

# **PERFORMANCE OF MICRO-ENTERPRISES OF SHG ENTREPRENEURS**

**A THESIS SUBMITTED TO THE  
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By

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UNDER THE GUIDANCE OF  
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## **DECLARATION BY THE CANDIDATE**

I declare that my thesis on the topic entitled, “**Performance of Micro-Enterprises of SHG Entrepreneurs**”, is submitted for the award of Degree of Doctor of Philosophy in Economics to the GOKHALE INSTITUTE OF POLITICS AND ECONOMICS, PUNE 411004.

This thesis has not been submitted by me elsewhere for the award of any degree or diploma-part or full. The information gathered by me elsewhere for the thesis is original true and factual. Such material as has been obtained from other source has been duly acknowledged in the thesis.

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Dimple Tresa Abraham

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## LIST OF ABBREVIATIONS

ADS	Area Development Society
AMI	Average Monthly Income
AMT	Average Monthly Turnover
APL	Above Poverty Line
BPL	Below Poverty Line
CAPART	Council for Advancement of People's Action and Rural Technology
CBO	Community Based Organisation
CDS	Community Development Society
CIG	Common Interest Groups
CMF	Crisis Management Fund
CUPRP	Cochin Urban Poverty Reduction Project
DRDA	District Rural Development Agency
DWCRA	Development of Women and Children in Rural Areas
DWCUA	Development of Women and Children in Urban Areas
EDP	Entrepreneurial Development Programme
EMI	Equated Monthly Instalment
GDP	Gross Domestic Product
GKY	<i>Ganga Kalyan Yojana</i>
GOI	Government of India
GOK	Government of Kerala
GOT	General Orientation Training
HCR	Head Count Ratio
IGAs	Income Generating Activities
ILO	International Labour Organisation
IRDP	Integrated Rural Development Programme
JGSY	<i>Jawahar Gram Samridhi Yojana</i>
MDG	Millennium Development Goals
ME	Micro-Enterprises
MEDP	Micro Enterprise Development Programme
MPCE	Monthly Per capita Consumption Expenditure
MSME	Micro Small and Medium Enterprise
MWS	Million Wells Scheme
MYRADA	Mysore Resettlement and Development Agency
NABARD	National Bank for Agriculture and Rural Development

NCEUS	National Commission for Enterprises in the Unorganised Sector
NSSO	National Sample Survey Organisation
NGO	Non-Governmental Organisation
NHG	Neighbourhood Groups
NREGA	National Rural Employment Guarantee Act
NREGS	National Rural Employment Guarantee Scheme
NRLM	National Rural Livelihoods Mission
OAE	Own Account Enterprises
PIP	Performance Improvement Programme
PMEGP	Prime Minister's Employment Generation Programme
PMRY	<i>Prime Minister's Rozgar Yojana</i>
REGP	Rural Employment Generation Programme
RME	Rural Micro-Enterprises
RMK	<i>Rashtriya Mahila Kosh</i>
RRB	Regional Rural Bank
SBLP	Self-Help Group Bank Linkage Programme
SERP	Society for Elimination of Rural Poverty
SGSY	<i>Swarnajayanthi Gram Swarozgar Yojana</i>
SITRA	Supply of Improved Toolkits to Rural Artisans
SJSRY	<i>Swarna Jayanti Shahari Rozgar Yojana</i>
SHG	Self Help Group
SSM	Small Scale Manufacturing
TRYSEM	Training Rural Youth for Self-Employment
TUP	Trickle UP
STEP-UP	Skill Training for Employment Promotion amongst Urban Poor
UBSP	Urban Basic Services for the Poor
UCDN	Urban Community Development Network
UN	United Nations
UME	Urban Micro-Enterprises
ULB	Urban Local Body
USD	United States Dollar
USEP	Urban Self Employment Programme
UWSP	Urban Women Self-help Programme
UWEP	Urban Wage Employment Programme
VSS	<i>Vana Samrakshana Samitis</i>
WPR	Work Participation Rate

# CHAPTER I

## INTRODUCTION

### 1.1 INTRODUCTION

The Indian economy has been registering growth in terms of Gross Domestic Product (GDP) but continue to battle poverty. Though growth is a necessary condition for sustained poverty reduction, by itself may not be sufficient (Ali and Son, 2007; Rao, 1990). Growth alone, without socio-economic development, may increase inequality and further marginalise poorer sections of society (Nayak *et al.*, 2010; Unni and Raveendran, 2007), as is the case with peasants, landless labourers, artisans and the women, who has remained largely sidelined<sup>1</sup>.

The approach paper to the Eleventh Five Year Plan (2007-12), had remarked that growth oriented strategy should be combined with policies ensuring broad based per capita income growth, benefiting all sections of the population, particularly those who were deprived like the poor and the marginalised. Equitable and inclusive growth would require employment generation, which may ensure sustainable livelihoods to the marginalised, in both urban and rural areas of the country. Self-employment can be generated through the development of micro-enterprises<sup>2</sup>. According to Otero and Rhyne (1994, p. 1) ‘for increasing numbers of poor people around the world, micro-enterprises are a source of income and employment where no other alternatives are available’. Micro entrepreneurs<sup>3</sup> commonly make a wide range of goods in small workshops; engage in trading and retail activities; and provide services ranging from motorcycle repair to catering.

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1. An example is the fall in access to institutional credit for rural households as indicated in studies by Shetty (2005) and Swaminathan (2007)

2. A micro-enterprise, as per the notification No.S.O.1722(E) dated October 5, 2006 in the Micro, Small & Medium Enterprises Development (MSMED) Act, is one where investment does not exceed 25 lakh if it is engaged in the Manufacturing sector, while in the case of those in the service sector, the investment should not exceed 10 lakhs. The classification in detail is given in Appendix III.

3. A micro entrepreneur is one who owns a micro-enterprise. By definition an entrepreneur is an individual who organises, operates and assumes the risk of a business venture.

These millions of enterprises formed by the economically weaker sections of the society are ubiquitous, in urban and rural areas alike, where they are engaged in multitude of activities like operating trading stalls, retail stores, small restaurants, tiny manufacturing units, and also in services such as transport, tailoring, catering, and others. A large number of these 44 million non-agricultural unincorporated enterprises were sole proprietorships (36 per cent) and 64 per cent (roughly 29 million) had five or fewer employees (NSSO, 2000).

According to Government of India (2006), the dispersed and decentralised Micro, Small and Medium enterprise (MSME)<sup>4</sup> sector has the second largest share of employment (Table A-I.1 in Appendix I) after agriculture and span a wide range, including khadi, village and coir industries, handlooms, handicrafts, sericulture, power looms, food processing and other agro and rural industry segments. The sector constitute more than 90 per cent of total enterprises and is important as it touches the lives of the weaker and unorganised sections of the society with more than half of those employed being women, minorities, and the marginalised.

In India, the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. The 4th All India Census of MSMEs conducted in 2006-07 recorded 261 lakh MSMEs in 2006-07. Out of this, only 5.75 per cent were registered units, while the remaining 94.25 per cent were un-registered units. Out of the total, only 28 per cent were in manufacturing, while 72 per cent were in services. Activity wise, apparel making (14.03 per cent), food products and beverages (13.53 per cent), were common. The sector as a whole and particularly the micro-enterprises which require only a small amount of initial investment enable income generation through self employment and ensure livelihood security for the poor.

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4. According to the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in to Manufacturing enterprises which is defined in terms of investment in plant and machinery and Service enterprises which is defined in terms of investment in equipment.

For those aspiring to start a micro-enterprise, the capital investment though small requires credit, which is difficult to mobilise especially if they are poor and belong to marginalised sections of the society (Basu and Srivastava, 2005), and is almost impossible if the enterprise is being initiated by a woman. In spite of this, it was noted by Eversole (2004); Gurumurthy (2006) and Thas *et al.*, (2007) that large numbers of rural micro-enterprises in developing countries were operated and owned by women. Kulshrestha (2000) identified lack of capital as a major constraint to the development of women in rural areas, which was mainly due to lack of identity and assets as collateral security. Pal (1995) pointed out that the formal banking sector and conventional lending institutions everywhere, ignored the women for years, and did not lend to the aspiring poor. In a study conducted in Africa, Rhyne and Otero (1994, p. 13) examined this problem closely from the view point of both lenders as well as the poor entrepreneurs. They state:

*‘Mainstream financial institutions cannot easily serve micro-enterprises. Banks must process loans at a cost that can be covered by interest charges and they must have confidence in the borrower’s intent and ability to repay. The practices that most banks use to gain confidence in the quality of loans are expensive. They involve credit checks to gain information about the client’s character, project appraisal to assess the client’s business prospects, and formal collateral. These techniques cannot be used in micro-enterprise lending. Project appraisal is too expensive, and micro-enterprises do not keep records. Micro-enterprises have no established credit rating. They lack marketable collateral. These factors keep commercial banks out of micro-enterprise lending’.*

Therefore, micro-enterprises remained outside the purview of banks and formal credit, and became dependent for micro-credit on money lenders who gave loans easily but charged very high interest rates (Basu, 2000). The formal financial sector institutions, like the nationalised and regional rural banks, to some extent catered to the needs of small and medium farmers, if they could provide collateral; but the process and procedure for availing loans were time consuming and involved tedious paper work which by itself became strong barriers and prevented the poor from accessing loans from banks and similar institutional lenders.

Dowla (2000) records that it was the Grameen Bank of Bangladesh that pioneered lending to the poor without any collateral, especially to groups of poor women, who were illiterate and landless. Bronstein (1996: 78-79), illustrates the case of Ms. Aleya, a loan beneficiary from the Grameen Bank who recalls her husband mocking her when she had joined a group to avail loans. She cites his exact words,

*‘Oh, you think you’re going to get money? Even men can’t get money from a bank without land certificates; so how are you housewives going to get money?’*

The advent of microfinance and micro-credit brought about a change into this, bringing about greater inclusion of the poor into the formal banking sector. Micro finance and micro-credit became popular in the world, especially in the developing countries after the 1997 micro-credit summit. According to Mukherjee (1998) though microfinance as it is practiced now was first experimented in the 1970s by BRAC<sup>5</sup>, Grameen and others, lending for alleviating poverty was used in South Asia at least a half-century earlier by Rabindranath Tagore, who promoted and organized co-operatives of poor villagers and provided loans to them for income generating activities.

The main objective of microfinance, considered as a grassroots instrument to alleviate poverty is primarily to be achieved through micro-enterprises that would ensure livelihoods (Anderson *et al.*, 2002; Evans *et al.*, 1999; Tietze *et al.*, 2007 and Woller and Woodworth, 2000). Micro-enterprises require small loans, or ‘micro-credit’ which is the term used for extending of small loans to very poor people, especially women, for generating income through self-employment activities. According to Anderson *et al.*, (2002), the objective of micro-credit is to break the vicious circle of poverty consisting of low capital, productivity, income and savings and is intended to enable the borrowers, primarily the poor women, to buy the goods that are needed to start or improve an existing small business.

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5. BRAC is the worlds' largest non-governmental organisation in terms of staff, employing over 1.2 lakh people. It was founded in Bangladesh by Sir Fazle Hasan Abed in 1972. It is not an acronym now, though formerly it was the Bangladesh Rehabilitation Assistance Committee and later the Bangladesh Rural Advancement Committee. It has organised the isolated poor, and has found practical ways to increase their access to resources, support their entrepreneurship and become agents of change. BRAC's economic development programme provides collateral-free credit using a solidarity (group) lending methodology.



Although micro-credit programmes are different across countries, there is a criterion for identification originally given by the Grameen Bank (2004) of Bangladesh. These are as follows

- The loan size is small the average size ordinarily being about US\$100.
- The loans are lent to poor households, mainly to women, called micro-entrepreneurs, and to obtain these loans, the borrowers must form a group and repay their loans in weekly or fortnightly instalments.
- The purpose of these loans is to create self-employment opportunities in non-formal sectors for income-generating activities.
- The credit is provided without collaterals, i.e. legally enforceable contracts.

A variety of government sponsored programmes, providing a wide range of incentives as well as financial support, were initiated to support small enterprise development in many developing countries. Though it is the central and the state government that provides most of the subsidies, there are programmes like TUP (Trickle UP is funded by an US based organisation) where others are providing ‘micro’ grants. Basu (2008: p.291) writes on TUP’s experience which showed that a minimum seed capital grant allows people at the lowest rung of the economic hierarchy to take certain risks, which they may not if only credit (which need to be repaid) is made available. The minimum grant here was 100 US\$.

The World Bank as reported in Beck, *et al.*, (2004) supported MSMEs development programs based on the argument that MSMEs make special contributions to developing economies by generating the required income necessary for alleviating poverty. In India, national level programmes like the *Rajiv Gandhi Udyami Mitra Yojana* provided handholding or support to micro-enterprises. One such support is the subsidy (financial grant or assistance) which is referred as ‘margin money’ in the *Prime Minister’s Employment Generation Programme* (PMEGP). The objective of the above was to generate 37.38 lakh additional employment opportunities by facilitating self-employment and entrepreneurship in the rural and urban areas. An amalgamation of the *Prime Minister’s Rozgar Yojana* (PMRY) and the *Rural Employment Generation Programme* (REGP), the programme had a subsidy

component of ₹ 4485crores (Table 1.1). The programme also envisaged an additional support of ₹ 250crores for the backward and forward linkages of micro-enterprises formed under the scheme.

**Table 1.1 Estimated Targets under PMEGP from 2008 – 09 to 2011 – 12.**

<b>Year</b>	<b>Employment (in No.)</b>	<b>Margin Money (Subsidy in ₹ Crore)</b>
2008-09	616667	740.00
2009-10	740000	888.00
2010-11	962000	1154.40
2011-12	1418833	1702.6
<b>Total</b>	<b>3737500</b>	<b>4485.00</b>

Note: In addition, ₹ 250crore has been earmarked for backward and forward linkages.

Source: [www.kvic.org.in](http://www.kvic.org.in)

These measures aim to achieve or enable inclusive growth as the focus has shifted towards enabling the poor to improve their lives by imparting the necessary training to successfully launch their own small business (micro-enterprises), including the acquisition of small business acumen and entrepreneurial skills (Woodworth, 2000). Training is imparted for the development of such skills through consultation and technical assistance in projects undertaken by governmental and non-governmental organizations (NGOs) who actively support and promote the formation of these micro-enterprises.

The degree of permanence, productivity and profitability varies considerably among them and only sustainable micro-enterprises can ensure and provide livelihoods to the poor, thereby alleviating poverty. The capital required for starting small business or micro-enterprise ventures though small is a significant amount for those belonging to the lowest strata. NABARD (2004) through the SHG bank linkage programme envisioned the empowerment of 100 million poor through one million SHGs by improving their access to the formal credit system, which was expected to help in the generation of livelihoods in an effective and sustainable manner (Shylendra, 2004).

## 1.2 RATIONALE FOR RESEARCH

Government of India (2006) stress upon the importance of micro-enterprises, the formation of which require only a limited amount of capital or finance but have the potential for livelihood generation through gainful employment. These micro-enterprises should ensure decent income to those venturing into it, to sustain in the long run. Since entrepreneurial activity contributes substantially to socio-economic development, planners have initiated several interventions to promote micro-enterprises that would ensure livelihoods.

Some of these micro-enterprises have performed well while some others have not. It is important to identify the factors that may be critical for ensuring performance of these small firms. The financial support, strategies employed, training and guidance received before the commencement of operations, may be important as it could affect the performance in the long run. Both the government as well as the NGOs are facilitating development of such enterprises at the grass root level. In many states, they are developing and promoting SHGs for microfinance and micro entrepreneurship facilitation to achieve the goal of poverty eradication through employment generation. The success, stability and sustainability of such enterprises have a significant impact on the confidence of women belonging to same or different SHGs, as failed enterprises may act as deterrents to members who may have planned on starting micro ventures.

A micro-enterprise, the formation of which is facilitated through micro-credit and operated by a group of women belonging to SHGs, may behave differently from mainstream small business enterprises. The micro-enterprise which is owned and operated by women belonging to SHGs is different, and there is a lack of relevant research about such group operated enterprises. The study chose group owned micro-enterprises promoted under *Kudumbashree*<sup>6</sup> with the following specific objectives.

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6. A poverty alleviation programme initiated in 1998 by the Government of Kerala to eradicate poverty in ten years.

### 1.3 OBJECTIVES

The main objectives of the study were as follows:

- To analyse the performance of micro-enterprises owned and operated by women belonging to SHGs and initiated with government support (under the guidance of *Kudumbashree*, with some financial and other support).
- To examine the performance of micro-enterprises belonging to different sectors (Small scale manufacturing; Services; Animal husbandry; Hand crafts; Food processing).
- To examine the performance of micro-enterprise that received different levels of subsidy and other support
- To examine the performance of enterprises based on place of operation (rural or urban), number of group members, and according to the capital invested.
- To examine the exogenous factors (like marketing tie-ups), and endogenous factors (like work segregation among group members) that influence the performance of micro-enterprises.
- To suggest measures including the improvements that could be undertaken by the handholding agency to ensure promotion of livelihood generating and sustainable micro-enterprises.

### 1.4 SCOPE OF RESEARCH

The focus of the study was Ernakulam district in the state of Kerala. In Kerala, education for all was a state goal which had ensured a hundred per cent literate state before the turn of the millennium. But, education for all did not ensure employment for all, which resulted in the number of educated but unemployed population rising. Employment generation in the organised sector in the state faced stagnant growth for many years which may have caused high levels of unemployment and low work participation rates of women in economic activities.

The state government introduced a novel scheme of poverty alleviation based on micro-credit and self-help grouping in 1998. The programme aimed to organise women at the local level with the goal of eliminating absolute poverty in the state by 2007 (Isaac and Franke, 2000). Under this programme the mission extended financial, professional, managerial, educational and promotional support as per the requirement for both SHGs and individual members for starting micro-enterprises. The programme which began with an objective of eradicating poverty in the state in ten years completed its twelfth anniversary in May, 2010 ([www.Kudumbashree.org](http://www.Kudumbashree.org)). It is envisaged to continue for some more years and has brought in numerous innovations in micro-enterprise development. The state also has a number of NGOs who are actively involved in SHG formation and development. Many of these organisations have contributed substantially to both economic and social development in their regions. Due to these efforts, a number of women have entered in to some kind of micro entrepreneurial activity, and have become self-employed.

## 1.5 CHAPTER PLAN

The thesis is organised in to the following chapters.

In the **First chapter** an introduction to the topic is made. The relevance, requirement and objective of the research study are discussed. A summary about the content of all chapters in the thesis is also briefly discussed to give an overview of the thesis.

The **Second chapter** is the review of existing literature related to the research topic and discusses the relevant and available literature on microfinance, self-help groups, micro-credit, micro-enterprises, women entrepreneur, enterprise performance and factors influencing performance of firms.

In the **Third chapter** government programmes promoting micro-enterprise development as well as SHG bank linkage programme of NABARD are discussed.

The **Fourth chapter** discusses the state of Kerala, the Community Based Organisational (CBO) structure and the *Kudumbashree*, a poverty alleviation programme initiated in 1998 which has facilitated a wide range of entrepreneurial activity for promoting self employment among the poor in the state.

The **Fifth chapter** discusses research methodology adopted for the study and its suitability for achieving objectives of the study.

The **Sixth chapter** discusses the results obtained from group enterprises studied, group size, enterprise activities, sales revenue, income generated etc. It categorises micro-enterprises based on the performance criteria and also provide a comparative analysis between active and inactive enterprises.

The **Seventh chapter** discusses ten different rural and urban group enterprises. Each case throws light on various challenges the micro-enterprise faced since its inception and how these were overcome.

**The Eighth chapter** brings out the conclusions from the study and also provides some recommendations for policy changes for micro-enterprise development.

The following chapter presents the review of existing literature related to research topic.

# **CHAPTER II**

## **REVIEW OF LITERATURE**

### **2.1 INTRODUCTION**

The research deals with the performance of micro-enterprises, and therefore various aspects beginning from definitions, characteristics etc are discussed under this chapter. Thereafter, the review examines literature related to the promotion and performance of micro-enterprises as well as aspects related to the woman entrepreneur. The review of literature is broadly categorised into the following heads.

- Definition of micro-enterprise
- Characteristics of micro-enterprises
- Self-employment through micro-enterprises
- Promotion of micro-enterprises
- Self-Help Groups, micro-credit and its impact
- Women micro entrepreneur
- Performance of micro-enterprises
- Chapter Summary

### **2.2 DEFINITION OF MICRO-ENTERPRISE**

The definition of micro-enterprise has been given by academicians and also by government organisations involved in the field. Rhyne and Otero (1994: 26) have stated that the definition is generally “arbitrary”. Based on observations from different parts of the world, they concluded that the term refers to enterprises with a maximum of ten employees, and may range from part-time income-generating activities carried out by individuals, larger family-operated enterprises and also smaller enterprises employing hired labour.

Donner and Escobari (2010) stated that there is no consensus about the definition of a “micro-enterprise”. Mead and Leidholm (1998) defined micro-enterprises as those requiring very small amount in terms of start-up capital, with initial capital requirements ranging from 49 American Dollars (or USD) in Sierra Leone to 2,104 USD in Jamaica. The average size of credit requirement for these enterprises was just 38USD in Indonesia while in Bangladesh, in the case of those promoted by the *Grameen* Bank, it was 25,000 rupees. Dhar (2005), who researched on Integrated Rural Development Programme (IRDP), identified micro-enterprises as those whose loan requirement was ranging from ₹ 6,000 and ₹ 10,000.

Esselaar *et al.*, (2007) classified micro-enterprises or small businesses in to “informal operators/survivalists” which had no employees, “informal micro or small businesses” as businesses with fewer than ten hired workers, and “formal micro or small businesses” as enterprises that employ between ten and 49 workers. Mead and Leidholm(1998), pointed out that the micro-enterprise sector, even if not the primary engine of growth was very important for broad-based economic development, as well as for basic economic survival of households. They felt that as the barriers were low, individuals or households may engage in more than one micro-enterprise, for additional income or to temporarily replace wages, and in some cases salaries. The role of small enterprise in poverty alleviation is vital, and as stated by Boserup (1989), promotion of small and micro-enterprises for women was widely considered as key to improving overall family welfare.

Downing (1990), Mead and Leidholm (1998) and Dhar (2005) observed that the line between the personal and business life of a micro entrepreneur was not distinct as many enterprises were part of the larger family or the household unit itself. Dhar (2005) stated that generally micro-enterprises were not autonomous economic units but were part of the household and therefore, the cash associated with the enterprise, very often mingled with the house hold activities, as the financial needs of the family and enterprise were not separate, particularly for women micro entrepreneurs. The above may be particularly true in India as the NSSO (2000) records that nearly one-third of micro-enterprises in India operate from home and 69 per cent of the urban micro-enterprises owned by women had no hired workers.



Under government programmes and for NGOs and micro finance institutions, ‘Micro-enterprises’ refers to small businesses owned by poor individuals or groups, for which they have received monetary or non-monetary support from sponsoring organizations (Midgley 2008). The development of these enterprises has become an important strategy to provide employment to the poor and provide an opportunity to overcome poverty. The National Sample Survey Organisation (2000) distinguishes between two types of micro-enterprises, the Own Account Enterprises (OAEs) or sole-proprietorships without hired workers and mostly home-based; and “establishments” defined as enterprises with at least one hired worker and located in a non-household but fixed location. As the study is on group operated enterprises the definition of a group enterprise as given by International Labour Organisation (ILO, 2002) in the guide developed for Gender Promotion Programme is discussed next.

### **2.2.1 ILO Definition of Group and Viable Enterprise**

A Group enterprise is one where the ownership of the commercial or productive activity is in the hands of number of individuals, with each of them having a share in the enterprise. This can be a pre-cooperative, a cooperative or commercial venture, or a limited liability company. The micro-enterprise as defined by the ILO is an economic activity operated with not more than five employees, and having low capital investment, though the criteria may differ from country to country.

A viable enterprise is an economic activity that involves either buying or selling particular products or services, or the processing of inputs to develop a different product or service for sale. An enterprise is viable when the income is sufficient to pay all costs involved in provisioning the inputs, production and marketing (including wages). There are also sufficient resources to replace the equipment (depreciation) and to provide reasonable revenues to the owner.

As the focus of research is on understanding the performance of group enterprises promoted with support from the poverty eradication programme *Kudumbashree*, the definition of group enterprises given by the programme is discussed next.

### **2.2.2 Definition of Group Enterprise by *kudumbashree***

*Kudumbashree* defines group operated micro-enterprises as one which has an investment ranging from ₹ 5,000 to ₹ 2,50,000; having a potential to generate a net income of at least ₹ 1,500 per member in a month; and with a minimum annual turnover ranging between ₹ 1,00,000 to ₹ 10,00,000; and those which are fully owned, managed and operated by members themselves, preferably by women below poverty line families. The definition does not specify the number of women in every ‘activity group’ formed by members who are inclined to form the enterprise from one or more SHG/NHGs.

### **2.3 CHARACTERISTICS OF MICRO-ENTERPRISES**

Mead and Liedholm (1998) gave an account of many important features exhibited by micro-enterprises. These included relatively larger working capital requirement; shorter planning cycles, ranging from just a day in some cases to a week; short-term financing of smaller amounts; and shorter life span, with large proportion of enterprises starting and ending in any one year indicating a constant flux in the population of micro-enterprises; variations in business type, based on agricultural seasons (prevalent in rural areas) and so on. They also recorded that, compared to rural areas, the urban micro-enterprises, had about 25 per cent higher chance of surviving beyond the first year, and in the case of women-owned and operated micro-enterprises, the cash associated with an enterprise was frequently mingled with that of other household activities, including other enterprises. For example, in rural areas, money from micro-enterprises may be used to buy seeds for the farm, as the micro entrepreneur may primarily be a farmer, or a farmers’ wife.

In the rural areas, micro-enterprise sector had provided higher number of jobs since the eighties. Kanitkar (1994), defines them as non-farm sector (NFS) activities which includes “*all non-agricultural economic activities, namely, agricultural processing, household and non-household manufacturing, construction, transport, trade and all kinds of services in rural areas and rural towns*”. The individuals constituting the NFS under different categories are classified in to wage-earners (artisans and potters working for a wage), self-employed producers (tea-shop owners, vendors), producer-

entrepreneurs (owners of food processing units, master-weavers), traders (who supply raw materials and buy finished products) and owners of large manufacturing or service business. Activities such as animal husbandry and fisheries taken up on a commercial basis are also treated as rural micro-enterprises engaged in NFS activities.

According to the National Commission for Enterprises in the Unorganised Sector or NCEUS (2007) majority of rural enterprises tend to be of very small scale, reliant on family labour, and operated with very low capital investment. As a result, the location of enterprises of many non-farm businesses are home based (41 per cent), 12 per cent had no fixed location, while 10 per cent worked on the street. In 2004-05, only 6 per cent of self-employed workers were running enterprises that employed more than 5 workers. Many were disguised wage workers who worked at home producing goods using raw materials supplied by firms or agents who purchased the finished goods, and were on piece rate basis. Further, only one-fourth received a regular monthly or weekly payment, while majority were paid either on a daily or piece basis, with no other benefits (like social security or paid leave). In spite of this, perceptions of remuneration of the self-employed showed that 50 per cent of non-farm workers regarded their earnings from self-employment as remunerative, of which 40 per cent of males and nearly 80 per cent of rural females being satisfied with income earned even when it was lower than ₹ 2,000 per month. The commission also recorded that the share of women in non-farm employment had declined from 26 per cent in 1983 to 23 per cent in 2004-05. Hence, it becomes imperative that they enter in to self-employment through rural micro entrepreneurial activities for improving household incomes.

#### **2.4 MICRO-ENTERPRISES AND SELF-EMPLOYMENT**

Self-employed people in general own and operate micro-enterprises and therefore are micro entrepreneurs. They are widely prevalent in developing countries and Baumol (1990) calls them ‘defensive or necessity entrepreneurs’ as they are dependent on the enterprise for their livelihood. This kind of ‘survival-driven’ self-employment is wide-spread either because majority lack skills or education to obtain jobs in the formal sector, or because there is a shortage of jobs in the wage economy (Desai, 2009; Yamada, 1996). The report on the condition of work and promotion of

livelihood in the unorganised sector reveals that close to 57 % of the Indian labour force is self-employed, and a large section of them are engaged in menial jobs in very low scale enterprises (Sengupta, 2007). Micro-enterprises engage in informal activities that range from street vending to personal services and the sector “encompasses the universe of micro-enterprises” (Versluysen, 1999:27). In rural areas, these exclude on-farm work but include off-farm activities like processing and packaging produce, milling of grains etc. Self-employed in rural areas may include craftsmen and artisans, black smiths, carpenters, cobblers, tailors, peddlers, teashop owners, small retailers and so on.

To enter in to any such self-employment activity through micro-enterprises, some small capital has to be raised from own savings or through credit. The working paper brought out during the 1993 UNDP workshop at Delhi on small and micro-enterprises pointed out that those enterprises requiring an investment in the range of ₹ 25,000 and ₹ 2,50,000 found it difficult to access and avail credit and hence required support. But with microfinance institutions (the Social Performance Report based on MIX data state that 85 Indian MFIs financed 65,000 start-ups in 2010) and the SHG bank linkage programme spreading across the country (discussed in detail in Chapter III), credit for initiating productive activities through micro-enterprises is now available to the poor. In addition, the government continue with various micro-enterprise promotion programmes, many of which also provide entry subsidies as policy instruments (Shane, 2009) to promote self-employment and inclusive growth.

## **2.5 PROMOTION OF MICRO-ENTERPRISES**

In India, support was provided through a number of initiatives like the *Integrated Rural Development Programme (IRDP)*, *Swarnajayanthi Gram Swarozgar Yojana (SGSY)* and many others, which were undertaken to reach the poor in the rural areas for increasing income through self-employment. Some of these programmes gave thrust to promoting group entrepreneurship as group approach was considered to be more suitable for targeting such schemes at the poor (Bogaert and Das, 1989; Krishnaiah, 2003).

Introduced in 1999, the *Swarnajayanti Gram Swarozgar Yojana* (SGSY), was an amalgamation of six earlier programs, namely, (1) Integrated Rural Development Program (IRDP), (2) Training of Rural Youth for Self-Employment (TRYSEM), (3) *Ganga Kalyan Yojana* (GKY), (4) Supply of Improved Tools for Rural Artisans (SITRA), (5) Million Wells Scheme (MWS) and (6) Development of Women and Children in Rural Areas (DWCRA). The objective of SGSY was to bring the assisted families (*swarozgaris*/self-employed) above the poverty line by ensuring appreciable and sustainable levels of income over a period of time. It was observed that promotion of non-farm sector activities in manufacturing was particularly challenging as they required strong market linkages for achieving better sales turnovers and members an income that was equivalent to minimum wages or which could ultimately assist them to cross the poverty line (Soundarapandian, 2006). Some of the popular activities undertaken by women SHGs with SGSY assistance were processing of various food processing activities (spice powders, flour making etc), dairy, detergents and washing liquids, fair price shops, and weaving of wire baskets and bags.

Rao (2008) stated that SHGs helped to extend subsidised credit to the rural poor belonging to the Below Poverty Line (BPL) section as well as financial inclusion (saving services to the poor) to 70 per cent of such households. The rural poor were organised into SHGs through a process of social mobilisation, training and capacity building and provision of income-generating assets (Tankha *et al.*, 2008). But in many cases participatory approach was bypassed. Sud (2003) in an empirical study in Gujarat has critiqued that the target oriented approach followed in promotion of groups lead to partial realisation of SGSY objectives, and also resulted in the creation of non-cohesive SHGs in many instances whose motive was to avail subsidy and loans from the banks (Mandhotra and Bhan,2003).

## **2.6 SHG, MICRO-CREDIT & MICRO-ENTERPRISE PROMOTION**

Self help groups (SHG) are informal associations of 10–20 women belonging to poorer strata of society and from similar socio-economic backgrounds. Though they are widespread in India and found in both urban and rural areas, the number of rural groups is much higher (Shylendra, 2008). The members organise into groups following the principle of collective responsibility to attain some common goal and the SHGs has positively impacted lives of both individuals and communities and also

improved the position of women (Jawahar *et al.*, 2005; Gurumurthy, 2006; Simanowitz and Walter, 2002). The empowerment to a very large extent depends on the success of development programmes and the SHG movement (Ashoka *et al.*, 2005) and numerous studies have reported positive impacts due to participation of rural poor in SHGs (Puhazhendhi and Satyasai, 2000; Puhazhendhi and Badatya, 2002). Anand (2002) studied the performance of women SHGs and neighbourhood groups (NHGs) in the *Chungathara* panchayat of *Malappuram* district in Kerala, and found that both external and internal factors affected the group and its self-reliance. On comparing the socio-economic conditions of members in the pre and post SHG phase, it was observed that members had improved business turnover in the post SHG situations, particularly with respect to net income (Sharma, 2007).

The formation of SHGs enabled members to reap economic benefits through mutual help, solidarity, and joint responsibility. Empowerment was enabled through mobilisation of savings and credit facilities and identification and initiation in to income earning group enterprise activities (Shylendra, 1998). As poor generally lacked the entrepreneurial spirit and basic skills for managing an economic activity group approach helped since each member brought his ideas and comprehension about the activity which lead to greater self-confidence and better management process of the enterprise (Fernandez, 1994; Shylendra, 1998). The group-based joint liability approach had helped the poor to access formal credit facilities by overcoming the problem of collateral security in addition to accumulating capital through small savings (Shylendra, 1998). Women were able to reap a number of benefits from SHG membership, mainly cultivation of savings habit, relief from exorbitantly high interest rates charged by money lenders, credit availability for consumption, opportunity to venture in to productive economic activities, and involvement in social and developmental activities as a group (Dhar, 2007).

A study across eleven states by Puhazhendhi and Satyasai (2000) compared pre- and post-SHG situation to quantify the social and economic empowerment of SHG members. They recorded that there was a 33 per cent rise in average annual income from pre- to post-SHG situation and forty per cent of this incremental income was generated by non-farm sector activities. The estimated employment days per household increased by 17 per cent and 85 per cent of the borrowed funds were used

for productive purposes. The social empowerment of sample SHG members in terms of self-confidence, involvement in decision-making, better communication, etc also improved in a significant way. Puhazhendhi and Badatya (2002) surveyed 115 SHG members in Eastern India and recorded that there had been a substantial reduction of loans from money-lenders and other informal sources. Also, 52 per cent of sample households had registered 23 per cent rise in annual income and 30 per cent increase in asset ownership post-SHG situation. The members also experienced improved self-confidence, greater involvement in decision-making and better communication skills.

Mknelly and Kevane (2002) in a study conducted in Burkina Faso, suggested improvement in design to enhance the performance of group lending. The researchers discussed *Credit with Education*, a government programme in the region, which combined elements of the *Grameen Bank* and village banking methodologies. Here, there were many solidarity groups organised into Credit Associations, which resulted in a two-tiered system providing mutual guarantee. The small borrower groups exhibited improved repayment rates, as defaults were prevented through group monitoring and fear of social sanctions. Since future loans for each and every member was linked to the complete repayment of the group loan, the members were motivated to encourage and enforce repayment. This resulted in automatic screening as members were careful to exclude risky borrowers from their groups. The joint-liability again was a kind of loan insurance which substituted physical collateral and costly assessments. According to Stiglitz (1993), the joint liability improved accessibility to credit by the group members, and created peer monitoring mechanisms which ensured better loan recoveries. Fernandez (1994) pointed out that some basic characteristics of SHGs like small size of membership and homogenous composition, brought about greater cohesion and effective participation of all members.

A study on formation of SHGs conducted by NABARD (2004), pointed out that the formation of 72 per cent of all SHGs formed in India were facilitated by the NGOs or government agencies, 20 per cent directly by credit institutions, while the remaining 8 per cent were by the NGOs playing the dual role of facilitators as well as of financial intermediaries. In majority, the primary focus was on credit with encouragement on group building. The group began its credit activity with members' beginning to save one rupee per day, which was then used as a revolving fund to provide loans to

individual members. After six months of regular saving, the SHG became eligible to enhance its revolving fund by obtaining loans (also grants and interest-free loans) from NGOs, RRBs, and other financial institutions. These institutions were in turn 100 per cent re-financed by NABARD. The institutional structure became popularly known as the SHG-bank linkage programme (SBLP) <sup>1</sup>. NABARD (2010) records the total cumulative number of credit linked SHGs at 4.7 Million; benefiting around 57 million rural families.

Microfinance<sup>2</sup> and micro-credit has contributed immensely to the creation of sustainable livelihood in poor societies through self employment and micro-enterprise development (Akoten, 2006; Biekpe and Kiweu, 2009; Ghate, 2007). Micro-credit became a worldwide poverty-alleviating idea when the first micro-credit summit held in Washington DC in 1997 concluded with the following declaration:

*“The time has come to recognise micro-credit as a powerful tool in the struggle to end poverty and dependence. We have assembled to launch a global movement to reach 100 million of the world’s poorest families, with credit for self-employment and other financial and business services by the year 2005”* (Micro-credit Summit, 2004).

The micro-credit resolution passed by the UN General Assembly in 1997, emphasised upon the role of micro-credit which recognised the potential contribution of micro-credit programmes in poverty eradication strategy (United Nations, 1997). The resolution encouraged all poverty eradication programmes and international donor communities to support the strengthening of existing and emerging micro-credit institutions in the developing countries, particularly in the least developed countries. As a result, the number of people who received micro-credit in the world increased from 13.5 million to 113.3 million between December 1997 and 2005, of which 84 per cent were women (Daley-Harris, 2007).

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1. SHG – Bank Linkage Programme (SBLP) was started as an Action Research Project in 1989, because of the positive impact of MYRADA (an NGO engaged in rural development in Karnataka, Tamil Nadu and Andhra Pradesh), which sanctioned ₹ 10 lakh, for experimenting with Credit Management Groups. Formally the programme was launched in 1991-92 when 500 SHGs were linked with banks.

2. Microfinance denotes financial services required by the poor, and covers predominantly mobilisation of small savings and their safe custody; credit for production as well as consumption purposes like marriages, ceremonies and other emergency life cycle needs; investments and insurance and transfer facilities (Rutherford, 2000). Srinivasan (2012) in the State of the Sector Report which deal with the state of microfinance in India gives a detailed analysis and provides evidence on how microfinance has made an impact on various levels of economy and society.



