SUMMARY OF FINDINGS AND CONCLUSION

Pradeep P “Role of micro enterprises in rural development” Thesis. Department of Economics, Dr.John Mathai Centre Thrissur, University of Calicut, 2012
CHAPTER VI

SUMMARY OF FINDINGS AND CONCLUSION

6.1 Introduction

In the ongoing era of globalization which is characterized by fast changes in development and strategies, small scale industrial units have got numerous opportunities and also several challenges and threats. This is more so in respect of micro enterprises, the lowest strata among the MSMEs, as they are more vulnerable to threats in the market like competition from products from abroad. It is widely recognized that small scale enterprises can play a catalytic role in the process of development of modern economies by accelerating the pace of development, and that too in an equitable, balanced and largely sustainable manner. Unfortunately, in the Indian context the indicators of economic development point to the fact that small scale sector has to catch up a lot. However, competition and such other developments induced by globalisation have been inspiring small scale enterprises to go for continuously innovate their systems and process, often by adopting the latest technologies.

In fact, the globalization pressures have helped the small scale enterprises to refurbish their outlook in terms of objectives, purpose, and processes in accordance with the changed tasks and demands of the customers. Small enterprises have been forced to catch up with their international counterparts for their survival and growth and to change
themselves in tune with the global benchmarks set by the market. In this context, the relevance of Micro Enterprises in the process of development especially in rural areas this study has focused on the following objectives.

**Objectives of the Study**

The general objective of the study is to analyse the role of micro enterprises in the process of rural development. The specific objectives are:

(i) To study the structure and growth of small industries in India with special reference to micro enterprises, with a focus on the scenario in the state of Kerala;

(ii) To make an empirical study of the socio-economic profile of the entrepreneurs and the employees of micro enterprises in rural areas, their problems and prospects, and their performance; with a focus on the Palakkad District in the state of Kerala;

(iii) To identify the association of key variables relating to the rural micro enterprises and entrepreneurs of such enterprises, with the performance of such enterprises;

(iv) To examine the role of micro enterprises in bringing about regional rural development measured in terms of the level of empowerment of the entrepreneurs of the rural micro enterprises and that of the employees of such enterprises.
Hypotheses of the Study

(i) There is a significant positive association between size of the micro enterprises and their profitability.

(ii) There is a significant positive association between the previous experience of the entrepreneurs and the profitability of micro enterprises.

(iii) The expected growth rates of micro enterprises as perceived by the entrepreneurs are significantly higher than the actual growth rates.

Methodology of the Study

Both primary and secondary data are used for the study. Primary data is based on a field survey. The research considers a sample of 270 micro enterprises and 810 employees employed in those units. Micro enterprises in both manufacturing sector and service sector are considered for the survey. The 270 micro enterprises under study are those chosen from different industrial sector like Handloom, Food, Information Technology etc. Popular methods of statistical analysis are used for data analysis.

For the selection of the individual micro enterprises to be included in the sample, random sampling method is adopted (using random number tables). From each such micro enterprise selected for the study, three employees each are also selected for the survey.
Tools for Data Collection

Both primary and secondary data are used for the purpose of this study. Primary data are collected from the micro enterprises selected for the study, by administering two separate sets of pre-tested structured Question Schedules (Appendix I & II), for the two broad classes of informants namely:

1. Entrepreneurs of the selected micro enterprises in Palakkad district, and
2. Employees of the selected micro enterprises (three from each enterprise).

There were, in all, 14,057 MSMEs in Palakkad district as of 31 March, 2008. Of these a vast majority of 13,803 units are micro enterprises, the rest alone are falling under small and medium enterprises. Of the 13,803 micro enterprises, those falling in rural and semi-urban areas alone (viz. 13,502 units) are falling under the purview of this study, and from these units a sample of 270 micro enterprises (ie. 2 per cent of the population) are selected on a pro-rata basis to ensure representativeness of the sample with the population. This selection process is shown in Table 4.1 above. Besides, as already noted, three employees each are selected from each of the 270 units selected for the study, that is totally there are 810 employees selected for the study.

