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Development Partnership for promoting sustainability of Micro Enterprises

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Abstract

Micro enterprises contribute significantly for inclusive industrial development by fostering entrepreneurship and generating employment opportunities at comparatively lower capital. But the presence of micro enterprises alone cannot guarantee a solution to the issues. The challenge is to ensure the sustainability of the micro enterprises to ensure long term economic progress.

Despite the significance of micro enterprises, they are faced with challenges and threats. According to the study, there are 6 stages in micro enterprise development namely initiation stage, existence stage, no loss no profit stage, loss/profit stage, termination stage /take off stage and sustainable development

The study is an attempt to identify the development partners who help micro enterprises to meet the challenges and influence sustainability of enterprises' The study reveals that sustainability of micro enterprises depends to a large extent on the development partnership with support from Common Facility Centres, NGOs, Government, Mahalir Thittam, District Industrial centre, Krishi Vigyan Kendra and marketing linkage with large scale industries.

Key words: Micro enterprise, Sustainability, Stakeholders, Development partners

Introduction

Growth of Micro enterprises bring in vibrancy to the rural economy as it unfolds business opportunities to the marginalized sections, enabling them to overcome poverty. The contribution of Micro enterprises to the national economy can be measured in terms of inter related issues – economic (income generation), social (poverty reduction), political (wealth distribution). A vibrant Micro Enterprise sector provides a strong foundation to economic growth, innovation, regional distribution and job creation. The Micro Enterprise sector has emerged as a dynamic sector of the Indian economy over the last five decades. Promotion of Micro-enterprises as a goal of poverty alleviation has gained credence in development perspective. It contributes significantly for inclusive industrial development and thereby to the economic and social development of the country by fostering entrepreneurship and generating employment opportunities at comparatively lower capital.

Sustainability of Micro Enterprise

Sustainability of Micro enterprise refers to the ability of an enterprise to survive profitably and succeed in a dynamic competitive environment selling the same product or with product differentiation. Here the term is used to denote the longevity of the enterprises. The importance of planning for sustainability right from the inception of any project is mandatory as planning can aid sustainability along with the contextual factors. The study is based on the factors influencing the sustainability of micro enterprises in selected blocks of Dindigul district, Tamilnadu State.

Development partners

India's approach to development is mainly human-centric and is marked by respect, diversity, care for future of people and sustainable development. For India, the fundamental principle in cooperation is respecting development partners and be guided by their development priorities. Development Partnership in the field of Micro enterprise refers to the progress of micro enterprises with assistance, support and in partnership with development agencies in various fields such as production, credit support, marketing, Business development services and other infrastructural facilities.

Stakeholders of Micro enterprises

The stakeholders of Micro enterprises include policy makers, government organisations, financial institutions, training institutions, NGOs, private organizations experts and entrepreneurs which have a reciprocal relation. For appropriate Micro Enterprise sector development, the role of these stakeholders is very much essential in any country. Among the stakeholders, the government performs the role as regulator and an economic agent and others perform different roles of providing services to Micro enterprises , thus acting as development partners.

Development partnership / networking with stakeholders is important for sustainability of micro enterprises due to the following reasons

- It helps to understand better the business environment
- Helps in making the development initiatives more aligned
- Helps in providing support services
- Provides infrastructural services
- Helps in credit and marketing activities

Table 1 Development Partnership approach of Micro Enterprises

Partners	Support
District Industrial Centre (DIC)	Application Scrutiny, training and loan sanction for micro enterprises
Mahalir Thittam	Training SHGs, SHG Bank linkage, market linkage
Non Government Organisation (NGO)	Training, credit support to tiny enterprises
Krishi Vigyan Kendrs (KVK)	Training, Technical support to micro
Common Facility Centres (CFCs)	Technical inputs, Providing support
Banks	Loan facility
Private sector facilitators	Supply chain, distribution links
Government	Subsidy support, service delivery
Large scale industries	Market linkage

The present paper investigates the role of development partnership in promoting sustainability of micro enterprises in selected blocks of Dindigul district