Karmakar (1999) remarked that the global success of the micro-credit movement inspired the initiation of SHG-bank linkage programme in India in 1992. This was one of the programmes expected to contribute towards achieving the Millennium Development Goals (MDG).

Kabeer (2005), Chavan and Ramkumar (2002) expected the programme to promote gender equality and empowerment of women in the country; as the small amount borrowed by women, substantially improved household incomes through livelihood diversification, which also improved access to better education and health (Hulme and Mosley, 1996; Morduch and Haley, 2002). But, Copestake *et al.*, (2001) who studied the income impact of micro-credit on clients from below poverty line (BPL) indicated that though most households were better off with micro-credit, the impact varied in magnitude and durability, with a good number reporting a stagnation or fall in their income after a period of time. We now discuss how the availability of credit, bank linkage and subsidy grants has helped the growth of the woman micro entrepreneur.

## **2.7 WOMEN MICRO-ENTREPRENEUR**

The concept of entrepreneur was first introduced by Richard Cantillon (1680-1734) who acknowledged the entrepreneurial function and those performing it as contributors to society's economic value. The role of small enterprise in poverty alleviation is vital, and promotion of small and micro-enterprises for women is key to improving family welfare (Boserup, 1989). In developing economies, women faced higher barriers to entry in to the formal labour market, and therefore had to resort to entrepreneurship as a way out of unemployment and, often, out of poverty (Minniti *et al.*, 2006). In his book *Micro-finance for women*, Dhar (2005) gave an account of the increased attention and assistance from government, NGOs as well as international donors that the woman micro entrepreneur had received recently due to the realisation that such enterprises had a "trickle-down effect" which could alleviate poverty and address gender inequality. A micro-enterprise owned and operated by a woman could help to reduce poverty, and this had encouraged governmental, nongovernmental and business organisations to aid their formation by ensuring the availability of micro-credit and other financial services (Beshouri, 2006; Chowdhury *et al.*, 2005; Mayoux and Anand, 1995). Studies by Rajan (2007) and Xavier *et al.*, (2007) illustrated how

business firms like the *Hindustan Lever Limited* under its project *Shakti* initiative, transformed 25,000 local women with entrepreneurial spirit as their distributors in rural areas for selling health and beauty aids in 80,000 villages. This benefitted the company and the women; the former with a formidable rural force and the latter with a new way of life and livelihood.

### **2.7.1 Motivation**

Women were motivated to become entrepreneurs as it enabled them to contribute monetarily to family incomes, which, lead to a rise in their position within the family (Dhar, 2005). Micro-enterprises have been found to be of particular advantage to women as it offers flexibility of work hours and location (Dhar,2005) as majority work from their homes or very near to their homes because of preference as well as compulsions (Sujaya, 2006). Also there are fewer barriers to entry in to the business activity but they have strong links to the local market. But the growth trajectory of women-owned enterprises is highly linked to the balance between family and business concerns, strong identification with the enterprise and source of motivation (Mitra, 2002; Mitra and Pingali, 1999).

### **2.7.2 Enterprise Choice**

Women micro entrepreneurs are generally engaged in agricultural resource based activities like food processing (preparing pickles, papads, squashes, spice powders, traditional sweets and savouries and so on); forest resource based activities like collecting herbs, gum and latex, making bamboo and cane products, coconut based products like coir mats, oil processing and so on which do not require any additional training and learning of new skills. Dhar (2005) recorded that in recent years, NGOs and government agencies were pro-active in training women micro entrepreneurs to take up specialised skill based activities like embroidery, pottery making, knitting, tailoring, painting, handicrafts and other activities which required some capacity building and capability training. The 'small' initial capital to start these enterprises is a major impediment, while working capital shortage is a chronic problem all through the life of most enterprises. Some of the problems of women micro entrepreneurs are discussed in the next section.

### 2.7.3 Problems

The problems faced by woman entrepreneurs are many and some of them as Vinze (1987) records may be wrong or faulty product selection, location choice and fixed investment decision. Since majority operated from homes many lacked adequate arrangements for marketing their products, and therefore became dependent on middle-men for marketing (Dhar, 2005). There was also the problem of mobility as women especially those living in the rural and semi-urban areas found it difficult to travel from place to place to secure orders, which aggravated the situation. Dhar (2005) elaborated on the social taboos suffered particularly by rural women who were restricted from venturing in to economic activities not only by the husband, but also by elderly women members in the family.

It was observed by Garikipati (2012) that the small loan size in women-controlled business resulted in a tendency to enter similar businesses which resulted in severe competition as well as low profits. The inadequacy of finance relating to both fixed or initial capital as well as working capital, particularly the later was considered as the main problem faced (Brugger, 1995). Studies conducted by the ILO (1993) in many developing countries like Bangladesh, Philippines and Trinidad and Tobago also found that lack of capital especially during initial or start-up period, a bigger problem for the women micro entrepreneur than her male counterpart. This may have been due to lack of fixed assets in their names, and therefore, inability to provide collaterals required for availing formal credits.

Another barrier to formal credit as Puglielli (1996) wrote *“is a general lack of education on the part of the women...As a result, women are less able to understand and complete credit applications and financial statement forms that banks require for credit approval”*. There was also ignorance about both, sources and sizes of finance, margin money, collateral security etc. The SHG approach helped to alleviate some of these problems, particularly access to credit for capital requirement.

Micro-credit literature also observe that households and individual women who availed credit were diverting it to fulfil credit requirements of male members in the family, for asset creation and expansion of their businesses, as returns earned by men

may be higher than those earned by women (Garikipati, 2012). Berger (1989: 1021) records that “*On average, women’s micro-enterprises have lower sales revenues, fewer assets, and smaller profit margins than men’s*”. The income earned from micro-enterprise is important as it determines whether self-employment in the long run would be preferred over wage employment or even leisure, which may also depend on the woman being the primary or supplementary bread-winner.

Oommen (2007) concluded that “a good number (30 to 40%) of micro-enterprises operated by SHG women turned out to be non-functional after one or two years of their initial working” based on a study of *Venganoor* Panchayat in *Thiruvananthapuram* district. Performance of micro-enterprises operated by SHG women is the focus of this research, for which a better understanding on entry in to enterprise activity, small enterprise development in general and performance of small firms as a whole from the mainstream literature require discussion. This was essential as literature available on performance of group enterprises operated by women belonging to SHGs was few.

## **2.8 PERFORMANCE OF FIRMS**

This section first discusses the importance of entry of small firms or enterprises, which is thereafter divided in to three subheads. These are

- Factors Affecting Performance of Firms
- Conceptual Framework of Performance
- Measurement of Performance

Mainstream literature on enterprise development discusses various aspects relating to entry in to and performance of firms. Johnson *et al.*, (1997), studied firms in Canada, and proved that every new venture had a certain potential to contribute to economic output, growth, employment and renewal of industrial structure. Earlier, King and Levine (1993) had showed that entrepreneurship growth does have a strong linkage with finance, and directly encouraged innovation and productivity. Some of these also form the basic elements of current poverty reduction strategies. Sexton and Lanstrom

(2000), Mead and Liedholm (1998) and others synthesised knowledge about entrepreneurship in developing countries. Numerous studies on dynamics of small firms were carried out in industrialised or developed countries and few in developing countries. Fajnzylber *et al.*, (2006) based on data collected from such enterprises in Mexico showed that the pattern of entry, survival, and growth with respect to age, education, and many other covariates were comparable to that of firms in developed countries like the United States.

### **2.8.1 Factors Affecting Performance of Firms**

Previous studies on performance of firms by Sandberg (1986), Reuber *et al.*, (1990), and Wingham and Kelmar (1992) had identified a wide array of underlying variables, like industry structure, owner/manager characteristics and background as important factors affecting firm performance. Good and Graves (1993) stressed on the utilisation of professional assistance or training programs for enhancing performance. Availability of resources was considered to be important by Brush *et al.*, (2004), while Everett and Watson (1998) studied the impact of environmental forces on the performance of firms. However, the relative importance of these different elements varied from study to study. Orser *et al.*, (1998) felt there was no consensus about what drives small enterprise growth, as there was a wide array of facets to consider. For instance, Baldwin *et al.*, (2000) had attributed a firm's success to its ability to successfully develop and launch new products and services.

Smith and Gannon (1987) felt that the effective use of budgets and reporting systems may have a direct impact on the well-being of the enterprise. Studies done by Evans and Jovanovic (1989) also reiterated that in modern developed economies, capital is essential for starting a business and that liquidity constraints tend to exclude those with insufficient funds at their disposal. Mullineux and Murinde (2002) pointed out that good financial sector policy for enterprise development, promoted growth in both household and business sectors. This may be particularly relevant to micro-enterprises as many of them operated from homes and did not keep complete records of all monetary and other transactions.

Cragg and King (1988) had also linked small business growth to planning activities as well as the level of expertise the firm had in dealing with finances. Most micro-enterprises operated as home-based businesses, with 57 per cent being run by a single person who was the owner manager (Orser and James, 1992), and as a consequence suffered from poor business image, often attributable to the conflict between residential and commercial requirements. Thus, efforts towards 'professionalising' the image may be particularly important for the success of new enterprises.

Jovanovic (1982) in his *passive learning model* explained that firms which did not know their potential profitability entered the market. Only after entry did the firm completely decipher its own profitability based on noisy information from realised profits. By continuously updating and undergoing the learning process, the firm may decide to expand, contract, or to exit.

Demographic variables tend to be unstable over time, and cannot be used to predict the success of enterprises (Van Dijk, 1995). Keyser *et al.*, (2000) found no significant difference in success due to age or gender among Zambian MSE owners. Based on detailed studies that looked into the demographic and personal traits of entrepreneurs in Africa, King and McGrath (1999), found that successful African entrepreneurs tended to be male, middle-aged, married with a number of children, and were more educated than the general population. More recent studies, as that by Rutashobya (2001), found that female entrepreneurs experienced more operational and strategic impediments to success than their male counterparts.

Debate continues among social researchers as to whether psychological variables, socio-demographic factors or external factors are the best determinants of entrepreneurial behaviour and performance. Some studies in Africa had linked entrepreneurial success to twenty personal traits (Le Vine, 1966; Benedict, 1979; and Stewart, 1996); while Buame (1996) observed that in Ghana, individual characteristics were not sufficient to explain the nature of entrepreneurial success or failure. Not all entrepreneurs were able to successfully see their vision through to an eventual start-up, and transformation to infant entrepreneurs. Bates (1999) showed that in the United States, the probability of survival of small businesses was positively related to the level of education of their owners. A study in Germany by Wagner

(2004) found that the nascent and infant entrepreneurs did not differ significantly by sex, age, number of professional degrees, role models in the family but found that previous experience in the field of current business or entrepreneurial activity aided an entrepreneur in the transition from a nascent to an infant entrepreneur. Ogasavara and Hoshino (2007) felt that investments involving small ownership levels had very high mortality rates in comparison to those with high ownership levels. Many entrepreneurs may leave enterprise activity voluntarily. Andersson (2006) elaborated that the reasons behind women voluntarily exiting a firm which included an increase in time required for family matters, or increases in the opportunity costs of being self-employed owing to, in some cases, improvements in macroeconomic conditions. These may be higher wages, which automatically increase opportunity costs of entrepreneurship for entrepreneurs with relatively better ability, which may result in self-selection. As a result, less talented women will opt for self employment, a characteristic reflected in their lower survival rates (Rosti and Chelli, 2005).

Sharma (2003), Shiva (2005) and others felt that the economic reforms stimulated the country's entrepreneurs and provided a receptive environment for micro-enterprise initiatives, but there was concern about the effect of liberalisation and foreign investment on local products, producers and environments. Despite this, Hymowitz (1995) proved that small ventures may find it easier to sustain because of their strong links to local people, low capital-intensive scale and greater environmental sensitivity.

Badatya *et al.*, (2006) in a study on microfinance for micro-enterprises covering SHGs in three districts in Andhra Pradesh found that more than 70 per cent of SHGs had received at least three loans through bank linkages. It was observed that a variety of enterprises were initiated or upgraded by members such as tailoring units, hotels, *kirana* shops, stationary shops, flour mills etc. A number of households whose primary occupation was agriculture were able to diversify in to livestock enterprises (cows, buffaloes, goat and sheep rearing). Net income varied across enterprises and some of the constraints that affected the viability and sustainability of rural micro-enterprises included lack of linkages (both forward and backward), infrastructure facilities, inadequate support for marketing and raw material procurement, obsolete technological support as well as inadequate support services in terms of capacity building, including skill training imparted to the owners.

Sampati Guha (2010) in a study on SHGs across four states not only assessed the impact of micro-enterprises or income generating activities taken up SHG members on their livelihoods but also looked into the problems faced by them. The study covered specific aspects of SHGs like group dynamics, repayment performance and the process of graduation of members from micro borrowers to micro entrepreneurs and the economic aspects of the enterprises. It found that those venturing into micro-enterprises and income generating activities absorbed higher loans but higher investment by enterprises did not necessarily result in higher incomes. The increase in annual net income was higher for those venturing in to micro-enterprises (ME) in comparison to income generating activities (IGA). Also the increase was much higher for those venturing into either an ME or an IGA, in comparison to those SHGs that did not undertake any productive activities. Both backward and forward linkages were crucial for sustainability, with many enterprises experiencing problems with regard to regular availability of inputs and in marketing. The micro entrepreneurs had to be content with low margins. Group size of SHGs decreased due to reasons like migration in search for livelihoods as well as marriage, member's death and health related problems. Some of the major suggestions for improvement included linking SHG member entrepreneurs to technical institutes for developing skills, capacity building, marketing support, and facilitation of use of new and innovative technology for improving production processes and margins.

### **2.8.2 The Conceptual Framework of Performance**

The success of new enterprises was an outcome of relationships among variables like the personal characteristics, skills and background of the entrepreneur; the nature and structure of the organisation or the service that the enterprise had developed and the organisational and the environmental factors that influenced its inception (Amit *et al.*, 1993; Levy, 1993; and Bygrave, 1993). Various factors relating to the entrepreneur, the organisation and the environment determined the success of a venture (Schutzens and Wever, 2000), while various components of the entrepreneurial process itself was more important for determining the performance (Shane, 2003). In a study undertaken to gauge the success of social ventures or enterprises initiated by individual social entrepreneurs, Sharir and Lerner (2006) classified variables that may affect performance along four dimensions. These were related to the individual (or entrepreneur), the environment, the organisation, and the process.



In order to understand the performance of group operated enterprises, this research considered certain variables and grouped them broadly under four dimensions following Cooper (1985), Gartner (1985) and Sharir and Lerner (2006) with some modifications to suit group entrepreneurship. These were the group (members of activity group initiating and operating the enterprise); enterprise; environment and the process. These dimensions are discussed in detail in Chapter V.

### **2.8.3 Measurement of Performance**

The difficulties and challenges in establishing a business enterprise or new venture, the characteristic uncertainty as well as the lack of resources and stability have made some researchers to conclude, that survival of the firm or continuity of the business enterprise, to be the chief dimension of success (Van De Ven, 1984). This may be particularly relevant for group operated micro-enterprises of poor women due to higher complexity of ownership and challenges in operations. It was also recommended that due to the complexity involved in the evaluation of performance, multiple measures should be used (Kalleberg and Leicht, 1991).

A number of studies have suggested that growth (in either sales revenues/turnover or number of employees or both) influenced both future and potential of the enterprise (McGee *et al.*, 1995; Merz and Sauber, 1995). Therefore growth in sales revenue or turnover is also taken as a measure of performance in this study. But, growth in number of employees may not be applicable in group based enterprises because of the nature of ownership and operations that ensure sufficient people for carrying out enterprise functions. It is only in cases of substantial drop-out, or certain skilled or heavy work which cannot be effectively carried out by women alone that there is a requirement for employing outsiders. In addition, the income earned by individual members is particularly relevant as it may be a motivating factor for continuity of members in enterprise operations. This in turn may ensure continuity or sustainability of the enterprise.

## 2.9 CHAPTER SUMMARY

The chapter discussed relevant literature beginning with an understanding on micro-enterprises and its characteristics. Micro-enterprises provide self-employment opportunities and therefore its promotion has become important for the government and policy makers for achieving sustainable and inclusive growth. They are particularly important in creation of non-farm employment opportunities in rural areas. This is essential for greater inclusion as more than half of our population is engaged in the primary sector but contribute only to about fifteen per cent of GDP. Group enterprise and its definitions, particularly by *Kudumbashree* were discussed. The definition emphasised on capital invested, turnover and income generated to members but did not give the maximum or minimum number of members, which is a critical aspect in groups and their functioning. Some of the relevant literature on SHGs, micro-credit and micro-enterprise promotion was also discussed. Large number of SHGs has been promoted through various programmes as only in groups, women belonging to lower socio-economic strata, who suffer extreme vulnerabilities and inequities can have visibility. Women from these SHGs are supported through various government programmes for venturing into micro-enterprises and income generating activities individually and in groups. The enterprises have been promoted to provide livelihoods, and women particularly in groups are increasingly targeted with subsidies and credit to venture into such activities. Are these enterprises able to perform, particularly with respect to providing a livelihood to those venturing in to it? Literature on the women micro entrepreneur, choice of activities, motivation and problems were studied to understand difficulties encountered. Finally, performance of firms in general with emphasis on factors affecting performance, conceptual framework and measurement was discussed to obtain an overall understanding of the research topic.

The next chapter discusses the linkage programme and models, role of government in SHG promotion, and current programmes on micro-enterprise development.

## **CHAPTER III**

### **SHG PROMOTION AND GOVERNMENT SUPPORT**

#### **3.1 INTRODUCTION**

Policy makers and thinkers involved in development strategy had always searched for means of delivering financial services to the poor in a sustainable manner. They observed that the poor traditionally came together in informal groups for pooling their savings which were utilised for providing small and tiny unsecured loans to members at varying interest rates based on needs. For enabling the poor access to formal credit from banks, the SHG bank linkage pilot project was started by NABARD in 1992, which was designed as a partnership model between three agencies, viz., the SHGs, banks and the NGOs. Later, this led to the evolution of a streamlined set of Reserve Bank of India (RBI) approved guidelines to banks to enable SHGs to open bank accounts, which was also coupled with a commitment by NABARD to provide refinance and promotional support to banks for the SHG - Bank Linkage Programme (SBLP). By 2000, SHG-bank linkage programme was present in twenty-two states and two union territories.

#### **3.2 THE SHG BANK LINKAGE PROGRAMME (SBLP)**

According to Bansal (2003) the uniqueness of the SHG-bank linkage programme is that it was the chief mode adopted by RBI and NABARD to promote relationship banking, that is, improve the existing relationship between the poor and the bankers with the intermediation of the facilitating agency. It was an indigenous model of micro-credit which evolved in India and became widely recognised as one of the best approaches to reach the poor. It was predominantly a “Linkage Model,” as it drew upon the strengths of partners involved in the process (the NGOs and banks in most cases) and used the existing formal financial network to increase outreach to the poor, without reducing the necessary flexibility of operations for both bankers and the poor. The SBLP initiated by NABARD became highly popular with 90 per cent being women groups (Anjugam and Ramaswamy, 2007).

NABARD (2011), in its *Status of Microfinance in India 2010-11* recorded that the total number of SHGs having bank savings were 74.62 lakh. The total savings amount of the SHGs with banks was ₹ 7016.3 crore out of which, ₹ 5298.65 crore was contributed by exclusive women SHGs. The total number of SHGs having outstanding loans was 47.87 lakhs, of which 39.84 lakh were exclusive women SHGs. But the loans disbursed (₹ 14,547.73 crore) to number of groups during the same period fell from 15.87 in the previous year to 11.96 lakh (Table 3.1). The decline indicated 25 per cent fall in the number of groups receiving fresh loans, but the average loan extended per SHG shot up from around ₹ 91,000 (2009-10) to ₹1,21,600 (2010-11). This may be due to selective lending practised by banks and average loan amounts disbursed being higher.

### 3.2.1 Regional Spread of SHGs

The spread and reach of SBLP was not uniform all over the country. The programme since its initiation in 1992 has shown a skewed distribution as can be observed from Table 3.1. It was more predominant in certain states, namely, Andhra Pradesh, Uttar Pradesh, Tamil Nadu, and Karnataka, which accounted for two-thirds of the SHG credit linkages. The Southern region also had bulk of the savings (52.96 per cent of total as illustrated in Table 3.1) and had received close to 61 per cent of the total bank loans disbursed during 2010-11.

**Table 3.1 Regional Spread of SHGs**

Region	Savings of SHGs with Banks (as on 31 March, 2011)		Bank Loans Disbursed during the year 2010 -11	
	No of SHGs	Savings Amount (₹ Lakh)	No of SHGs	Loans Disbursed (₹ Lakh)
Northern	3,72,772 (5.0)	32,857.16 (4.68)	42,493 (3.56)	37,752.11 (2.6)
North Eastern	3,24,739 (4.35)	13,104.6 (1.87)	39,307 (3.29)	32,095.65 (2.21)
Eastern	15,27,618 (20.47)	1,40,837.61 (20.07)	2,47,624 (20.7)	1,61,950.08 (11.13)
Central	7,86,436 (10.54)	60,338.01 (8.6)	48,734 (4.07)	60,755.08 (4.18)
Western	9,60,921 (12.88)	82,901.13 (11.82)	91,954 (7.69)	62,591.4 (4.3)
Southern	34,89,460 (46.76)	3,71,591.77 (52.96)	7,26,022 (60.69)	10,99,628.56 (75.58)
All India (Total)	74,61,946 (100)	7,01,630.28 (100)	11,96,134 (100)	14,54,773.19 (100)

Note: Figure in parentheses is percentages to total

Source: *Status of Microfinance in India 2010-11*, NABARD

The predominance of Andhra Pradesh was primarily due to historical reasons. Firstly, the state had 40 per cent share of the total credit linked SHGs under the Development of Women and Children in Rural Areas (DWCRA) programme. Also under South Asia Poverty Alleviation Programme (a special project sponsored by United Nations Development Programme), about 2700 groups had been promoted. Thirdly, credit movement began earlier in the South, which had led to the evolution of community based development finance institutions that were composed of SHGs, and promoted either by NGOs or by district rural development agencies. Fourthly, district collectors, NABARD district development managers, and lead bank managers profoundly supported the SHG-bank linkage programme in the state. Finally, leading NGOs in the microfinance sector, like *Bharatiya Samruddhi* Investments Consulting Services Ltd (BASIX), Mysore Resettlement and Development Agency (MYRADA) and Society for Helping Awakening Rural Poor through Education (SHARE), were vibrant in Andhra Pradesh.

### 3.2.2 Growth of SHGs and Progress under SBLP

The number of SHGs grew from 41.6 lakh to 74.6 lakh (in five years) exhibiting a growth of 79.3 per cent. Annual growth rates varied over the period; the number of SHGs grew at annual rate of 20.4% (between 2006-07 and 2007-08), 22.4% (between 2007-08 and 2008-09), 13.6% (between 2008-09 and 2009-10), and 7.4% (between 2009-10 and 2010-11). The number of SHGs having their savings linked with banks grew from 69.5 lakh in 2009-10 to 74.6 lakh in 2010-11 (Table 3.2).

**Table 3.2 Progress under SBLP**

Year	SHG of SGSY Groups (No. in Lakhs)	Women SHGs (No. in Lakhs)	Total No of SHGs (No. in Lakhs)
2006 – 07	9.6 (23.1)	32.7 (78.6)	41.6
2007 – 08	12.0 (23.9)	39.9 (79.6)	50.1
2008 – 09	15.1 (24.8)	48.6 (79.4)	61.2
2009 – 10	16.9 (24.3)	53.1 (76.4)	69.5
2010 – 11	20.2 (27.1)	61.0 (81.8)	74.6

Note: Figure in parentheses gives the per cent out of total; about a quarter of the SHGs linked to banks was those formed under the SGSY programme and are denoted as SHG of SGSY groups.

**Source: Status of Microfinance in India 2010 -11, NABARD**

In 2010-11, 81.8 per cent of SHGs were women only SHGs (Table 3.2). Also 27.1 per cent out of the total SHGs were those formed under SGSY. Here too, women only groups were in majority.

### **3.2.3 SHG-Bank Linkage Models**

According to Bansal (2003:26), in India, there are predominantly three types of SHG models.

*Bank-SHG-Members:* The bank itself acts as a self-help group promoting institution (SHPI).

*Bank-Facilitating Agency-SHG-Members:* Facilitating agencies like NGOs, government agencies, or other community-based organizations form groups. This is the popular SBLP model where the SHPI (either an NGO or a government agency) steps back after groups are linked to the bank, and the bank lends directly to the SHG.

*Bank-NGO-MFI-SHG-Members:* NGOs act both as facilitators and microfinance intermediaries. First they promote groups, nurture them and train them, and then they approach banks for bulk loans for lending to SHGs. This is basically the MFI (or Micro finance Institution) model.

Dhar (2007), in his book on *Microfinance for Women: Necessities, Systems and Perceptions* mentions three type of popular delivery methods. Though same as Bansal (2003) it is worded differently and is given below

*Bank-SHG with active support of Self-Help Promotion Institution (SHPI):* This is a widely found model in India where the bank directly deals with the SHG. The role of SHPI (NGOs) or *Panchayats* can ensure smooth functioning of the SHG.

*Bank-Facilitating Agency-SHG-Members:* Here, bulk loans are given to NGOs (Promotional institution) which lend to SHGs. Facilitating agency or the promotional institution take a small margin to meet operational costs (for example, banks may lend to PI at a rate of interest of 9 per cent and PI in turn lend to SHG at 12 per cent).

*Government Sponsored Linkage:* Banks provide loan to SHGs formed under Government programmes such as SGSY, SJSRY etc. Government agencies supply doses of subsidies along with the bank loans. This is the *Kudumbashree* model of extending credit to micro entrepreneurs in the state of Kerala.

### **3.2.4 Process of SHG - Bank Linkage**

Bansal (2003) explains the process of linking SHGs with the banks. She records that the facilitating agency can be poverty alleviation missions (of the state/central government), non-governmental organisations (NGO) or the banks, which interact with the poor, chiefly women, and guide them in the formation of small homogenous groups, which becomes the self-help group (SHG).

These small groups are encouraged to meet frequently, as a norm at least once a week, and collect small thrift amounts from members. The amount of thrift is fixed by the group, as that which could be easily spared by every member, taking into consideration capacity of all members. The group is also taught simple accounting methods so that they are capable of maintaining regular accounts. The pooled savings enables the group to open a formal bank account which is the first step in establishing links with the formal banking system. The groups there after use the pooled thrift to give small loans to members for meeting various small consumption needs. The thrift grows in size and after a certain period of time (in general about six months) the group is ready to receive external funds in multiples of their group savings. The Bank loans enable the group members to undertake income generating activities (IGAs).

NABARD has stipulated certain norms for linking SHGs to banks for availing credit (the details of the 15 points and other criteria is given in Table A-I.2 in Appendix I). As per the current guidelines, an SHG scoring 80 per cent or more in the grading process becomes eligible for the bank linkage.

An SHG scoring 120 marks or above out of a maximum of 150 marks becomes eligible for credit linkage.

An SHG scoring less than 120 marks will have to be further developed before linkage. The lacking areas may be improved and the same SHG may be graded again after 3 months.

Once the groups are linked to the scheme, in the first stage they become eligible for credit equal to their thrift. Subsequently repeat loans may be availed at the thrift-credit ratio of 1:2 and 1:4 depending on the repayment performance. These provisions are seen to motivate members to exert peer pressure for prompt repayment.

### **3.3 GOVERNMENT AND SHG PROMOTION**

In many developing countries, including India, development was primarily the responsibility of government. It played a major role right from the stage of identifying borrowers, to the disbursement of credit and subsidy in several subsidy-linked credit programmes. The results of many of them were not positive, particularly the credit programmes targeted at the rural poor, chiefly because of the lack of involvement of beneficiaries and an attitude of total dependence on administrative efforts.

In the nineties, with the entry of government into the SHG movement through the *Rashtriya Mahila Kosh* (or RMK which started funding NGOs for forming and nurturing SHGs) participatory approaches to rural development were undertaken. This was followed by the *Indira Mahila Yojana*, which also facilitated both group formation and nurturing process. During the initial period of implementation, states in the South, particularly, Andhra Pradesh, Karnataka, and Tamil Nadu as well as Maharashtra found greater success in these initiatives. But over time, SHG movement spread across the length and breadth of the country and lead to huge mobilisation and capacity building of women. Though slow in some regions and fast and furious in others, SHG approach has also faced numerous criticisms. But in spite of the many resultant problems internal as well as external SHG promotion continue to be integral in development programmes. The group mode is also part of the latest attempt in rural development, the National Rural Livelihoods Mission. There were a number of government programmes in various parts of India which had strengthened the SHG movement over the years. Few of these with respect to targeted population, objectives and approaches are discussed next.



### **3.3.1 Development of Women and Children in Rural Areas (DWCRA)**

Under DWCRA, groups with a maximum membership of 15 women were formed by the Department of Rural Development. Since thrift and credit was recognised as essential for improving livelihood, both these were essential for entry into the group as well as for micro financing within the group and therefore members were encouraged to save money towards forming a common fund. The emphasis was on promoting a collective approach towards problem solving and for improving bargaining power. Under the scheme every group was provided a lump sum grant of ₹ 25,000 which could either be used collectively or shared by members on a prorata basis for starting a livelihood activity. Training was also imparted to groups for improving leadership, attitude and skills for undertaking successful income generating activities.

### **3.3.2 Swaranjayanthi Gram Swarozgar Yojana (SGSY)**

SGSY was a major self-employment scheme which began in April, 1999, after restructuring and combining the IRDP with many other previous programmes, namely, the TRYSEM, DWCRA, SITRA, GKY, MWS etc. The programme was designed as a holistic self employment scheme for providing sustainable income to rural BPL families through income generating assets and economic activities for raising them above the poverty line. SGSY was a process oriented scheme, where the rural poor or the population categorised under Below Poverty Line (BPL) category was first organised into SHGs through social mobilization, which was followed by capacity building, training of members and making available a revolving fund. Later, credit, subsidy, technology, infrastructure and marketing assistance was provided to those undertaking self employment ventures. The central government met 75 per cent of expenses, except in North Eastern states where cost sharing ratio was 90:10. Under the programme, the SHG drawn from the BPL list approved by the *Gram Sabha* went through three stages of evolution, beginning with group formation, followed by capital formation supplemented through revolving fund, and later training for skill development of members. Institutional arrangements for marketing of rural products was another thrust area under the SGSY, and one such assistance to the rural BPL *swarozgaris* towards marketing their product was provided by the Ministry of Rural Development through SARAS fairs organised across the country.

The SGSY was implemented by the DRDA with a special focus on vulnerable groups like women and those belonging to SC/STs. It was a credit cum subsidy programme, with credit as the major component and subsidy as a minor and enabling element. The subsidy was based on number of members, as well as the category to which the *swarozgari* belonged. As per the guidelines, for those venturing in to individual enterprises, the back end subsidy was fixed at 30 per cent of the project cost, and for those belonging to SC/ST and disabled category, 50 per cent, subject to a maximum limit of ₹ 7,500 and ₹ 10,000 per venture. In the case of a group entering into a micro-enterprise venture, like members of an SHG, subsidy was calculated either as 50% of cost of scheme or as per capita subsidy of ₹ 10,000 for each member, whichever lower, subject to a maximum limit of ₹ 1,25,000.

Pati (2009) studied the impact of subsidy on sustainability of SHGs and found that in the long run SHGs may find it difficult to sustain operations without subsidy. Among SGSY beneficiaries, there were large proportions of non-performers, revealing the unproductive use of revolving fund and subsidy amounts; this was attributed to target oriented approaches common in government programmes, which resulted in lending to large number of groups without assessing real business needs or potential. The SGSY has been reconstituted as the National Rural Livelihood Mission (NRLM) since June 2011, to provide greater momentum for poverty reduction, and to achieve the millennium development goals (MDGs) by 2015. The NRLM target to mobilise and built skills of 28 lakh SHGs.

### **3.3.3 Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)**

This was initiated in December 1997 with the aim of reducing poverty from urban areas through self employment programmes. The programme was mainly sponsored by the central government which bore 75 per cent of the cost, while the rest was met by the state governments. It was implemented at the urban local body level through the Community Based Organizations (CBOs) of the poor. Identification of beneficiaries, selection of projects for micro-enterprises, preparation of applications, implementation and monitoring, social audit etc. were some of the activities done through the Community Development Society (CDS) system of the respective Urban Local Bodies (ULB). In Kerala, the *Kudumbashree* implemented some special

livelihoods projects under the SJSRY. The SJSRY was revamped in April 2009 with major components raised to five from the original three. They include the Urban Self Employment Programme (USEP); Urban Women Self-help Programme (UWSP); Skill Training for Employment Promotion against Urban Poor (STEP-UP); Urban Wage Employment Programme (UWEP); and Urban Community Development Network (UCDN).

The key objective of the SJSRY was to alleviate urban poverty by providing gainful employment to urban unemployed and the underemployed. To achieve this support was provided towards skill development through training to enhance access of urban poor to new employment opportunities to undertake self-employment. The third objective was to empower the community to tackle the issues of urban poverty through suitable self-managed community structures and capacity building programmes.

**Table 3.3 District wise List of Micro-Enterprises under SJSRY (as on 30-9-2010)**

S. No	Name of District	DWCUA	USEP
1	Thiruvananthapuram	458	3320
2	Kollam	119	2007
3	Pathanamthitta	41	1164
4	Alappuzha	196	2977
5	Kottayam	105	1304
6	Idukki	17	139
7	Ernakulam	609	3729
8	Thrissur	253	1747
9	Palakkad	137	2588
10	Malappuram	127	1330
11	Kozhikkode	201	2264
12	Wayanad	21	162
13	Kannur	202	2350
14	Kasargod	61	995
Total	All Districts	2547	26076

Source: *Kudumbashree*, Government of Kerala

Under the USEP component there were two programmes for employment generation, namely USEP, which provided assistance for setting up individual enterprises and Development of Women and Children in Urban Areas (DWCUA), which provided assistance to urban poor women for setting up group enterprises. Under the SJSRY, as on October 2010, there were 28,623 micro-enterprises developed in the urban areas, out of which 2547 units were group enterprises (each group with minimum 10 women), and the rest individually operated and owned enterprises. The district of Ernakulam had the maximum number of enterprises, in both DWCUA and the USEP, and had facilitated 609 group enterprises under the former and 3729 individual enterprises under the USEP scheme (as given in Table 3.3).

Most of the group enterprises were innovative and were owned and operated by women from poor families. The activities of group enterprises varied from solid waste management to computer hardware manufacturing and data entry operations.

#### **3.3.4 Joint forest management groups**

*Vana Samrakshana Samithis* (VSS) were formed by organising villagers living in notified forest areas to conserve forest wealth. Here, social mobilisation was achieved through the SHG route, and village communities were exhorted to take up alternative income generating activities.

#### **3.3.5 Watershed management groups**

Farmers in the watershed areas were formed into groups, and provided grants for implementing improved techniques of watershed development. The groups were facilitated by the intervention of an NGO and encouraged to take up microfinance, with thrift as an entry point.

#### **3.3.6 *Rashtriya Mahila Kosh* groups (RMK groups)**

The groups were funded by the RMK, a fund set up by the central government for assisting the women to take up income generating activities. Credit was extended to individual women in group mode.

### **3.3.7 Council for Advancement of People's Action and Rural Technology (CAPART)**

This was set up by Ministry of Rural Development, Government of India, to fund voluntary organisations (VOs) and community based organizations (CBOs) engaged in serving rural areas. The scheme provided funds and training to VOs and CBOs working in the area of microfinance and SHGs, and also worked towards expanding the reach to new areas and in improving quality of existing groups. Under CAPART, an SHG was granted ₹ 10,000 without interest, particularly in cases where bank linkages were not available for providing groups with revolving funds for meeting the expenses of group formation and development. The facility of bridge finance for federations with 100 SHGs or more was also provided under CAPART.

### **3.3.8 Swa-Shakti Project**

The project assisted by IFAD and World Bank, is a rural women's development and empowerment project which was implemented in six states, namely, Bihar, Gujarat, Haryana, Madhya Pradesh, and Uttar Pradesh, and was centrally overseen by the Department of Women & Child Development, which facilitated its implementation. The scheme promoted the development of women SHGs, cluster associations, and capacity building. Among the various activities aimed at improving the supporting mechanism for income generating activities were the mobilisation of investment funds, provision of business management, and technical support services.

### **3.3.9 Indira Kranti Patham (IKP) Project**

The project known as IKP since 2005 was earlier known as '*Velugu*' (meaning light). The Society for Elimination of Rural Poverty (SERP) manages IKP through DRDAs at district level. The project aims to build strong institutions for rural poor by enhancing their livelihood opportunities (Badatya, *et al.*,2006). IKP has two projects, namely, Andhra Pradesh District Poverty Initiatives Project (APDPIP) and Andhra Pradesh Rural Poverty Reduction Project (APRPRP). 'Common Interest Groups' (CIG) were formed to focus on accelerated progress in poverty alleviation, where in members of a CIG (drawn from existing SHGs) were motivated to take up economic activities, community welfare programmes and were also provided with a common investment fund of ₹ 20,000 to start income generating activity.

### **3.3.10 Prime Minister's Employment Generation Programme (PMEGP)**

PMEGP is a credit linked subsidy programme of Government of India. It was introduced by merging the two schemes, namely, *Prime Minister's Rojgar Yojana* (PMRY) and Rural Employment Generation Programme (REGP). The scheme was launched on 15th August, 2008, with the primary objective of generating employment opportunities in rural as well as urban areas of the country through setting up of new self employment ventures/projects/micro-enterprises. The project envisages that the availability of continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country may help to arrest migration of rural youth to urban areas. NABARD launched Micro-Enterprise Development Programme (MEDP) in 2006 for extending support to matured SHGs for enriching their knowledge on enterprise management, business dynamics and markets. The programme has benefitted more than 60,000 members (NABARD, 2011).