Secondary data are collected from authentic books, periodicals, research publications of the State and Central Governments, NSSO
publications, the Reserve Bank of India publications, research papers and articles, working papers of reputed research organisations, doctoral theses, research project reports and official websites of relevant organisations, Government departments etc.

**Analytical Tools and Statistical Software Packages**

The study uses different statistical and mathematical tools for analysis. The major tools used are averages, percentages and ratios. In order to study association between variables Chi-square test is used depending on the nature of the data. To assess the extent of association between relevant variables Correlation analysis and t-test have been employed. To make comparison of attributes, suitable scaling and ranking techniques have been used throughout.

Popular statistical software packages (like, SPSS, STATA etc.) have been used for computer-based data analysis.

**Summary of major findings**

The summary of the major findings of the study are listed under the following heads.

**6.2 Profile of the Enterprises and Entrepreneurs under Study**

i) **Overall Profiles of the Enterprises and Entrepreneurs under Study**

It has been noted that sole Proprietorship is the most popular form of business organization for micro enterprises and this accounts for as high as 52.22
Summary of Findings and Conclusion

per cent of the total number of micro enterprises. Other forms of business organizations have got the following composition (i) Partnerships 16.30 per cent, (ii) Companies 16.30 per cent, and (iii) Co-operative institutions 15.19 per cent. Thus, other than proprietorship form of business, the remaining three business forms have got more or less equal percentage share (viz. about 15 to 16 per cent each) in the sample of micro enterprises under study.

Analysis of the gender of the sample entrepreneurs under study has revealed that 65.19 per cent of them are males and the rest 34.81 per cent are females. In some types of micro enterprises under study (like Mechanical engineering) all the entrepreneurs are males.

It has been noted that 35.19 per cent of the entrepreneurs are below 35 years, 45.93 per cent within 35-50 years and the rest 18.89 per cent above 50 years. Thus, middle-aged entrepreneurs (35-50 years) people account for relatively larger share among the sample entrepreneurs under study and the same is as high as about 46 per cent.

Study of the marital status of the respondents has revealed that as high as 71.85 per cent of the entrepreneurs are married people and the balance 28.15 are unmarried.

Analysis of the religion of the entrepreneurs has revealed that majority of them belong to Hindu religions (51.48 per cent), followed by those from Muslim entrepreneurs (27.78 per cent) and then by Christian entrepreneurs (20.74 per cent).
Analysis of the educational background of the entrepreneurs has revealed that the relative share of graduates is the highest (35.56 per cent), followed by Plus Two holders (18.15 per cent), certificate holders (14.07 holders). Only 10 per cent of them has got post graduate qualification.

Period of experience of the entrepreneurs has revealed that those with 10 to 20 years form the largest group accounting for 30.74 per cent of the total. Entrepreneurs with more than 20 years’ experience comprise the next largest group with 23.33 per cent share, and this group is followed by those with less than 5 years’ experience that accounts for 18.89 per cent of the total.

Analysis of the sources of capital has revealed nearly one-third (33.75 per cent) of the surveyed entrepreneurs have raised the capital funds for starting business from their own sources. Next largest share is that of the group comprising of entrepreneurs who have risen from capital from family sources (27.04 per cent). Third largest group is that of entrepreneurs who raised funds from formal financial intermediaries like banks (16.67 per cent). Fourthly comes those who have risen capital from friends (7.78 per cent). Only 9.63 per cent of them have relied on government sources for raising capital. It is noted that only one-sixth (16.67 per cent) of the entrepreneurs surveyed have used funds borrowed from banks or similar formal financing agencies. If the share of government agencies (9.63 per cent) is also considered, then also the total share of such entrepreneurs comes to a little more than a quarter of the total sample (26.30 per cent).
ii) Inspiration and Motivating Factors for Taking up Entrepreneurship

It has been noted that new idea has been the most common inspiration for the entrepreneurs to start their enterprise; more than one-third (36.30 per cent) of them being inspired because of new business idea. Almost equal significance is there for unemployment as an inspiration to start enterprise, as less than one-third (32.22 per cent) of the total entrepreneurs have been inspired because of unemployment. Thirdly comes the case of ‘To be own boss’ factor which has inspired nearly one-fourth (23.70 per cent) of the total entrepreneurs under study. The rest of the entrepreneurs (7.78 per cent) have cited reasons other than any of the above to have inspired them to start their enterprise.