Objectives of the study:

- To study the status of Micro enterprises in TamilNadu
- To study the functional status of Micro enterprises in the study area
- To analyse the challenges faced by the micro enterprises in the study area
- To investigate the role of development partnership in promoting Micro enterprises

Methodology

The study is descriptive one based on survey method employing both secondary and primary data. The present investigation has adopted Multi stage random sampling method for the selection of districts, blocks and micro enterprise owners. The 602 entrepreneurs from Dindigul, Nilakottai and Kodaikanal blocks of Dindigul district who launched the enterprise during 2010 were selected based on systematic random sampling constituted the respondents of the study.

Bearing on the objectives of the study interview schedules were framed for the purpose of collecting data. In addition, Focus Group Discussion was also used to collect in-depth information from the micro enterprise owners. Statistical tools such as averages, and percentage analysis have been used to analyze the data.

Table 2 State of Micro Enterprises registered in TamilNadu

Districts	Micro enterprise	Small enterprises	Medium enterprises	Total
Ariyalur	1426 (86.58)	217 (13.18)	4 (0.24)	1647 (100)
Chennai	123160 (87.18)	17532 (12.41)	581 (0.41)	141273 (100)
Coimbatore	73179 (87.04)	10609 (12.62)	290 (0.34)	84078 (100)
Cuddalore	8309 (87.32)	1176 (12.36)	31 (0.33)	9516 (100)
Dharmapuri	8138 (91.63)	732 (8.24)	11 (0.12)	8881 (100)
Dindigul	11880	1347	49	13276

	(89.48)	(10.15	(0.37)	(100)
Erode	33326 (90.71)	3334 (9.07	80 (0.22)	36740 (100
Kanchi	48635 (87.94)	6460 (11.68	207 (0.37)	55302 (100
Kanyakumari	15027 (87.75)	2061 (12.04	37) (0,22)	17125 (100
Karur	7398 (84.97)	1286 (14.77	23 (0.26)	8707 (100
Krishnagiri	14 81.26)	3136 (18.18	98 (0.57)	17254 (100
Madurai	39730 (91.14)	3790 (8.69	74 (0.17	43594 (100
Nagapattinam	3656 (85.20)	627 14.61	8 (0.19	4291 (100
Namakkal	16028 (81.15)	3655 (18.50	69 (0.35	19752 (100
Nilgris	1629 (87.77	221 (11.91	6 (0.32	1856 (100
Perambalur	1359 (81.04	318 (18.96	0 (0.00)	1677 (100
Pudukottai	5439 (83.86	1029 (15.86	18 (0.28	6486 (100
Ramanathapuram	3105 (85.47)	520 (14.31	8 (0.22	3633 (100
Salem	46475 (92.89)	3484 (6.96	72 (0.14	50031 (100
Sivaganga	4277 (87.23)	611 (12.46	15 (0.31	4903 (100
Thanjavur	8507 (87.88)	1155 (11.93	18 (0.19)	9680 (100
Theni	6308	619	9	6936

	(90.95)	(8.92	(0.13)	(100
Thiruvallur	37989 (86.06)	6001 (13.60	150 (0,34)	44140 (100
Thiruvarur	2917 (84.75)	515 (14.96	10 (0.29)	3442 (100
Thuthukudi	9809 (83.25)	1926 16.35	47 (0.40)	11782 (100
Truchi	15209 (87.09)	2198 12.59	57 (0.33	17464 (100
Tirunelveli	16452 (88.86)	2021 10.92	42 (0.23	18515 (100
Thiruppur	63665 (89.14)	7562 10.59	196 (0.27	71363 (100
Thiruvannamalai	7306 (88.31)	947 11.45	20 (0.24	8273 (100
Vellore	18613 (87.37)	2627 12.33	64 (0.30	21304 (100
Villupuram	8385 (87.11)	1194 12.40	47 (0.49)	96261 (100
Viruthungar	18355 (90.89)	1777 (8.80	62 (0.31)	20194 (100
Total	679728 (87.96)	90627 (11.73	2403 (0.31)	772758 (100