### **3.3.11 Kudumbashree Project**

The *Kudumbashree* poverty eradication mission was launched by Government of Kerala with the active support of central government and NABARD in 1998, for eradicating absolute poverty from the state within a decade (the evolution of *Kudumbashree* is given in Table A-I.3 in Appendix I). Microfinance and micro-credit were major elements, but the programme followed an alternate approach and not the commercial delivery model of microfinance. The project embraced a number of elements for poverty eradication: micro-enterprises, micro housing, old age assistance, etc. For promotion of micro-enterprises, the programme went the extra mile extending its support holistically than just being a credit facilitating and subsidy providing body, by ensuring market support and innovative enterprise ideas. The state, through the community based organisational (CBO) structure, played the facilitating role in the linkage of SHGs to banks. It combined SHG approach with demand led convergence of available services and resources. Under *Kudumbashree*, SHG was referred as the neighbourhood group (NHG) and the NHG bank linkage scheme (synonymous to SHG bank linkage) was one of the flagship programmes of the programme (Annual Report 2009-10, *Kudumbashree*)

### 3.4 CHAPTER SUMMARY

In this chapter we discussed self help groups in general and the facilitating role played by government agencies in their origin, process and progress of linkage to banks under the SBLP. The region-wise penetration of linkage programme as well as current status was also discussed in detail. Since the government has brought SHGs to the centre stage for empowering women and continue to promote their formation in large numbers for reaching the targeted population through various developmental programmes, some of these, particularly those where the SHGs were targeted was also discussed in brief.

The purpose of creation of large number of SHGs and promotion of micro-enterprise activity through loans and subsidies is to enhance capacities and income generation among poor women. But are these enterprises generating gainful and sustainable employment and through it economic empowerment? Are they able to sustain and generate sufficient income under competitive pressures? Are SHGs choosing the micro-enterprise activity after evaluating the market forces of demand and supply? Are they capable of making these decisions on their own or should they be guided through the process? Many programmes have followed target oriented approaches which resulted in partial achievement of objectives as SHGs formed were non-cohesive and many ventured in to enterprise activity for short-term monetary gains. Was this due to a general lack of governance and monitoring which may be vital for effectiveness in government supported micro-enterprise development programmes?

After having discussed about SHGs and some of the micro-enterprise development programmes, the study area as well as various micro-enterprise development initiatives undertaken by *Kudumbashree* is dealt in the following chapter.

# CHAPTER IV

## MICRO-ENTERPRISE DEVELOPMENT IN KERALA

### 4.1 INTRODUCTION

The State of Kerala, located in the South-West part of India (Map 4.1) came in to existence in 1956 as part of the linguistic reorganisation of Indian states by merging the Malayalam speaking princely states of Travancore and Cochin and the Malabar district of Madras Presidency. The state has a population of 31.8 million (3.01 per cent of the Indian population), a total land area of 38,863 sq. km, stretching 580 km in length and 30-130 km in breadth, but in terms of its size with in India, only occupies 1.1 per cent of total area (Government of Kerala,2006).

**Map 4.1 Location of Kerala within India**



Source: [www.mapsofindia.com](http://www.mapsofindia.com)



At the time of independence, there existed wide regional disparities within Kerala, particularly in terms of broad indicators of human development; the Travancore region in the South was way ahead in both educational and health status in comparison to Malabar in the north, while Kochi located between the two, had made moderate achievements. These differences narrowed down during the post-independence period and within a span of three decades Malabar caught up with Travancore in terms of not only health care and educational establishments, but also in outcomes (Kabir and Krishnan, 1996). According to Human Development Report 2005, Kerala is ranked at the top in both human development as well as gender-related development index (GDI) among major states in India. The state has fourteen districts (Map 4.2).

**Map 4.2 Districts of Kerala**



Source: Mapience India Limited 2001

Kerala exhibits rural-urban continuum, meaning there is very little difference between rural and urban areas, which was referred to as ‘rurban’ by Ramachandran (1996). This may be true with respect to access to markets and services, but wide differences may exist in standard of living particularly for poorer sections of the society. The head count index of poverty indicates a higher index for urban Kerala in comparison to rural areas. This may be due to direct effects of higher levels of unemployment in urban Kerala (the fiftieth National Sample Survey ranked Kerala second in terms of urban unemployment in India, with 14 per cent of male and 28 per cent of female labour force unemployed). The list of major employment and welfare programmes currently operating in the state and the study area is listed in Table 4.1.

**Table 4.1 Major Poverty Alleviation Programmes**

S No	Name of the Programme	Central/ State/ULB/ External Aid	Implemented By
1	SJSRY	Central/ State	SPEM/CDS
2	SGSY	Central/ State	Rural development
3	NSDP	Central/ State	SPEM/CDS
4	CUPRP	External Aid	UPAD/ULB
5	VAMBAY	Central/ State	ULB/SPEM/CDS
6	ICDS	Central/ State	Social Welfare Dept (SWD)
7	PMRY	Central/ State	District Industries Centre
8	Other Welfare programmes	State	KSWDC,BCDC, SWD
9	Kerala Development Plan (Poverty Alleviation)	State	LSGD
10	Poverty Alleviation Programme for Mattancherry	Central/ State	ULB/CDS
11	Schemes under <i>Kudumbashree</i>	Central/ State	LSG/CDS

Note: NSDP is National Skill Development Programme; CUPRP or Cochin Urban Poverty Reduction Project is funded by DFID, United Kingdom; VAMBAY is *Valmiki Ambedkar Awas Yojana*, ICDS is Integrated Child Development Services; PMRY is Prime Minister’s Rozgar Yojana; SPEM is State Poverty Eradication Mission; CDS is Community Development Society; UPAD is Urban Poverty Alleviation Department; ULB is Urban Local Bodies; SWD is Social Welfare Department; KSWDC is Kerala State Women’s Development Corporation Ltd; BCDC is Backward Classes Development Corporation; LSG is Local Self Government; and LSGD is LSG Department

Source: City Development Plan, Kochi, 2006

By the turn of the millennium, the head count index of poverty in Kerala reduced to 12.72 (Table 4.2) in comparison to all India figures (26.3), with an average annual decline of 2.4 per cent in rural Kerala (World Bank, 1997:8). By 2009-10, the proportion of population below the poverty line had fallen to 12 per cent (Table A-I.4 in Appendix I). The reduction was based on income and household consumption expenditure, but poverty should also be understood and assessed multi-dimensionally incorporating other indicators of deprivation. Under such assessment, 25-30 per cent of the population in Kerala may be poor (GOK, 2006).

**Table 4.2 Head Count Index of Poverty in Kerala and India**

<b>Year</b>	<b>Rural Kerala</b>	<b>Urban Kerala</b>	<b>Total</b>	<b>India</b>
1973-74	59.19	62.74	59.79	54.88
1977-78	51.48	55.52	52.22	51.32
1983-84	39.03	45.68	40.42	44.48
1987-88	29.10	40.33	31.79	38.86
1993-94	25.73	24.55	25.43	35.97
1999-00	9.40	19.80	12.72	26.30

Source: Planning Commission, GOI

The extent of poverty is determined by the nature of employment opportunities available in a region, and unemployment, undoubtedly, is the most serious form of capability failure in the state (GOK, 2006). The next section deals with employment situation in Kerala.

#### **4.2 EMPLOYMENT SITUATION IN KERALA**

The Government of Kerala (2006), records that out of the total employed males, 29.7 per cent were self-employed while among the employed females, about 11.3 per cent was self-employed (Table 4.3).

**Table 4.3 Employment Status in Kerala in 2005**

<b>Employment Status</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Casual	19.0	6.6	15.6
Regular	19.2	31.5	22.5
Permanent	32.1	50.7	37.1
Self-employment	29.7	11.3	24.8

Source: CDS survey on Employment and Unemployment, 2003

### 4.3 UNEMPLOYMENT IN KERALA

The state has the highest unemployment rate in the country (GOK, 2006). Zachariah and Irudaya Rajan (2005) give the unemployment rate to be 19.2 per cent for the total labour force, while it was 41 per cent for women. But, despite the existence of a large pool of unemployed, wages remained high and rigid even at lower rungs of the skill ladder. This is because of a ‘social wage’, arising out of institutional power of organisation of workers and the notion of what is a fair wage on one hand and the fall-back mechanisms that are available in the form of public provisioning of basic needs, support of remittances from family members working abroad, as well as social security provisions. Male and female workers, even under casual category enjoyed higher wage rates in both rural and urban areas in comparison to other parts of the country. Thus in spite of huge unemployment, there exist a ‘social floor’ below which wages do not fall. This institutionally given wage setting has resulted in very high degree of open unemployment, with employment opportunities remaining unfilled. The Human Development Report explained the phenomenon stressing on the withholding power of unemployed as they were not the main ‘breadwinners’. Therefore, Zachariah and Irudaya Rajan (2005) described the unemployment phenomenon in the state as a ‘social’ rather than an ‘economic’ problem. Table 4.4 indicate the high levels of educated employment.

**Table 4.4 Educational Attainment and Chronic Unemployment in Kerala**

Category	Unemployment Rate(1999-00)	Category	Unemployment Rate (1999-00)
R – Women (PB)	1.3	R – Men (PB)	1.2
U – Women (PB)	0.3	U – Men (PB)	0.1
R – Women (M)	20.9	R- Men (M)	37.0
U – Women (M)	20.3	U-Men (M)	44.0
R-Women(S)	37.5	R-Men (S)	31.0
U-Women(S)	36.9	U-Men (S)	33.2
R- Women(GA)	24.9	R – Men (GA)	9.8
U – Women (GA)	21.6	U – Men (GA)	5.4

**Note:** PB stands for below primary, M for Middle School, S for Secondary level and GA for Graduates/above

**Source:** NSSO 1999-2000

Overall literacy was 90.9 per cent, with 65 per cent of males and 54 per cent of females in the age group of 20-59 having attained an educational level of middle school pass; many under this group were in search of jobs that had some social status and respectability. This segment also dominated the labour force, but was the least employable due to general apathy towards manual work and reluctance to work on fields and farms. Their ability to overcome income poverty was closely related to their gainful employment as most of the poor in this category did not have much productive assets (GOK, 2006).

The work participation rates (WPR) of women in Kerala was one of the lowest in the country, and was confined mostly to urban areas and to the age group of 35-54 years. The WPR for females in 2001 was 15.3 per cent (and among males was 50.6 per cent), and were lower than all India rates (GOK, 2006). Primary studies by Osella and Osella (2000) have revealed the general aversion to low paid and low status manual work and desire of parents, particularly mothers working in low paying industries, wanting their daughters married to men who are capable of maintaining them as housewives (Lindberg, 2001). NSSO data also showed that a higher proportion of housewives in Kerala, by main occupation, were engaged in maintenance of kitchen garden, poultry and cattle and free tutoring of own/other's children than at the all-India level. The poverty eradication programme of the state, *Kudumbashree* envisaged prosperity of family through women, and one of the means for achieving the objective was to increase the participation of women in economic activities, by inducing them to take up self-employment through micro-enterprise promotion, thereby improving work participation rates and economic well being.

#### **4.4 KUDUMBASHREE**

The government of Kerala through the State Poverty Eradication Mission launched the anti-poverty programme *Kudumbashree* in 1998. The term in the local language (Malayalam) mean 'prosperity of the family', and the programme envisaged to remove absolute poverty within ten years, and to bring about equal economic opportunities to a good number of poor womenfolk both in rural and urban Kerala. It received active support from the Central Government and the National Bank for Agriculture and Rural Development (NABARD). In May 2011, the programme

completed thirteen years of operation but continue to operate with full cooperation of local self governments. As poverty has several dimensions, the programme employs a multi-pronged strategy to eradicate poverty and identifies poor families using a nine-point index consisting of several risk factors (Appendix II). The *Kudumbashree* mission statement state

*“To eradicate absolute poverty in ten years through concerted community action under the leadership of local governments, by facilitating organisation of the poor for combining self-help with demand led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically.”*  
(<http://www.Kudumbashree.org>)

#### **4.4.1 Evolution of the *Kudumbashree***

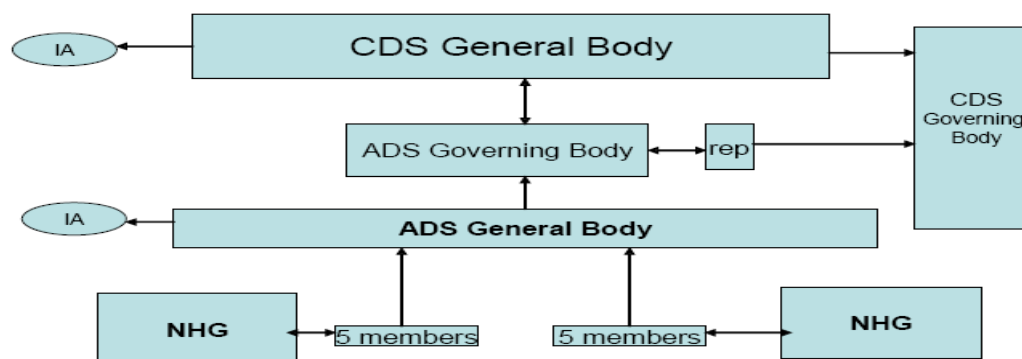
The programme evolved through a long phase of experimentation (Table A-I.3 in Appendix I). One of these was the Urban Basic Services for the Poor (UBSP) which was implemented in the Alappuzha Municipality in 1992. The UBSP had focused on a community based and participatory approach to planning and implementing poverty reduction in an area, and used the 9 point index for identifying families at risk of poverty. The success achieved prompted the government in 1994 to pilot the approach in the Malappuram district of Kerala, under the Community Based Nutrition Programme (CBNP) which was implemented with the support of UNICEF. Almost simultaneously universal coverage of the programme was decided upon for urban areas in December 1994. Subsequently, on May 18<sup>th</sup>, 1998 the *Kudumbashree* was formally launched and thereafter developed across the state in three phases. By March 2002, the *Kudumbashree* network had spread all over Kerala.

#### **4.4.2 Organisational Structure of *Kudumbashree***

The structure *Kudumbashree* has developed for the effective convergence of the programme is a three tier Community Based Organisation (CBO), where every family below the poverty line is organised into a Neighbourhood Group (NHG) at the grass roots level, which is the lowest tier (as shown in Figure 4.1).

Every NHG, the building block of the CBO, consist of 15 to 40 families with each family being represented by one woman. It has a secretary, a president (the leader and the chief coordinator), and three volunteers, one each for Community Health Activities; Infrastructure Development; and Income Generation Activities. The NHG members meet once every week in a members' house. The members sit together, discuss their problems and make joint efforts towards finding solutions to grievances with the support of the functional volunteers. These activities over a period of time lead to better interpersonal relations and generate a supportive attitude towards fellow group members. The members in addition also practise small savings through the thrift and credit societies, which in most NHGs is a small amount (between ₹ 10-20 in many groups) that is collected every week and is used for internal lending within the group to individual members. By January 2010, the total thrift collected and the internal loan generated by the NHGs was ₹ 1,345.68crore and ₹ 3,759.47crore respectively. About 1,15, 361 NHGs were linked to banks and ₹913.35crore of loan had been availed.

**Figure 4.1 Community Based Organisational Structure**



**Source: Kudumbashree Annual Report 2008-09**

The NHGs are federated into an Area Development Society (ADS) at the level of the Ward of the village panchayat (a village panchayat ward in Kerala has a population of around 1500 to 2000), which is the second tier. All the ADSs in the village panchayat are federated into a registered body called the Community Development Society (CDS). Each NHG, ADS and CDS have five volunteers for carrying out different functional roles. Out of these, one is president and another is secretary; among the remaining three, there is a volunteer in charge of community health; income generation activities; and infrastructure activities at the respective tier.

### 4.4.3 Community Based Organisational Structure and Participatory Planning

The CBO structure thus follows a grass root level or a bottom-up approach in terms of its organisational structure and decision making. Raghavan (2009) described the structure and quoted that NHG was the central base of the three-tier organisational structure. NHG is a voluntary association of about 20 to 40 women members, who represent poor households in a neighbourhood and are identified through the application of a nine point risk factor criteria. Area Development Society (ADS), the middle structure, is formed at the ward level by federating 8-10 NHGs belonging to a particular ward or area. Community Development Society (CDS) is the crest of the structure, at the *Panchayat*, Block or District level, which is formed by federating all ADSs. In early 2010, there were 2, 01, 211 NHGs, over 17,526 ADSs and 1,061 CDSs in the state (as shown in Table 4.5).

**Table 4.5 Status of CBOs in Kerala**

S. No	Item	Rural	Urban	Total
1	No. of LSGs	999	58	1057
2	No. of CDS	999	62	1061
3	No. of ADS	16012	1514	17526
4	No. of NHG	186912	14299	201211
5	Families Covered (Lakhs)	33.69	3.57	37.27

Note: Data as on January 31, 2010. LSG is Local Self Government body. The ratio of NHGs or neighbourhood groups in rural and urban was 93:7. Only few NHGs initiated in to group owned and operated micro-enterprise activity, forming an 'activity group' with members either exclusively from the same NHG or from different NHGs.

Source: *Kudumbashree*; Government of Kerala.

The NHGs formed at the grassroots level provide a social platform for poor women to express their concerns, discuss their problems, and search for better opportunities, which in their judgement would improve the living conditions of their surroundings. In fact through this opportunity for a higher level of interaction, the poor women are in a position to come forward with their own micro-plans that may be more suitable to their locality. These micro-plans formed at the NHG level is then integrated at the Area Development Society level to form a mini-plan.



The numerous mini-plans prepared by the Area Development Societies are finally integrated to form a CDS plan or the sub-plan at the local government level. In fact, this CDS plan becomes the anti poverty sub-plan of the village *panchayat* or municipality, for which one-third of the total development resources of the local government is set aside. The formulation of micro, mini and sub-plans help facilitate the poor women households to participate in planning process as major stakeholders. The local self governing body monitors the implementation of the 'plans' and thereby proper linkage, coupled with autonomy is ensured in the participatory system of planning for poverty alleviation.

The guidelines by the local governments highlight agricultural production, local economic development, poverty eradication and social equity as core objectives. The guidelines stipulate formation of sub plans for poverty eradication, local economic development, and women's development among others. In all these, the CDS interface with the local government, and the CDS functionaries are members of the working groups of Local Self Governments (LSG) for project preparation.

#### **4.4.4 The Eleventh Five Year Plan and Promotion of Group Enterprises**

The state envisaged that 30,000 group enterprises would be set up by *Kudumbashree* and 50,000 by the LSG during the plan period. To achieve this end General Orientation Training (GOT) programmes were conducted for orienting elected representatives in the LSGs, line department officials, CDS functionaries and entrepreneurs towards micro-enterprise development.

Though there are different definitions on micro-enterprises, the *Kudumbashree* define group run micro-enterprises as,

- Those with an investment ranging from ₹ 5,000 to ₹ 2,50,000
- Those having a potential to generate a net income of at least ₹ 1,500 per member in a month
- Those with a minimum annual turnover ranging between ₹ 1,00,000 to ₹ 10,00,000

- Those which are fully owned, managed and operated by members themselves, preferably by women below poverty line families

There is no specification about the number of members joining together to form the activity group. But in practise, preferable group size at inception was either five or ten in rural areas while it was ten in urban areas. The activity group could comprise of members from either single/multiple SHGs. The parent SHG were not financially responsible for the repayment of loans availed by the ‘activity group’ that ventured into the micro-enterprise activity but were morally liable to induce repayment in case of defaults and moral hazards.

Support in terms of training, consultancy and subsidy was also provided by *Kudumbashree* towards micro-enterprise development and is discussed next.

#### **4.4.5 Development Support to Micro-Enterprises under *Kudumbashree***

*Kudumbashree* provided holistic support<sup>1</sup> including the arrangement of monthly markets<sup>2</sup>, advice through micro-enterprise consultants, and financial support through subsidy under specific schemes. The various schemes under micro-enterprise development include the rural micro-enterprises (RME) scheme, *Yuvashree*, Innovation fund or Technology fund, Revolving fund, Crisis Management fund, Cluster and Networking fund and Meet fund.

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<sup>1</sup> *Kudumbashree* provided support to take care of all aspects of micro-enterprise development. Some of these were, Skill trainings; Accounting support through KAASS (a team consisting of qualified and trained women from various neighbourhoods capable of conducting and delivering audit reports); Release of revolving fund / subsidy; Productivity improvement programmes; Marketing support and Inter district transfer of products.

<sup>2</sup> Monthly Markets is a hand holding support envisaged by the *Kudumbashree* mission to help the entrepreneurs find buyers for their products and has been operational since October 2007. The monthly markets are organised across the districts and the logic behind such support was that unless the enterprises have marketing opportunities their production and income would never reach an optimal level where the enterprise would be able to generate sustainable livelihoods (*Kudumbashree* annual report, 2009). These markets have helped *Kudumbashree* to bring in the concept of branding, standardisation of product quality and price, and have also helped entrepreneurs to understand the preferences and requirements of the customer; sell larger volumes and become more competitive. The markets are arranged on the same date and venue every month, at a central area in the town.

#### 4.4.5.1 RME Scheme

One of the current schemes for rural enterprise development is the Rural Micro-enterprises (RME) scheme. The RME scheme was initiated to help women set-up individual and group enterprises. Over time, the programme concentrated on the development of group operated enterprises as they were expected to benefit more women, and through them more families in comparison to individual enterprises. Thus promotion of such group initiated, owned and operated enterprises was given emphasis and as a norm, either five or ten member groups were encouraged to initiate suitable micro-enterprises. Various groups engaged in activities like catering, paper products, provision shops, direct marketing, tailoring, restaurants, preparation of snacks and savouries, etc were formed under the RME programme. Even traditional activities like goat rearing and dairy were initiated under RME scheme and majority had received financial (subsidy) and other assistance. The district-wise list of group operated micro-enterprises established in rural areas with *Kudumbashree* support is illustrated in Table 4.6

**Table 4.6 District-wise List of Group Owned Micro-Enterprises in Rural areas**

Year	Name of District	Number of Enterprises	Subsidy (in ₹)
1	Thiruvananthapuram	558	3,95,06,250
2	Kollam	179	86,20,000
3	Pathanamthitta	134	68,95,000
4	Alappuzha	870	4,95,55,000
5	Kottayam	174	88,99,125
6	Idukki	349	1,78,60,000
7	Ernakulam	1107	6,05,97,650
8	Thrissur	204	1,44,15,000
9	Palakkad	162	2,07,70,000
10	Malappuram	554	3,01,12,500
11	Kozhikkode	382	90,68,500
12	Wayanad	250	46,50,000
13	Kannur	217	1,57,99,750
14	Kasargod	76	88,50,000
<b>Total</b>	<b>All Districts</b>	<b>5216</b>	<b>28,55,98,775</b>

**Note** : The list includes all group enterprises formed since inception till 30-09-2010

**Source:** *Kudumbashree*, Government of Kerala

During the year 2008-09 alone, 408 individual enterprises and 1360 group enterprises were set up in the state. In Ernakulam, 138 activity groups received a total subsidy of ₹ 69, 88, 650 to set up group enterprises during the period (Table 4.7). The project cost under the RME scheme was ₹ 2, 50, 000 or above, and the maximum subsidy per group enterprise was ₹ 1,00,000 (or 50% of the project cost if lower), with subsidy per member being limited to ₹ 10,000. In the case of individual enterprises, the project cost was stipulated to be ₹ 50,000 or above, with a subsidy cap of ₹ 7,500 (or 50% of the project cost if lower).

**Table 4.7 Group Enterprises formed in 2008-09 under RME Scheme**

District	Subsidy (in ₹)	No. of Enterprises
Thiruvananthapuram	74,58,990	148
Kollam	29,91,000	59
Pathanamthitta	2,53,70,000	258
Alappuzha	1,12,23,000	224
Kottayam	3,87,500	7
Idukki	38,51,500	76
Ernakulam	69,88,650	138
Thrissur	7,95,000	15
Palakkad	82,27,500	163
Malappuram	14,17,500	26
Kozhikode	13,67,500	26
Wayanad	15,19,000	29
Kannur	57,81,000	114
Kasargode	38,90,600	77
<b>Total</b>	<b>8,12,68,740</b>	<b>1360</b>

Source: *Kudumbashree*, Government of Kerala

#### 4.4.5.2 Yuvashree

The programme was launched in 2004-05 with the objective of generating 50,000 jobs for the educated but unemployed youth in the state. Under this scheme some of the enterprises started were those manufacturing solar products like lamps and food supplements (Nutrimix), IT centres, Egger nurseries, Training groups (EKSAT-Employment through Knowledge, Skill and Attitudinal change through Training),

Accounting groups (KASS- *Kudumbashree* Accounts & Audit Service Society) and *Keralashree*, a virtual employment exchange, which were all innovative in some aspects. But as there were restrictions like minimum educational qualification and compulsory training requirements, there were fewer people willing to take up activities under this scheme.

Under the *Yuvashree* scheme, a group enterprise could be either only male/female or even mixed; members in ages between 18 and 35, and with a minimum educational qualification of SSLC (10<sup>th</sup> Class pass) or above. The project cost was set as ₹ 2,50,000 or above, and the subsidy per group to be either ₹ 1,00,000 or 50% of the project cost whichever was lesser. Here too, the maximum subsidy per individual was ₹ 10,000. In the cases of the individual enterprises the criteria were same except for the project cost which could be ₹ 50,000 or above, and the subsidy entitlement was ₹ 7,500 (or 50% of the project cost whichever was lesser).

#### **4.4.5.3 Innovation fund/ Technology Fund**

This was initiated for supporting innovative micro-enterprises, with the objective of covering the initial risk, and particularly for procuring advanced and innovative technologies. Under this, the maximum amount eligible was not to exceed 50% of the total project cost (subsidy and innovation fund together). The fund was provided to meet the cost of technology which could either be the cost to develop or purchase a new technology. Here, suitable innovative micro-enterprise projects were first identified and then proposals were submitted to the head office by micro-enterprise teams in the districts.

These were then scrutinised by a four member screening committee at the state level. In 2008-09, total financial aid provided through the innovation fund was ₹ 2,70,250 while ₹ 7,31,000 was disbursed through the technology fund. Some of the innovative projects were 'Nutrimix', Nature Fresh milk etc which were developed as solutions to existing problems; the first solved the problem of ensuring healthy nutritional supplement to *anganwadi* children while Nature Fresh ensured availability of fresh cow's milk to town dwellers.

#### **4.4.5.4 Revolving Fund**

One of the major issues faced by micro-enterprises is the shortage of working capital due to delay in payments by wholesalers and departments. This fund was meant for meeting some urgent working capital requirement the enterprise may face during its life span. Until March 2009, the *Kudumbashree* mission had provided ₹ 64,74,190 as revolving fund to units. Enterprises which were eligible for revolving fund received 10% of the total project cost which was limited to a maximum of ₹ 25,000 per group enterprise during its life span.

#### **4.4.5.5 Crisis Management Fund (CMF)**

The CMF was meant for helping a micro-enterprise face an unpredictable negative event to prevent from escalating into an even bigger problem. Over a period of time, *Kudumbashree* had adopted a four step approach towards crisis management. These included anticipation of potential crisis situations, dissemination of accurate information, preparation for rapid reaction and long-term solutions. Here too, the screening committee at the State level scrutinised all proposals. In 2008-09, the CMF was provided to units during *Onam* season (harvest festival of Kerala which occurs in either August or September) to meet additional working capital requirements.

#### **4.4.5.6 Cluster and Networking fund**

The fund was intended for networking enterprises of similar nature, towards achieving economies of scale and for ensuring effective marketing linkages. 'Nutrimix' is an area in which activities were initiated for clustering units at the district level.

#### **4.4.5.7 Meetings and Trainings**

These were conducted at block level for identifying enterprises needing marketing support and facilitation. These meets also helped in networking those enterprises which had not availed subsidy support from *Kudumbashree*. They were also provided accounting and financial support through the release of revolving fund or even subsidy in eligible cases. In 2009-10, a number of general orientation programmes,

skill trainings, entrepreneurship development programmes and productivity improvement programmes were conducted (Table 4.8).

**Table 4.8 Types of Training Programmes**

S.No	Type of Training in 2009-10	No. of Participants
1	General Orientation Programmes	43825
2	Entrepreneurship Development Programmes	38700
3	Skill Development Trainings	8900
4	Performance Improvement Programmes	2600

Source: *Kudumbashree, Government of Kerala*

These were the major heads under which financial support was provided towards development of micro-enterprises under the programme. But greater thrust towards promotion of group enterprises was provided from 2005-06 and a big stimulus from 2007-08 onwards. This was particularly because of the thrust provided in the Eleventh five year plan of the state towards employment generation through group entrepreneurship. The emphasis on group enterprise creation may have been due to realisation and experiences of failures in earlier individual employment generation programmes like the IRDP as well as suitability of groups for larger outreach and impact. The progress of formation of group operated micro-enterprises in the study area is illustrated in Table 4.9.

**Table 4.9 Progress of Formation of Group Operated MEs in Ernakulam**

S. No	Year of Formation	Number of Group Enterprises
1	1998-99	0
2	1999-00	2
3	2000-01	24
4	2001-02	22
5	2002-03	25
6	2003-04	32
7	2004-05	29
8	2005-06	78
9	2006-07	162
10	2007-08	596
11	2008-09	427
12	2009-10	489
Total	All Years	1886 (1107 Rural +779 urban)

**Note:** The list includes all group enterprises (rural and urban) formed in the district as on 30-09-2010. Out of 1886 group enterprises formed, 1107 were in rural areas (Table 4.6). The rest, 779 were in urban areas (out of these, 609 had received subsidy under SJSRY (Table 3.3). In Kerala *Kudumbashree* is the nodal agency for SJSRY. The ratio of group operated micro-enterprises in rural and urban was 59:41.

Source: *Kudumbashree District Mission, Ernakulam*

#### 4.5 ACTIVITY GROUP FORMATION FOR GROUP ENTERPRISES

*Kudumbashree* support the formation of ‘activity groups’ from single or multiple NHGs (that are located in close proximity) after they have been in existence for a minimum period (normally six months). This is done so that only those members from NHGs who are ‘interested’ and ‘willing to take the risk’ of operating an enterprise are involved. The activity group members are part of the parent NHG for saving and thrift purposes (all micro finance activities) but the investment, risks and benefits related to enterprise activity is also borne only by them. The parent NHG may also monitor the repayment of loans taken by the activity group to ensure their own credibility and even eligibility for further loans. Some may also support the micro-enterprise (in marketing for a commission or even on wage basis in production).

NHGs are large (with almost 35-40 members in many), and all members may not be keen to enter in to enterprise activity. So one of the first steps taken by *Kudumbashree* is awareness creation of enterprise opportunities, through a day long general orientation training (G.O.T) at the ward level. This is followed by a three day Entrepreneurial Development Programme (E.D.P) for women from various NHGs. The aim here is to develop essential skills needed for enterprise activity. The participants are women who have expressed an interest in initiating micro-enterprises. Some of these women (either from same or different NHG) may join to form the ‘activity group’, after which the following process takes place.

- Convening a meeting of interested NHG Members and the formation of the activity group
- Discussion about various aspect of group / individual enterprises
- Brain storming session for identifying activities
- Conducting feasibility survey by group members
- Activity group meetings – minimum 30 meetings for discussions
- Discussion on data collected on questionnaire within group and with experts
- Preparation of minutes
- Preparation of detailed project report – assisted in some cases by MECs (Micro-Enterprise Consultants).



- Appraisal of the project by CDS before submission to banks
- Submission of Application to banks through NHG-ADS-CDS
- Pre-sanction verification by the banks
- Issue of pre-sanction letter by banks
- Submission of Pre-sanction letter with connected documents to the office of the District Mission Co-ordinator (DMC) by the CDS
- Submission of documents to *Kudumbashree* head office by DMCs with recommendations
- Processing & Releasing of subsidy (by DD) to the bank through DMC
- Submission of utilisation certificate by CDS through DMCs concerned after full utilisation of bank loan & subsidy
- After completion of six months of operation, there are Performance Improvement Programmes (PIP) conducted by *Kudumbashree* for similarly placed enterprises – for example, direct marketing, catering, solid waste management, Nutrimix units etc.

#### **4.6 CHAPTER SUMMARY**

The chapter discussed relevant aspects related to economic development in the state of Kerala. The discussion revolved around poverty, nature and extent of unemployment, participatory planning process and aspects related to poverty eradication mission, *Kudumbashree*, which promoted and encouraged women to initiate in to micro-enterprise activities for overcoming poverty. The literature also brought out the emphasis on creation of group enterprises by the state government which was highlighted in the eleventh five year plan document. This may have been deliberate as only enhanced economic activity among women belonging to lower economic strata could lead to their economic empowerment. As group approach was considered more suitable for motivating women who suffer various inequities and gender specific vulnerabilities, the enabling environment created by *Kudumbashree*, was discussed. The next chapter elaborates the research methodology and data collection methods adopted in the study.

# **CHAPTER V**

## **RESEARCH METHODOLOGY**

### **5.1 INTRODUCTION**

In this Chapter, the methodology undertaken to answer the objectives of the study is explained. The research design is first described, and then the research methods are compared and finally the method adopted for understanding the performance of enterprises is discussed. The data collection methods, sampling design and the questionnaire are also discussed in brief.

### **5.2 NEED FOR THE RESEARCH**

The previous chapter had brought out the huge thrust on promotion of group owned micro-enterprises in various government programmes for ensuring greater employment and livelihood opportunities for the poor. Some of these micro-enterprises have performed well while some others have not. It is important to identify the factors that may be critical for ensuring better performance. The motivation, financial support, strategies employed, marketing support and many other factors may affect performance. The success, stability and sustainability of such enterprises have a significant impact on the confidence of women belonging to same and different SHGs, as failed enterprises may act as deterrents to members who may have planned on starting similar ventures. A micro-enterprise, operated by a group of women belonging to SHGs, may behave differently from mainstream small business enterprises.

Most of the enterprises were initiated by women who did not have any previous experience in operating a business venture or even engaging in an income generating activity. Working together in groups with shared ownership may itself bring in numerous challenges. There is lack of relevant research about such group operated enterprises. This study is therefore undertaken to understand the performance of these enterprises, with the following specific objectives.

### **5.3 RESEARCH OBJECTIVES**

The primary aim of the research is to understand the performance of group operated micro-enterprises. Performance is measured mainly in terms of sales receipts earned, its growth and the average income the enterprise has generated to individual members.

- To analyse the performance of micro-enterprises owned and operated by women belonging to SHGs and initiated with government support (under the guidance of *Kudumbashree*, with some financial and other support).
- To examine the performance of micro-enterprises belonging to different sectors (Small scale manufacturing; Services; Animal husbandry; Hand crafts; Food processing).
- To examine the performance of micro-enterprise that received different levels of subsidy and other support.
- To examine the exogenous factors (like marketing tie-ups), and endogenous factors (like work segregation among members) that may have influenced the performance of micro-enterprises.
- To suggest policy measures that may ensure promotion of sustainable micro-enterprises.

### **5.4 RESEARCH HYPOTHESIS**

- Hypothesis 1: There is a difference in the performance of the enterprise based on where it is situated (rural/ urban)
- Hypothesis 2: There is a difference in the performance of micro-enterprises depending on the sector (Small Scale Manufacturing, Services, Animal Husbandry, Handcrafts, Food processing etc).
- Hypothesis 3: There is a difference in the performance based on organised marketing assistance received.

- Hypothesis 4: There is a difference in the performance of micro-enterprises based on proportion of project cost invested in fixed assets and subsidy received
- Hypothesis 5: There is a difference in performance depending on the size of the group initiating the micro-enterprise (number of women).

## 5.5 RESEARCH DESIGN

The research design gives the framework or plan of research and guides the study (Gilbert and Churchill, 1996). Ghauri and Gronhaug (2005) quotes that this involves the decision on what information to generate, the data collection method, the measurement approach, the hypothesis to be tested and even the method for data analysis. Based on the fundamental objectives of research, design could be exploratory, descriptive, and causal (Gilbert and Churchill, 1996 and Saunders *et al.*, 2007). An exploratory study according to Robson (2002:59) is a valuable means of finding out “*what is happening; to seek new insights; to ask questions and to access phenomenon in a new light*”.

Thus, the major emphasis in exploratory research is to discover ideas and insights when little information is known about the research problem. On the other hand, a descriptive research is concerned with determining the frequency with which something occurs or the relationship between two variables (Gilbert and Churchill, 1996). Robson (2002) adds that the objective of descriptive research is generally to portray an accurate profile of persons, events or situations, but compared to exploratory research, some information is already available here. The causal research is mainly concerned with determining cause-and-effect relationships. Ultimately, all three basic designs can be viewed as stages in a continuous process (Gilbert and Churchill, 1996). This study is predominantly descriptive in nature but there is some exploratory and causal research methods employed for fulfilling the objectives.

## 5.6 RESEARCH METHOD

Qualitative and Quantitative methods or a combination of both is commonly used in research. Qualitative method is defined as an array of interpretive techniques for describing, decoding, translating or otherwise deciphering the meaning, but not the frequency, of certain phenomena occurring in the social world (Van Maanen, 1983). Quantitative method can be chosen to validate facts, and also for estimation and prediction studies and can be applied for descriptive or causal studies. Qualitative method is useful for discovering and identifying new thoughts and ideas and is suitable for exploratory research (Hair *et al.*, 2000).

Qualitative methods like in-depth interviews and discussions with officials involved in SHG promotion and with micro-enterprise consultants were employed for the exploratory part of the study. However, quantitative research method is used for the main study as the aim is to measure the performance of micro-enterprises and understand and identify factors that may be influencing performance. Both primary and secondary data is used in this study.

As the research is undertaken to look into the performance and understand the working of micro-enterprises operated by women belonging to SHGs, data was collected from them employing a structured questionnaire. Information regarding variables identified to be important in influencing performance was collected. Secondary data was also collected from annual reports of *Kudumbashree* and its various publications, books, journals, newspapers, magazines, conference proceedings, and other reports published by governmental and non-governmental organisations.

## 5.7 TERMS AND CONCEPTS USED IN THE STUDY

**5.7.1 Micro-Enterprise** in the study is an enterprise owned, initiated and operated by a group of women not exceeding twenty, with support from *Kudumbashree*, the poverty eradication programme. The research fixed the threshold of initial investment (maximum limit) of a micro-enterprise at ₹10,00,000 inclusive of bank loan and subsidy. The limit is kept at this amount as *Kudumbashree* in its entrepreneurship

development initiative had handheld the development of certain innovative group enterprise activities where 3-4 activity groups jointly operated the enterprise as larger investment and scale was required.