Among the motivators of the sample entrepreneurs under study, the most popular items is the ‘self’ – the entrepreneur himself or herself, which accounts for 44.81 per cent of the total. This group is followed by the second most common motivator, viz. family (30.74 per cent). Thirdly comes friends as the motivator to start the enterprise whose share is relatively low at the level of 10.74 per cent. Bank is acting as the motivator in respect of just 6.3 per cent of the sample entrepreneurs, while two other factors (viz. Government agencies and Other factors) account for a very little share of 3.7 per cent each.

It is noted that vast majority of the enterprises under study viz. 65.19 per cent has got less than 10 staff members. About one-fourth (25.19 per cent) of them
have their staff strength between 10 and 20, while just 6.67 per cent has got staff strength in the range 20 to 30. Micro enterprises having staff strength above 30 are very rare, not even 3 per cent (2.96 per cent).

iii) Business Turnover and Growth Prospects of the Sample Enterprises under Study

It is noted that a vast majority of 59.26 per cent of the sample micro enterprises have turnover less than 5 lakhs. Nearly a quarter (24.81 per cent) has got business in the range 5 to 10 lakhs, another 9.63 per cent in the range 10-20 lakhs, yet another 4.81 per cent with turnover within 20-50 lakhs. Only 1.48 per cent has business over 50 lakhs.

It is noted that vast majority of 55.56 per cent of the units under study have business growth in the range 0 to 50 per cent, while 30 per cent of them have growth in the range 50 to 100 per cent. Only 10 per cent of them have growth less than 0 per cent (negative growth) and just 4.44 per cent have registered growth rate above 100 per cent.

It is noted that the percentage of employees that anticipate a negative growth rate is 11.11 per cent – higher than the respective actual growth of the last year (10 per cent). Those who expect growth in the 0-50 per cent range is 52.22 per cent- lower than the respective actual (55.56 per cent). But, in the 50-100 per cent and above 100 per cent ranges the expected rates are higher.
iv) Classification of the Enterprises Based on Expected Growth Potential

As part of the study, the micro enterprises under study could be classified into three broad groups viz. Low growth prospects, Moderate growth prospects and High growth prospects. Accordingly, it is noted that of the 12 industries under study, as high as 10 belong to the ‘Moderate growth prospects’ class whereas the balance 2 belong to the ‘Low growth prospects’ category. It may further be pointed out that none of these sample units qualify for the ‘High growth prospects’ category, because all of them have got average scores less than 2. Among the ‘Moderate growth prospects’ group, three industries (IT and ITES, Rubber, and Fruit and Fruit Products) have relatively better scope. Table 6.1 is self-explanatory in this regard.

**Table 6.1: Classification of Micro Enterprises Based on Expected Growth Rates**

<table>
<thead>
<tr>
<th>Nature of Expected Growth</th>
<th>Score Range</th>
<th>Types of Industry Segments falling under each Category of Growth Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Growth Prospects</td>
<td>Below 1</td>
<td>(i) Paper and Paper Products, (ii) Glass and Ceramics</td>
</tr>
<tr>
<td>High Growth Prospects</td>
<td>Above 2</td>
<td>(No units with high growth prospects)</td>
</tr>
</tbody>
</table>
v) **Sources of Support Received by the Entrepreneurs under Study**

It is noted that for project report preparation, the support received from other sources are quite less, compared with ‘own’ (viz. self) support, as 35.56 per cent of the entrepreneurs have had this support alone. However, 15.56 per cent have got the support of family members, 16.67 per cent that of Government agencies, 15.19 per cent that of professional agencies.

It is further noted that for obtaining licenses, more than one-fourth of the sample members (25.56 per cent, to be specific) have relied on self, without seeking outside assistance. But, 22.22 per cent have sought the support of professional agencies, 17.78 per cent have received the support of family members and 17.04 per cent have sought the help of government agencies. Besides, 12.96 per cent have received support from friends, and the remaining 4.44 per cent have not used any of these sources for support.