Source:TamilNadu Government statistics 2021

According to the district wise registered micro enterprises, Salem district occupies the top place (92.89 per cent) followed by Dharmapuri(91.63) Madurai(91.14), and Viruthunagar (90.89 per cent) and Erode (90.71) Out of the 772758 industrial enterprises in TamilNadu, 87.96 of the enterprises are micro enterprises (Table 1)

Micro enterprises in Dindigul district:

Next to farming, a sizable population in Dindigul district depends on industries. Dindigul is an important industrial town. The following table gives a bird's eye view of the micro enterprises in various blocks of Dindigul district.

Table 1 **Important Micro enterprises in Dindigul district**

Block	Important Micro enterprises
Dindigul	Leather tanneries, iron lock, cash boxes,
Oddanchatram	Milk products, separation of cream from milk
Batlagundu	Coir products, coir fibre, curled coir
Athur	Handloom industry, Siddha products, Ayurvedic medicines
Nilakottai	Floriculture, gold ornament, Brass vessel manufacturing
Natham	Coir products, readymade garments
Kodaikanal	Woolen garments, dry flowers, home chocolates, herbal oil
Vadamadurai	Gem cutting

A number of spinning mills are coming up in Vedasandur and Vadamadurai blocks besides a few paper mills and mini steel industry. Some of the fast developing industrial activities of recent origin are lime-kiln, brick kiln, spinning and paper mills. Other traditional but promising industries are leather tanning, lock making, metal work, cotton textiles, brassware industry, jeweler work, dyeing, and art silk weaving. More than 1000 families are engaged in the weaving sector. In addition Khadi industry (spinning, weaving and dyeing) has been promoted by Gandhigram Trust in a big way. An Industrial Estate is available in Dindigul for the benefit of Micro enterprises.

Following Table shows the sector wise functioning of micro enterprises in the study area.

Table 3 Micro enterprises in the study area

	Dindigul block		Nilakottai		Kodaikanal		Total
	No	%	No	%	No	%	
Agriculture	-	-	28	23.73	5	9.26	33
Dairying	23	5.35	2	1.69	-		25
Industry	95	22.09	18	15.25	4	7.41	117
Business	261	60.70	37	31.36	35	64.81	333
Service sector	51	11.86	33	27.97	10	18.52	94
Total	430	100	118	100	54	100	602

Source: Field data

As is observed in Table 3, in Dindigul block which is urban centric, majority (60.70 per cent) of the micro enterprises are business oriented followed by manufacturing enterprises (22.09 per cent). In Nilakottai block 31.36 per cent of the enterprises are business oriented followed by enterprises in service sector. In Kodaikanal block also which is a tourist spot, majority (64.81 per cent) of the enterprises are business centred followed by service sector. In Nilakottai block which is rural in nature 23.73 per cent of the enterprises are found in agriculture sector as against 9.26 per cent in hilly are.

Table 4 Sustainable enterprises in the study area

Block	Loss making units and closed before 5 years	No loss no profit units	Profit making sustainable units	Total
Dindigul	90 (20.93)	206 (47.91)	134 (31.16)	430 (100)
Nilakottai	50 (42.37)	33 (27.97)	35 (29.66)	118 (100)
Kodaikanal	19 (35.19)	21 (38.89)	14 (25.98)	54 (100)
Total	159 (26.41)	260 (43.19)	183 (30.40)	602 (100)

Source: Field data

Note: Figures within parenthesis indicate percentages

Out of the 602 enterprises selected for the study, 26.41 per cent of the enterprises were closed before 5 years of existence and 30.40 per cent of the units were sustainable in the sense that they made profit and were running the units for more than 9 years. The sustainable enterprises constituted 31.16 per cent in Dindigul block as against 29.66 per cent in Nilakottai block and 25.98 per cent in Kodaikanal block. The closed enterprises were 20.93 per cent of the total enterprises in Dindigul block as against 42.37 per cent in Nilakottai block and 35.19 per cent