**5.7.2 SHG Entrepreneur** is the woman who is part of the group (termed as activity group) and is engaged in operating the micro-enterprise. The ‘activity group’ is the group formed from the neighbourhood group (NHG is the pseudonym for SHG and was popularised by *Kudumbashree*) with the objective of initiating a micro-enterprise activity. Each woman in the ‘activity group’ is primarily a member of the NHG or ‘*ayalkoottam*’ (in Kerala, SHG is known locally as *ayalkoottams*) in that locality. An activity group may comprise of members from a single NHG or from different NHGs. Throughout the thesis, the term SHG entrepreneur is used to denote the NHG entrepreneur to avoid confusion.

**5.7.3 Performance** An important criterion of performance is ‘whether the enterprise is continuing with operational activities’ (Van De Ven, 1984). In such active enterprises, the ability to continue with operations and remain sustainable is measured from sales turnover earned by the micro-enterprise and income generated to individual members (whose motivation to continue may depend on monthly income earned). The growth in sales revenue/turnover may influence the future of an enterprise (Chew *et al.*, 2011; Ilavarasan and Levy, 2010; McGee *et al.*, 1995; and Merz and Sauber, 1995) and is therefore another performance measure.

A positive and a higher growth rate may indicate better performance of the enterprise, while negative growth may indicate an enterprise which may be in the declining phase. Thus based on growth the micro-enterprise may be classified as ‘Growing’, ‘Declining’, ‘Fluctuating’ and ‘Unchanging’. Rather than growth in employees, the study looks at additional employees and investment, as the micro-enterprises selected for the research are those owned and operated by poor women belonging to SHGs and therefore even addition of one employee may be an indicator of better performance.

**5.7.4 Inactive & Active enterprise** An *Inactive Enterprise* is one which has not carried out any business activity during the last six months, and the average sales turnover or volume of sales achieved was zero during the entire period; while an

*Active Enterprise* had earned and recorded sales receipts (referred as average monthly turnover or AMT in the research), at least once, during the past six months

## 5.8 SELECTION OF THE STUDY AREA

The state of Kerala was chosen for the study. The state was selected purposively as it was active not only in the formation of SHGs, but also in the development of micro-enterprises under *Kudumbashree*. Under the programme, women from SHGs were supported for venturing in to micro-enterprises either in individual capacity or in groups. Group enterprises operated by ‘activity groups’ is spread across all fourteen districts of Kerala. The district of Ernakulam (Map 5.1) was purposively chosen as the study area. Located in central Kerala, the district houses the port city of Kochi, and is the commercial capital of the state; historically the region had gained prominence as a commercial and trade centre and today has the highest number of all enterprises, including small scale enterprises (Table A-I.5 in Appendix I).

**Map 5.1 District of Ernakulam**



Source: [www.mapsofindia.com](http://www.mapsofindia.com)

With regard to medium and large scale enterprises 35 per cent (255 out of 729 units in 2009) of all units in the state were located here. Thus the enterprise friendly environment may have influenced the growth of a receptive population motivated to undertake self employment provided an opportunity. Subsequently it may have resulted in the formation of higher numbers of enterprises under various enterprise promotion initiatives of the government (as illustrated in Table 3.3 and 3.9). The study chose the district for the above reasons.

## **5.9 SAMPLE DESIGN**

A two stage sampling technique was used. First, effort was made to document all the group operated micro-enterprises that were initiated in the district under *kudumbashree*. Due care was taken to document the years of initiation of enterprises and activities undertaken. The number of units initiated year-wise, as well as the activities chosen, exhibited non-uniformity with majority of enterprises being initiated during certain years (Table 4.8). Among enterprise activities, services like tailoring, catering, restaurants, provision shops (engaged in petty trade), house to house marketing, dairy, food processing etc were highly preferred.

### **5.9.1 Sample Selection**

The universe of sampling was all group operated micro-enterprises initiated with *Kudumbashree* support in the district of Ernakulam. According to the data available with the district mission, 1886 group enterprises had been supported until 2010 (Table 4.6). Out of these, 1107 enterprises were formed in rural areas under the RME scheme (Table 4.9) and the rest 779 in urban areas (out of these, 609 were supported by *Kudumbashree* under SJSRY (Table 3.3). Thus with respect to the total population of group enterprises handheld by *Kudumbashree*, the ratio in rural and urban areas was 59:41. The units were chosen using probabilistic method from the list of enterprises recorded by the district office. Care was taken to limit popular activities (eg. tailoring, catering) being over represented, by enforcing criteria of any particular enterprise activity not exceeding 10 per cent of the total sample. This to some extent affected probabilistic selection but was required to prevent concentration of few activities dominating the sample. If any chosen micro-enterprise and members could not be located, it was discarded and another enterprise was selected in its place.



## 5.9.2 Sample Size

In all, 250 enterprises were selected, 125 each from rural and urban areas. The urban units were selected randomly from the list available at the Urban Poverty Alleviation Department (UPAD) under the Corporation of Kochi and six municipalities. The 125 rural micro-enterprises were selected from all 15 blocks (Table 5.1) of the district while enterprises belonging to urban areas were selected from both municipality as well as corporation areas.

**Table 5.1 Blocks of Rural Ernakulam in 2010**

SNo.	Name of Blocks in Rural	Number of CDS under the block
1	Alengade	5
2	Angamaly	9
3	Edappally	3
4	Koovapady	6
5	Kothamangalam	10
6	Muvattupuzha	8
7	Mulanthuruthi	6
8	Palluruthi	2
9	Pambakkuda	8
10	Parakkadave	5
11	Paravoor	5
12	Vadavukode	6
13	Vazhakkulam	6
14	Vypin	7
15	Vyttila	2

Source: District Mission, *Kudumbashree*, Ernakulam

Group operated enterprises in urban areas of the district were selected from six randomly chosen municipalities, Angamali, Aluva, Kalamasserry, Paravur, Perumbavoor and Thripunithara, and also two areas under the Kochi Corporation, Kochi East and Kochi West (Table 5.2).

## 5.10 REFERENCE PERIOD

The research selected only those enterprises which were established at least one year prior to the period of data collection (July-December 2010) that is, those that were established after 2000, but not later than June 2009. This was done purposively so that the selected micro-enterprise was a fully operational at the time of data collection,

may have experienced challenges and also would have started yielding a steady monthly income to individual members.

**Table 5.2 Blocks of Urban Ernakulam in 2010**

S No	Name	Municipality/ Corporation
1	Angamali	Municipality
2	Aluva	Municipality
3	Kalamassery	Municipality
4	Kothamangalam	Municipality
5	Muvattupuzha	Municipality
6	Thripunithara	Municipality
7	Paravur	Municipality
8	Perumbavoor	Municipality
9	Kochi East	Corporation
10	Kochi West	Corporation

Note: The Number of Municipalities in the district has increased to eleven in 2011

Source: District Mission, *Kudumbashree*, Ernakulam

## 5.11 MEASUREMENT VARIABLES

**5.11.1 Performance of Enterprise** is measured by the changes in the following four variables. These are average monthly sales volume of the micro-enterprise/ Average Monthly Turnover (AMT) and its growth; Average Monthly Income (AMI) generated to each of the women micro entrepreneur engaged in running the group enterprise and growth in this income over the years; Additional investment if any; and Additional employment generated. The research hypothesises that the performance of enterprise may vary according to the type of activity the enterprise is engaged in; area; marketing assistance/ tie-ups; capital invested, subsidy etc. Performance of enterprises in select activities situated in rural and urban areas are also compared.

**Average Monthly Turnover (AMT)** The study identifies an enterprise as ‘active’ only if it had recorded some sales turnover in the preceding six months (prior to data collection). By AMT the research means ‘gross receipts’ or total sales revenue earned by the enterprise on an average every month, from sale of goods or services rendered. A higher turnover growth may indicate a comparatively better performing enterprise.

$$AMT \text{ in year } 2010 = \frac{\sum_{n=1}^{12} \text{Monthly Turnover}}{12}$$

**Growth Rate in Average Monthly Turnover (AMT)** Growth rate explains the rate of growth from the ‘past’ to the ‘present’ in a given period of time. The growth in AMT is calculated for the period between 2008 and 2010, to understand the growth in the last three years of operation (which is 2010, the year of data collection, for all active units). The AMT growth was taken as the measure of enterprise growth in studies conducted by Ilavarasan and Levy (2010) and Chew *et al.*, (2011).

A positive and a higher growth rate may indicate better performance of the enterprise, while a negative growth rate may indicate an enterprise which may be in the declining phase. Thus based on the growth the unit is classified as ‘Growing’, ‘Declining’, ‘fluctuating’ or ‘Unchanging’ micro-enterprise.

$$\text{Growth Rate in AMT}(2008 - 2010) = \frac{\text{AMT in 2010} - \text{AMT in 2008}}{\text{AMT in 2008}} \times 100$$

The year over year AMT growth for 2008-09 and 2009-10 was calculated and compared to find whether the enterprise is steadily growing, steadily declining, unchanging or fluctuating as given below in Table 5.3.

**Table 5.3 Categories of Growth of Micro-Enterprises**

Average Monthly Turnover (AMT)	Growth Rate in AMT 2008 –2009	Growth Rate in AMT 2009 – 2010
Continuous Growth	Positive	Positive
Continuous Decline	Negative	Negative
Unchanging	No Change	No Change
Fluctuating	Positive	Negative
	Negative	Positive

**Note:** Classification of micro-enterprises in to growing, declining and unchanging enterprises was given by Ilavarasan and Levy (2010) in their research study on urban micro-enterprises in India. A growing enterprise is one where there is an increasing year over year income, a declining micro-enterprise has a decreasing year-over-year income, while in the unchanging micro-enterprise, there is neither increasing nor decreasing year-over-year income.

**Average Monthly Income per Member** The total monthly income earned by an individual member had two components, wages earned and share of profit. Net profit was calculated by deducting all expenses from gross monthly receipts. In addition amount ‘kept aside’ or regularly saved for creating a contingency fund (regular savings for meeting future expenses was done by few enterprises) was deducted to arrive at net profits earned by the enterprise. This was divided by the number of members (equally in most enterprises or in agreed upon proportions in few) to obtain the monthly income earned by individual members (calculation of AMI/member of a micro-enterprise is illustrated in appendix IV).

The average monthly income/ member in the year are arrived at in the following manner.

$$AMI \text{ in year } X = \frac{\sum_{n=1}^{12} \text{Monthly Income/member}}{12}$$

The Average Monthly Income (AMI) received by a member from the enterprise in 2010 is compared with the monthly per capita consumption expenditure (MPCE<sup>1</sup>) in rural and urban areas in the district of Ernakulam (Table A-I.6 in Appendix I). This is done to find whether AMI is substantial enough to meet part or whole of the monthly requirement so as to keep the member engaged in the group enterprise activity.

**Growth in AMI/member** the growth in AMI is studied for the period between 2008 and 2010, the last three years of operation (for the enterprises that are active in 2010, the year of data collection). This is used for evaluating the enterprise with respect to its capacity to generate income, as well as the growth in income over the years.

$$\text{Growth Rate in AMI/member} = \frac{AMI \text{ in 2010} - AMI \text{ in 2008}}{AMI \text{ in 2008}} \times 100$$

### 5.11.2 Categorisation of Enterprises based on Performance Criteria

Active Enterprises were categorised in to four groups, Group A, Group B, Group C, Group D based on the extent to which they had satisfied the three performance criteria. The performance criteria were

- Average Monthly Income (AMI) Generated/member/month  $\geq$  ₹1,500 (Kudumbashree/programme expectation of average monthly income from enterprise)

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<sup>1</sup>Monthly Per Capita Consumption Expenditure (MPCE) is found to be a better indicator of economic well being than per capita income estimates for a population with low per capita income levels (Planning Commission, 2002). The MPCE according to Chand (2007) is a fair indicator of human living standards, since it aggregates the monetary value of all goods and services actually consumed during a particular reference period. The research compares the monthly income earned by individual members to the monthly per capita consumption expenditure in the area, as the income earned should at least match the MPCE for being a 'decent' income.

- Enterprise experienced positive growth in sales revenues (average monthly turnover or AMT) in the last two years of operation
- Enterprise undertook additional investment/ provided additional Employment

Micro-enterprises categorised under Group A succeeded in meeting all the ‘three’ performance measures.

Micro-enterprises categorised under Group B succeeded in meeting ‘two’ performance measures.

Micro-enterprises categorised under Group C succeeded in meeting only ‘one’ performance measure.

Micro-enterprises categorised under Group D did not succeed in meeting a single performance measure.

### **5.11.3 Factors Contributing to Performance of Enterprises**

After careful consideration of data it was felt that twenty-three variables may have some role in determining the performance of the enterprise. These were grouped under the four dimensions (as given in the conceptual framework for measuring performance under 2.8.2) and are discussed below. The distinction between variables and grouping them under the four dimensions is mainly for analytical purposes and is neither absolute nor based on any rigid criteria.

#### **5.11.3.1 The Group Dimension**

*Homogeneity or Cohesiveness of Group:* Homogenous if activity group that formed the micro-enterprise comprised of members belonging to same SHG or were friends but not belonging to same SHG. The ‘conflict’ element in the group may be low and ‘co-operation’ higher in such groups where members knew each other before venturing in to enterprise activity. Such groups may also benefit from ‘group management skills’ of one or more ‘strong members’ as they were familiar with each other before joining to form the enterprise.

*Previous Experience* was examined to see whether any single/few members had experience or exposure in the chosen enterprise activity. It was assumed expertise in the activity may help in achieving better performance.

*Time Spent* was measured by noting the time spent by members engaged in enterprise activities (production, marketing etc). A minimum of six hours a day for six days a week was taken as the criteria for 'full time' engagement in the enterprise.

*Equal Share of Work* Members perception as to whether all were working equally in the enterprise activity or not. It is assumed that better performing enterprises may have all members working equally hard towards enterprise success. It was also observed that in enterprises where only a few contributed there were higher chances of conflict and drop-out.

*Segregation of Work* It is assumed that better performing enterprises had higher levels of segregation of work where members specialised in certain activities according to capability or interest, and as a result, the functional efficiency improved with time.

*Extent of Support received from family:* measured as either high or low depending on groups' perception of support received from family members. This also indirectly indicated the support from the 'husband' as 96.4 per cent of members were married.

*Average Age:* The mean age of those operating the group enterprise. It is assumed that age of members may influence the performance.

*Average Education:* The Education level of the group enterprise may also influence the performance.

*Reason for Venturing in to Group Enterprise Activity:* The performance may also be affected by the 'main motive' which influenced majority of members in to venturing in to the group enterprise. The common reason given by groups was either for 'supporting family income' or 'earning a livelihood' in 66.4 per cent of enterprises.

*Continuity of Members in Enterprise Activity:* The group did not suffer any drop-out or all members at inception continuing in enterprise activity

### 5.11.3.2 The Enterprise Dimension

*Enterprise Location* The performance may have differed based on whether the enterprise was situated in rural or urban regions.

*Enterprise Sector* The performance of the enterprise may be influenced by the sector of enterprise activity

*Place of Operation* The performance may be influenced by the location of operation of the enterprise, that is, whether from rented premises or from home.

*Number of Members* The number of members at inception or establishment of micro-enterprise.

*Time in Existence* The performance may be influenced by the number of years it has operated with those who had been in existence for three or more years performing better ( as 36 months was the loan repayment period for most enterprises).

*Frequency of Accounting of Expenses* There is regular accounting of expenses as financial mismanagement can negatively affect the performance of enterprise.

The financial variables related to the initial capital, which in general include bank loan, subsidy and 'own or beneficiary contribution', varied across activity and area. To make them comparable, the research studied as to 'how much 'of each of these components made up the total project cost. According to the prevailing criteria in many government supported programmes including micro-enterprise development assistance provided by *Kudumbashree*, a group enterprise could avail a maximum subsidy which was equal to 50 per cent of the project cost. Out of the rest 5 per cent had to be contributed by beneficiary (here by the activity group members' who have joined together to form the enterprise) and the rest 45 per cent could be a bank loan.

*Bank loan* if higher than 45 per cent of project cost; May indicate the group initiating an enterprise that required larger initial investment, was confident about the success and hence was prepared to handle the burden of a bigger loan; A higher loan may motivate members to work hard at improving revenues and profits as debt has to be repaid.

*Subsidy Support from Government* Receiving maximum subsidy support of 50 per cent of the project cost (the maximum possible subsidy, which was obtained by some of the firms in the sample) lead to better performance.

*Own Capital* If higher than the beneficiary contribution as specified by the programme (5 per cent of the total project cost).

*Proportion of Project Cost on Fixed Assets* The proportion of project cost on fixed assets should be at least 25 per cent. There may be a positive association between assets and performance.

### **5.11.3.3 The Environment Dimension**

*Product or Service has Local Acceptance and Demand:* The service or the product offered for sale has good local demand and is to some extent protected from competition from bigger Firms. It may have filled a gap (a need that was not properly served).

*The SHG members in the locality assisted the Enterprise* The SHG members favoured the enterprise due to kindred spirit or ‘common sisterhood’. They helped by buying the product as well as in marketing it.

*Organised Marketing Support due to presence of Tie-ups* The product or service do not have to worry about marketing as demand is assured due to tie-ups.

### **5.11.3.4 The Process Dimension**

*Regular Savings for Expansion or Replacement Needs* The enterprise is having regular savings for meeting planned or unforeseen future expenses. This is a sign of planning for future requirements.

*Additional Investment* The enterprise has undertaken some investments which helped the enterprise in achieving better performance.



#### **5.11.4 Operational Aspects of Micro-Enterprise**

Data collected regarding various operational aspects related to micro-enterprises is analysed for understanding the working of the enterprise. These included aspects like whether the enterprise received credit or gave credit; kept accounts on a regular basis; received help in marketing the products from others; had marketing tie-ups and so on.

#### **5.11.5 Member Perception about Micro-Enterprise**

Data collected on what members perceive about the enterprise activity; the challenges faced; the reason for choosing the activity; and for venturing in to the enterprise activity as such is analysed for understanding member perception. The responses were analysed to examine similarities in problems encountered, and other related aspects.

### **5.12 DATA COLLECTION TOOLS**

An appropriate structured interview schedule was prepared to obtain information from the SHG micro entrepreneurs. Saunders *et al* (2007) states that the internal validity and reliability of the data collected would depend to a large extent, on the design of the questions, the structure of the questionnaire, and the rigor of pilot testing. A valid questionnaire would ensure the accuracy of the data collected, and if it is reliable the data collected would also be consistent.

Different variables which addressed the objectives were transformed in to relevant items of information. Then each item was translated to clear questions to obtain answers. Most of them had more than a single question to gain complete knowledge about the item of information. Finally, all the questions were organised in a logical manner to elicit data from the respondents. The questionnaire/ interview schedule was pilot tested on ten women who were operating group owned micro-enterprises to correct problems and make improvements. It was also decided to take field notes to record any other relevant matter specific to a particular enterprise or activity group. For the in-depth interviews with officials and facilitators, an interview guide was used.

The questionnaire had four sections (Appendix V) with the first dealing with the identification of the enterprise and demographic details of members. The second dealt with questions aimed to collect information related to the working of the enterprise. The third was related to member perception about various aspects of the enterprise and related details while the fourth dealt with monitoring activity and support activity by related entities and their comments. In the third section, many questions were measured on a Likert-type scale from 1 to 5, which ranged from ‘strongly disagree’ to ‘strongly agree’.

### 5.13 FIELD DATA AND PERIOD OF DATA COLLECTION

The data was collected from the respondents by visiting them at their micro-enterprises. Some of these enterprises were working from hired rooms, while many, especially in the rural areas, operated from the home of one of the members. Most of the enterprises were located with the help of CDS/ ADS functionaries in the area, who had accompanied as guides. Data from the 250 enterprises was collected in 2010, during the period between June and December.

<b>Total Sample Size (250 Micro Enterprises)</b>	
<b>Rural – 125</b>	<b>Urban – 125</b>
Ethnic Food (17)	Solid Waste Management (10)
Catering, Tailoring (20) n=10 for each	Direct Marketing (11)
Handcraft (9)	Catering, Tailoring (20); n=10 for each
Provision Store, Soap Making, Rice Mill (21) n=7 for each	Restaurant, Ethnic Food, IT Units (27); n=9 for each
Paper Products (6)	Canteens (8)
Restaurant, Goat Rearing, Dairy (15) n = 5 for each	Paper Products, Provision Store (12); n=6 for each
Nutrimix, Paper Bag, GRQ (12) n=4 for each	Paper Bag, Umbrella, Flour Mill (15); n=5 for each
DTP, Fish Processing, Candle, DM (12) n=3 for each	Book Binding, Bakery Soap, Hollow Bricks (15); n=3 for each
Bakery, Art Jewellery (8) Umbrella, Oil Processing; n=2 for each	Hostel, Fish Processing, Laundry (6); n=2 for each
Canteen, Honey, Unique Art, Compost, Brick Work (5); n=1 for each	Dairy (1)

#### **5.14 DATA ANALYSIS METHOD**

The data collected was analysed using SPSS software. Single frequency and simple correlation were used for answering some of the research questions. The twenty-two variables that were identified as having some effect on the performance were analysed to find those having a greater effect on the enterprise after controlling others. Ten case studies were generated from in-depth interviews with selected micro entrepreneurs to understand all aspects, particularly the operational aspects involved and the dynamics in group owned enterprises.

#### **5.15 LIMITATIONS OF THE STUDY**

This study cannot be generalised for every state in India, particularly since Kerala has a different economic as well as socio-cultural fabric and is unique with not much of a rural-urban divide. Some of these differences are the level of education, existing unofficial wage levels in the state etc, which are much higher in comparison to the neighbouring states and the rest of India. Again the sample selected consists of micro-enterprises that are hand held by one of the highly proactive poverty eradication programmes in the country, which has tirelessly supported the development of highly innovative micro-enterprise activities. Also, measurement variables for performance, particularly sales revenue and average income generated to individual members by the enterprise is bound to be underreported. This to some extent is overcome with careful consideration of other variables affecting income. Again, there may be monetary and non-monetary benefits from the enterprise, of which only the monetary benefits is measurable.

#### **5.16 CHAPTER SUMMARY**

The chapter discussed the methodology followed in the study, the definitions used and the measurement variables for understanding the performance of enterprises. It also discussed the sample design, selection and size. The data collection methods and tools for analysis were also discussed, as well as the limitations of the research.

The next chapter present the results and discussions of the study.

# CHAPTER VI

## RESULTS AND DISCUSSION

### 6.1 INTRODUCTION

The study was carried out with the primary objective of understanding the performance of micro-enterprises, initiated, owned and operated by groups of women belonging to SHGs. The sample enterprises in the study were selected from both rural and urban areas, and were promoted under the handholding of *Kudumbashree*, the poverty eradication mission of Kerala. These enterprises were engaged in broadly thirty different activities, ranging from dairy to food processing and data entry.

### 6.2 Profile of Micro-Enterprises (ME)

Under this section, enterprises in the sample are discussed giving a detailed description of many relevant aspects. First, the distribution of enterprises based on year of inception, enterprise activity, area of operation and activity status is discussed. All 250 enterprises selected in the sample were those that had been in existence for more than one year. Out of these, majority or about 69.2 per cent were engaged in the activity or 'active' at the time of survey, while 30.8 per cent had become non-operational, or 'inactive'.

#### 6.2.1 Year of Inception and Age of Micro-Enterprises

The distribution of enterprises according to year of inception show one-fourth of the sample being those established in 2007 (Table 6.1). This may be because of the thrust given by *Kudumbashree* in promoting group operated micro-enterprises during certain years (as can be observed from Table 4.8 in Chapter IV), primarily because of governmental policy changes and availability of funds for supporting micro-enterprise development. At the time of field survey, 32 enterprises or 12.8 per cent had operated for more than 72 months and was considered as 'established' as they had been in existence for more than six years. Of these, seventeen enterprises (53.1 per cent) were incepted in 2000, and therefore 'well established', of which, many were engaged in two enterprise activities, namely, data entry and canteen operations.

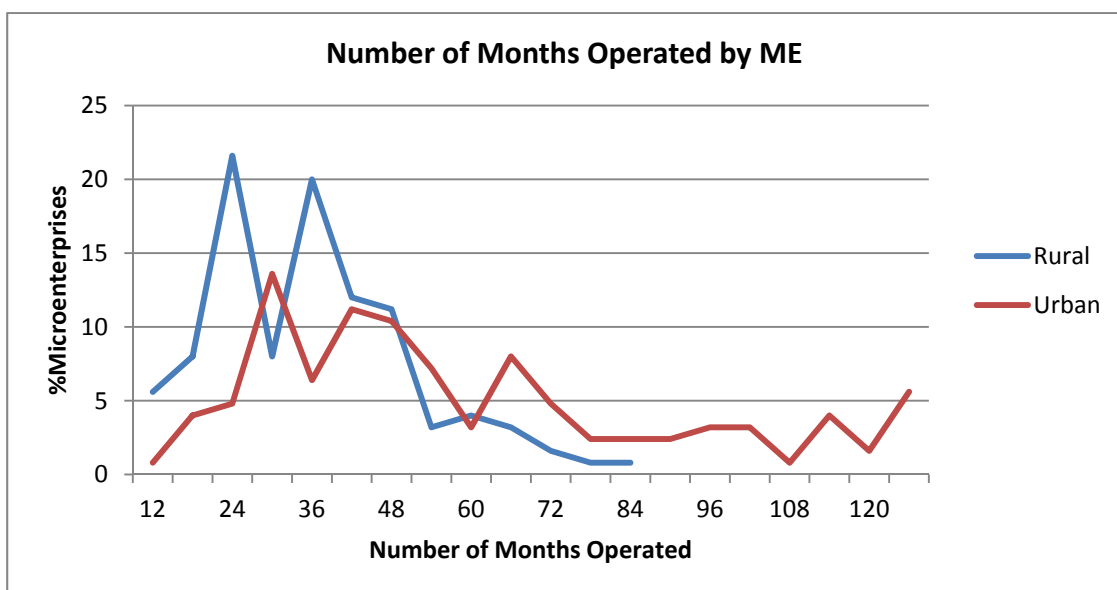
**Table 6.1 Year of Inception of Micro-Enterprises**

Year of Inception of Micro-Enterprise	Rural (% ME) N=125	Urban (% ME) N=125	Total (% ME) N=250
2000	0	20.0	10.0
2001	0	6.4	3.2
2002	0	6.4	3.2
2003	1.6	4.8	3.2
2004	3.2	7.2	5.2
2005	9.6	13.6	11.6
2006	17.6	16.8	17.2
2007	37.6	15.2	26.4
2008	27.2	7.2	17.2
2009	3.2	2.4	2.8

Source: Field Survey Data

Figure 6.1 clearly depicts the months operated by micro-enterprises in rural and urban areas, which give an indication of the longevity of enterprises selected in the study. The proportion of enterprises in the sample that had operated for longer periods was found to be higher in urban areas. But it was also noted that many among them had received organised support from either government offices or establishments (for example, those engaged in data entry received support in form of work from various government departments that were undertaking large scale digitisation of records).

**Figure 6.1 Months Operated by Micro-Enterprises**



Source: Field Survey Data

## **6.2.2 Status of Micro-Enterprise: Area and Year of Inception**

Table 6.2 illustrates micro-enterprises in the sample according to year of inception and area of operation. It was observed that enterprises selected from rural areas were relatively younger (as the oldest were few incepted in 2003<sup>1</sup>), in comparison to urban where 20 per cent of sample enterprises were those established in 2000. The enterprises selected were initiated by activity groups<sup>2</sup> between 2000 and 2009, but majority (55.2 per cent) were those established in the years 2006, 2007 and 2008, of which 26.4 per cent were incepted in 2007 alone. Thus enterprises in the sample were of different ages, out of which, 72.8 per cent of rural and 65.6 per cent of the urban were remaining active in 2010 (at the time of field survey).

### **6.2.2.1 Status of Micro-Enterprises in Rural Areas**

Out of the micro-enterprises initiated in rural areas, 37.6 per cent was initiated in 2007. From Table 6.2 (column III), it is observed that out of the rural enterprises incepted during different years, all incepted in 2004 continued to be active, while only 75 per cent of those incepted in 2005 were remaining operational. In the case of those incepted in 2006, 2007 and 2008, the active enterprises were 77.3 per cent, 68.1 per cent and 73.5 per cent respectively, while 75 per cent of those incepted in 2009 was active. Out of the total active enterprises in the rural areas (n=91), 35.2 per cent were incepted in 2007, while 27.5 per cent were incepted in 2008. There is a dominance of enterprises incepted in these years in the population of group enterprises due to the thrust on their development in the XI<sup>th</sup> FYP (2007-12).

### **6.2.2.2 Status of Micro-Enterprises in Urban Areas**

From Table 6.2 (column VI), it is clear that out of the urban enterprises incepted in different years, 7.2 per cent were incepted in 2004 and 2008; while 13.6, 16.8 and 15.2 per cent were incepted in 2005, 2006 and 2007 respectively.

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1. This is because the *Kudumbashree* mission had begun its efforts in promoting micro-enterprises under urban areas from 1999 onwards as the nodal agency for SJSRY in the state, but concentrated efforts for the promotion of micro-enterprises in the rural areas were taken up much later.

2. Activity groups are formed by SHG members who aspire to operate micro-enterprises. The group may have a minimum of five members and a maximum of twenty. The members can be from a single SHG or from multiple SHGs.

Out of the total active urban enterprises (n=82), 20.7 per cent had begun operations in 2000, while 18.3 per cent were those incepted in 2006. Analysing the data on active (%) rural and urban ME (column IV and VII) of Table 6.2, it is clear that there is no relation between years in existence and ‘active’ status. But an inverse relationship can be observed between years in existence and ‘active’ status during the last three years in rural (2009-2007) and last six years (2009-2004) in urban.

**Table 6.2 Micro-Enterprises based on year of Inception and Area**

Inception Year	Rural Area			Urban Area			
	ME(%) incepted (n <sub>r</sub> =125)	Active RME(%) yr-wise	% active of total (n <sub>ra</sub> =91)	ME (%) Incepted (n <sub>u</sub> =125)	Active UME(%) yr-wise	% active out of total (n <sub>ua</sub> =82)	
I	II	III	IV	V	VI	VII	VIII
2000	10.0	-	-	-	20	68	20.7
2001	3.2	-	-	-	6.4	37.5	3.7
2002	3.2	-	-	-	6.4	50	4.9
2003	3.2	1.6	50	1.1	4.8	66.7	4.9
2004	5.2	3.2	100	4.4	7.2	55.6	6.1
2005	11.6	9.6	75	9.9	13.6	58.8	12.2
2006	17.2	17.6	77.3	18.7	16.8	71.4	18.3
2007	26.4	37.6	68.1	35.2	15.2	73.7	17.1
2008	17.2	27.2	73.5	27.5	7.2	77.8	8.5
2009	2.8	3.2	75	3.3	2.4	100	3.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>72.8</b>	<b>100</b>	<b>100</b>	<b>65.6</b>	<b>100</b>

Note: n<sub>r</sub> is the number of rural micro-enterprises in the sample; n<sub>ra</sub> indicates the number of active rural enterprises in 2010; n<sub>u</sub> is the number of urban micro-enterprises in the sample; n<sub>ua</sub> indicates the number of active urban enterprises in 2010. RME is rural micro-enterprises while UME is urban micro-enterprises.

Column I indicate the year of inception; In Column II, ME (%) established year wise in the total sample is given; Column III indicates the RME (%) incepted in the year out of the total RME (n=125); Column IV indicates year wise active RME (%) out of total incepted in that year; Column V indicates active RME (%) out of total active RME (n<sub>ra</sub>=91) ; Column VI indicates the UME (%) incepted in the year out of the total UME (n=125); Column VII indicates year wise active UME (%) out of total incepted in that year; Column VIII indicates active UME (%) out of total active UME (n<sub>ua</sub>=82).

**Source: Field Survey Data**

### 6.2.3 Distribution of Micro-Enterprises in the Study Area

Table 6.3 illustrates the distribution of micro-enterprises in the study area. It can be observed that rural enterprises were selected from all fifteen blocks of Ernakulam district while the urban ones were selected from seven municipalities and also the Corporation area of Kochi.

**Table 6.3 Distribution of Micro-Enterprises in the Study Area**

Name of Block	Rural/Urban	ME (%) in sample
Alengade	Rural	2.0
Angamali	Rural	2.4
Edappally	Rural	1.2
Koovappady	Rural	2.4
Kothamangalam	Rural	2.8
Mulanthuruthi	Rural	6.0
Muvattupuzha	Rural	4.8
Palluruthi	Rural	3.2
Pambakkuda	Rural	4.0
Parakkadave	Rural	0.8
Paravoor	Rural	1.6
Vadavukode	Rural	6.4
Vazhakulam	Rural	9.6
Vypin	Rural	1.2
Vyttila	Rural	1.6
Aluva	Urban(M)	6.8
Angamaly	Urban(M)	0.8
Kalamasserry	Urban (M)	6.4
Kochi Corp (East)	Urban (C)	16.4
Kochi Corp (West)	Urban (C)	12.4
Moovattupuzha	Urban(M)	0.4
Paravur	Urban (M)	2.0
Perumbavoor	Urban (M)	1.2
Thripunithara	Urban (M)	3.6
<b>Total</b>		<b>100</b>

**Source: Field Survey Data**

The representation of enterprises from some of the rural blocks were higher as there were more number of group operated enterprises in these areas. Some of these blocks were Vazhakulam (9.6 per cent), Vadavukode (6.4 per cent) and Mulanthuruthi (6.0 per cent). The micro-enterprises selected were situated in twenty-five panchayats under the fifteen blocks, namely Amballoor, Chendamangalam, Chellanam, Chottanikkara, Choornikkara, Edakkattuvayal, Edathala, Kavalangadu, Keezmadu, Koovappady, Kunnathunadu, Kumbalangi, Kuttampuzha, Kuzhuppilly, Malayatoor-Neeleswaram, Maradu, Mazhuvanoor, Mookkannur, Paipra, Ramamangalam, Thiruvaniyoor, Vadavukode-Puthancruz, Valakam, Varappuzha, and Vengola.

In the case of urban micro-enterprises, 28.8 per cent were selected from the corporation area and the rest (21.2 per cent) from the municipalities of Aluva, Angamaly, Kalamasserry, Moovattupuzha, Paravur, Perumbavoor and Thripunithara.



## 6.2.4 Distribution of Micro-Enterprises and Sectors

The micro-enterprise activities were organised under broad sector categories. All enterprises in the sample were categorised under five broad categories, namely, small scale manufacturing (or SSM) (18 per cent), services (47.6 per cent), animal husbandry (6.4 per cent), hand crafts (8.0 per cent) and food processing (20.0 per cent). The activities categorised under small scale manufacturing were those that used some machinery and equipments to produce goods which were in direct competition with those produced by bigger and branded competitors. It can be observed from Table 6.4, that the representation of micro-enterprises engaged in service category was higher in comparison to others. The over representation is because of the pre dominance and preference of service activities for those venturing in to self-employment or micro-enterprise activities in Kerala and elsewhere, as roughly 60 per cent or more of all ‘new’ small and micro-enterprises formed, are in this sector.

## 6.2.5 Micro-Enterprises Sector Category and Status

Table 6.4 illustrates the active per cent out of the total micro-enterprises under each sector in 2010. Out of all the micro-enterprises categorised under SSM, 62.2 per cent were active, while in the case of hand crafts, only 60 per cent were active.

**Table 6.4 Sector of Micro-Enterprises**

Sector of ME	No. of ME under sector	% Established (out of Total ME)	% Active in 2010 (out of sector)	No. of Members at Inception	% women in sector out of Total	Members Active in 2010 (% of those at inception)
Small Scale Manufacturing	45	18.0	62.2	446	20.2	51.6
Services	119	47.6	69.7	1085	49.2	45.9
Animal Husbandry	16	6.4	87.5	100	4.5	57.0
Hand Crafts	20	8.0	60.0	160	7.3	48.8
Food Processing	50	20.0	72.0	414	18.8	58.5
<b>Total</b>	<b>250</b>	<b>100.0</b>	<b>69.2*</b>	<b>2205</b>	<b>100</b>	<b>50.4**</b>

Notes: \* Active per cent out of total micro-enterprises in the sector\*\* Active per cent out of total women micro entrepreneurs

Source: Field Survey Data

The highest percentage of active enterprises was found under animal husbandry (87.5 per cent), while under the category of food processing, 72 per cent were active. Out of all the enterprises that were categorised under services (which had the largest share in the sample), 69.7 per cent were active.

Enterprises categorised under SSM sector are those where some investment in machinery is made, and enterprise uses these machinery for manufacturing the product. For example, units engaged in production of paper products like paper plates and cups use different types of machinery for cutting, pressing and moulding. Service enterprises are those engaged in rendering services like tailoring, catering, canteen, data entry and so on. The dominance of these enterprises in the sample is also supported by macro data with share of tertiary/ services sector in domestic product of the district being as high as 59 per cent (GOK, 2012). The micro-enterprises engaged in livestock activities like dairy, goat rearing etc are categorised under animal husbandry. Enterprises categorised under hand crafts are those producing products which are hand crafted, like hand-made paper bags, cut flower bouquets, artificial jewellery, bamboo products, coir mats etc. Here, use of machinery for making the product is almost zero. Enterprises under the broad category of food processing are those engaged in activities like pickle and papad making, rice and spice powder making, and other food processing activities. From Table 6.4 it can be observed that in all, 2205 women entered in to group owned and operated enterprise activities. Out of these, 49.2 per cent were engaged in service enterprise activities. Overall, 50.4 per cent of women remained active in 2010. The proportion of women who remained active was highest in food processing (58.5) which may be primarily owing to the fact that these activities were home based. Women could therefore manage affairs of both home and the enterprise without having to neglect any of their family responsibilities.

#### **6.2.6 Micro-Enterprise Activities under Sector Categories**

Table 6.5 indicates micro-enterprise activities sector wise, showing the proportion of each activity in the total sample. Here, the activities under various categories can be observed. Under SSM, 4.8 per cent of groups were engaged in manufacturing paper products like paper plates and cups, while 4.0 per cent of group enterprises were in the business of making soaps and detergents. Tailoring and catering were the most popular activity under services, with 20 groups (8 per cent of total sample) engaged in each of these activities. This was followed by direct marketing<sup>3</sup> and restaurant businesses in which 5.6 per cent of groups were engaged. Twelve activity groups (4.8 per cent) were engaged in computer aided data entry and in solid waste management.