Regarding technical advice received from others, 27.78 per cent have had own technical background whereas 24.07 per cent have sought the support of professional agencies. Another 18.15 per cent have received family support, 15.19 per cent the support from friends, 11.48 per cent the support from government agencies, and the rest 3.33 per cent have received support from sources other than all the above.

In respect of staff recruitment, more than half (54.44 per cent, to be specific) of the entrepreneurs have relied on own sources, whereas 18.89 per cent of them have received family support and 14.07 per cent have received
the support of their friends. Other sources, like, government agencies, professional agencies and other sources have had relatively very less influence on the entrepreneurs; their corresponding shares being at low levels of 6.30 per cent, 4.81 per cent and 1.48 per cent respectively.

Regarding staff management, a vast majority of 70.74 per cent of the entrepreneurs under study has relied on own sources. However, one-tenth (10 per cent) of them have depended on family sources for support, 6.30 per cent on friends, 4.81 per cent on government agencies and lastly a meager 1.48 per cent of them on other sources of support.

Regarding financial management, a large share of 69.26 per cent of the entrepreneurs have depended on own (‘self’) sources whereas 10.74 per cent on family sources, 6.30 per cent on friends, 4.81 per cent on government agencies, 3.33 per cent on professional agencies and the balance 5.56 per cent on sources other than the all the above.

Regarding marketing management, more than half of the entrepreneurs under study (54.44 per cent) have used own (self) sources while 16.67 per cent have received family support, 12.22 per cent the support of friends, 8.52 per cent from government agencies, 3.33 per cent from professional agencies and the rest 4.81 per cent from sources other than any of the above five.

Regarding general administration, a vast majority of the respondents comprising of 81.85 per cent of the total have relied on self (own sources), while 4.81 per cent have had family support, and 4.07 per cent the support of
friends. A small percentage of 2.59 per cent alone have had the support from
government agencies while a still smaller percentage of 1.85 per cent have
sought the support of professional agencies. Lastly, 4.81 per cent of the
entrepreneurs under study have had support from none of the above five
sources.

vi) Major Problems Faced by the Entrepreneurs under Study

The major problems include capacity utilization, raw material
availability, finance availability, availability of latest technology, marketing
problems and labour problems. It is noted that the most chronic problem that
is applicable to almost all units under study is that low capacity utilization. As
high as 92.22 per cent of the units are facing the problem of capacity
utilization. Second worst problem is that of finance ie. non-availability of
adequate capital at the right time, and as high as 91.11 per cent of the sample
enterprises under study have reported this problem. Third worst problem is
that of labour related problems and 74.07 per cent of sample micro enterprises
has reported this problem. Fourthly and fifthly comes raw material
availability problem (70.74 per cent) and marketing problem (68.89 per cent)
respectively. Lastly comes the technology problem which is reported by 61.85
per cent of the enterprises.
vii) **Possession of Technical Knowhow by the Entrepreneurs of the Micro Enterprises**

It is the possession of technical knowhow regarding the respective industry that decides the skill of the entrepreneur in effectively managing and controlling its affairs. It is noted that more than half (52.52 per cent) possess the knowhow while 39.26 per cent do not possess it.

viii) **Profitability of the Micro Enterprises under Study**

It is noted that 52.22 per cent of the micro enterprises under study have profits upto Re. 0.5 lakh, 25.93 per cent of them have profits in the range Re. 0.5 to 1 lakh, 10.74 per cent of them have profits in the range Rs. 1 to 2 lakhs, 5.56 per cent of them have profits in the range Rs. 2 to 5 lakhs and the remaining 5.56 per cent have are not making profits at all. None of them are making profits above Rs. 5 lakhs. Of the units under different types of industries, those under chemical industry are the most profitable ones (Profitability Index 1.2) and then comes units under rubber industry (Profitability Index 1.13).

