions, institutions responsible for training and guidance, supervision and monitoring institutions.

Training is an ongoing need especially for the target beneficiaries of the program who are less educated and have had less exposure to business. Tasks and responsibilities are allocated on an ad hoc basis without due regard to long term objectives. The training institutions are not assured of a long term association; hence they do not show commitment to the work at hand. The author was interested in studying the teamwork and professionalism. The important question was:

- How do Banks, government offices, NGOs, and other resources organizations coordinated with each other to promote microenterprises?

The presence of a favourable investment climate is an important requirement for qualitative growth and development of microenterprises. Thus, the author will also be studying the extent to which the present investment climate is conducive to the development of microenterprises.

Most of the staff, who are responsible for the implementation of these programs are not well informed and trained to work towards achieving the long terms objectives. With frequent changes in government there are also changes in policies and approach. Thus, implementation is left to the bureaucracy. So far, NGOs have not fully overcome their skepticism of the governement’s long term commitment. However, due to the demands of globalization, there is some consistency in the policies and direction. Thus, there is hope of stability in the long term.
6.11. Women Enterprise Development Process in India:

Till recently, women were not seen as a productive force. The thrust on development of women and the weaker sections started in the 1970s. This opened more entrepreneurial opportunities for women.

- The Fifth five year plan (1974-79) talked about women entrepreneurship and signaled a shift in approach by viewing women as a productive group in the country.

- The National perspective plan of 1998-2000, showed that 94% of women work in the unorganized sector. It also mentioned that there are three sectors in which women were self-employed: 1) homebased work such as making beedis, garments, and handicraft for contractors on a piece rate basis, 2) as petty traders, vendors, and hawkers who sell goods such as vegetable, fruits, eggs, fish and other food at a market place or move from house to house with a head load or on push cart and 3) service providers in various industries like construction, agriculture, transportation, health, etc. (R. Vasanthagopal, Santha S, 2008). Wage employment
is an outcome of the self employment activity and women who participating in such activities were called microenterprenurers.

6.12. Challenges Faced by Women Entrepreneurs in Indian Context:

Women are given a secondary status in most societies. Their place is first within the boundaries of her home and her primary responsibility was child bearing and rearing, keeping a home. In the contemporary context, due to increasing education levels and empowerment, women are getting access to resources and are increasingly engaged in economic activities to either support family or to prove their ability to compete with men. Women face many constraints and challenges while doing so. These have their roots in cultural factors. Chief among the factors are:

1. Lack of family and societal support.
2. Lack of access to insufficient financial support.
3. Lack of outside contacts.
4. Negative attitude of society.
5. Lack of required experience of running enterprises or business.
6. Lack of market access and knowledge.
7. Work and family conflicts.
8. Lack of ownership over assets, safety and security.
9. Fewer government support.
10. Lack of technical capacities and skills.
11. Lack of business counseling and support services.
12. Family responsibilities have to be given priority over responsibility to the enterprise

(Ansha Patil, page -90)

6.13. Conclusion:

The author thus feels that, based on this discussion, MEs can be powerful instruments of economic development of less privileged people, provided there are good and sustained policies, programmes, institutional and infrastructural support. The next chapter of the thesis is the data presentation i.e. the study area profile and cases studies narrations.