3. Direct marketing groups are involved in the door to door selling of various products like spice powders, readymade garments and many other consumer goods.

Under food processing, 26 enterprises (10.4 per cent) were engaged in making ethnic food products like pickles and papads, rice and spice powders, pathiris<sup>4</sup>, appams<sup>5</sup>, and other items. Enterprises engaged in production of hand-made paper bags and bamboo products together constituted 7.2 per cent of sample and were categorised under hand crafts. The last category, animal husbandry included dairy (2.4 per cent) and goat rearing (2.0 per cent), both an integral part of rural living and therefore became a preferred enterprise choice for activity groups in rural areas.

**Table 6.5 Distribution of Micro-Enterprises based on Activity**

Sector Category	Enterprise Activity	N	Per cent
<b>I Small Scale Manufacturing (SSM)</b>	Paper Products	12	4.8
	Soaps and Detergents	10	4.0
	Umbrella	7	2.8
	Candle	5	2.0
	Food Supplement (Nutrimix <sup>#</sup> )	4	1.6
	Brick Making	4	1.6
	Book Making	3	1.2
<b>II Services</b>	Catering	20	8.0
	Tailoring	20	8.0
	Direct Marketing	14	5.6
	Restaurant	14	5.6
	Provision Store	13	5.2
	Waste Management	12	4.8
	Data Entry	12	4.8
	Canteen	9	3.6
	Laundry	2	0.8
	Hostel/ Mess	2	0.8
	Singari Melam*	1	0.4
<b>III Food Processing</b>	Ethnic Food Items	26	10.4
	Rice/ Flour Milling	12	4.8
	Bakery	5	2.0
	Fish Processing	5	2.0
	Oil Extraction	2	0.8
<b>IV Hand Crafts</b>	Bamboo products	9	3.6
	Paper Bags	9	3.6
	Jewellery	2	0.8
<b>V Animal Husbandry</b>	Dairy	6	2.4
	Goat Rearing	5	2.0
	Goat rabbit Quail (GRQ)	4	1.6
	Bee keeping	1	0.4
<b>Total</b>		<b>250</b>	<b>100</b>

Note:\*Singari Melam is a traditional temple festival performance by a group on drums & other instruments. <sup>#</sup> Nutrimix is a food supplement made by ME which is entirely procured by ICDS.

Source: Field Survey Data

4 & 5 Pathiri is a roti like traditional food item, made of rice flour and is consumed with vegetarian or non vegetarian curries and is popular among Muslims. Appam is also made of rice flour and is part of the traditional cuisine of the Christians of Kerala.

### 6.2.7 Status of Micro-Enterprises and Area

Table 6.6 indicates various micro-enterprise activities sector-wise, clearly showing the proportion in rural and urban areas and also the percentage of active enterprises out of the total in 2010. Enterprises engaged in about 27 different activities were selected from rural, while those engaged in 22 different activities were selected from urban areas. Even though all enterprise activities are not equally represented in both rural and urban, comparison of performance is possible in select activities.

In the case of enterprises engaged activities like ‘Nutrimix’ production, laundry, operation of canteens and hostels, waste management etc, all continued with the activity. It can also be observed that 90 per cent of tailoring, and 75 per cent of data entry enterprises remained active while in the case of enterprises which entered in to catering and restaurant services, just 45 and 50 per cent remained in the activity. In food processing sector, except for fish processing (only 20 per cent were active here) in all others more than 70 per cent of the enterprises were operational in 2010. It was also noted that 73.1 per cent of the enterprises engaged in preparation of ethnic food items (like pickles, papads, pathiris, appams, traditional sweets etc), 83.3 per cent in rice milling, 80 per cent in bakery and 100 per cent in oil extraction were operationally active. Under hand crafts, 66.7 per cent of the enterprises that entered in to producing various bamboo products were active, while in the case of hand-made paper bags just 55.6 per cent remained operational.

Under the animal husbandry sector, all enterprises that entered in to dairy and goat rearing remained active but in the case of integrated GRQ<sup>6</sup> project only 50 per cent were active. This project that began with high expectations, suffered from lack of appropriate marketing arrangements (in case of rabbits) and disease (quails were affected badly by weather). The problems of various diseases due to the prolonged monsoons also lead to loss of animals. Again, though many were familiar with goat rearing, which was in good demand, rabbits and quails were relatively new for the women as well as the market. On the other hand, there was huge demand for fresh milk and mutton in the locality because of which premium prices could be charged.

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<sup>6</sup> The GRQ (Goat-Rabbit-Quail) is an integrated animal husbandry project envisaged by the *Kudumbashree* mission.

**Table 6.6 Distribution of Micro-Enterprises and Area**

Enterprise Category	Enterprise Activity	Rural (125)	Urban (125)	Total (N=250)	Total Active (%)
<b>I Small Scale Manufacturing (SSM)</b>	Paper Products	6 (50)	6(50)	12	83.3
	Soaps and Detergents	7(70)	3(30)	10	30.0
	Umbrella	2(29)	5(71)	7	42.9
	Candle	3(60)	2(40)	5	80.0
	Food Supplement (Nutrimix <sup>#</sup> )	4(100)	-	4	100
	Brick Making	1(25)	3(75)	4	50.0
	Book Making	-	3(100)	3	66.7
<b>II Services</b>	Catering	10(50)	10(50)	20	45.0
	Tailoring	10(50)	10(50)	20	90.0
	Direct Marketing	3(21)	11(79)	14	42.9
	Restaurant	5(36)	9(64)	14	50.0
	Provision Store	7(54)	6(46)	13	61.5
	Waste Management	3(25)	9(75)	12	100
	Data Entry	3(25)	9(75)	12	75.0
	Canteen	1(11)	8(89)	9	100
	Laundry	-	2(100)	2	100
	Hostel/ Mess	-	2(100)	2	100
	Singari Melam*	1(100)	-	1	100
<b>III Food Processing</b>	Ethnic Food Items	17(65)	9(35)	26	73.1
	Rice/ Flour Milling	7(58)	5(42)	12	83.3
	Bakery	2(40)	3(60)	5	80.0
	Fish Processing	3(60)	2(20)	5	20.0
	Oil Extraction	2(100)	-	2	100
<b>IV Hand Crafts</b>	Bamboo products	9(100)	-	9	66.7
	Paper Bags	4(44)	5(56)	9	55.6
	Jewellery	2(100)	-	2	50.0
<b>V Animal Husbandry</b>	Dairy	5(83)	1(17)	6	100
	Goat Rearing	5(100)	-	5	100
	Goat rabbit Quail (GRQ)	4(100)	-	4	50.0
	Bee keeping	1(100)	-	1	100

Figures in parentheses is the area-wise proportion of enterprises in a particular activity  
**Notes and Source: Same as in Table 6.5.**

There were some features that were specific to animal husbandry, with enterprises mostly concentrated in rural areas. A common practice adopted particularly in dairy, and even in goat rearing was the group enterprise being operated on an individual basis (managing the animals, including the feed, milking, sale of milk etc) after dividing assets equally (the animals). The members remained as a group only for official purposes, namely, project proposal formulation, availing of subsidies and bank loans and finally for loan repayments.

### **6.2.8 Status of Micro-Enterprise: Area and Activity-wise**

Table 6.7 indicate the status of micro-enterprises, activity wise in both rural and urban areas, clearly indicating the proportion of active enterprises in both (that is, enterprises that had entered into a particular activity in an area) in 2010.

It was observed that 72.8 per cent of the rural enterprises were active, while out of those initiated in the urban areas, 65.6 per cent were active. Out of the enterprises engaged in making paper products in rural areas, 66.7 per cent were active, while in urban all remained active. In the case of those engaged in making soaps and detergents, only 28.6 (rural) and 33.3 (urban) per cent were active, while out of all the umbrella making units only 40 per cent were active in the urban while half of such enterprises initiated in the rural areas remained operational.

In the case of Nutrimix, candle and brick making enterprises, all initiated in the rural areas were active, while only half of the candle making units in the urban areas remained active. In the case of catering and restaurant services, 60 and 80 per cent remained active in rural areas, while only 30 and 33.33 per cent were active in the urban areas. In the case of direct marketing (door-to-door selling), 66.7 per cent in the rural areas were active while only 36.4 per cent of similar enterprises in urban were operational. In case of data entry, the active enterprises (77.8 per cent) were higher in the urban areas, than in rural (66.7 per cent). Under food processing sector, out of those engaged in making ethnic food items, 76.5 per cent of the rural and 66.7 per cent of the urban enterprises remained active, while in the case of micro-enterprises engaged in rice milling/ flour making, a higher proportion (85.7 per cent) of the ventures, remained active in rural areas in comparison to urban (80 per cent).

Thus, traditional enterprise activities having local demand or some access to the market was observed to be more suitable in rural areas (as higher proportions remained operational) in comparison to those initiated in urban regions. For example, ethnic food products were very successful with enough local demand, as many people prefer to buy these items today than make them (preparing laborious and time consuming snacks at home are no longer preferred activities for many housewives).

**Table 6.7 Status of Micro-Enterprise: based on Area**

Enterprise Category	Enterprise Activity	% Active (Rural) n <sub>r</sub> =125	% Active (Urban) n <sub>u</sub> =125	% Active (Total) N=250
<b>I</b> <b>Small Scale</b> <b>Manufacturing</b> <b>(SSM)</b>	Paper Products	66.7	100	83.3
	Soaps and Detergents	28.6	33.3	30.0
	Umbrella	50.0	40.0	42.9
	Candle	100	50.0	80.0
	Food Supplement (Nutrimix <sup>#</sup> )	100	-	100
	Brick Making	100	33.3	50.0
	Book Making	-	66.7	66.7
<b>II</b> <b>Services</b>	Catering	60.0	30.0	45.0
	Tailoring	90.0	90.0	90.0
	Direct Marketing	66.7	36.4	42.9
	Restaurant	80.0	33.3	50.0
	Provision Store	85.7	33.3	61.5
	Waste Management	100	100	100
	Data Entry	66.7	77.8	75.0
	Canteen	100	100	100
	Laundry	-	100	100
	Hostel/ Mess	-	100	100
<b>III</b> <b>Food</b> <b>Processing</b>	Singari Melam*	100	-	100
	Ethnic Food Items	76.5	66.7	73.1
	Rice/ Flour Milling	85.7	80.0	83.3
	Bakery	50.0	100	80.0
	Fish Processing	0.0	50.0	20.0
<b>IV</b> <b>Hand Crafts</b>	Oil Extraction	100	-	100
	Bamboo products	66.7	-	66.7
	Paper Bags	50.0	60.0	55.6
<b>V</b> <b>Animal</b> <b>Husbandry</b>	Jewellery	50.0	-	50.0
	Dairy	100	100	100
	Goat Rearing	100	-	100
	Goat rabbit Quail (GRQ)	50.0	-	50.0
	Bee keeping	100	-	100
<b>Total</b>		<b>72.8</b>	<b>65.6</b>	<b>69.2</b>

Notes and Source: Same as in Table 6.5

### 6.2.9 Work Status of Members in Micro-Enterprise Activity

A micro-enterprise is expected to provide gainful employment or work to all group members. But it was observed that some enterprises could not provide sufficient work to the members to engage them for even six hours a day (almost all handmade paper bag units, artificial jewellery units, soap making units etc). Hence the work status of members was defined as 'part-time'. In certain enterprise activities like provision stores (or petty shops), members managed the work on rotation basis, while in cases like catering the work depended upon the order received. Out of the enterprises remaining operational in the sample, 62.4 per cent provided full-time work (for six hours or more) to its active members (Table 6.8).

**Table 6.8 Work Status of Members in the Micro-Enterprises**

Full time/ Part time	Rural (%ME)	Urban(%ME)	Total(%ME)
Full-time*	55.2	69.6	62.4
Part-time	44.8	30.4	37.6
<b>Total</b>	<b>100</b> (n <sub>r</sub> =125)	<b>100</b> (n <sub>u</sub> =125)	<b>100</b> N=250

**Notes:** \*Full time means the members are engaged for six hours or more for six days a week.

**Source:** Field Survey Data

### 6.2.10 Continuity of Members in Micro-Enterprises

Table 6.9 illustrates the continuity of members in micro-enterprises and area of operation (rural/urban). Percentage of members active in 2010 is illustrated. Overall, it can be observed that 60.7 per cent of members in rural areas continued with the activity, while in urban it was much lesser (41.8 per cent). Overall, 50.4 per cent out of the 2205 women who had entered in to group enterprise activity continued to be involved. The number of women who entered into micro-enterprise activities was higher in urban areas (1207 women) in comparison to the rural areas (998 women), as on an average, the group size in the urban was bigger, with 81.6 per cent being ten<sup>8</sup> member groups.

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<sup>8</sup> One reason for this size may be that most of the urban groups had received subsidy under the SJSRY programme which was implemented by *Kudumbashree* in the state. The SJSRY guidelines at the time benefitted this group size as maximum subsidy could be availed by a group, like members of an SHG, entering into a micro-enterprise venture. The subsidy is calculated either as 50% of the cost of the scheme or as per capita subsidy of ₹10,000 for each member, whichever is lesser, but again subject to a maximum limit of ₹ 1,25,000.



In the case of many activities like catering, restaurants, canteens, provision stores, data entry, tailoring, flour milling, preparation of ethnic foods, candle making, soaps and detergents, umbrella making, paper bags (hand-made) and in waste management the proportion of members continuing with the enterprise was much higher in rural areas. Among comparable activities (that is at least few micro-enterprises belonging to the same enterprise activity in both areas), the proportion of members was higher in urban areas only in the case of paper products (machine-made paper products where almost all units were struggling to make even the monthly loan repayments), bakery, and in dairy. In the case of dairy, the sample had a single enterprise from the urban area which was operated by a five member group having all members continuing with the activity, while in rural, there were five groups having 84 per cent of members active.

It was observed that in many micro-enterprises, the number of members in the activity group substantially reduced over time. Table 6.9 also depicts the number of members who had initiated the micro-enterprise activity, and those who remained engaged in it at the time of survey. The continuity is examined based on activity and area. Out of the women (2205) who had initiated the group enterprises over the years, 1111 women continued with it in 2010 (the year of field survey) but only 36.1 per cent (795 members) were engaged on a full-time basis, working for at least six hours a day. In some enterprises women were engaged for eight or more hours, as was the case in Nutrimix.

Under SSM, the Nutrimix enterprises provided full-time work to 87.7 per cent of its entrepreneurs, while only 62.6 per cent of those engaged in production of paper products were engaged full-time. In the case of activities like soaps and detergents, umbrellas and book binding/making, only 6.5, 11.4 and 21.4 per cent of members were engaged full-time. This may also indicate that in these cases, the turnover and income generated per member may also be low. The proportion of members remaining full-time active (per cent) was comparatively higher in many of the service activities, with a significant difference between rural and urban areas. This may also be due to higher drop-out in the urban enterprises which resulted in a requirement for more number of hours to be spent by others to ensure normal enterprise functions.

**Table 6.9 Member Continuity in Micro-Enterprise: Area & Activity**

Enterprise Activity	Members at Inception Tot (R+U)	Member (%) in 2010 in Rural	Member (%) in 2010 in Urban	Members (%) in 2010 Total	Full Time** (%) in 2010
<b>SSM</b>					
<b>Paper Products</b>	123(63+60)	60.3	81.7	70.7	62.6
<b>Soaps and Detergents</b>	77(50+27)	30.0	18.5	26.0	6.5
<b>Umbrella</b>	70(21+49)	47.6	28.6	25.7	11.4
<b>Candle</b>	48(30+18)	73.3	27.8	56.3	45.8
<b>Food Supplement (Nutrimix<sup>#</sup>)</b>	65(rural)	87.7	-	87.7	87.7
<b>Brick Making</b>	35(10+25)	100	16.0	40.0	40.0
<b>Book Making</b>	28(urban)	-	25.0	25.0	21.4
<b>Services</b>					
<b>Catering</b>	168(70+98)	54.3	19.4	33.9	13.7
<b>Tailoring</b>	165(70+95)	68.6	66.3	67.3	62.4
<b>Direct Marketing</b>	129(19+110)	31.6	20.0	21.7	18.6
<b>Restaurant</b>	133(45+88)	68.9	20.5	36.8	32.3
<b>Provision Store</b>	126(66+60)	43.9	23.3	34.1	5.6
<b>Waste Management</b>	126(10+116)	100	69.8	71.4	71.4
<b>Data Entry</b>	118(30+88)	46.7	26.1	31.4	31.4
<b>Canteen</b>	83(5+78)	100	74.4	74.7	74.7
<b>Laundry</b>	20(urban)	-	20.0	20.0	15.0
<b>Hostel/ Mess</b>	7(urban)	-	100	100	71.4
<b>Singari Melam*</b>	10(rural)	100	-	100	71.4
<b>Food Processing</b>					
<b>Ethnic Food Items</b>	235(142+93)	72.4	49.5	64.3	34.0
<b>Rice/ Flour Milling</b>	88(40+48)	77.5	49.5	60.0	46.6
<b>Bakery</b>	37(11+26)	54.5	57.7	56.8	56.8
<b>Fish Processing</b>	39(19+20)	0	50.0	25.6	25.6
<b>Oil Extraction</b>	15(rural)	60	-	60.0	60.0
<b>Hand Crafts</b>					
<b>Bamboo products</b>	67(rural)	52.2	-	52.2	23.8
<b>Paper Bags</b>	83(35+48)	57.1	37.5	45.8	0
<b>Art. Jewellery</b>	10(rural)	50.0	-	50.0	0
<b>Animal Husbandry</b>					
<b>Dairy</b>	30(25+5)	84.0	100	86.7	86.7
<b>Goat Rearing</b>	25(rural)	68.0	-	68.0	0
<b>Goat rabbit Quail</b>	40(rural)	30.0	-	30.0	10.0
<b>Bee keeping</b>	5(rural)	40.0	-	40.0	40.0
<b>Total</b>	<b>2205</b>	<b>60.7</b> (606/998)	<b>41.8</b> (505/1207)	<b>50.4</b> (1111/2205)	<b>36.1</b> (795/2205)

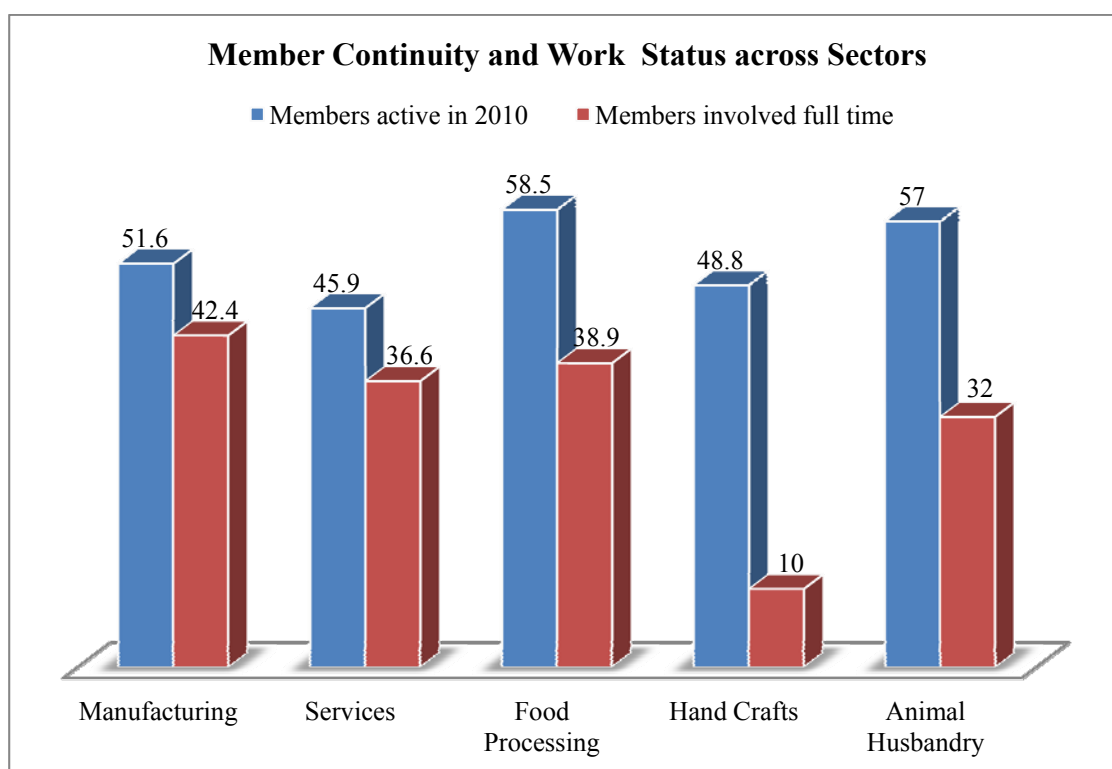
Notes & Source: Same as Table 6.5

\*\*Full time active means the member is engaged in enterprise activity for minimum six hours for six days a week.

### 6.2.11 Micro-Enterprise Sectors and Work Status of Members

The term work status here denotes whether every individual member continuing in the enterprise is engaged full-time or part-time. Figure 6.2 illustrates the percentage of members continuing with the enterprise and engaged full time in activities under various sectors.

**Figure 6.2 Member Continuity and Work Status across Sectors**



Source: Field Survey Data

Out of the 446 women who had entered in to the manufacturing sector, 51.6 per cent continued to remain involved with the activity, out of which 42.4 per cent were involved full time. The number of members remaining active was highest in food processing, but a higher proportion of members were engaged full time (for more than six hours a day on an average, six days a week) in enterprises under SSM.

#### 6.2.11.1 Work Status of Members in SSM Enterprises

Table 6.9 illustrates the percentage of members remaining active and fully engaged in enterprise operations in various activities under SSM. The category as a whole had

51.6 per cent of the members continuing with enterprise activities, while 42.4 per cent were engaged full time. Out of the different enterprise activities under SSM, the highest number of members continuing with the enterprise as well as engaged full time was in those units engaged in making the food supplement 'Nutrimix', where 87.7 per cent of the original SHG members were active and involved full time. In the case of the enterprises engaged in making soaps and detergents, which had the biggest drop-out of members, only 26.5 per cent were active while just 6.5 per cent were engaged full time.

### **6.2.11.2 Work Status of Members in Service Enterprises**

The active and fully involved members under various activities under services are illustrated in Table 6.9. Out of 1085 women who had entered in to various service enterprises, 45.9 per cent continued with the activity, out of which 33.9 per cent were engaged full time. Out of various activities, in canteen services and waste management, 74.7 and 71.4 per cent of members continued to be involved full time in the enterprise. In case of provision stores, only 34.1 per cent remained involved with just 5.6 per cent remaining active in enterprise operations. Members continuing in tailoring were relatively much higher in comparison, with 67.3 per cent remaining in the enterprise, and 62.4 per cent engaged full time. Under direct marketing activity and laundry services, the number of members had reduced substantially with only 21.7 and 20.0 per cent of original members continuing in the activity in 2010.

### **6.2.11.3 Work Status of members in Food processing Enterprises**

Out of the 414 women who had entered in to enterprise activities under the food processing sector, 58.5 per cent continued to be involved with the activity, and 38.9 per cent were engaged full time. Out of all activities, 64.3 per cent of the members engaged in making ethnic foods continued with the activity, but only 34 per cent of them were engaged full time in these enterprises (Table 6.9). In ME engaged in oil extraction and rice/flour milling, 60 per cent of the original members remained active in enterprise operations.

#### **6.2.11.4 Work Status of Members in Hand Crafts Enterprises**

Out of the 160 members, only 48.8 per cent of those who entered in to various activities under the sector continued to be involved. But very few women were engaged full time here, with the highest being 23.8 per cent, which was in the case of enterprises making bamboo products (Table 6.9).

#### **6.2.11.5 Work Status of Members in Animal Husbandry Enterprises**

Out of the 100 women who entered in to various activities like dairy, goat rearing, bee keeping, GRQ<sup>7</sup> etc about 57 per cent continued to be involved, while for 32 per cent of the members, the enterprise provided full time work. Table 6.9 illustrates the active (57 per cent) and fully involved (32 per cent) members in various activities under animal husbandry. Out of the members who had entered in to dairy enterprises, 86.7 continued to be involved and engaged full time in the activity, while in the case of bee keeping, only 40 per cent remained actively engaged.

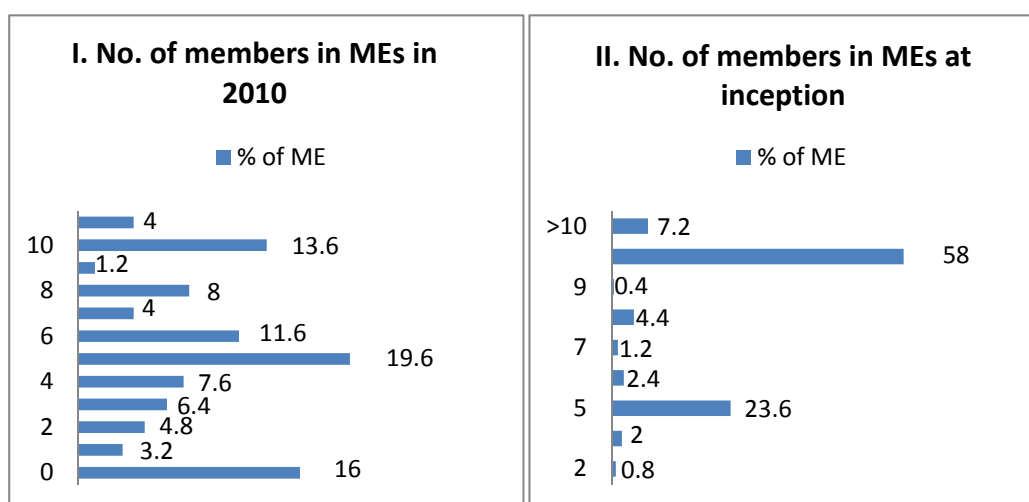
#### **6.2.12 Activity Group Size of Micro-Enterprise at Inception and in 2010**

Majority of the activity groups experienced a reduction in size as members left the micro-enterprise after its inception. Some left within few days, most after some months, and few after some years due to various reasons. Some of the common reasons for drop out were alternate employment, health problems, resistance from family members, infighting within the group and relocation or migration due to marriage.

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7 The GRQ (Goat-Rabbit-Quail) is an integrated animal husbandry project envisaged by the *Kudumbashree* mission for rearing the three species together. Each integrated animal husbandry unit would comprise 300 quails, 12 rabbits and five goats, which is set up at a cost of ₹ 50,000 a unit. While quail rearing would ensure a weekly cash flow, the rabbit and goat rearing would guarantee quarterly and half yearly income respectively for the entrepreneur. A key advantage of the GRQ combination is that groups can set it up on less than five cents of land, which may be their common backyards, but the SHG group should comprise a minimum of five members. The project aimed at helping the *Kudumbashree* neighbourhood group (or SHG) entrepreneurs to earn a steady income by rearing these animals targeting the demand from the predominantly non-vegetarian population of the state. SHGs wanting to set up a GRQ unit are required to take part in training provided at various centres like Chathamangalam in Kozhikode, Vengaloor in Thiruvananthapuram, Mundayad in Kannur, among others. The seven-day training imparted to the entrepreneurs is comprehensive and covers technical inputs as well as financial aspects.

**Figure 6.3 Group size of Micro-Enterprises**



Source: Field Survey Data

Figure 6.3 illustrates the number of members in micro-enterprises at inception and in 2010. It is observed that 65.2 per cent of the micro-enterprises had 10 or more members at the time of inception while 23.6 per cent of all enterprises were initiated by five member groups. The number of micro-enterprises with ten or more members had substantially reduced over time, and at the time of field survey, only 17.6 per cent were operated by groups with ten or more women (while 13.6 per cent of the micro-enterprises were operated by 10 member groups). By 2010, five member activity groups were most common, with 19.6 per cent of all groups having this size. About 16.0 per cent of all activity groups (whose enterprise had turned inactive) had also been completely disbanded.

The socio-cultural and economic profile of the group may affect the operation and performance of enterprises and is recorded in the following section.

### 6.3 PROFILE OF SHG ENTREPRENEURS

Demographic and socio cultural details of 998 rural and 1207 urban women who had initiated group enterprise activities were studied. Majority of the members, i.e. 87.25 per cent in the rural and 84.5 per cent in the urban were married; 7.5 and 10 per cent of the women entrepreneurs in the rural and urban regions were widowed /divorced; while 5.25 and 5.5 per cent women in the rural and the urban area were unmarried at the time of entering in to the group enterprise activity.

### 6.3.1 Demographic Characteristics

The demographic characteristics of SHG women who formed the activity group (for initiating group enterprises) is presented in Table 6.10. It can be observed that the average age of activity group members was between 36 – 42 years in majority (56 per cent) of enterprises. Also, the average age of activity groups operating 86.4 per cent of enterprises ranged between 30 and 42 years. The predominance of women in their middle-ages may be due to the fact that women who had completed child bearing responsibilities and with older children may be more inclined towards enterprise activities than younger women, who had lesser time due of smaller children and therefore, comparatively greater family responsibilities.

**Table 6.10 Distribution of Activity Groups by Demographic Characteristics**

<b>Demographic Characteristics of Group*</b>		<b>N (No. of ME = 250)</b>	<b>Per cent</b>
<b>**Av. Age</b>	>18 – 24 years	2	0.8
	> 24 – 30 years	15	6.0
	> 30 – 36 years	76	30.4
	> 36 – 42 years	140	56.0
	> 42 – 48 years	16	6.4
	>48 – 54 years	1	0.4
<b>**Av. Educational Qualification</b>	Class 4-5 completed	7	2.8
	Class 6-7 ”	63	25.2
	Class 8-9 ”	123	49.2
	Class 10 ”	34	13.6
	Class 11 ”	13	5.2
	Class 12 ”	7	2.8
	Graduation ”	3	1.2
<b>***Marital Status</b>	Unmarried	7	2.8
	Married	241	96.4
	Widow/ Separated	2	0.8

**Notes:**

\* Group here is the activity group which owns and operates the micro-enterprise. The Age, Education, and Marital Status as what it was at the time of inception of the enterprise. Members in an activity group running a micro-enterprise may belong to one or more SHG;

\*\* Average age and average educational qualification of the group is taken by adding the age and education respectively of all members divided by total number of members in the group.

\*\*\* Marital status of the group is taken as the modal value, that is, if majority of the group members operating a micro-enterprise are unmarried then the group is given that status.

**Source: Field Survey Data**

With respect to educational qualifications, 49.2 per cent of the enterprises were operated by members whose average education was in the range of Class 8/ 9 pass, while 13.6 per cent were operated by groups which had members who were matriculate. Only 2.8 per cent of the groups had passed class 12, while 1.2 per cent of micro-enterprises were operated by members who were graduates. Majority (96.4 per cent) of the micro-enterprises were operated by activity groups with mostly married women, though 76.3 per cent also had members who were widows/spinsters.

### 6.3.2 Socio-Cultural Profile

The socio-cultural profile of activity group members indicated mostly heterogeneous composition. In the case of religion, both activity groups as well as the parent SHG upheld the secular nature of the state with women belonging to Hindu, Muslim and Christian communities initiating micro-enterprise activities jointly. These were the major religious groups prevalent in the study area (Ernakulam district), which had 46.53 per cent Hindus, 14.55 per cent Muslims and 38.78 per cent of Christians (Census, 2011). With respect to caste, the groups were mixed with those from forward castes/general category, Scheduled Castes and Tribes (according to Census 2011, the Scheduled Castes and Tribes constituted 8.0 and 0.3 per cent of the population in the district) as well as women belonging to Other Backward Classes (or OBC constituted more than 30 per cent of the total district population) collaborating together.

**Table 6.11 Distribution of Members by Socio-Cultural Characteristics**

Socio-Cultural Characteristics		Rural	Urban	Total
Caste	Scheduled Castes	216 (21.6)	227 (18.8)	443 (20.1)
	Scheduled Tribes	43 (4.3)	24 (1.9)	67 (3.1)
	Other Backward Classes	437 (43.8)	510 (42.3)	947 (42.9)
	General	302 (30.3)	446 (37.0)	748 (33.9)
	Total	998 (100)	1207 (100)	2205 (100)
Religion	Hindu	494(49.5)	548 (45.4)	1042 (47.3)
	Muslim	81 (8.1)	137 (11.4)	218 (9.9)
	Christian	423 (42.4)	522 (43.2)	945 (42.8)
	Total	998 (100)	1207 (100)	2205 (100)

**Note:** Figures in parentheses give the percent women in each category (either caste or religion) out of column total

**Source:** Field Survey Data



It was observed that few activity groups (6.8 per cent) were homogenous with respect to religion (which were mostly activity groups formed by Muslim women engaged in making products that specifically catered to community needs); but none were homogenous of caste, though dominance of scheduled as well as women from other backward classes was observed in many activity groups with women belonging to SC and OBC constituting 63.0 per cent of all activity groups (Table 6.11).

### 6.3.3 Socio-Economic Profile

The size of land holding is an important factor that determines socio-economic status. Out of 2205 women who were part of 250 activity groups, more than 22 per cent belonged to landless families, with majority residing in urban areas. About 49.3 per cent had less than five cents of land (Table 6.12). These were mostly homestead lands (a house and a small plot of land surrounding it); hence most of the members did not earn an income from land (in cash or kind).

**Table 6.12 Distribution of Members by Size of Land Holdings**

Size of Land Holdings (in Cents*)	Rural (%) (n <sub>r</sub> =998)	Urban (%) (n <sub>u</sub> =1207)	Total (%) (N=2205)
Landless	76 (7.6)	414 (34.3)	490 (22.2)
1 - 5	348 (34.9)	739 (61.2)	1087 (49.3)
6 - 10	321 (32.2)	54 (4.5)	375 (17.0)
11 - 15	148 (14.8)	-	148 (6.7)
16 - 20	75 (7.5)	-	75 (3.4)
21 - 50	22 (2.2)	-	22 (1.0)
51 -100	8 (0.8)	-	8 (0.4)

**Note:** 100 cents make 1 acre of land; and 1 acre is equal to 0.404686 Hectares. Figures in parentheses give the percent women out of total

**Source:** Field Survey Data

It was also observed that most of the members belonged to households where the main income earner (husband in the case of 86.2 per cent of all members) was employed in the informal sector. Some of them were engaged in skilled jobs (as carpenters, masons, plumbers, electricians, drivers and so on) while others were doing semi-skilled to unskilled jobs (cleaners in private buses, waiters in restaurants, sales men in retail shops etc). Most of the women did not have/ or only had an approximate

idea about the income earned by their husbands. But except for very few (4.7 per cent), majority felt that the family and its household requirements was being taken care of, and all requirements were fulfilled, despite irregular and seasonal influences in earnings, and widely prevalent alcoholism.

It is important to have an idea about members who were economically active, and earning an income prior to venturing in to the group enterprise activity. It is assumed that these members had left the job/ work to join the group. From Table 6.13, we can see that in 11.2 per cent of the groups none of the members were earning a regular income at the time of joining the group and the proportion of such groups were higher in rural areas (18.4 per cent) than in urban (4.4 per cent). This also indicates that the opportunity cost of members in urban areas was higher as many could have earned regular income by getting into some kind of employment/ work. Majority of women were 'housewives' before entering the group activity. It can be observed that overall, the urban group enterprises comprised of a larger proportion of members who were earning an income prior to joining the micro-enterprise, with many of them having worked as sales girls, tailors, and more commonly as domestic workers.

**Table 6.13 Members in the group with prior income**

<b>% of Members with prior income in ME</b>	<b>Rural ME (%)</b>	<b>Urban ME (%)</b>	<b>Total ME (%)</b>
zero	18.4	4.4	11.2
1 - 10	3.2	4.8	4.0
11 - 20	17.6	16.8	17.2
21 - 30	11.2	20.0	15.6
31 - 40	29.6	24.8	27.2
41 - 50	6.4	13.2	10.0
51 - 60	8.0	8.0	8.0
61 - 70	0.8	4.0	2.4
71 - 80	2.4	2.4	2.4
100	2.4	1.6	2.0
<b>Total</b>	<b>100 (N=125)</b>	<b>100 (N=125)</b>	<b>100 (N=250)</b>

Source: Field Survey Data

In rural areas, some had worked as agricultural labourers, while few had travelled to nearby towns or even to the city of Kochi to work as domestic workers in urban households. Few had worked in seafood processing factories and export units, that is in bigger establishments, but were mostly employed on a casual or temporary basis.

From Table 6.14 it can be observed that the average monthly income received by earning members ranged widely. Out of the 250 activity groups only 27.6 per cent had earning members with a monthly income which was above ₹ 1,500/month prior to venturing in to the group enterprise activity.

**Table 6.14 AMI of Earning Members Prior to Initiation of Group Enterprise**

Av. monthly income received by earning members in groups	Rural ME (%)	Urban ME (%)	Total ME (%)
Below ₹ 500/month	3.2	0	1.6
₹ 500-749	16.0	0.8	8.4
₹ 750-999	25.6	8.8	17.2
₹ 1000-1249	20.8	19.2	20
₹ 1250-1499	10.4	17.6	14.0
₹ 1500-1749	4.0	20.8	12.4
₹ 1750-1999	1.6	16.0	8.8
Above ₹ 2000/month	0.8	12.0	6.4

**Note:** 11.2 per cent of ME (22 (or 17.6 per cent) in rural and 6 (or 4.8 per cent) in urban did not have even a single earning member

**Source:** Field Survey Data

It is clear that activity group members with prior earnings had earned higher monthly incomes in urban areas, with 48.8 per cent having earned more than ₹ 1500/month, while just 6.4 per cent in rural areas had earned a similar monthly income. The earning members in 44.8 per cent of rural groups had earned less than ₹ 999/month, while in the case of urban only 9.6 per cent groups had earned similar monthly incomes. This again indicates that the opportunity cost of members who were economically active prior to venturing into the group enterprise activity was comparatively much higher in urban areas.

#### **6.3.4 Familiarity of Members prior to Activity Group Formation**

The familiarity among members who joined to form the activity group is illustrated in Table 6.15. Out of all micro-enterprises 52.0 per cent were initiated by members belonging to the same SHG, while 28.4 per cent of the enterprises were formed by members belonging to different SHGs but living in the same neighbourhood. About 6.0 per cent of all micro-enterprises were initiated by members who were strangers at the time of formation of activity group (this was common particularly in certain enterprise activities like data entry, food supplement manufacturing etc where there were certain eligibility and training requirements). Activity groups consisting of

members from the same SHG were higher in the rural areas (68.0 per cent) in comparison to urban (36.0 per cent), which may have also influenced comparatively more number of members as well as enterprises remaining active in rural areas.