6.3 **Personal Profile of the Employees of Micro Enterprises under Study**

In this section, the personal profile of the employees of the micro enterprises under study as revealed in the field study is sought to be given in brief. Different variables such as age, gender (sex), marital status, educational
qualifications, experience, inspiration to join the enterprise, motivation to join the enterprise, possession of technical knowhow are used here.

i) **General Profile of the Employees of the Micro Enterprises**

It is noted that out of the total sample of 810 employees, 67.90 per cent are males and the balance 32.10 per cent are females.

Analysis of the age characteristics of the sample employees of micro enterprises has revealed that majority of the employees belong to “Below 35” age group (60.99 per cent), and that less than one-third of the total employees (30.37 per cent) fall under the “35-50” in the age group. The balance 8.64 per cent of the employees belongs to ‘Above 50’ age group.

Analysis of the marital status of the employees under study has revealed that majority of the employees (69.75 per cent) are married. Only the balance 30.25 per cent comprises the unmarried employees among them. Thus, the proportion of married employees is significantly higher than that of unmarried employees, the same being more than double of the latter.

Study of the educational background of the employees has revealed that majority of them have poor educational background. As high as 28.40 per cent has got below SSLC whereas 26.54 per cent has got SSLC, 17.04 per cent has got Certificate/Diploma, 13.70 per cent has got Pre-Degree/Plus Two and 8.77 per cent has got Graduation. Only 2.72 per cent has Post Graduate qualification while the rest 2.84 per cent have got qualifications other than
any of the above. In IT & ITES, Services etc. there are relatively more graduates and post graduates.

Analysis of the experience of the employees has revealed that as high as 24.32 per cent of the employees have experience less than 5 years, 27.04 per cent have experience between 5 to 10 years, 27.90 per cent within 10 to 20 years, and the balance 20.74 per cent with experience more than 20 years.

ii) Inspiration and Motivating Factors of the Employees of the Micro Enterprises

Based on the field study with respect to the employees, it has been revealed that unemployment is one of the most important inspirations to join the micro enterprises, for as high as 35.06 per cent of the employees under study. For 13.21 per cent of them newness of the respective enterprise is the inspiration, whereas a high share of 25.56 per cent of them have been inspired by the better working environment. Another 8.64 per cent have been inspired by the better remuneration, 12.59 per cent by the convenient location, 3.46 per cent by the better career prospects, and the rest 1.48 per cent because of other reasons.

Analysis has also revealed that a vast majority of 83.09 per cent of the sample employees of the micro enterprises under study are self-motivated to join the respective micro enterprises. It is worthwhile to note that all the other factors like motivations from family, friends, NGOs, Government agencies etc. are quite insignificant. Further, all these factors have exerted less than 5 per cent influence on motivating the employees to take up employment in

Role of Micro Enterprises in Rural Development
respective micro enterprises. Of these the factor ‘family’ has got better influence (4.94 per cent) than others.

iii) Possession of Technical Know-how of the Employees under Study

It is noted from the field study that the vast majority of the respondents (71.27 per cent) possess the requisite level of technical knowhow for employment. Besides, this ratio is as high as 91.67 per cent in IT and ITES industry. However, 22.59 per cent of the sample employees do not have the technical know-how. Only a less number of them (6.17 per cent) have had the opinion that technical know-how is not required for their employment.

iv) Perception of the Employees regarding the Problems of Micro Enterprises

It is observed from the study that as high as 93.46 per cent of the employees have the opinion that it is the under-utilization of the installed capacity that creates problems. Likewise, 90.12 per cent of the sample employees perceive that the business suffers because of the finance (capital) problems. Besides, 75.93 per cent of the employees perceive labour-related issues are creating problems, while 71.85 per cent of them perceive problems associated with raw material availability, 71.23 per cent perceive marketing related problems and 63.46 per cent perceive technology-related problems. Thus, it may be noted that capacity utilization and finance problems are relatively of very high significance, followed by problems related to labour, raw materials and marketing. Problems related to technology adoption are of relatively low significance.
v) Perception of Employees regarding the Performance of the Micro Enterprises

In general, the perception of employees regarding the performance of the micro enterprises they belong to is quite moderate or poor. It is noted that range of scores is from 2.14 (lowest) to 2.88 (highest). Considering the extreme possible values of 1 to 5 and going by a three-tier ranking, like, Low (scores upto 2.33), Moderate (scores between 2.33 and 3.67) and High (scores above 3.67); it may be noted that all the parameters are falling under either ‘Poor’ or ‘Moderate’ category and none under ‘High’ category. Among the parameters under moderate category, highest score goes to status of the enterprise in the industry (score 2.88). Quite similar is their perception regarding general administration, product quality, marketing and service delivery (scores from 2.86 to 2.83).