Problems and challenges faced by loss making Micro Enterprises

- Absence of development agencies to offer support services
- Low capital base
- Credit constraints
- Emphasis on collateral by the banks
- Difficulties in accessing technology
- Lack of access to business development services
- Shortage of skilled personnel human resources
- Lack of innovation
- Poor infrastructure and support services
- Lack of marketing information and marketing skills
- Fierce Competition from low priced sub standard products
- Irregular supply of power
- High transport cost in marketing vegetables and fruits from Hilly areas
- Lack of research and development facilities
- Difficulties in availing raw materials in the case of arcanut products
- Corruption in getting license

Micro enterprises face several problems related to infrastructural, support services, financing and networking. The findings reveal that Government organizations provide different infrastructural and technical facilities to micro enterprises but they are not adequate considering the number of enterprises and their location. The absence of development agencies in the area to offer supporting services is a serious handicap. The study also shows that many micro enterprises lack skills on product design, packaging and sales promotion which are vital for being competitive in the market. Many of the enterprises are not in a position to promote their products and services through advertising and sales promotion mainly due to lack of skills.

Majority of the Micro enterprises do not have adequate marketing capabilities or networks. They do not have resources to invest in marketing. In the domestic market, micro enterprises are confronted with cheap imports and are hard pressed to hold on to their market share. Lack of resources and skills make it difficult for Micro enterprises to take advantage of market promotional activities.

Features of sustainable enterprises

- The micro enterprise owners took a calculated risk
- Link and partnership with development agencies for training and marketing
- They conducted an informal feasibility analysis of the activity for the micro enterprise under the guidance of cluster coordinators
- They selected an activity in which they had skill knowledge / experience and preferred trading or selling activities to production
- They started at a scale which were affordable
- They used the success experience of one activity to start a new one or to expand
- The marketing strategy, relationship with suppliers and customers were the other factors leading to profitability

Partnership with development agencies for loan facility, training, procurement of raw materials, production and training and marketing is the main reason for the success of the micro enterprises in the study area. For instance the farmers in the plain as well as in the hill area underwent training in cultivation and dairying organized by Krishi Vigyan Kendra. Brass vessel units in Nilakottai were assisted by the Common Facility Centre organized by Gandhigram Trust under the sponsorship of NABARD. In Dindigul block the TNWDC opened marketing centres/ shops which helped the SHGs to market their products such as handicraft items, readymade garments, aracanut plates, paper cups and snack items. The ASSEFA (Sarva Seva Farm) in Nilakottai disbursed loans to dairy farmers and procured milk for marketing. In Nilakottai block majority of the sample farmers sold their flowers through commission agents / village merchant Associations. The advance received from the commission agents was the predominant factor for the marginal, small and medium farmers to sell their flowers through commission agents. Immediate cash disbursement persuaded large farmers to sell through commission agents.

The following table explains the Development Partnership approach to promote sustainability of Micro enterprises in the study area.

Development Partnership

Block	Agency partner	Micro Enterprises
Dindigul	District Industries Centre engaged in arrangement for credit facilities, machinery, identification of suitable schemes, preparation of feasibility studies	Jute clusters
Nilakottai	ASSFA (NGO) procures milk from the dairy farmers	Dairy industry
KVK in Athur block	KVK	Training (vermiculture, cultivation in hilly areas)
Nilakottai	Common Facility Centre	Brass vessel manufacture
Dindigul	TamilNadu Women Development Corporation	Publicity, help in participation in exhibition and fairs, Marketing stall assistance
Bank	Loan disbursement	Computer centre, weaving
Nilakottai	Flower commission agents	Marketing
Kodaikanal	Vegetable growers association	Vegetable business

The study reveals that there is no short cut approach or direct route to sustainability of enterprises. The enterprise have to pass several stages before attaining sustainability.