**Table 6.15 Familiarity of Members prior to Activity Group Formation**

<b>Familiarity among Members</b>	<b>Rural (%)</b>	<b>Urban (%)</b>	<b>Total (%)</b>
Strangers	4.0	8.0	6.0
Neighbours	17.6	39.2	28.4
Friends	10.4	16.8	13.6
Same NHG (or SHG)	68.0	36.0	52.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
	<b>(n=125)</b>	<b>(n=125)</b>	<b>(n=250)</b>

Source: Field Survey Data

#### **6.4 Group Opinion on Micro-Enterprise**

The opinion of the group on various aspects related to the micro-enterprise was collected and analysed. Some of these included the reason for venturing in to enterprise activity, why a specific activity was chosen by the group and the major challenges faced.

##### **6.4.1 Reason for Initiating the Enterprise**

The most common reason given by activity groups for venturing in to group enterprise activity was ‘to support family income’ (47.2 per cent in rural and 46.4 per cent in urban as illustrated in Table 6.16). This indicate two things; one, the main motive for majority was to earn some money for supplementing their husbands’ income; two, the women did not have confidence in their income earning potential or in the growth potential of the group enterprise, though in case of some, these perceptions may have changed later.

**Table 6.16 Reason for Venturing in to Micro-Enterprise Activity**

<b>Reason for starting the Group ME</b>	<b>Rural (% ME)</b>	<b>Urban (% ME)</b>	<b>Total (%)</b>
Livelihood Means	13.6	25.6	19.6
Support Family Income	47.2	46.4	46.8
Subsidy Support	19.2	7.2	13.2
Support from CDS/ ADS	16.8	18.4	17.6
SHG Support	3.2	2.4	2.8
<b>Total</b>	<b>100 (n=125)</b>	<b>100 (n=125)</b>	<b>100 (n=250)</b>

Source: Field Survey Data

‘Livelihood means’ was stated as the reason for venturing in to the activity by more groups in urban (25.6 per cent) than rural areas (13.6 per cent); while subsidy support had motivated higher number of rural groups (19.2 per cent) to venture in to micro-enterprise activity, in comparison to urban.

#### 6.4.2 Reason for Choice of Enterprise Activity

The activity groups had decided upon the choice of enterprise activity after taking in to account factors that were both external and internal. A large number of groups (24.8 per cent) chose the activity as they perceived the existence of good market potential for the product or service (Table 6.17). The other reasons included training received (19.2), previous experience (18.4), traditional activity (12.8) and home based work (10.8). In rural areas, a number of groups chose enterprise activities that were home based (18.4 per cent) and traditional (16.8 per cent). For example, because of easy raw material availability, weaving of bamboo and coir mats in certain regions is part of culture and popular leisure time activity, and therefore requirement for any special training for making these goods do not arise. Many groups were hesitant to choose activities that required members to attend specialised training as they could not/were unable to travel and/or stay away from home for even a single day.

**Table 6.17 Reason for Choice of Micro-Enterprise Activity**

Reason for Choice of activity	Rural (% ME)	Urban (% ME)	Total (% ME)
Previous Experience	16.8	20.0	18.4
Market Potential	22.4	26.4	24.8
Neighbourhood Effect	0.8	12.8	6.8
Training/Motivation from Agency	15.2	24.0	19.2
SHG Decision	9.6	4.8	7.2
Home based Work	18.4	3.2	10.8
Traditional Activity	16.8	8.8	12.8
<b>Total</b>	<b>100 (N=125)</b>	<b>100 (N=125)</b>	<b>100 (N=125)</b>

Source: Field Survey Data

Numerous factors may have contributed to the choice of the enterprise activity, some to a greater extent than others. Table 6.18 clearly show that market potential (90.8 per cent), support from *Kudumbashree* (90.4 per cent), and success of other groups (46.4 per cent) were important factors.

**Table 6.18 Factors Influencing the Choice of Micro-Enterprise Activity**

<b>Opinion of Group Members</b>	<b>Market Potential (%)</b>	<b>Inputs from Kudumbashree (%)</b>	<b>Success of other Groups (%)</b>
Strongly Disagree/ Disagree	0.4	3.6	41.6
Neither Agree/ Disagree	8.8	6.0	12.0
Agree	82.4	70.4	45.6
Strongly Agree	8.4	20.0	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Field Survey Data

### 6.4.3 Major Challenges of Micro-Enterprises

Enterprises face challenges or problems during the course of its life. The problems faced by woman entrepreneurs are many and some of them as Vinze (1987) records may be wrong or faulty product selection, location choice and fixed investment decision. Since majority operated from homes in most cases, Dhar (2005) pointed out that they lacked adequate arrangements for marketing their products, and therefore became dependent on middle-men.

**Table 6.19 Major Challenges for Micro-Enterprises**

<b>Major Challenge for Micro-enterprise</b>	<b>Rural (% ME )</b>	<b>Urban (% ME )</b>	<b>Total (% ME )</b>
Fall in product prices	6.4	4.0	5.2
Higher Input prices	24.0	17.6	20.8
Shortage of raw materials	6.4	1.6	4.0
Competition	16.0	16.8	16.4
External Forces	6.4	14.4	10.4
Financial Mismanagement	4.0	8.8	6.4
Alternate Employment	5.6	9.6	7.6
Conflict among members	6.4	8.0	7.2
Working capital shortage	5.6	8.8	7.2
Lack of Demand	11.2	8.0	9.6
Disease/ Health problems	8.0	2.4	5.2
<b>Total</b>	<b>100 (N=125)</b>	<b>100 (N=125)</b>	<b>100 (N=250)</b>

Source: Field Survey Data

From Table 6.19, it is clear that higher input prices were the biggest challenge faced by many (24 per cent of rural and 17.6 per cent of the urban groups). As input prices rose, enterprises found their profit margins being eroded as tough market competition prevented commensurate increase in product prices. Also, micro-enterprises, due to their small size could not adopt bulk purchasing of raw material (which reduced input costs for bigger competitors). Other challenges included competition (16.4 per cent),

external forces (10.4 per cent) like the monsoons which made operations difficult, lack of demand (9.6 per cent), conflict among members (7.2 per cent), financial mismanagement (6.4 per cent) etc.

Certain challenges were more common in urban areas, particularly, alternate employment of members (9.6 per cent) which resulted in substantial drop-out and reduced group sizes, making further enterprise operations difficult. Conflict among members (8.0 per cent) and financial mismanagement (8.8 per cent) was also frequently observed in urban activity groups. Many enterprises also suffered working capital shortage due to reasons like members siphoning off money from enterprise account, bad debts, as well as depletion of funds due to regular withdrawals for wages without commensurate revenue generation. In many cases these instances of financial mismanagement ended up in conflicts and even disbanding of groups. Challenges like higher raw material prices (24.0 per cent), raw material shortage (6.4 per cent) and lack of demand (11.2 per cent) were felt acutely by some of the rural enterprises. For example, raw material shortage was acutely felt by many bamboo based hand craft enterprises after gathering of bamboo from forest areas was banned (as a result of which a resource that had been hitherto free had to be procured at a price which made the activity less profitable).

#### **6.4.4 Conflict Causing Factors**

Conflicts among members resulted in few enterprises turning inactive. In some cases, as group members could not resolve the matter internally, external mediation was provided by *Kudumbashree* through the ADS/CDS functionaries and the micro-enterprises consultants (MECs). The most common conflict generating factor was 'matters related to money'. It was either its siphoning off for personal uses by a few, or its 'unfair' distribution among members. The word 'unfair' was frequently mentioned by group members; it commonly arose in situations where all members received equal wages/ profit share (calculation of average monthly income earned by individual members is illustrated in Appendix IV) while contribution in enterprise operation was highly unequal. There were cases of 'cheating the group' by few members who were involved in the purchase of raw materials by having an 'understanding' with the supplier. There were also instances where the group leader

and treasurer entrusted with making the monthly repayment to the bank had cheated the group (made no payment for more than six months, and used the money for personal purposes).

From Table 6.20 (column I) it is clear that there was unequal participation in enterprise work (19.2 per cent) with some sharing higher burden. Out of all activity groups, 68.8 per cent felt there was equal sharing of work, while 8.4 per cent of the groups were noncommittal in their response. Disagreement amongst group members was a problem (21.2 per cent), while for 76 per cent it was not a problem as can be observed from Table 6.20 (Column II). About 42.4 per cent of activity groups felt they did not require outside intervention to settle disputes. Only in the case of 12.8 per cent of the groups, outside intervention to settle disputes was considered necessary.

**Table 6.20 Conflict Aspects in Micro-Enterprise**

<b>Opinion of Group Members</b>	<b>Equal Share in work by members (%)</b>	<b>Disagreement amongst members a problem in ME (%)</b>	<b>Require outside intervention to settle conflicts (%)</b>
Not Applicable	*4.0	**2.0	42.0
Strongly Disagree	1.6	24.0	20.0
Disagree	17.6	52.0	22.4
Neither Agree / disagree	8.4	0.8	2.8
Agree	44.0	16.8	12.4
Strongly Agree	24.4	4.4	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

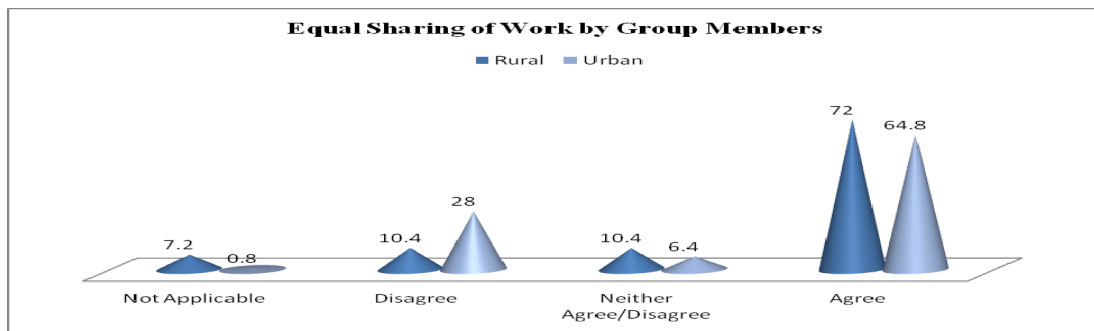
**Source: Field Survey Data**

\*Not Applicable: In some ME, members did not operate as a group anymore or there was only a single member left. \*\*Due to similar reasons, the question was not applicable to the group.

Figure 6.4 illustrates the comparison between rural and urban enterprises with respect to 'sharing of work among group members'. Unequal workload was reported by members belonging to 28.0 per cent of the urban and 10.4 per cent of the rural enterprises. It can also be observed that 64.8 per cent of urban activity groups felt that there was equal share of work by all members while in rural, about 72.0 per cent felt the same. This may be because of some members being involved with other part time or even full time work in urban areas which resulted in them sharing lesser work load in enterprise activity. As mentioned earlier, the overall cohesiveness of urban groups was also lower, which may also have contributed to larger proportion of urban enterprises becoming inactive over time.



**Figure 6.4 Sharing of Work Load by Group Members**



Source: Field Survey Data

### 6.4.5 Entry Decision and Confidence about Success

The members were asked whether venturing in to the group enterprise activity was a good decision. From the responses obtained it can be seen that majority (71.6 per cent) felt that they had made the correct decision. Even in the case of some of the inactive enterprises, many were of the opinion that they had only gained by venturing in to the enterprise activity. Some of these perceived gains were improved self-confidence, improved understanding about operating an enterprise, ability to face and solve problems, and improvement in overall interactive skills, particularly in dealing with government and bank officials. About 20.8 per cent of the members felt that the decision to venture in to the activity was not a good one, and in many cases it was so due to wrong choice of enterprise activity.

Table 6.21 (Column II), records the confidence of groups on success, which indicate that majority (71.6 per cent) were confident. The groups were asked whether they were ready to suffer hardships for long term gains. Here, hardships refer to the initial struggling phase, when members earn zero/ very low income from the enterprise.

**Table 6.21 Entry Decision and Confidence about Success**

Opinion of Group Members	Decision to venture in to ME was good (%)	Confident on ME success (%)	Ready to suffer Hardships (%)
Not Applicable	19.6	-	15.2
Strongly Disagree	2.8	3.2	1.6
Disagree	15.6	17.6	10.8
Neither Agree/ Disagree	9.2	7.6	6.8
Agree	34.4	42.0	45.6
Strongly Agree	18.4	29.6	20.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Field Survey Data

About 65.6 per cent of groups showed readiness to suffer hardships, while 12.4 per cent felt it was difficult to continue for long without any benefits (Table 6.21 column III). Out of the micro-enterprises that were inactive, for 15.2 per cent of the groups the question was not relevant as they were completely inactive with hardly any possibility of reviving again.

## 6.5 OPERATIONAL ASPECTS OF MICRO-ENTERPRISES (ME)

This section discusses some of the operational aspects of micro-enterprises, like location of enterprise, marketing strategy, extent of segregation of work among the members, etc, which gives an understanding about the working of group enterprise.

### 6.5.1 Operational Location of Micro-Enterprise and Area

It is observed from Table 6.22 that 48.4 per cent of micro-enterprises were operating from home, while 44.0 per cent operated from rented premises. Out of the total, 3.2 per cent operated from the premises given by the client, which was commonly observed in case of units engaged in canteen and data-entry operations.

**Table 6.22 Operational Location of Micro-Enterprises**

Place of Operation of Enterprise	Frequency	Per cent
Home	121	48.4
Rented Premises	110	44.0
Free Client Premises	3	1.2
Rented Client Premises	5	2.0
Not Applicable*	11	4.4
<b>Total</b>	<b>250</b>	<b>100</b>

**Source: Field Survey Data**

\*Not Applicable as the unit is operating from a mobile vehicle which is its capital asset

From Table 6.23 it can be observed that 64.8 per cent of the micro-enterprises in rural areas were operating from home, while 33.6 per cent were operating from rented premises. In the case of urban enterprises, a higher proportion (54.4 per cent) operated from rented premises, while 32.0 per cent were home based.

**Table 6.23 Operational Location and Area**

Place of Operation of Enterprise	Rural (%)	Urban (%)
Home	64.8	32.0
Rented Premises	33.6	54.4
Free Client Premises	1.6	0.8
Rented Client Premises	0	4.0
Not Applicable*	0	8.8
<b>Total</b>	<b>100</b>	<b>100</b>

**Source: Field Survey Data**

\*Not Applicable as the unit is operating from a mobile vehicle which is its capital asset as in the case of waste management units.

### 6.5.2 Monthly Rentals of Micro-Enterprise and Area

Monthly rentals paid by the micro-enterprise in 2010 were recorded. Table 6.24 illustrates the monthly rental expenditure incurred by enterprises. In all, 46.4 per cent of enterprises paid rent. The rent ranged widely, but only 14.0 per cent out of all the 250 enterprises paid a rent that was higher than ₹ 1250/month. The higher rentals (above ₹ 1250/ month) were paid mostly by units that were operating in the urban areas. Many of these enterprises had the advantage of receiving subsidised premises as they were operating out of rooms belonging to the panchayat, municipality or the corporation.

**Table 6.24 Monthly Rentals of Micro-Enterprise and Area**

Monthly Rent (₹)	Rural (%) Nr=125	Urban (%) Nu=125	Total (%) N=250
<b>No Rent</b>	65.6	41.6	53.6
<b>Less than 500</b>	1.6	1.6	1.6
<b>500 – 749</b>	10.4	12.0	11.2
<b>750 - 999</b>	9.6	10.4	10.0
<b>1000 – 1249</b>	8.8	10.4	9.6
<b>1250 – 1499</b>	0.8	2.4	1.6
<b>1500 - 1749</b>	1.6	5.6	3.6
<b>1750 – 1999</b>	0	4.8	2.4
<b>2000 – 2999</b>	1.6	6.4	4.0
<b>Above 3000</b>	0	4.8	2.4

**Source: Field Survey Data**

### 6.5.3 Extent of Difficulty with Finance

The extent of difficulty experienced in arranging for the initial capital<sup>9</sup> and working capital<sup>10</sup> requirement is illustrated in Table 6.25. The initial capital requirement was met through the project cost, which was financed by bank loan, subsidy and a small beneficiary contribution (5 per cent of the project cost). Working capital management was a major concern for 40.8 per cent of enterprises in comparison to initial capital (34.8 per cent). The former was a problem due to bad debts and financial mismanagement, while the latter was primarily due to delays in obtaining the initial loan and subsidy.

**Table 6.25 Difficulty with Financial Requirements for Micro-Enterprises**

<b>Extent of Difficulty for Finance/Credit</b>	<b>Initial Capital (%)</b>	<b>Working Capital (%)</b>
Very Low	0.8	0.8
Low	19.2	20.4
Moderate	45.2	38.0
High	34.4	31.6
Very High	0.4	9.2
	<b>100</b>	<b>100</b>

**Source: Field Survey Data**

Many groups managed shortfall in working capital by taking loans from money lenders<sup>11</sup> periodically and also by availing gold loans<sup>12</sup> (if gold ornaments was available with the group for pawning).

9 Initial Capital is used for setting up the enterprise. In many of the ME this included expenses incurred for setting up the physical establishment (for example, for the construction of an additional room in the backyard of any member who could spare some land, or for refurbishing a dingy room (on rent) to a restaurant or tailoring establishment). In the case of dairy and other livestock enterprises, it was used for constructing the shed and buying the animals; In IT units it was used for buying computers; and in Waste management units for buying the vehicle that was used for garbage collection.

10 Working Capital is required for the day-to-day running of the enterprise. This include the money required for buying raw material, meeting the transportation expenses, paying utility bills, wages, salaries etc. Many enterprises called it 'money needed for rolling' and they experienced difficulty in 'rolling' because of payment delays the enterprise experienced from time to time from its debtors, while the creditors demanded timely payment.

11 Most of the money lenders operating in the area were from Tamil Nadu, a neighbouring state. They collected the interest (60% or more, as on an average the rate of interest was ₹ 5 per month for a hundred rupee loan) and disbursed the loan at the door-step of the borrowers.

12 Gold loans were availed from banks and financial institutions that lend at lower rates (12- 18 per cent) against gold jewellery.

#### 6.5.4 Segregation of Work

Segregation of work was high in some micro-enterprises. This means that there is division of work among the members. In some enterprises, the segregation was activity-wise (machine-made paper products, restaurant, Nutrimix etc), while in certain others it was function-wise (food processing units). This arrangement of assigning some members for marketing and others for production was beneficial for the enterprise. It was also advantageous to the members as those with better aptitude in selling, specialised in marketing the produce, while others concentrated on the production. It was also seen that in some (4.4 per cent), it was not applicable as only a single member remained in the enterprise activity (for example, in some of the micro-enterprises operating provision stores).

**Table 6.26 Work Segregation in Micro-Enterprises**

<b>Extent of Segregation of Work in ME</b>	<b>Frequency</b>	<b>Per cent</b>
Not Applicable	11	4.4
Low	87	34.8
Moderate	96	38.4
High	56	22.4
<b>Total</b>	<b>250</b>	<b>100.0</b>

Source: Field Survey Data

Table 6.26 illustrates the extent of segregation. It can be observed that 34.8 per cent of micro-enterprises had low level of segregation, 38.4 per cent had moderate while 22.4 per cent were operating with higher levels of work segregation.

#### 6.5.5 Marketing Methods

Marketing of the product is a critical aspect that controls performance, as profits to a great extent is dependent on sales and revenues. If marketing fails to attract people to the product/service offered, then the enterprise may ultimately fail. Today, even established firms are finding it difficult to survive as competition is not only from local firms but also from global giants. *Kudumbashree* provides organised marketing assistance through its monthly markets, and encourages enterprises to take part in them (for a nominal fee). This has helped many enterprises to target and build a larger client base. It was observed that those micro-enterprises which regularly participated in the monthly markets had achieved higher sales or turnover in comparison to those that did not (in similar enterprise activities).

It can be observed from Table 6.27 that 29.6 per cent of enterprises used multiple means to market their produce. Here, the micro-enterprise sold through door-to-door marketing, tie-ups with supermarkets or well known establishments, monthly markets etc. In 28.0 per cent of the units, the enterprise sold at the unit, as was the case in restaurants, tailoring etc. In the case of 16.4 per cent, tie-ups helped in getting regular business, as in the case of data entry units (with government departments), Nutrimix units (with the ICDS in the state), and also in the case of few units engaged in making paper products, tailoring etc. In tailoring, some were supplying the product at piece rates to agents of bigger companies.

**Table 6.27 Marketing Methods of Micro-Enterprises**

<b>Selling of produce by the ME</b>	<b>Frequency</b>	<b>Per cent</b>
Door-to-Door	27	10.8
Tie-ups	41	16.4
Selling at Unit	70	28.0
Service at Client Site	38	15.2
Multiple Means	74	29.6
<b>Total</b>	<b>250</b>	<b>100.0</b>

Source: Field Survey Data

### 6.5.5.1 Assistance in Marketing

Organised assistance in marketing the product may help the enterprise to some extent. This means that there is some regular marketing support that the enterprise was receiving which is not a random event. The support may come from SHG members; friends or relatives who help the enterprise on a regular basis in getting higher number orders for their product or service; or from some government agency (*Bamboo Corporation* in the case of enterprises involved in producing bamboo products); or even from the *Kudumbashree* (through the monthly markets). Table 6.28 exhibits the organised marketing assistance received by the enterprise. 40.8 per cent of the micro-enterprises did not receive any assistance, 21.2 per cent received help from friends and relatives, 18.4 per cent received help from *Kudumbashree* (either in establishing the tie-ups or through the monthly markets), 13.6 per cent from other government agencies and 6 per cent from SHGs.

**Table 6.28 Assistance in Marketing for Micro-Enterprises**

Assistance in Marketing for ME	Frequency	Per cent
None	102	40.8
<i>Kudumbashree</i>	46	18.4
Other Government Agency	34	13.6
Friends & Relatives	53	21.2
SHG	15	6.0
<b>Total</b>	<b>250</b>	<b>100.0</b>

Source: Field Survey Data

### 6.5.5.2 Extent of Difficulty in Marketing

The entrepreneurs were asked to rate the extent of difficulty in marketing their product or service on a five point scale, ranging from very low to very high. It can be observed from Table 6.29 that only 25.6 per cent of the enterprises encountered ‘low’ level of difficulty in marketing their products. The extent of difficulty was rated as ‘moderate’ by 35.6 per cent of the groups, ‘high’ by 20.8 per cent and ‘very high’ by 18.0 per cent of the groups.

**Table 6.29 Marketing Difficulty for Micro-Enterprises**

Extent of Difficulty in Marketing/Attracting Customers	Frequency	Per cent
Very Low	0	0.0
Low	64	25.6
Moderate	89	35.6
High	52	20.8
Very High	45	18.0
<b>Total</b>	<b>250</b>	<b>100.0</b>

Source: Field Survey Data

### 6.5.6 Terms of Payment

The terms of payment with suppliers and customers is important for maintaining a healthy cash flow by any enterprise. Many had found working capital management to be a major problem, as there were delays in receiving the payment for the goods sold (accounts receivable) while the credit period (accounts payable) available for making payments for various inputs (materials, hired labour etc) used by the enterprise was shorter. In accounting, this is termed as the cash conversion cycle and is an important factor that helps in maintaining the working capital balance. The longer this period, the higher is the working capital requirement. There is also an additional risk as some of the debtors (a customer who has to make a payment) may fail to repay.

**Table 6.30 Terms of Payment: Purchase and Sales**

Terms of payment	Raw material Purchase (%ME)	Product Sales (% ME)
Cash	68.8	43.2
Credit	8.0	13.2
Mixed	23.2	43.6
<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Field Survey Data

It was observed that in the case of raw material purchases, 68.8 per cent of the enterprises had paid cash, while 8.0 per cent had received material on credit (Table 6.30). In the case of the rest (23.2 per cent), the purchase was made partly on credit and partly on cash basis. In the case of selling the product/service, 43.2 per cent of the micro-enterprises had received payment immediately in cash, 13.2 per cent received it later, while 43.6 had sold part of the produce on cash terms and the rest on credit basis. Some also made frequent collection trips to the location (shops or homes) of debtors to receive payments on instalment basis.

### 6.5.7 Maintenance of Accounts

Regular maintenance of accounts is a sign of healthy and vigilant enterprise management. From Table 6.31 it can be seen that the regularity in writing accounts was daily (46.4 per cent) in the case of majority, while it was weekly for 32.8 per cent of enterprises. About 3.2 per cent of enterprises updated accounts every month while 12.4 per cent did not write any accounts.

**Table 6.31 Maintenance of Accounts by Micro-Enterprise**

Frequency of Writing Accounts	Rural (%) N=125	Urban (%) N=125	Total (%) N=250
Daily	44.0	48.8	46.4
Weekly	29.6	36.0	32.8
Monthly	5.6	0.8	3.2
As Required	6.4	4.0	5.2
Do not write Accounts	14.4	10.4	12.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey Data



*Kudumbashree* makes it mandatory for enterprises to maintain account books until the bank loan is completely repaid. This may have motivated many in to writing an account of expenditure and revenue on a daily basis which also helped in reducing omissions of small expenses. Small expenses over a longer period could result in a sizable figure which may be considered as ‘missing’ and may lead to misunderstandings among members. A larger proportion of the urban enterprises (48.8 per cent) were writing accounts on a daily basis in comparison to the rural enterprises (44.0 per cent). Rural enterprises also appeared comparatively casual towards maintaining accounts as 5.6 per cent updated on monthly basis, 6.4 per cent as per requirement while 14.4 per cent did not even maintain accounts. This may indicate two things; One, as majority of the enterprises were comprised of members belonging to a single neighbourhood group (or SHG), the trust level was higher and therefore did not require strict and frequent updating of accounts like the urban enterprises, which had fewer enterprises operated by activity groups from single neighbourhood groups. Secondly, nature and frequency of transactions of enterprises in both areas may be different, with higher proportion of enterprises in the urban having daily transactions and therefore daily updating/maintenance of accounts.

#### 6.5.8 Plan for Expansion and Savings for Future

Proper planning for the future is important for success of individuals as well as enterprises. It was seen that some of the enterprises planned for further expansions and were saving regularly to meet the capital requirements needed for such expansions. Table 6.32 records that 30.8 per cent of enterprises had plans for expansion, while the rest had no such plans. Some of the enterprises were also keeping aside a portion from their earnings for meeting future capital expenses (for example, replacement of computers, major vehicle repairs etc). From Table 6.32, it can be observed that 35.2 per cent had kept aside some savings for unforeseen emergency expenses and for meeting future capital requirements.

**Table 6.32 Expansion Plans and Savings for Future Needs**

Plans for Expansion	Micro-enterprises (%)			Savings for the Future	Micro-enterprises (%)		
	Rural	Urban	Total		Rural	Urban	Total
No	56.8	81.6	69.2	No	72.0	57.6	64.8
Yes	43.2	18.4	30.8	Yes	28.0	42.4	35.2

Source: Field Survey Data

A larger proportion, that is, 43.2 per cent of micro-enterprises in the rural area were planning for expansion whereas only 18.4 per cent of urban enterprises were having similar plans. But it was surprising to see that the savings required for meeting future requirements were more diligently done by urban enterprises as 42.4 per cent were regularly saving in comparison to 28 per cent of rural enterprises. This may be either due to surplus cash availability and better planning capability.

## **6.6 FINANCIAL ASPECTS OF MICRO-ENTERPRISES**

In this section, information related to the financial aspects of micro-enterprise like the total project cost (or the initial capital invested), additional capital invested, bank loan availed, interest rate, repayment period, repayment amount, subsidy etc is discussed. Most of these aspects varied based on the activity, though there were similarities among those engaged in similar enterprise activities. The loan availed by the enterprise from various sources is discussed at first. Most of the activity groups had a bank loan, which had to be repaid over a time period, ranging in general between 3-5 years. Few had also taken loans from their neighbourhood groups, as well as friends and family to meet their initial capital requirements.

### **6.6.1 Total Project Cost of the Micro-Enterprise**

*Kudumbashree* makes it mandatory for all enterprises to submit their project proposal through the CDS. The proposal contains information about the total project cost which is the total of the total fixed and working capital requirement that would be incurred in the first few months of operation. The total project cost may be met through the bank loan, loans from SHG, friends and family (depending on requirement), own savings and subsidy. It was observed that even after the bank loan was passed to fund the entire project cost, the entrepreneurs would not start off operations until the subsidy was credited in to the account. This was done by majority as they were apprehensive about taking the huge loan before being ensured about the subsidy which reduced the repayment burden considerably. It was observed that 26.4 per cent of all enterprises had a project cost that ranged in between ₹ 2,00,001-2,50,000, while it was between ₹ 75,001-1,00,000 for 20.8 per cent of the enterprises.

**Table 6.33 Average Project Cost of Micro-Enterprises**

Total Project Cost (₹) of the Micro-enterprise	Average Project Cost(₹) in Rural N=125	Average Project Cost(₹) in urban N=125	Average Project Cost (₹) N=250
1-25,000	16,893 (11.2)	1,75,00 (1.6)	16,969 (6.4)
25,001-50,000	42,647 (11.2)	50,000 (0.8)	43,106 (6.0)
50,001-75,000	66,667 (9.6)	60,000 (0.8)	6,61,54 (5.2)
75,001-1,00,000	98,533 (24.8)	1,00,000 (16.8)	99,137 (20.8)
1,00,001-1,25,000	1,12,143 (5.6)	1,13,125 (6.4)	1,12,667 (6.0)
1,25,001-1,50,000	1,50,000 (3.2)	1,50,000 (10.4)	1,50,000 (6.8)
1,50,001-1,75,000	-	1,67,500 (1.6)	1,67,500 (0.8)
1,75,001-2,00,000	2,00,000 (16.8)	2,00,000 (7.2)	2,00,000 (12.0)
2,00,001-2,50,000	2,45,909 (8.8)	2,49,273 (44.0)	2,48,712 (26.4)
2,50,001-3,00,000	3,00,000 (0.8)	2,75,800 (8.0)	2,78,000 (4.4)
3,00,001-4,00,000	3,47,000 (2.4)	3,25,000 (1.6)	3,38,200 (2.0)
4,00,001-5,00,000	4,35,000 (2.4)	4,50,000 (0.8)	4,38,750 (1.6)
Above 5,00,000	7,06,250 (3.2)	-	7,06,250 (1.6)
	1,47,146 (100)	1,98,424(100)	1,72,785 (100)

Note: Figures in parentheses is the % of micro enterprises out of column total

Source: Field Survey Data

From Table 6.33 it is observed that 22.4 per cent of the total rural enterprises had recorded their total project cost to be below ₹ 50,000, while 24.8 per cent had invested in the range of ₹ 75,001 – 1,00,000. It can also be observed that about 3.2 per cent in the rural (all were Nutrimix enterprises) had invested above ₹ 5,00,000 in the enterprise, while in the urban there was none with comparable project costs, but, many enterprises (44.0 per cent) had higher average project costs (₹ 2,49,273). One reason for the higher investment by majority of the urban groups was the SJSRY subsidy (many of the urban groups sampled had received subsidy from this programme through the Urban Poverty Alleviation Department under *Kudumbashree*) norms which were higher and may have motivated groups to undertake bigger projects.

### 6.6.2 Loans availed from Neighbourhood Groups (NHG)

The micro-enterprises were initiated by members belonging to NHG, but all members were rarely part of the activity group that ventured in to group enterprise activity. Overall 88.4 per cent of micro-enterprises had not availed a loan from their NHG. This may be either because there was no requirement, or because of comparatively higher interest rate for loans from NHG, which dissuaded the group from availing these loans. Few of the enterprises availed small loans from their NHG to meet initial capital requirements and this is illustrated in Table 6.34.

**Table 6.34 Loan from the NHG**

Loan availed by ME in rupees (₹) from NHG	Rural (%) N=125	Urban (%) N=125	Total (%) N=250
Zero	82.4	94.4	72.8
3500	0.8	0	0.8
5000	10.4	3.2	6.8
10000	4.8	1.6	3.2
13000	0.8	0	0.4
15000	0.8	0	0.4
30000	0	0.8	0.4

**Source: Field Survey Data**

This may be because members from the same group who had formed the activity group were higher in rural areas in comparison to urban, as illustrated in Table 6.15 (68 per cent of activity groups in rural areas consisted of members from the same SHG while in urban, just 36 per cent were so). The loan size ranged from ₹ 3,500 to ₹ 30,000 with an urban enterprise availing the highest amount. The most common loan size availed in rural areas was ₹ 5,000 (availed by 10.4 per cent of the enterprises), followed by ₹ 10,000 which was availed by 4.8 per cent of the groups.

### 6.6.3 Loans from Friends and Relatives

Few (3.2 per cent in rural and 2.4 per cent in the urban) enterprises had also availed loans from family members and friends. The amount varied from ₹ 5,000 to ₹ 25,000 (Table 6.35). It was also observed that in 1.6 per cent of the rural enterprises that had availed such loans, the bank loan was zero.

**Table 6.35 Loan from Friends and Relatives**

Loan availed by ME in rupees from friends & relatives (₹)	Rural (%) N=125	Urban (%) N=125	Total (%) N=250
Zero	96.8	97.6	97.2
Below 5000	1.6	0.8	1.2
5001-15000	0.8	0.8	0.8
15001-25000	0.8	0.8	0.8

**Source: Field Survey Data**

#### 6.6.4 Loans from Banks

*Kudumbashree* through the CBO functionaries helped activity groups to prepare micro-enterprise projects and receive bank loans through linkage. Majority of the loans were availed from nationalised banks; like the State Bank of India, State Bank of Travancore, Federal Bank, Oriental Bank of Commerce, Catholic Syrian Bank, Punjab National Bank etc, and also from various Co-operative banks. Most of the group enterprises had availed bank loans of various sizes to meet their total project requirement. From Table 6.36 it can be observed that overall 6.4 per cent of the groups had not availed any bank loan, while for 3.6 per cent the loan size was lower than ₹ 20,000. Majority (31.2 per cent of the total) of these micro-enterprises had availed an average loan of ₹ 1,31,952. It can also be observed that 25.2 per cent of the enterprises had availed loans that ranged between ₹ 40,001 – 60,000. It was also noted that about one-tenth of the rural group enterprises had not availed any bank loans. These enterprises had started off without any bank loans using their own savings and small borrowings from informal sources. Some of these enterprises were keen to avail formal loans and also receive the eligible subsidy to undertake expansion activities while others wanted to remain as they were without any additional ‘hassles’ of ‘burdensome’ loans.

**Table 6.36 Loan from the Bank**

Loan availed by ME in (₹)	Rural (%) N=125	Urban (%) N=125	Total (%) N=250
Zero	0 (10.4)	0 (2.4)	0 (6.4)
1 – 20000	15,222 (7.2)	-	15,222 (3.6)
20001 – 40000	31,900 (16.0)	40,000 (0.8)	32,286 (8.4)
40001 – 60000	47,353 (27.2)	47,224 (23.2)	47,294 (25.2)
60001 – 80000	69,000 (4.0)	69,107 (11.2)	69,079 (7.6)
80001 – 100000	92,738 (16.8)	92,692 (10.4)	92,721 (13.6)
100001 – 200000	1,83,214 (11.2)	1,20,692 (51.2)	1,31,952 (31.2)
200001 – 300000	2,46,667 (2.4)	3,00,000 (0.8)	2,60,000 (1.6)
300001 – 400000	3,30,000 (1.6)	-	3,30,000 (0.8)
400001 – 500000	4,70,000 (2.4)	-	4,70,000 (1.2)
500001 – 600000	-	-	-
More than 600001	6,40,000 (0.8)	-	6,40,000 (0.4)
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: figures in parentheses give the % ME out of column total

Source: Field Survey Data

There were also few groups (0.8 per cent), mostly the Nutrimix manufacturing micro-enterprises (where 3-4 activity groups had combined to operate the enterprise together to achieve desirable scale of operations, and thus were eligible for higher loans and subsidies) which had availed loans that were higher than ₹ 6,00,000. In the urban regions, majority (51.2 per cent out of the urban) had availed loans that ranged between ₹ 1,00,001 - 2,00,000; The next popular loan size here ranged between ₹ 40,001 – 60,000, and was availed by 25.2 per cent of the micro-enterprises. The reason for these popular sizes was the threshold limits of loan and subsidy (according to guidelines) under which enterprise had received assistance from *Kudumbashree*.

### 6.6.5 Own Capital Invested

At the time of inception majority of groups had invested some money in to the micro-enterprise from own savings/sources. This varied according to the activity and project cost, as *Kudumbashree* stipulated a minimum of 5 per cent of total project cost as the own or ‘beneficiary’ contribution. This requirement was met by many groups though in rural areas, there were few exceptions, particularly in micro-enterprises that were incepted earlier, where grants/subsidy amount may have come from Panchayat plan fund, or through some other funds. From Table 6.37, it can be observed that 11.6 per cent of enterprises had not invested any ‘own capital’. It was also noted that one-fourth of rural micro-enterprises had made zero contribution from own savings towards meeting the total project cost and higher amounts of own capital (₹ 25,000 or more) was invested by just 2.4 per cent of the total micro-enterprises in the sample.

**Table 6.37 Own Capital Invested by Micro-Enterprise**

<b>Own Capital (₹) invested by Micro-enterprise</b>	<b>Rural (%) N=125</b>	<b>Urban (%) N=125</b>	<b>Total (%) N=250</b>
Zero	0 (23.2)	0	0 (11.6)
1 – 5000	4,330 (11.2)	4,989 (0.8)	4,652 (6.0)
5001 – 10000	9,266 (31.2)	9,642 (41.6)	9,519 (36.4)
10001 – 15000	12,727 (26.4)	13,417 (46.4)	13,038 (36.4)
15001 -20000	18,000 (2.4)	20,000 (5.6)	19,333 (4.0)
20001 -25000	25,000 (1.6)	25,000 (4.8)	25,000 (3.2)
25001 – 30000	30,000 (2.4)	-	30,000 (1.2)
30001 – 35000	35,000 (0.8)	-	35,000 (0.4)
40001 - 45000	45,000 (0.8)	-	45,000 (0.4)
45001 – 50000	-	50,000 (0.8)	50,000 (0.4)

**Note:** Figures in parentheses give the % ME out of column total

**Source:** Field Survey Data

### 6.6.6 Subsidy Received by Micro-Enterprises

Majority of the micro-enterprises (92.8 per cent in the rural and 96.8 per cent in the urban) had received ‘subsidy’, which provided financial support, helped the group towards meeting the initial capital expenditure, and reduced the overall interest and repayment burden. It was observed that 52.8 per cent of the urban groups had received an average subsidy of ₹ 1,25,000 (under SJSRY programme). As per the stipulations of SJSRY at the time (the guidelines is changed now), subsidy was calculated either as 50 per cent of the cost of the scheme or as per capita subsidy of ₹10,000 for each member, whichever lesser, but again subject to a maximum limit of ₹ 1,25,000. The subsidy disbursed from *Kudumbashree* was back-end<sup>13</sup>, and was about 50 per cent of the total project cost. An enterprise was eligible for subsidy only if it had an outstanding loan.