Further, it is noted that the general perception regarding the level of technology adoption / R&D is quite low (score 2.73). Job satisfaction is very moderate, and still moderate is the case of working environment (scores 2.70 and 2.66 respectively). Besides, three parameters qualify only for ‘Poor’ category. The worst of all is capacity utilization for which the score is 2.14 only. Next worst performances are those of Accounting & Book Keeping (score 2.29) and Receivables/Cash Management (score 2.30). In a nutshell, the perception of employees regarding performance of micro enterprise is quite poor.
6.4 Development Potential of Micro Enterprises through Empowering Entrepreneurs

i) Development through Entrepreneurial Empowerment of the Entrepreneurs

For assessing the development potential of micro enterprises by way of entrepreneurial empowerment the following ten factors have been used: (i) Ability to promote new business, (ii) Administrative ability, (iii) Generate new ideas, (iv) Undertake risk and uncertainty, (v) Plan, co-ordinate and control, (vi) Handle cash and bank transactions, (vii) Accounting, (viii) Conduct market survey, (ix) Time management, and (x) Financial management.

It is noted that out of the ten parameters (factors) under study, five parameters qualify for high empowerment, three for moderate empowerment and the rest two for low empowerment. The factors that promise high development are (i) Plan, co-ordinate and control, (ii) Undertake risk & uncertainty, (iii) Administrative ability, (iv) Time Management, and (v) Financial Management. The factors that possess moderate development include, (i) Generate new ideas and (ii) Ability to promote new business. The factors that promise low development include, (i) Handle cash and bank transactions, (ii) Conduct market survey, and (iii) Accounting. Besides, the overall contribution of all the above ten factors towards entrepreneurial development is moderate as evidenced by the overall average score of 1.04.
ii) Development through Individual Empowerment of the Entrepreneurs

For assessing the development potential of micro enterprises by way of the individual empowerment of the entrepreneurs, the following six factors have been used: (i) Better knowledge about industry, (ii) Confidence in starting own enterprises, (iii) Personality development, (iv) Enhanced leadership quality, (v) Ability to face problems, (vi) Decision making ability.

It is noted that in general there is high development potential by way of individual empowerment of the entrepreneurs of micro enterprises. The average total score showing the overall individual development is at a high level of 1.46 (ie. when all the six factors taken together). Taking the individual factors also there are high levels of development. Of the six factors, five are in ‘high empowerment’ type and just one in ‘moderate empowerment’ type.

The factors that offer high development prospects through individual empowerment of entrepreneurs include, (i) Better knowledge about industry, (ii) Personality development, (iii) Enhanced leadership quality, (iv) Ability to face problems, and (v) Decision making ability. The sole factor that offers moderate empowerment prospects includes confidence in starting own enterprise. Besides, there is not a single factor under the low development category.
iii) Development through Social Empowerment of the Entrepreneurs

For assessing the development potential of micro enterprises by way of the social empowerment of the entrepreneurs, the following four factors are used: (i) Public speaking ability, (ii) Expressing opinion in a meeting/discussion, (iii) Membership in industry associations /clubs, (iv) Knowledge of laws to protect industry/self.

It is noted that there is reasonably high development potential by way of social empowerment of the entrepreneurs of micro enterprises. The average total score indicating the overall social development is at a high level of 1.34 (ie. when all the four factors taken together). Taking the four individual factors, two ones (viz. public speaking ability, and expressing opinion in a meeting/discussion) provide high empowerment while the rest two ones (viz. membership in industry associations/clubs, and knowledge of laws to protect industry/self) give moderate development.