According to the study, there are 6 stages in micro enterprise development namely initiation stage, existence stage, no loss no profit stage, loss/profit stage, termination stage or closure/take off stage, sustainable development stage.

With great difficulty the entrepreneurs initiate the enterprise after getting licence and investing huge amount. During the existence stage, the owner adopts a strategy to remain alive and to stabilize the production or product quality. The main problem of the micro enterprise during this stage is covering customers and delivering the service or product at reasonable price.

During the survival stage the enterprise may grow in size and profitability and tries its best to move on to the next stage namely 'success'. During this stage the enterprise demonstrated itself as a workable entity. The organizational structure is still simple. The coverage of customers is adequate and they are sufficiently satisfied. The key problem of survival stage shifts from mere existence to the equalization of revenue and expenses

During the third stage the owner of the enterprise tries to expand the activities at the same time keeping the enterprise stable. The owner may face 'no loss no profit' situation.

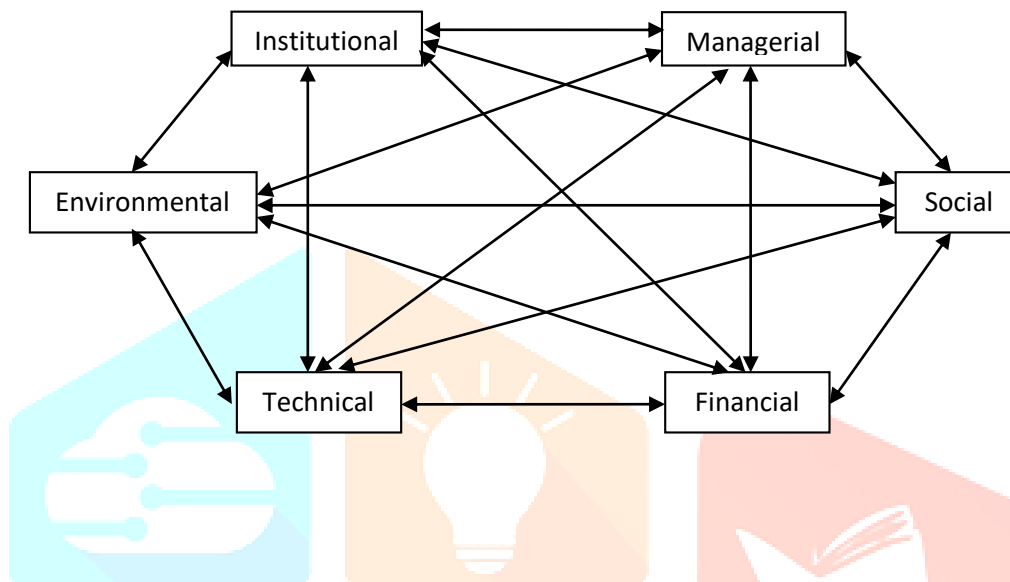
During the fourth stage (taking about 5 years after initiation) which is a pivotal one, the owner rises to the challenges of the growing business both financially and managerially. Sales and production are decentralised The owner must be very competent to handle the (growing situation) 'take off' situation. If the owner of the enterprise fails to rise up to the situation, he meets with loss and winds up the business realizing the limitations of the enterprise (decline and termination stage). If the entrepreneur succeeds in stabilising the situation he gets profit and proceeds to the next stage

In order to sustain the activities of the enterprise, the entrepreneur consolidates and controls the financial gain. The management is decentralized and adequately staffed. Knowing the intricacies of development stage, the entrepreneurs decides the future plan and takes

informed choices and prepare themselves to meet the challenges. It takes about 9 to 10 years to reach this sustainability stage

As the diagram depicts sustainability of micro enterprises is the result of interaction between institutional, managerial, social, financial, technical and environmental factors.

Factor affecting Sustainability (Gine & Perez - Foguet, 2008)



Based on the inputs and experience of the entrepreneurs the success recipe for a sustainable enterprise is a proportionate combination of support services from development partners, team work, innovation, technology, appropriate marketing methods, quality and timely service and networking to move their business to the next level.

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