**Table 6.38 Subsidy Received by Micro-Enterprises**

Subsidy (received by ME) in Rupees (₹)	Rural (% ME) N=125	Urban (% ME) N=125	Total (% ME) N=250
Zero	0 (7.2)	0 (3.2)	0 (5.2)
1 – 10000	9,667 (12.0)	-	9,667 (6.0)
10001 – 20000	17,500 (3.2)	-	17,500 (1.6)
20001 – 30000	25,571 (11.2)	-	25,571 (5.6)
30001 – 40000	37,292 (9.6)	-	37,292 (4.8)
40001 – 50000	49,774 (24.8)	50,000 (22.4)	49,881 (23.6)
50001 – 75000	69,062 (6.4)	72,353 (13.6)	71,300 (10.0)
75001 – 100000	97,115 (20.8)	1,00,000 (8.0)	97,917 (14.4)
100001 – 125000	1,17,500 (1.6)	1,25,000 (52.8)	1,24,779 (27.2)
125001 – 150000	1,50,000 (0.8)	0	1,50,000 (0.4)
150001 – 200000	2,00,000 (2.4)	0	2,00,000 (1.2)

**Note:** Figures in parentheses give the % ME out of column total

**Source:** Field Survey Data

In rural areas, subsidy was mostly provided under the rural micro-enterprises scheme (RME) and about 24.8 per cent had received an amount ranging between ₹ 40,001 and ₹ 50,000 as subsidy (Table 6.38). About 2.4 per cent of the enterprises also received higher average subsidy of ₹ 2,00,000. These were the ‘Nutrimix’ units where each enterprise was formed by combining 2-4 five-member activity groups.

<sup>13</sup> In a back end subsidy, the subsidy amount goes as cheque to the bank account of the group and is adjusted against the loan amount, and interest is charged only for that amount which is released to the enterprise minus the subsidy. It helps in reducing the interest and repayment burden. *Kudumbashree* stipulates that if the group is not remaining together for three years and making repayments regularly, the subsidy would be taken back.

### 6.6.7 Repayment Amount and Loan Repaid

The loans availed had to be repaid in regular monthly instalments, with the maximum period for completing the repayment ranging from 36-60 months in most cases. One aspect that came out clearly during the interviews was the ignorance of members about the repayment and interest rates. Only the leader of the group or those who were in charge of account books knew the correct interest rates and the repayment amounts. Again, in many cases there was no ‘fixed’ repayment amount. Common responses were ‘we repaid whatever we could every month depending on earnings’, or ‘we tried to repay more every month than what was required so that we could get rid of the loan quickly’. Thus many groups made regular repayments according to ‘ability’ and only few had defaulted (6.4 per cent). Out of the total enterprises, 48 per cent had never defaulted while 43.6 per cent of the respondents had ‘rarely’ defaulted. The regularity of repayments in both rural and urban areas was also looked at to understand whether there were groups that had defaulted.

**Table 6.39 Extent of Default by Micro-Enterprise**

<b>Frequency of Default</b>	<b>Rural (% ME )</b>	<b>Urban (% ME )</b>	<b>Total (% ME)</b>
Continue to Default	4.8	8.0	6.4
Frequent	2.4	1.6	2.0
Rarely	54.4	32.8	43.6
Never	38.4	57.6	48.0
<b>Total</b>	<b>100 (n=125)</b>	<b>100 (n=125)</b>	<b>100 (n=250)</b>

**Source: Field Survey Data**

From Table 6.39 we can see that 8.0 per cent of urban enterprises continued to default (an enterprise that had not made any repayment for three months or more at the time of field survey) in making the monthly repayments, while only 4.8 per cent of the rural enterprises were in this state. About 57.6 per cent of the urban enterprises had said that they had ‘never defaulted’ while in the case of rural, it was a smaller (38.4 per cent) number which managed to make regular repayments. It was also noted that many groups wanted to make regular repayments and tried their best to do so even if the financial situation with their enterprise was not favourable. At times, family members helped them, particularly when the enterprise was making losses. Monthly repayment amount for groups is illustrated in Table 6.40.



**Table 6.40 Monthly Repayments by Micro-Enterprises**

Monthly Repayment amount by ME (₹)	Rural (%) N=125	Urban (%) N=125	Total (%) N=250
Not Applicable (NA)	3.2	0	1.6
1 - 499	2.4	0	1.2
500 – 999	18.4	4.8	11.6
1000 – 1499	16.0	12.0	14.0
1500 – 1999	20.0	17.6	18.8
2000 – 2499	7.2	12.0	9.6
2500 - 2999	7.2	12.8	10.0
3000 – 3499	8.0	11.2	9.6
3500 – 3999	0.8	8.0	4.4
4000- 4499	3.2	6.4	4.8
4500 – 4999	1.6	6.4	4.0
5000 – 7499	6.4	7.2	6.8
7500- 9999	3.2	1.6	2.4
10000 – 14999	2.4	0	1.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Field Survey Data

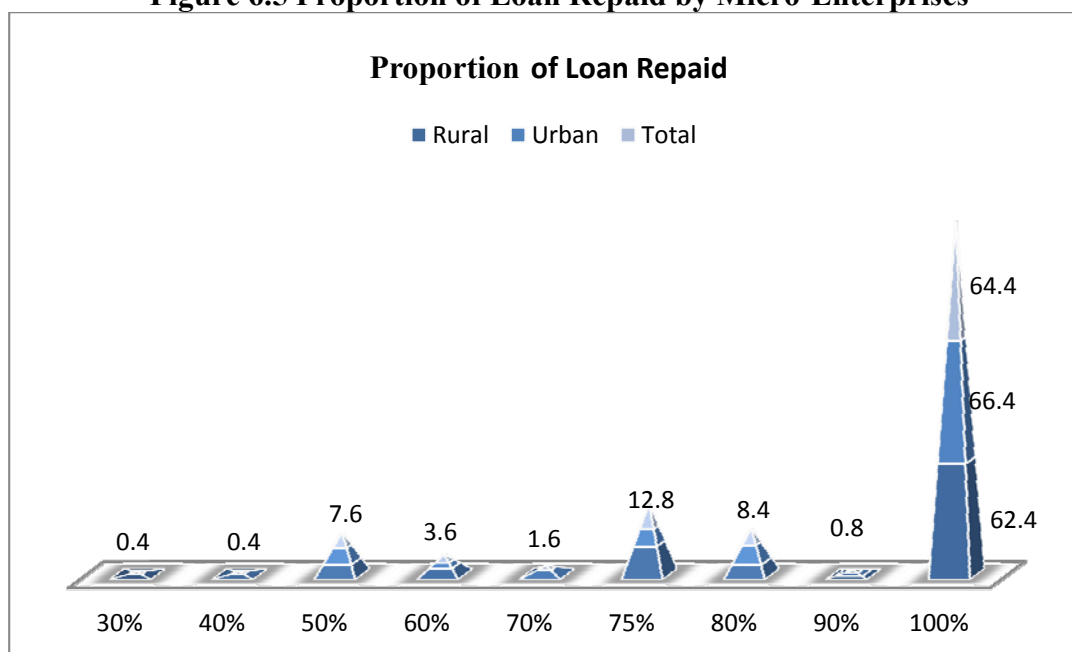
We can observe that majority (18.8 per cent) of enterprises in both rural (20 per cent) and urban (17.6 per cent) areas had made monthly repayments that ranged between ₹ 1,500 to ₹ 2,000. Overall, 33.2 per cent out of total micro-enterprises had a monthly repayment that was higher than ₹ 3,000. In rural areas, enterprises with a monthly repayment burden of ₹ 3,000 or higher was just 25.6 per cent, while 40.8 per cent of the total urban ones belonged to this category. The enterprises with higher capital assets had higher repayment burden. We also observe that though majority of rural enterprises had a repayment burden that was below ₹ 3,000/month, a few (2.4 per cent) made monthly repayments that was on an average about ₹ 12,117 a month. These were few Nutrimix units, all of which were jointly operated by 3-4 activity groups and had substantial capital assets.

These enterprises encountered problems with making prompt repayments due to irregularity in receiving payments from ICDS<sup>14</sup>, the bulk buyer of the product. With the intervention of *Kudumbashree* officials and related government departments the groups were allowed to make ‘bulk’ repayments to banks as and when they received payments for products sold. Thus, in spite of irregularities in repayment of loans, it was observed that two enterprises with bank loans of ₹ 5,00,000 and ₹ 6,40,000 respectively had completed repaying about 80 per cent of the loan amount.

14. ICDS (Integrated Child Development Services), a scheme launched by the government of India in 1975 aimed primarily at development of children and fulfilling their needs. In Kerala, the ICDS purchases ‘Nutrimix’, from the *Kudumbashree* Nutrimix units, for providing wholesome take home food supplement (3.375kg of Nutrimix/month) to *Anganwadi* children below 6 years.

Though the units studied were initiated during different years, the depiction of outstanding loan position give an overall picture of enterprises in the sample and their repayment position. It is seen from Figure 6.5 that 64.4 per cent out of the total ME had finished repaying their loans completely, while 7.6 per cent had repaid 50 per cent, and 12.8 per cent about three-fourth of their outstanding loans.

**Figure 6.5 Proportion of Loan Repaid by Micro-Enterprises**



Source: Field Survey Data

### 6.6.8 Proportion of Project Cost on Capital Assets

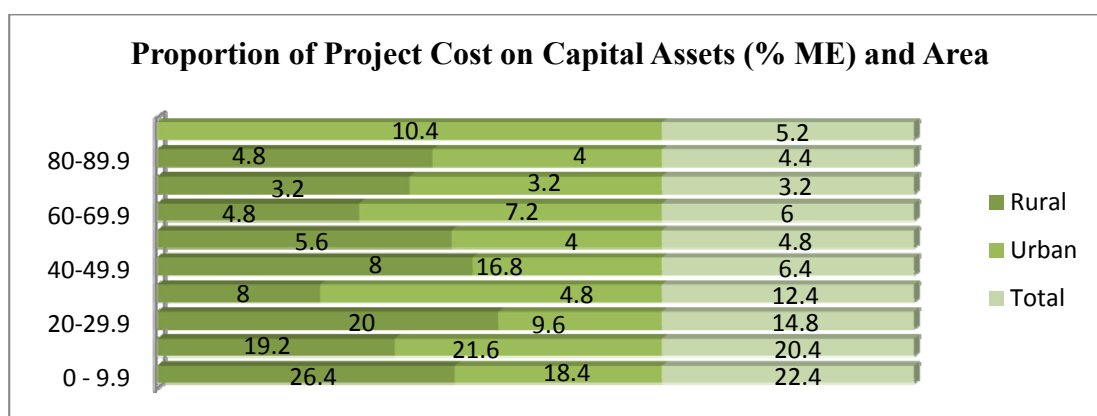
The project proposal submitted by activity groups after detailed scrutiny at various levels is finally passed by *Kudumbashree* after which due procedure is followed for bank loan. The proposal includes relevant matters like name of members, enterprise activity envisaged, its feasibility and the project cost. The project cost is roughly divided into requirements for capital assets (fixed inputs like machinery, building, vehicle etc) and operational expenditure (working capital requirement) for the first six months, which vary depending on enterprise activity. The reason for providing for working capital/credit requirement for first six months of operation is to support the enterprise during its initial phases, where it may not have established enough to have sufficient sales or income generation.

The proportion of total project cost that was used for purchasing fixed assets is recorded in Table 6.41. It can be observed that in the case of 22.4 per cent of micro-enterprises, less than 10 per cent of the total project cost was spent on capital assets. Overall, about 70.0 per cent of enterprises had spent less than 40 per cent of the total capital on fixed assets, while enterprises that invested more than 50 per cent of the project cost in capital assets were just 23.6 per cent. It can also be observed that in just 5.2 per cent of the enterprises, 90 per cent or more of the total project cost was invested in capital assets (these were mostly the solid waste management units).

### 6.6.8.1 Proportion of Project Cost on Capital Assets and Area

There was a marked difference in the proportion of project cost spent on fixed assets between rural and urban areas. It was observed that 26.4 per cent of rural and 18.4 per cent of the urban enterprises had used less than 10 per cent of the project cost on fixed assets. It was also noted that 66.6 per cent of rural and 49.6 per cent of urban enterprises had not even spent 30 per cent of the project cost on fixed assets (Figure 6.6). Therefore, overall, urban units had substantially higher proportion of project cost spent on fixed or capital expenditure in comparison to the rural units. In fact, 10.4 per cent of urban enterprises had spent more than 90 per cent of the total project cost on initial capital expenditure. These were mostly the waste management units which were engaged in providing garbage collection service; these units had invested most of their initial capital for purchasing a three wheeler vehicle, which was used for door-to-door collection and transportation of garbage.

**Figure 6.6 Proportion of Project Cost on Capital Assets and Area**



Source: Field Survey Data

It was also noted that in a number of micro-enterprises members ‘closed’ the loan early as outstanding loans were considered burdensome. This was enabled particularly where the proportion of project cost on fixed assets was smaller; or when the enterprise generated enough of surplus (total revenue received from sale of product/ service – total expenditure). In the former, enterprises ‘adjusted’ the subsidy amount and reduced bank loans to zero (closure of loan) or to very low levels so that the interest burden reduced. This helped many groups to foreclose their loans before the repayment period ended. In these cases, the purpose of subsidy was defeated. This observation is made because subsidy was given to the group to supplement bank loans (so that the enterprise could purchase fixed assets and also meet the working capital requirements during the initial operating periods without much difficulty) and not to foreclose them. Some of these enterprises had later taken loans from private money lenders at interest rates ranging between 24-48 per cent to meet working capital requirements.

In the following section, the proportion of project cost invested in initial capital assets according to broad sector category is discussed.

#### 6.6.8.2 Proportion of Project Cost on Capital Assets and Sector

The initial investment of the total project cost on capital assets ( all fixed assets used for carrying out the enterprise activity, like machinery, small tools and equipments, furniture, vehicle etc) according to sector category is illustrated in Table 6.41.

**Table 6.41 Project Cost Spent on Capital Assets and Micro-Enterprise Category**

Proportion of project cost invested in capital assets at Inception (%)	Sector of Micro-Enterprise (%)					Total (N=250)
	Small Scale Manufacture (N=45)	Services (N=119)	Animal Husbandry (N=16)	Hand Craft (N=20)	Food Processing (N=50)	
0 - 9.9	26.7	16.0	0	75.0	20.0	22.4
10- 19.9	24.4	20.2	6.3	10.0	26.0	20.4
20- 29.9	15.6	16.8	12.5	10.0	12.0	14.8
30- 39.9	13.3	18.5	6.3	0	4.0	12.4
40- 49.9	2.2	3.4	6.3	0	20.0	6.4
50- 59.9	11.1	3.4	0	5.0	4.0	4.8
60- 69.9	4.4	4.2	25.0	0	8.0	6.0
70- 79.9	2.2	2.5	18.8	0	2.0	3.2
80- 89.9	0	4.2	25.0	0	4.0	4.4
90- 99.9	0	10.9	0	0	0	5.2
Total	100	100	100	100	100	100

Source: Field Survey Data

The proportion of project cost spent on fixed assets ranged from less than 10 per cent to more than 90 per cent. It was noted that 75 per cent of micro-enterprises in handcrafts, 26.7 per cent of units in small scale manufacturing, 20.0 per cent in food processing & 16.0 per cent in services, had invested less than 10 per cent of project cost on fixed/capital assets. A number of units (68.8 per cent) under animal husbandry had made substantial initial investment in capital assets (here this include the animals and sheds), ranging between 60-90 per cent of the project cost. The proportion of project cost invested in capital assets thus varied across categories and also activities within it which is discussed next.

#### **6.6.8.3 Proportion of Project cost on Capital Assets and Activity**

The proportion of total project cost that is invested in capital assets is bound to vary according to the micro-enterprise activity. Some may require substantial investment in machinery and other fixed assets (computer aided data entry units, paper plates and glass making units, Nutrimix units, waste management units etc) while others engaged in activities like direct marketing, soaps or hand-made paper bag making may need to invest lesser capital on fixed assets. On the other hand, activities like tailoring, restaurants etc, may need only moderate capital investment.

***Enterprise Activities under Small Scale Manufacturing*** In the case of soaps and detergent manufacturing enterprises, 70 per cent of the units had invested less than 10 per cent of the project cost in fixed assets. The amount required was low as they had required few mixing bowls, storage bins and moulds to start off production. Out of all units engaged in making paper products (cups, plates etc) half of them had invested 30-40 per cent of the total project cost initially into buying various machinery and other fixed assets. The investment in capital assets for the Nutrimix units had ranged from 14-26 per cent.

***Enterprise Activities under Services*** Here a large number of enterprises had invested between 10-30 per cent of the project cost on purchasing machinery or incurring other capital expenditure like fixing and fitting the enterprise (either a hired room or building or refurbishing a room in a members' house) before beginning operations. Most of the data entry units had invested substantially in assets like computers,

printers, UPS etc with 25 per cent of the enterprises investing between 60-70 per cent, while another 25 per cent of enterprises had invested 70-80 per cent initially. In the case of mess/hostel, one unit had invested 42 per cent while the other that was also operating a hostel mess had invested 83 per cent of initial capital in fixed assets. Out of the rest, 17 per cent each had invested above 80 per cent and 90 per cent of the project cost in fixed assets.

***Enterprise Activities under Food Processing*** A number of flour milling units (42 per cent) had invested 40-50 per cent of project cost on fixed assets (machinery like pulverisers, roasters etc); while in the case of fish processing units two-fifth of the units had invested between 20-30 per cent. It was also be observed that 40 per cent of bakeries had invested 60-70 per cent in acquiring equipments like big ovens, mixing machines etc, while 50 per cent of coconut oil extraction units had more than half of the project cost invested in oil mills.

***Enterprise Activities under Handcrafts*** Enterprise activities under hand crafts had invested lesser proportion of project cost in capital assets. It was observed that majority of the enterprises engaged in activities like paper bag making (67 per cent), bamboo products (78 per cent) and jewellery making (100 per cent) had invested an amount that was less than 10 per cent of the total project cost in fixed assets. Out of all, only 11 per cent of units engaged in making bamboo products had invested above 50 per cent of the total project cost in fixed or capital assets.

***Enterprise Activities under Animal Husbandry*** Most dairy and goat rearing units had high amount of capital investment (above 60 per cent of the total project cost) while an unit engaged in bee keeping had invested about 10-20 per cent of the project cost on bees and their boxes. For the integrated GRQ (Goat-Rabbit-Quail) units, 50 per cent had initial investment that ranged between 20-30 per cent of the total project cost.

In this section (6.6) financial aspects related to the enterprise, particularly bank loan, subsidy, own funds and total project cost of enterprises according to area, enterprise category and activities was discussed. The average estimation of sources of funds of certain activities common in rural and urban areas is illustrated in Table 6.42.

**Table 6.42 Average Bank Loans, Subsidy and Project Cost in Common Enterprise Activities**

Enterprise Activity	Area	Bank Loan	Subsidy	Own Funds	Project Cost
		Rupees (₹)			
Paper Products (machine-made)	Rural	1,98,333	1,00,833	13,500	3,12,667
	Urban	1,44,542	1,25,000	13,792	2,83,333
Soaps and Detergents	Rural	29,857	34,286	8,714	78,571
	Urban	77,500	83,333	5,833	1,66,667
Umbrella making	Rural	1,70,000	67,500	25,000	2,62,500
	Urban	92,100	1,00,000	7,900	2,00,000
Catering	Rural	54,800	53,000	5,700	1,14,500
	Urban	86,150	93,500	7,350	1,87,000
Tailoring	Rural	68,700	38,500	4,300	1,14,500
	Urban	80,500	87,500	10,000	1,79,000
Provision Store	Rural	22,857	19,000	3,643	47,671
	Urban	75,000	79,167	6,667	1,60,833
Waste Management	Rural	1,40,000	50,000	10,000	2,00,000
	Urban	1,20,000	1,25,000	7,273	2,55,455
Restaurant	Rural	78,000	85,000	7,500	1,70,000
	Urban	65,625	71,875	6,667	1,55,556
Data Entry	Rural	1,12,500	1,00,000	12,500	2,25,000
	Urban	1,33,056	1,25,000	12,833	2,70,889
Ethnic Food Items	Rural	20,900	23,800	4,222	47,853
	Urban	68,333	78,889	12,778	1,64,444
Paper Bags (handmade)	Rural	71,875	81,250	6,875	1,62,500
	Urban	97,000	1,05,000	8,000	2,10,000
Dairy	Rural	2,00,000	37,500	12,500	2,50,000
	Urban	45,000	50,000	10,000	1,05,000

**Note:** The average loan, subsidy, own funds and total project cost of enterprises in selected activities is illustrated here. Bank loan, subsidy and own funds were the source of funding in more than 90 per cent of enterprises at inception. For details of distribution of micro-enterprises under each activity in rural and urban refer Table 6.6

**Source:** Field Survey Data

## 6.7 PERFORMANCE OF MICRO-ENTERPRISES

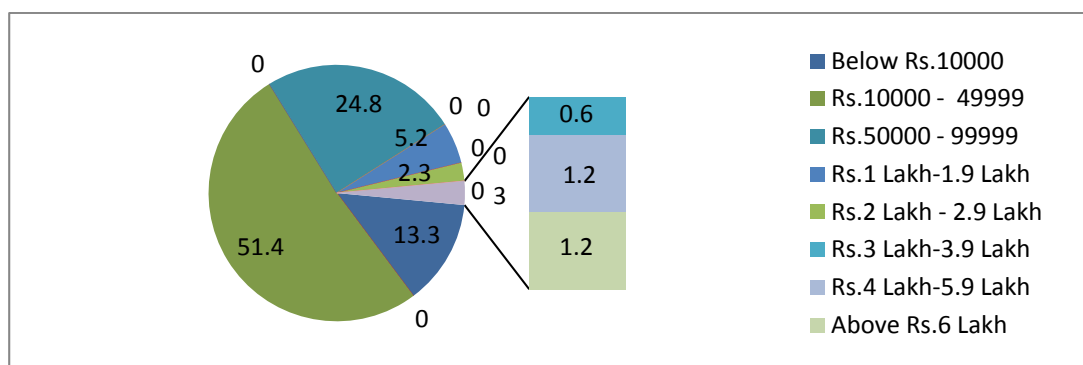
It was observed that out of the 250 micro-enterprises selected, 30.8 per cent were inactive at the time of the survey. Consequently, these enterprises (27.2 per cent of the rural and 34.4 per cent of the urban) are excluded here as the discussion is on performance, which is relevant only to active units. The performance of group operated micro-enterprises is measured primarily by the average sales receipts or turnover earned and the average monthly income generated to individual members. The average monthly turnover and average monthly per capita income in 2010 is compared across area, sector and activities. The growth in income and turnover (2008-10) and turnover growth during two periods (2008-2009 and 2009-10) are calculated for understanding growth trend in all enterprises.

The research also recorded additional investment and employment generated by the ME, as a measure of better performance and achievement. In the following sections, aspects related to average monthly turnover, average monthly income, growth in these variables and other performance measures are discussed.

### 6.7.1 Average Monthly Turnover of Micro-Enterprises

Average monthly turnover (AMT) or sales revenue earned indicates to some extent the income generating potential of an enterprise. By AMT the research means 'gross receipts' or total sales revenue achieved by the enterprise on an average in one month, from sale of goods or services rendered.

**Figure 6.7 Average Monthly Turnover of Micro-Enterprises**



Source: Field Survey Data



A sizable turnover may indicate a well performing enterprise (also depending on the activity) which has a higher possibility of generating comparatively better monthly incomes to individual women members operating the enterprise. Figure 6.7 illustrates eight AMT categories and the proportion of enterprises falling under each.

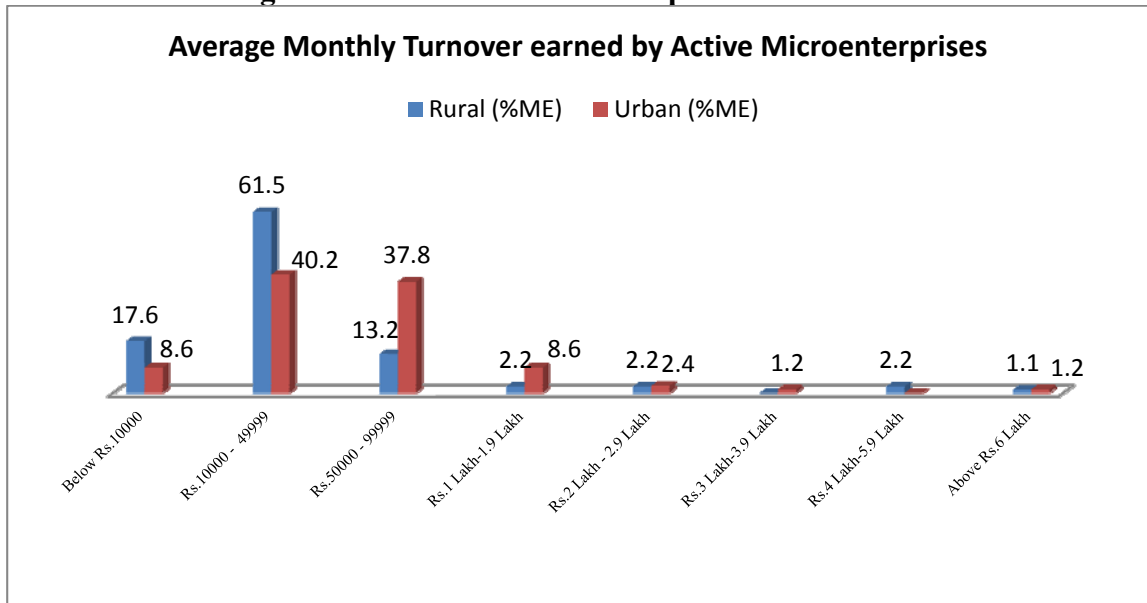
Out of all enterprises, 13.3 per cent had recorded an average sales turnover that was less than ₹ 10,000/month, while majority (51.4 per cent) had earned monthly receipts that ranged between ₹ 10,000 to ₹ 49,999/ month. About 24.8 per cent earned monthly revenues that ranged between ₹ 50,000 to ₹ 99,999/month; Thus, overall, 89.5 per cent of the micro-enterprises had earned sales receipts below ₹ 1,00,000 a month. Out of all enterprises, 1.2 per cent had sales turnover ranging between ₹ 4,00,000 to ₹ 6,00,000/month, while 1.2 per cent had achieved above ₹ 6,00,000/month. Most of these were the Nutrimix manufacturing units while one was a canteen unit. This unit had become a major operator in the city, and over a period of ten years had successfully bid for operating four more canteens in various establishments. It had made additional investments and also had employees.

#### **6.7.1.1 Average Monthly Turnover of Micro-Enterprises and Area**

Figure 6.8 illustrates the AMT achieved by enterprises located in rural and urban areas. A rough comparison between rural and urban enterprises, show that on an average, the urban enterprises had achieved higher monthly sales receipts. Majority of the enterprises had earned sales receipts ranging between ₹ 10,000- ₹ 49,999/month. In the rural areas, 17.6 per cent had earned sales receipts below ₹ 10,000/month, while in the urban areas only 8.6 per cent of enterprises had comparable receipts.

It is observed that out of the total active enterprises, 17.6 per cent of those in the rural area had a turnover that was below ₹ 10,000/month, while only 8.6 per cent of urban enterprises remained in business at these levels. This may be because at very low turnover levels it may not be economically feasible for urban enterprises to remain in the activity; and the opportunity cost to continue with enterprise operations may be higher than quitting the activity altogether.

**Figure 6.8 AMT of Micro-Enterprises and Area**



Source: Field Survey Data

### 6.7.1.2 Average Monthly Turnover of Micro-Enterprises and Sector

The AMT achieved by enterprises under various categories is presented in Table 6.43. Majority of enterprises under all categories (32.1 per cent under SSM; 51.8 per cent under services; 35.7 per cent under animal husbandry and 66.7 per cent under handicrafts and food processing) had earned a monthly sales turnover that ranged between ₹ 10,000 and 49,999.

Overall, enterprises under handcraft achieved lower turnover in comparison to other categories with 33.3 per cent of the enterprises achieving sales revenues that was lower than ₹ 10,000/month. Comparatively, enterprises under services had generated a higher turnover, with 86.8 per cent of active enterprises generating sales receipts that ranged between ₹ 10,000-99,999. Under animal husbandry too, 64.3 per cent of enterprises achieved a turnover in the same range, while 7.1 per cent (some of the dairy units) had achieved higher revenues.

Thus, there is a high possibility for 50 per cent of enterprises under SSM, 42.2 per cent under services, 35.7 per cent under animal husbandry and 19.4 per cent under food processing to generate a ‘sustainable’ or ‘decent’ monthly income to individual members, as the monthly turnover was higher than ₹ 50,000.

There is also a good possibility that 32.1 per cent of enterprises under SSM, 51.8 per cent under services, 35.7 per cent under animal husbandry, 66.7 per cent enterprises under food processing and handcrafts (all had earned sales receipts that ranged between ₹ 10,000- 49,999), to have generated an income above ‘programme expectations’, provided the enterprises was initiated by smaller groups or if there was drop out in group enterprises initiated with 10 or more members.

**Table 6.43 Average Monthly Turnover and Sector**

Sector Category	Average Monthly Turnover (₹)			
	Below 10,000	10,000 - 49,999	50,000 - 99,999	1,00,000 - 1,99,999
Small Scale Manufacturing	3,980 (17.9)	31,889 (32.1)	67,571 (25)	1,44,733 (10.7)
Services	7,320 (6)	30,291 (51.8)	67,897 (35)	1,25,000 (4.8)
Animal Husbandry	6,500 (28.6)	25,800 (35.7)	83,000 (28.6)	102,500 (7.1)
Hand Craft	6,925 (33.3)	17,625 (66.7)	-	-
Food Processing	6,800 (13.9)	22,958 (66.7)	57,333 (8.3)	110,000 (2.8)

**Note:** About 14.3 per cent of enterprises under SSM, 2.4 per cent under Services and 8.3 per cent under Food Processing had achieved monthly turnovers that was higher than ₹ 2,00,000  
Figures in parentheses give the proportion of enterprises in the sector.

**Source: Field Survey Data.**

In the following sections, the average monthly turnover earned in micro-enterprise activities under the above categories is discussed. Only activities having three or more active enterprises were considered for comparison.

### 6.7.1.3 Average Monthly Turnover in Enterprise Activities under SSM

The average monthly turnover earned by enterprises engaged in various activities under small scale manufacturing is presented in Table 6.44. It can be observed that in 66.7 per cent of the active soaps and detergent making units (only 30 per cent of those that had entered in to the activity) the total sales revenue earned from monthly sales was lower than ₹ 10,000. The monthly sales receipts achieved were higher in the case of Nutrimix units in comparison to others, which may have been due to the tie-up or organised market support received.

**Table 6.44 Average Monthly Turnover in Enterprise Activities under SSM**

Enterprise Activities	Average Monthly Turnover (₹)			
	Below 10,000	10,000 - 49,999	50,000 - 99,999	1,00,000 - 1,99,999
Paper Products	-	23,500 (20)	71,000 (50)	1,44,733 (30)
Soaps & Detergents	3,250 (66.7)	20,000 (33.3)	-	-
Umbrellas	6,000 (33.3)	48,000 (33.3)	60,000 (33.3)	-
Candles	6,000 (25)	38,000 (50)	58,000 (25)	-

**Note:** The Nutrimix enterprises operated on a larger scale with higher AMT or sales revenue and the average value of the AMT of the four Nutrimix enterprises in the sample was ₹ 4, 67,000; Figures in parentheses is proportion of enterprises in the activity earning the average monthly turnover/revenue

**Source:** Field Survey Data.

#### 6.7.1.4 Average Monthly Turnover in Enterprise Activities under Services

A higher proportion of the sales turnover may become income for individual members in service activities like tailoring, waste management etc in comparison to most activities under small scale manufacturing. In this section, the average monthly turnover earned by enterprises engaged in service activities is discussed.

From Table 6.45 it is observed that majority of the enterprises under most activities (except data entry and canteens), were earning in the range of ₹ 10,000 – 49,999 every month. These were tailoring (94.4 per cent of enterprises), catering (55.6 per cent), restaurants (57.1 per cent), provision stores (62.5 per cent) and waste management (50 per cent). Under canteen operations and data entry, 55.6 and 66.7 per cent of enterprises had earned higher average monthly turnovers/revenues. In tailoring, the average monthly turnover of enterprises was ₹ 28,471 with notable difference between rural and urban areas. The average monthly turnover earned by rural tailoring enterprises was ₹ 26,667 while that of urban ones was ₹ 33,222. Similarly, differences between rural and urban enterprises in turnover/ sales revenue earned was also observed in enterprises engaged in catering, restaurants, waste management, canteens etc with urban enterprises generating higher AMT/ sales revenues.

**Table 6.45 Average Monthly Turnover in Enterprise Activities under Services**

Enterprise Activities	Average Monthly Turnover (₹)			
	Below 10,000	10,000 - 49,999	50,000 - 99,999	1,00,000 - 1,99,999
Catering	-	36,600 (55.6)	55,500 (44.4)	-
Restaurant	9,600 (14.3)	34,750 (57.1)	62,500 (28.6)	-
Canteen	-	30,500 (22.2)	70,600 (55.6)	-
Tailoring	9,000 (5.6)	28,471 (94.4)	-	-
Provision Store	-	19,600 (62.5)	77,500 (25.0)	1,25,000 (12.5)
Waste Management	-	32,917 (50.0)	63,167 (50.0)	-
Data Entry	4,000 (11.1)	20,000 (11.1)	65,000 (66.7)	1,40,000 (11.1)

**Note:** There were two canteen enterprises (22.2 per cent) which had Average Monthly Turnovers that was higher than ₹ 2,00,000; Figures in parentheses give the proportion of enterprises in the activity earning the Average Monthly Turnover/revenue

**Source:** Field Survey Data.

### 6.7.1.5 Average Monthly Turnover in Enterprise Activities under Food Processing

It was seen that majority of the enterprises engaged in food processing activities sold locally, to houses, shops and hotels in the immediate periphery, while a few had taken efforts to increase their sales volume by selling through agents on commission basis and in the monthly markets<sup>15</sup>. Some units found the idea of selling through the monthly markets to be cumbersome and hence decided to skip it altogether. They felt ‘satisfied’ from the small sales volume realised and the revenue received from within their neighbourhood without having to travel to distant market locations on buses and autos carrying heavy bags and boxes.

<sup>15</sup> Monthly Markets is a hand holding support envisaged by the *Kudumbashree* mission to help the entrepreneurs find larger audience for their products. The mission organises monthly markets across the districts and the logic behind such a support was that unless the enterprises have marketing opportunities their production and income would never reach an optimal level where the enterprise would be able to generate sustainable livelihoods (*Kudumbashree* annual report, 2009). The monthly markets are organised in all the districts, by the district mission team (DMTs) at various locations on the same date and venue every month, at a central area in the town.

**Table 6.46 AMT in Enterprise Activities under Food Processing**

Enterprise Activities	Average Monthly Turnover (₹)			
	Below 10,000	10,000 - 49,999	50,000 - 99,999	1,00,000 - 1,99,999
Ethnic Food	6,250 (21)	27,417 (63)	56,000 (11)	-
Bakery	-	14,500 (50)	60,000 (25)	1,10,000 (25)
Rice/ Flour Milling	9,000 (10)	18,714 (70)	-	-

**Note:** About 5 per cent of enterprises under Ethnic food, and 20 per cent under Rice/Flour milling had achieved monthly turnovers that was higher than ₹ 2,00,000.

Figures in parentheses give the proportion of enterprises in the activity earning the Average Monthly Turnover/ revenue

**Source:** Field Survey Data.

Enterprises engaged in preparing ethnic food items (pickles, papads & savouries, rice and spice powders, jams and squashes, pathiris, appams etc) had 63 per cent of the units earning sales receipts ranging between ₹10000-49999, while 21 per cent earned an average monthly revenue of ₹6,250 (Table 6.46). Most of the enterprises engaged in ethnic foods were able to mark-up their product prices by 50-100 per cent of the total costs incurred (illustrated in Appendix IV) and therefore were profitable once established in an area.

#### **6.7.1.6 AMT in Enterprise Activities under Animal Husbandry and Hand Crafts**

Some of the animal husbandry units, particularly the dairy units had received higher sales receipts in comparison to other activities like goat rearing. One reason for this was that there was good demand for fresh milk in the immediate locality and neighbourhood towns (where it was in shortage) and the farmers could also sell to the dairy co-operative. All goat rearing units and 83.3 per cent of the dairy units, functioned separately (individual members in the group looked after their 'share' of animals, in their own backyards, taking care of feeding, milking and sales) though for procurement of feed and loan repayment acted as a joint entity.