6.5 Development Potential of Micro Enterprises through Empowering their Employees

i) Development through Individual Empowerment of the Employees

For assessing the development potential of micro enterprises through individual empowerment of the employees of such micro enterprises the following factors have been used: (i) Confidence to promote own micro industry, (ii) Handle the managerial functions of a unit, (iii) Inspiration to undertake risk, (iv) Generate new business ideas, (v) Time management, (vi)
Enhancement of administrative capability, (vii) Financial planning and discipline.

It is noted that micro enterprises have got an appreciably high level of development potential among the employees of such units. This is evidenced from the high overall (total) score of 1.38 considering all the seven factors together. Besides, except for one factor (inspiration to take risk) all the other six factors have high individual growth potential. Thus, the factors that can contribute highly towards individual development of employees and hence overall development of the region include, (i) Confidence to promote own micro industry, (ii) Handle the managerial functions of a unit, (iii) Generate new business ideas, (iv) Time management, (v) Enhancement of administrative capability, and (vi) Financial planning and discipline. The other factors (viz. Inspiration to undertake risk) has got moderate development potential, whereas there is not a single factor under the category of factors with low development potential. In short, it may very well be stated that micro enterprises play a crucial role in the individual empowerment of their employees.

ii) Development through Family Empowerment of the Employees

For assessing the development potential of micro enterprises through family empowerment of the employees of such micro enterprises the following four factors are used: (i) Freedom to spend and save the earnings,
(ii) Freedom to decide on children’s education, (iii) Deciding on purchase of capital assets, (iv) Freedom from money lenders and bankers.

It is noted that all the four factors have reasonably the same level of development potential and their average scores in the range of 1.37 to 1.12. While none of these factors are in the low range (score below 0.67 category) one factor (viz. deciding on purchase of capital assets) is in the high range (above 1.33). Thus, the factors that offer moderate development potential through family empowerment include the following three, (i) Freedom to spend and save the earnings, (ii) Freedom to decide on children’s education, and (iii) Freedom from money lenders and bankers. Moreover, it is noted that in general the potential of micro enterprises for family empowerment is lower than that for individual empowerment.

iii) Development through Social Empowerment of the Employees

For assessing the development potential of micro enterprises by way of the social empowerment of the entrepreneurs, the following six factors are used: (i) Public speaking ability, (ii) Expressing opinion in a meeting/discussion, (iii) Membership in employee associations/ unions, (iv) Election campaigning / contesting in elections, (v) Raising voice against injustice, (vi) Knowledge of laws to protect self / family.

It is noted that, in general, micro enterprises have got only moderate potential for bringing about social development for its employees, as evidenced by the overall (total) average score of 1.16 (ie. when all the six factors are
taken together). Two factors (viz. membership on employee associations and raising voice against injustice) have got high scope of development among the employees. The rest four factors, viz. (i) Public speaking ability, (ii) Expressing opinion in a meeting/discussion, (iii) Election campaigning/contesting in elections, and (iv) Knowledge of laws to protect self / family, offer moderate development potential.

The overall score (by considering all the six factors together) is 1.16 suggesting moderate potential for development. Furthermore, the potential of micro enterprises for social development is lower than that for both individual development and family development.

6.6 Suggestions for Better Performance of the Enterprises Based on the Study Findings

It has been noted from this study that micro enterprises do offer adequate potential for regional economic development by way of empowering their entrepreneurs and also the employees of such enterprises. The development caused because of the linkage effects are in addition to the above. The extent of development, however, depends on various other extraneous variables like Government policy, availability of raw materials, labour and such other factors. The problems of micro enterprises could emanate from the personal deficiencies of the entrepreneurs as well. In fact, micro enterprises could be made instrumental in bringing about rural development if carefully thought-out, meticulously designed, and clearly articulated strategies for their development are implemented with the support of the Government and other
stake holders. Based on the insights obtained from this study, the following pragmatic suggestions have been put forward:

(1) Incorporation of a comprehensive and exhaustive entrepreneurship development programme that would provide basic management skills to entrepreneurs of micro enterprises should be initiated at the Governmental level in a phased manner.

(2) As economic compulsions (like, unemployment) could also lead to taking up entrepreneurship by some of the entrepreneurs. In respect of such entrepreneurs, with the help of appropriate educational and training institutions, such economic compulsions could be effectively replaced by careers. Such institutions could effectively boost career in entrepreneurship through a well-designed curricula on entrepreneurship and business management. The participation of educational institutions like Universities and Business Management institutes should be ensured in such initiatives to develop entrepreneurship among the talented youth. As lack of professional management is one of the chronic problems of micro enterprises, significance of imparting professional education and training in entrepreneurship on the above lines need not be over emphasized.

(3) As the development financial institutions and other formal sector financial institutions like banks often follow a ‘wait and see’ approach which may prove to be wrong in the long run. As financing continues to
be one of the chronic issues for most of the micro enterprises under study, the right approach that ought to have been adopted by the formal sector financial institutions and banks should be to identify the talented entrepreneurs in the society and groom them up gradually through financial and other developmental assistance like entrepreneurial training. The Government should take the initiative in bringing about the conducive changes in the banking procedures and practices in vogue in the country.

(4) As marketing is one of the crucial problems faced by the micro enterprises under study, mechanisms to impart specialized training to entrepreneurs and marketing staff of micro enterprises should be vigorously followed by the Government. Only through scientific promotion and marketing of products, the micro enterprises can ensure survival and growth, particularly in the ongoing era of globalization characterized by cut-throat competition.

(5) Added thrust is to be accorded by the micro enterprises for enhancing their sales volume. As it has been noted that higher sales volume is positively associated with higher profitability too, focused attention for increasing sales revenue through aggressive marketing, better customer service, better capacity utilization etc. is quite advisable.

(6) Over and above governmental initiatives to provide education, training and other sorts of developmental assistance, the Government should

*Role of Micro Enterprises in Rural Development*
encourage industry associations and other training institutions for imparting training to micro enterprises.

6.7 Concluding Remarks

In spite of the large number of problems faced by the micro enterprises, there do exist ample scope for regional economic development particularly rural development through the implementation of appropriate policy initiatives by the concerted action of the Government and other stake holders like industry associations, formal sector financial intuitions, training institutions etc. Apart from ensuring faster economic development of the nations, micro enterprises ensure that such economic development is balanced, equitable and hence sustainable in the long run.

Formal training of entrepreneurs by way of specialized entrepreneurship development programmes is an imperative in the Kerala scenario, given the lack of adequate business management skills and entrepreneurship background for vast majority of the entrepreneurs. Such training programmes should be commenced at the initiative of the Government /Government agencies, preferably with the support and co-ordination from development finance institutions, industry associations, reputed business management institutions etc. Besides, a concerted action is required to impart an entrepreneurship culture among the youth. In fact, efforts in this direction have to be initiated at the school level itself, so that talented young men and women with the right entrepreneurship skills take up such occupations early at a relatively early age.
Given the vast market for goods and services in India, given the fast emerging and affluent upper middle income population which constitute a major part of the population, micro enterprises (including other types of MSMEs) have got high growth potential. Only thing is that they have to exploit this opportunities through offering the products and services that the market prefers at reasonable prices. The major impediments in this regard is the cut-throat competition in the market in view of the forces of globalization sweeping across the globe. As high quality products from other countries (like, China) are getting flooded in the domestic market and are offered at cheaper prices, it is natural that domestic enterprises lose their market. This is particularly true of micro enterprises because of the low quality image of their products, and poor marketing and allied infrastructure for effective promotion of their products.

6.8 **Scope for Further Exploration**

Considering the scope of the study as noted above, and also other factors like the research gaps in this broad area of research, the following are some of the topics that deserve attention for further exploration:

(i) Study of the Leadership Qualities on the Performance of Micro Enterprises

(ii) Governmental and Legal Environment of Business and the Performance of Micro Enterprises

(iii) Study of the Influence of the Adoption of Information and Communication Technology (ICT) on the Performance of Micro Enterprises

*Role of Micro Enterprises in Rural Development*
(iv) Techno-Economic Study of the Functioning of MSMEs and their Training Needs


(vi) Role of Micro Enterprises in Women Empowerment.