**Table 6.47 AMT in Selected ME Activities in Animal Husbandry & Hand Crafts**  
Average Monthly Turnover (₹)

Enterprise Activities	Average Monthly Turnover (₹)			
	Below 10,000	10,000 - 49,999	50,000 - 99,999	1,00,000 - 1,99,999
Dairy	-	30,000 (16.7)	83,000 (66.6)	102,500 (16.7)
Goat Rearing	7,000 (60)	16,500 (40)	-	-
Hand- made Paper bags	7,500 (20)	14,500 (80)	-	-
Bamboo Products	6,100 (33.3)	20,750 (66.7)	-	-

**Note:** Figures in parentheses give the proportion of enterprises in the activity earning the Average Monthly Turnover/ revenue

**Source:** Field Survey Data.

Table 6.47 illustrates selected activities under animal husbandry (dairy and goat rearing enterprises) and hand crafts (bamboo products and paper bag units). The dairy units had generated sizable turnover volume with 66.6 per cent of the enterprises earning in the range of ₹ 50000-99999/ month and 16.7 per cent even higher, while in the case of goat rearing 60 per cent had earned below ₹ 10000/month. Activities like bee-keeping (only a single unit remained active earning about ₹ 5000/month in 2010) and the integrated GRQ (the two Goat-Rabbit-Quail units were earning in the range of ₹10000-50000/month) enterprise is not illustrated as only two units were remaining in operation. Under paper bags and bamboo products, 80 and 66.7 per cent of the enterprises had earned total sales receipts that ranged between ₹ 10000-49999/month, while the rest had earned below ₹ 10000/month.

#### 6.7.1.7 Average Monthly Turnover Growth (2008-10)

The turnover growth is taken as a measure of enterprise growth. There is a possibility that some of the AMT growth (2008-10) may not be real as part of it may be due to the rise in price of the product; but the growth rate provide an indication as to whether the enterprise had grown or declined over the period.

**Table 6.48 Average Monthly Turnover Growth (2008-10)**

S. No	AMT growth in 2008-10	Rural (%ME)	Urban (% ME)	Total (%ME)
1	Negative	6.6	31.4	18.5
2	0 – 24.9%	6.6	25.7	15.7
3	25 - 49.9%	22.0	18.3	20.2
4	50 - 74.9%	40.6	13.4	27.7
5	75 - 99.9%	4.4	7.3	5.8
6	100 -124.9%	4.4	1.3	2.9
7	125 -149.9%	2.2	1.3	1.7
8	150 – 174.9%	4.4	0	2.3
9	175 -199.9%	1.1	0	0.6
10	Above 200%	7.7	1.3	4.6

**Source: Field Survey Data.**

Table 6.48 illustrates all active micro-enterprises in to ten growth categories. In 2010, out of all active enterprises, 18.5 per cent had exhibited negative growth in sales receipts. This indicates that these units could have experienced reduction in the total number of orders received, products sold or customers served. In rural areas, the enterprises with negative growth were 6.6 per cent of the active rural units while in the urban it was much higher (31.4 per cent). Thus, larger number of urban enterprises was on a downtrend in comparison to those in the rural areas. Overall, many active enterprises (27.7 per cent) had growth rates in the range of 50-74.9 per cent; and 40.6 per cent of rural enterprises had also experienced similar growth rates.

In the case of urban enterprises, 25.7 per cent had exhibited growth rates that were below 25 per cent. The monthly sales receipts had increased at a rate that was higher than 200 per cent in 7.7 per cent of the enterprises while only 1.3 per cent of the urban enterprises experienced similar growth. This difference may be mostly due to growth rate being calculated over a lower base in rural areas, which resulted in higher growth values, while in urban enterprises the base year turnover was larger and hence growth lower in spite of comparatively higher turnover/ sales revenues earned.

#### **6.7.1.8 Average Monthly Turnover Growth (2008-10) and Sector**

Under this section the average monthly turnover growth during the period 2008-10 is discussed across sector categories.



**Table 6.49 Growth in Average Monthly Turnover (2008-10) and ME Category**

AMT Growth Category (2008-10)	Small Scale Manufacturing (%ME)	Services (%ME)	Animal Husbandry (%ME)	Hand Craft (%ME)	Food Processing (%ME)
Negative	35.7	14.5	7.1	25.0	16.7
Zero	3.6	0	0	0	2.8
1- 24.9%	14.3	20.5	0	8.3	8.3
25 -49.9%	10.7	24.1	35.7	8.3	16.7
50-74.9%	25.0	22.9	43.0	41.8	30.5
75 -99.9%	7.1	6.0	7.1	0	5.6
100 -199.9%	0	7.2	7.1	8.3	13.9
Above 200%	3.6	4.8	0	8.3	5.5

**Source: Field Survey Data**

For clarity in comparison, the growth is categorised in to eight ranges (as given in Table 6.49). It is observed that few of the enterprises in every category were experiencing negative growth in sales receipts. Such enterprises were highest (35.7 per cent) in small scale manufacturing, followed by handcrafts (25 per cent), food processing (16.7 per cent), services (14.5 per cent) and animal husbandry (7.1 per cent). Thus many active enterprises were experiencing a decline in sales receipts (one of the measures of performance). In Services, 24.1 per cent had recorded positive turnover/sales revenue growth which ranged between 25-49.9 per cent. In the case of enterprises under animal husbandry, handcraft and food processing, majority had grown in the range between 50 and 75 per cent. One of the major reasons for the negative sales growth in manufacturing enterprises was the competitive pressures faced by them.

#### **6.7.1.9 Average Monthly Turnover Growth and Categories**

The year over year growth determines whether the enterprise is ‘steadily growing’, ‘steadily declining’, ‘unchanging’, or ‘fluctuating’. Here, the growth in average monthly turnover achieved by all active enterprises (except those incepted in 2009) during 2008-09 and 2009-10 is taken into consideration for classifying enterprises

into the above categories. On the basis of growth achieved, an enterprise is ‘steadily growing’ if it achieved positive growth during both periods, ‘steadily declining’ if it achieved negative growth in both, and ‘unchanging’ if growth was ‘zero’ during the period 2008-09 and 2009-10. An enterprise is also classified as ‘fluctuating’ if growth was positive only in one period but negative in the other. In addition, further classification in to ‘fluctuating & Declining’ (negative in 2009-10), and ‘fluctuating & Improving’ (positive in 2009-10) is also made.

**Table 6.50 Growth Category of Micro-Enterprises and Area**

<b>S No</b>	<b>Growth Categorisation of ME Based on AMT growth in 2008-09 and 2009-10</b>	<b>Rural (%ME)</b>	<b>Urban (% ME)</b>	<b>Total (%ME)</b>
1	Steadily Growing	86.8	54.9	71.7
2	Steadily Declining	3.3	14.6	8.7
3	Unchanging/ zero growth	1.1	0	0.5
4	Fluctuating & Declining	5.5	14.6	9.8
5	Fluctuating & Improving	0	12.2	5.8
6	ME incepted in 2009	3.3	3.7	3.5

**Source: Field Survey Data**

This would help in getting an idea about the direction of growth in the case of enterprises with fluctuating growth. The enterprises incepted in 2009 (3.5 per cent) were not included in the classification (Table 6.50). Out of the active enterprises, 86.8 per cent in rural and 54.9 per cent in the urban were steadily growing. Overall 71.7 per cent of enterprises had experienced steady growth over the preceding two years, 8.7 per cent declined while 15.6 per cent had experienced fluctuating growth over the period. A higher proportion of urban enterprises (14.6 per cent) had steadily declined in comparison to those in the rural areas, where only 3.3 per cent experienced continuous negative growth.

#### **6.7.1.10 Growth Category of Micro-Enterprises and Sector**

The growth of enterprises across five broad sectors is illustrated in Table 6.51. Micro-enterprises incepted in 2009 were not taken in to consideration as they had been in existence for only a year. It is clear that majority of the active enterprises, across all five sectors grew steadily. In the case of enterprises under SSM, only 50 per cent of

the active units grew steadily, while 32.1 per cent of the enterprises had experienced fluctuating and declining growth. Under services, 74.7 per cent of the active enterprises grew steadily, while in the case of animal husbandry and food processing, 85.8 and 77.8 per cent had exhibited steady growth. Under hand crafts, 66.7 per cent had experienced steady and positive growth while 16.7 per cent, mainly the paper bag making units, had steadily declined.

**Table 6.51 Growth Category of Micro-Enterprises and Sector**

Growth Categorisation of ME based on AMT growth in 2008-09 and 2009-10	Small Scale Manufacturing (%ME)	Services (%ME)	Animal Husbandry (%ME)	Hand Craft (%ME)	Food Processing (%ME)
Steadily Growing	50.0	74.7	85.8	66.7	77.8
Steadily Declining	10.7	6.1	7.1	16.7	11.1
Unchanging/ zero growth	3.6	0	0	0	0
Fluctuating & Declining	32.1	3.6	7.1	0	11.1
Fluctuating & Improving	0	10.8	0	8.3	0
ME incepted in 2009	3.6	4.8	0	8.3	0

Source: Field Survey Data

Across the sectors, majority (or more than 50 per cent of all active enterprises) experienced positive growth during the two periods, 2008-09 and 2009-10.

#### **6.7.1.11 Growth Categories of Micro-Enterprises in Selected Activities**

The growth categorisation of enterprises in some of the selected activities is discussed in this section to understand the trend of performance in the active enterprises. The average monthly turnover growth in two consecutive years was taken in to consideration to understand the direction of growth in the enterprise. Based on the growth over 2008-09 and 2009-10 enterprises were grouped in to ‘steadily growing’, ‘steadily declining’, and ‘fluctuating’. Only a single enterprise in soaps and detergents recorded the same turnover over the years and fell under ‘unchanging’ (this category is therefore not illustrated in Table 6.52).

The enterprises that were initiated in 2009 were not categorised as growth rate of one period alone was available (for categorisation purpose, these were excluded where ever present). Only activities with at least three or more active enterprises were taken in to consideration. These included, paper products, soaps & detergents, candles, umbrellas and the Nutrimix enterprises (all belonging to small scale manufacturing);

Restaurants, catering, canteens, waste management, tailoring, provision stores, direct marketing and data entry (all belonging to services); Ethnic food Items and rice/flour milling (under food processing); Bamboo products and paper bags (hand craft activities); and dairy and goat rearing (under animal husbandry). Table 6.52 clearly illustrates twenty ME activities and the proportion of micro-enterprises under each growth category. It was observed that majority (i.e. more than 51 per cent) of the enterprises in all activities except, paper products, soaps and detergents, data entry, bakery and paper bags were growing steadily.

It was also observed that in the case of paper products, 60 per cent were experiencing fluctuating and declining growth. This was because of the crisis they were facing due to the fall in market prices of disposable paper plates, cups and other items due to the entry of cheaper Chinese imports. Some units, at the time of the survey were on the verge of becoming inactive as they were finding it difficult to even buy the raw material.

In the case of data entry units, 33.3 per cent each had experienced steady growth and decline, while another 33.3 per cent had experienced fluctuating but an upward growth. These enterprises were almost solely dependent on the government for getting work. The volume of work and as a result the turnover (sales receipts) fluctuated from year to year. Again the volume of work differed from one enterprise to another and also between the rural and urban.

In the case of enterprises engaged in making bamboo products, 83.3 per cent grew steadily while 16.7 per cent declined over the period. Those that declined were facing acute raw material shortage, particularly because of the ban on gathering bamboo for commercial usage, from the adjoining forest areas. In the case of activities like operation of provision stores and direct marketing, the active enterprises were growing but had experienced substantial drop out in the number of members. Members had dropped out over the years from these enterprises due to many reasons, like alternate employment, health problems, group conflict and migration or moving out of locality. But above all, the unspoken reason was that the enterprise activity had not generated a worthwhile income for the sacrifices one had to undertake. In the following section, the monthly income generated by the enterprise to individual members is discussed in detail.

**Table 6.52 Growth Categories in Active Micro-Enterprises**

Enterprise Activity (n= active enterprises)	Steadily Growing (% ME)	Steadily Declining (%ME)	Fluctuating (% ME)
<b>Paper Products(n=10)</b>	30.0	10.0	60.0*
<b>Soaps and Detergents(n=3)</b>	33.3	33.3	-
<b>Candles(n=3)</b>	100	-	-
<b>Umbrella(n=3)</b>	66.7	-	33.3*
<b>Food Supplement(n= 4) (Nutrimix<sup>#</sup>)</b>	100	-	-
<b>Restaurants(n=7)</b>	100	-	-
<b>Catering(n=9)</b>	88.9	-	11.1**
<b>Canteen(n=9)</b>	77.8	-	22.2**
<b>Waste Management(n=12)</b>	83.4	8.3	8.3*
<b>Tailoring(n=18)</b>	86.7	-	13.3**
<b>Provision Stores(n=8)</b>	100	-	-
<b>Direct Marketing(n=6)</b>	66.7	-	33.3*
<b>Data Entry(n=9)</b>	33.3	33.3	33.3**
<b>Ethnic Food Items(n=19)</b>	84.2	15.8	-
<b>Rice/ Flour Milling(n=10)</b>	70.0	20.0	10*
<b>Bakery (n=4)</b>	50.0	50.0	-
<b>Bamboo products(n=6)</b>	83.3	16.7	-
<b>Paper Bags(n=5)</b>	50.0	25.0	25.0**
<b>Dairy(n=6)</b>	100	-	-
<b>Goat Rearing(n=5)</b>	80.0	20.0	-

**Notes:** <sup>#</sup> Nutrimix is a food supplement made by the ME which is entirely procured by the ICDS in the state. \*Enterprises that are fluctuating & Declining; \*\*Enterprises that are fluctuating and Improving; Under Soaps and Detergents, 33.3% had 'unchanging' growth; ME incepted in 2009 are excluded. These include one enterprise each in candle making, restaurants & paper bags, and three units in tailoring.

**Source:** Estimated from Field Survey Data

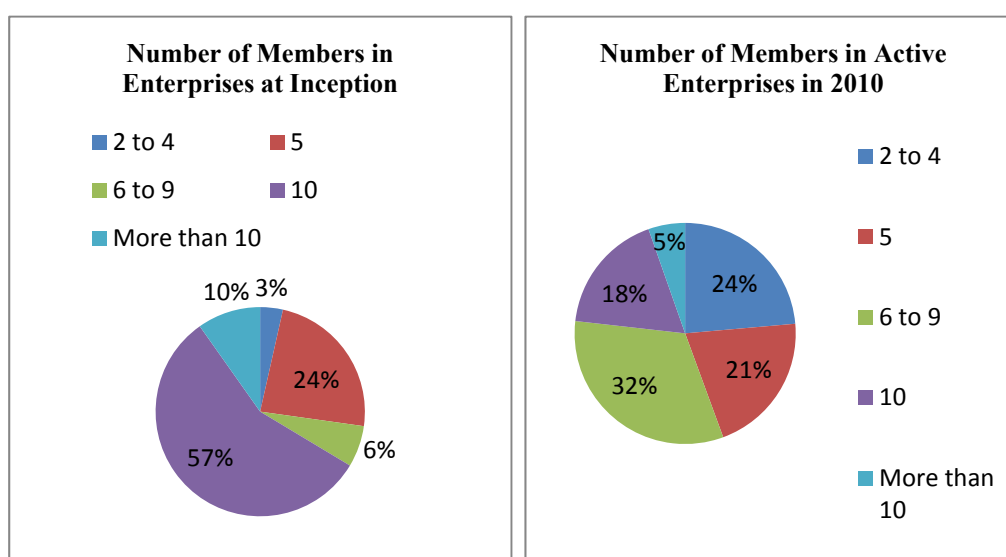
### 6.7.2 Average Monthly Income Earned by Individual Members

The Average Monthly Income (AMI) earned by individual members from micro-enterprise activities is considered as an important measure of performance (determination of AMI/member is illustrated in Appendix IV). The income earned by the 'individual' within the group is discussed with respect to area, sector, and activity. The income earned is compared with the average monthly income (₹1500/member), *Kudumbashree* mission had expected the group enterprise to generate to individual members, and also with the monthly per capita consumption expenditure (MPCE) in the area.

The primary motive of many women, from group entrepreneurship, was to obtain an income towards supplementing the total family income; but for some the earnings from the enterprise was to be a source of livelihood. In most of the enterprises surveyed, it was observed that during the initial months of operation, members' earned nearly 'zero' or 'very low' monthly income from the enterprise. This was voluntary in general as the group members wanted the enterprise to become 'established' and hence refrained from taking remuneration in terms of 'profits'. The groups were advised to spend wisely and only 'fix' a small amount as 'wages' during the first year (particularly during the initial six months). Thus, in practise, most enterprises fixed a small wage that was paid either on a daily/ weekly basis. This may have resulted in drop out of members, which was a common phenomenon particularly during the initial months, as income generated to individual members across activities was extremely low (less than ₹500/member). From Figure 6.9, it can be observed that 67 per cent of the active enterprises had ten or more members at the time of inception while only 23 per cent were being operated by similarly large groups in 2010.

Thus, many ten member groups had experienced drop out, as can be understood from the reduction in enterprises managed by such groups. In certain cases it was a blessing in disguise as the income generated from the enterprise was only sufficient to support smaller sized groups.

**Figure 6.9 Comparison of Group Size at Inception and 2010 in Active ME**

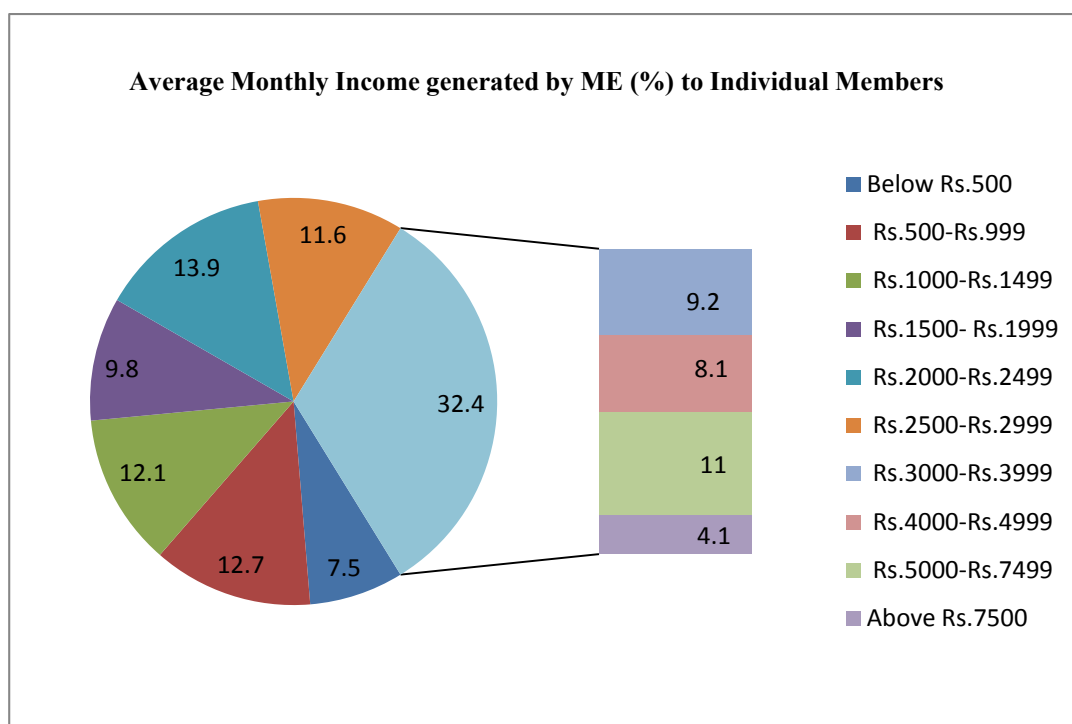


Source: Field Survey Data

The drop out was almost complete in 4.1 per cent of the active enterprises as they had transformed from ‘group’ to an ‘individually’ managed enterprise. Due to variable drop-out of members, it was noted that two enterprises in the same activity earning similar sales receipts could generate different monthly incomes to individual members.

The AMI generated ranged widely depending on the activity and area of operations. The AMI/member was equal for all activity group members except in some (8.9 per cent of active units) where members earned unequally. It was so either because the group was functioning on an individual basis (direct marketing, dairy and goat rearing units) or due to unequal contribution of members in enterprise functions (production, marketing etc). As the monthly income provided to individual members is an important measure of performance, all active micro-enterprises were grouped in to ten class intervals, based on AMI received by individual members which began from, less than ₹500/month, ₹500-999, ₹1000-1499 and so on. Based on AMI generated to individual members, enterprises were grouped under ten income categories as illustrated in Figure 6.10.

**Figure 6.10 Average Monthly Income Generated to Individual Members**

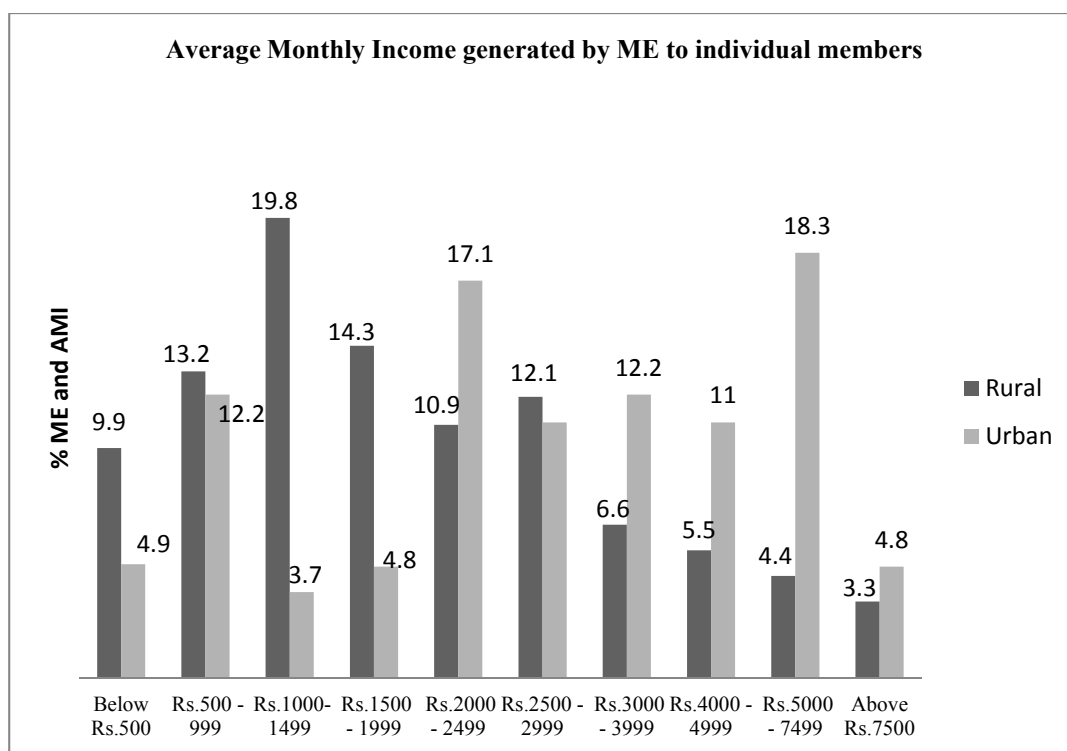


Source: Field Survey Data

### 6.7.2.1 Average Monthly Income from ME and Area

Figure 6.11 illustrates the AMI earned by individual members working in group enterprises in both rural and urban areas. About one-fifth of the total active enterprises (19.8 per cent) in rural areas had generated an average monthly income in the range of ₹1000 - 1499, while 14.3 per cent had provided its members an average income that ranged in between ₹1500 - 1999. It can be observed that overall larger proportion of urban enterprises was generating comparatively higher incomes to individual members than rural enterprises.

**Figure 6.11 Average Monthly Income Generated and Area**



Source: Field Survey Data

In urban areas, majority (18.3 per cent) had generated a monthly income that ranged from ₹5000 - 7499 to individual members and 4.8 per cent of the enterprises had generated above ₹ 7500. The enterprises that generated higher incomes were mostly the data entry units and the waste management units. A larger proportion of enterprises in the rural areas (9.9 per cent) were generating an AMI that was lower than ₹ 500/month in comparison to urban, where 4.9 per cent had generated comparable income levels.



**Table 6.53 Average Monthly Income earned by Individual members and Area**

AMI earned by individual members	Rural (%ME) (₹/Month/Member)	Urban (%ME)	Total (%ME)
1 - 500	283 (9.9)	300 (4.9)	289 (7.5)
500 - 999	586 (13.2)	750 (12.2)	661 (12.7)
1000 - 1499	1,155 (19.8)	1,200 (3.7)	1,160 (12.1)
1500 - 1999	1,720 (14.3)	1,821 (4.8)	1,765 (9.8)
2000 - 2499	2,030 (10.9)	2,040 (17.1)	2,036 (13.9)
2500 - 2999	2,582 (12.1)	2,555 (11.0)	2,568 (11.6)
3000 -3999	3,492 (6.6)	3,272 (12.2)	3,327 (9.2)
4000 - 4999	4,400 (5.5)	4,280 (11.0)	4,299 (8.1)
5000 - 7499	5,640 (4.4)	5,438 (18.3)	5,494 (11.0)
Above 7500	8,833 (3.3)	11,167 (4.8)	10,000 (4.0)

Source: Field Survey Data

### 6.7.2.2 Average Monthly Income from ME and Sector

The AMI generated to individual members under various sectors is presented in Table 6.54. It is observed that 42.9 per cent of enterprises under SSM had generated an income that was lower than ₹ 1000/month (of which 14.3 per cent of ME had not even provided ₹ 500/month to members), while under hand craft, similar monthly income was generated by 58.3 per cent of the enterprises (with 16.7 per cent generating an average individual income that was below ₹ 500/month). Under animal husbandry, services and food processing the number of enterprises that provided comparable per capita income levels was lower, with only 7.1, 7.2 and 25 per cent of the enterprises providing a monthly income that was below ₹ 1000 to the members. Hence enterprises under these categories were more successful in generating substantially higher income to individual members than those under small scale manufacturing and handicrafts.

**Table 6.54 Average Monthly Income from ME and Sector**

Sector Category	Average Monthly Income (₹)					
	Below 500	500-999	1,000-1,499	1,500 - 1,999	2,000 - 2,499	2,500 - 2999
Small Scale Manufacturing	213 (14.3)	767 (28.6)	1,163 (14.3)	1,750 (10.7)	2,000 (7.1)	2,550 (7.1)
Services	325 (4.8)	550 (2.4)	1,158 (8.4)	1,590 (7.2)	2,021 (15.7)	2,565 (13.3)
Animal Husbandry	-	583 (7.1)	1,188 (28.7)	1,500 (7.1)	2,000 (7.1)	2,500 (7.1)
Hand Craft	300 (16.7)	570 (41.6)	1,200 (8.3)	1,550 (16.7)	2,100 (16.7)	-
Food Processing	333 (8.3)	733 (16.7)	1,133 (13.9)	1,725 (13.9)	2,067 (16.7)	2,592 (16.7)

**Note:** About 17.9 per cent of enterprises under SSM, 48.2 per cent under Services, 13.8 per cent under Food Processing and 42.9 per cent under Animal Husbandry had generated to individual members an average monthly income that was at least ₹ 3,000 or higher. Figures in parentheses give the proportion of enterprises.

**Source:** Field Survey Data.

It was also observed that 10.7 per cent, of enterprises under small scale manufacturing, 21.7 per cent in services, 14.2 per cent in animal husbandry and 8.3 per cent in food processing had generated to individual members an average monthly income that was at least ₹ 5000 /month or higher.

From Table 6.54, it is clear that 57.2 per cent enterprises in SSM, 15.6 per cent in services, 35.8 per cent in animal husbandry, 66.6 per cent in handcraft and 38.9 per cent in food processing had failed to generate ₹1500/member/month ( the minimum monthly income that *Kudumbashree* had envisaged a group owned enterprise to generate to individual members). A number of enterprises (21.7 per cent) under services sector had generated a per capita income which was higher than ₹ 5000/month. Under animal husbandry, small scale manufacturing and food processing, comparable per capita income was generated by 14.2, 10.7 and 8.3 per cent of the enterprises.

In the next section, the average monthly incomes earned by individual members in selected enterprise activities from all sectors are discussed.

### 6.7.2.3 AMI of Individual Members in Selected Activities in SSM and Services

The average monthly income generated to individual members was influenced by area (rural/ urban); enterprise activity; number of members; sales revenue/ average monthly turnover generated and many other factors. The average monthly income earned by members engaged in selected activities under small scale manufacturing and services is discussed first.

It is observed that about two-third of the active soaps and detergent making units were generating an average monthly income that was less than ₹ 500 to its members. Earlier under the discussion on average monthly turnover, it was noted that 66.7 per cent of the soaps & detergent making enterprises had earned very low sales receipts. Nutrimix units generated higher monthly income to the individual members, with all earning more than ₹ 4000/month from the enterprise (these units in comparison to others, had a higher turnover because of the tie-up that had ensured demand).

The monthly earnings of individual entrepreneurs in paper products had varied widely with 10 per cent of the units generating less than ₹ 500/month while in 20 per cent, members earned a monthly income that ranged in between ₹ 1,500 – 1,999. Fifty per cent of these enterprises had generated an average monthly income of ₹ 740 to the individual members. The main reason for the low AMI/member despite the AMT being substantial (50 per cent of paper products units had earned monthly sales receipts that ranged between ₹ 50,000-99,999) was the fall in margins because of the drop in the prices of the product due to Chinese imports. Most of these units were still making monthly repayments for the loan availed, and therefore members remained actively involved in the enterprise despite low monthly earnings.

The AMI received by members from activities under services was on an average much higher (Table 6.55). In service activities, it may be possible to divide and distribute a major portion of the sales receipts (after meeting the monthly overheads like interest, rent, transportation charges, electricity and other utilities) to individual members as remuneration for efforts. Here, the possibility of generating a monthly income that was above ₹ 1,500/member, from a turnover of ₹ 10,000, to all members

in a five member group enterprise is high, whereas under manufacturing or food processing, the same income could be generated only if the turnover was much higher (as substantial part of the sales receipts would meet the costs of goods sold and the overhead expenditures).

**Table 6.55 Average Monthly Income in Enterprise Activities under Services**

Average Monthly Income earned by individual members (₹)	Catering	Restaurant	Canteen (% ME)	Tailoring	Prov. Store	Waste Mgmt	Data Entry
Below 500	0	14.3	0	0	25	0	11.1
500- 999	0	0	0	5.6	12.5	0	0
1000 - 1499	11.1	14.3	0	22.2	0	8.3	0
1500 - 1999	11.1	14.3	0	5.6	0	8.3	11.1
2000 - 2499	11.1	42.8	33.4	5.6	25	0	11.1
2500 - 2999	33.4	0	11.1	16.6	12.5	8.3	0
3000 - 3999	22.2	0	22.2	27.7	12.5	0	11.1
4000 - 4999	11.1	0	11.1	11.1	0	25	11.1
5000 - 7499	0	14.3	22.2	5.6	0	41.7	22.2
Above 7500	0	0	0	0	12.5	8.3	22.2

**Source: Field Survey Data.**

Depending on the activity, the monthly income earned by members differed. In activities like waste management and data entry, majority of the enterprises (75 per cent in the former and 55.5 per cent in the latter) had generated ₹ 4000/month or more to individual members; while all engaged in the operation of canteens, had earned on an average, an income above ₹ 2000/month. It was also observed that members in two-third of the tailoring units had earned an income of ₹ 2000/month or more on an average, while 67.5 per cent of the provision stores had generated similar income after suffering substantial drop-out of members (Table 6.56).

**Table 6.56 Comparison of Performance in Selected Service Activities**

Item	Tailoring (N=20)	Provision Stores(N=13)
Active ME (%)	90 (n=18)	61.5 (n=8)
%Active Members*	74.67	56.6
Av. Sales receipts /month/ME	₹ 27,400 (approx)	₹ 36,100 (approx)
Av. Income /month/member	₹ 2500 (approx)	₹ 1675 (approx)

**Note:** \* % Members Continuing in active enterprises

**Source: Field Survey Data.**

The comparison in some of the performance aspects with respect to tailoring and provision stores is illustrated in Table 6.56. It is observed that the income generating

potential varied widely with larger number of women engaged in tailoring activity earning a higher income in comparison to those engaged in operating provision stores. Also, continuity of members (74.67 per cent) as well as enterprises (90 per cent) was much higher in tailoring which indicate its suitability over the other.

#### 6.7.2.4 AMI of Individual Members from Activities under Food Processing

Many activities under food processing were popular, as the women could operate it as home-based enterprises which did not require any special training, but still had the potential to generate a good income to all involved. The income earned ranged across enterprises and activities as can be observed from Table 6.57. Individuals engaged in making ethnic food items earned an income that varied from less than ₹ 500/month/member (in 15.8 per cent of the ME), to above ₹ 7500/member (in 5.2 per cent of the ME). It could be observed that the individual/member income from rice/flour milling enterprises had also varied in a similar manner. In bakery, 50 per cent of the enterprises had provided an average income of ₹ 3,250/month to individual members.

**Table 6.57 AMI in Enterprise Activities under Food Processing**

Average Monthly Income earned by individual members (₹)	Ethnic Food AMI/ member in (₹)	Bakery	Rice/ Flour Milling
Below 500	333 (15.8)	-	-
500- 999	733 (15.8)	-	900 (10)
1000 - 1499	1,133(5.2)	1,000 (25)	1,200 (30)
1500 - 1999	1,650 (15.8)	-	1,800 (20)
2000 - 2499	2,067 (21.1)	-	2,100 (20)
2500 - 2999	2,592 (21.1)	2,750 (25)	2,500 (10)
3000 - 3999	-	3,250 (50)	-
4000 - 4999	-	-	-
5000 - 7499	-	-	6,000 (10)
Above 7500	8,750 (5.2)	-	-

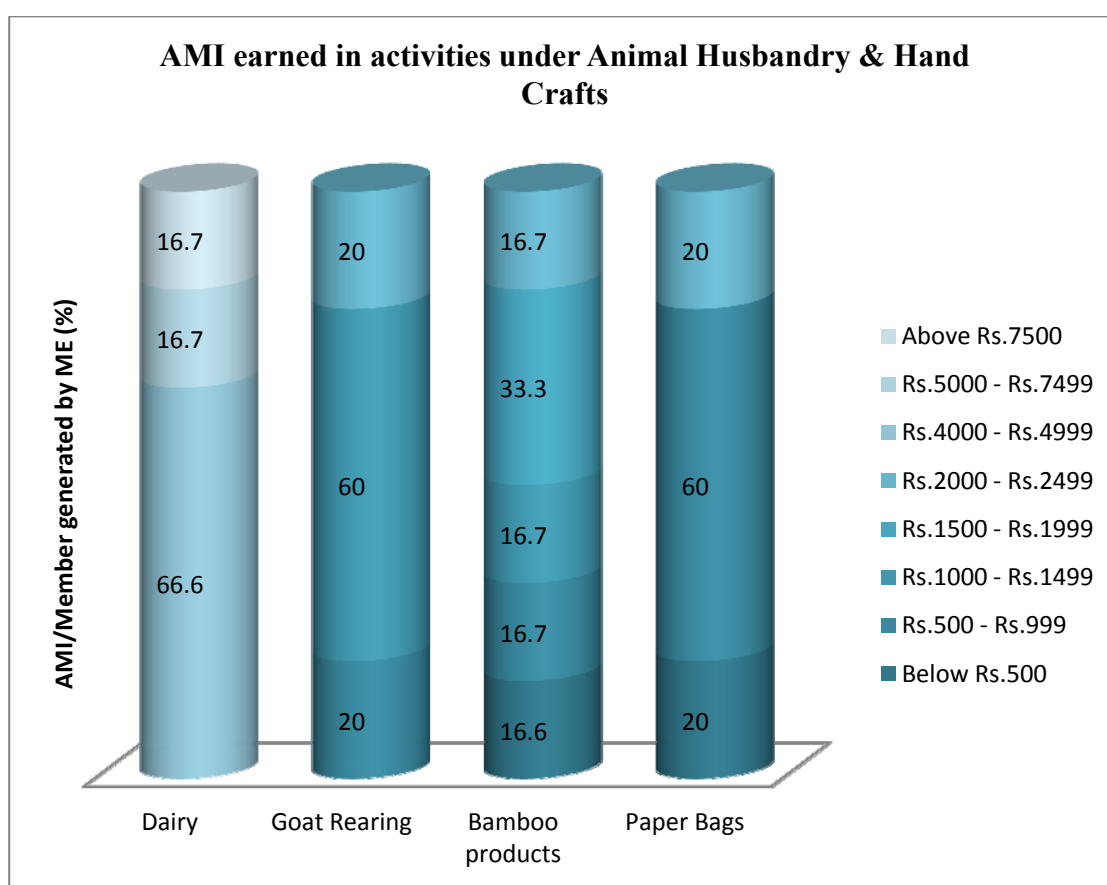
**Note:** Figures in parentheses give the proportion of enterprises.

**Source:** Field Survey Data.

### 6.7.2.5 AMI of Members from Animal Husbandry & Hand Crafts

Some of the animal husbandry units, particularly the dairy units had received higher sales receipts every month in comparison to other activities like goat rearing. Hence, the monthly income earned by the members was also higher. The average monthly income earned by individual members in dairy and goat rearing (animal husbandry activities) and bamboo products and paper bags (hand crafts) is illustrated in Figure 6.12. Under dairy, 66.6 per cent of the enterprises provided an average monthly income of ₹ 4,275, while the rest generated even higher incomes. Under goat rearing, 60 per cent generated an AMI of ₹ 1183 to its members. In bamboo products and paper bags, members received an income that was below ₹ 500/month from 16.6 per cent and 20 per cent of the enterprises. Overall, members engaged in paper bag making earned comparatively lower incomes (₹ 380/month) except in case of one which had established ties with few big establishments for regular orders.

**Figure 6.12 AMI Earned in Activities under Animal Husbandry & Hand Crafts**



Source: Field Survey Data.

### 6.7.2.6 Growth in Average Monthly Income during 2008-10

The growth in average monthly income is calculated for all active enterprises. This gives an idea as to whether the income earned from the enterprise has grown, stagnated or declined over the period 2008-10, that is during the preceding two years. Growth in income may motivate members to continue in the enterprise activity while a decline may be discouraging. Table 6.58 give the growth trend in average monthly income earned by individual members from enterprises in both rural and urban areas. Growth is categorised in to eight, ranging from negative to high positive growth denoting doubling and trebling of monthly income over the two year period.

It can be observed that members in 12.7 per cent of the micro-enterprises had experienced negative growth or a fall in average monthly income during the period. Also fall in AMI/member had occurred in higher number of urban enterprises (21.9 per cent) than rural (4.4 per cent), which is matching with the trend in sales receipts or average monthly turnover growth. Overall, out of the total, 21.4 per cent of the active enterprises had generated an income that had grown in the range of 100 -199.9 per cent, meaning the average income had more than doubled, for those continuing in the group enterprise. In many cases this doubling was mostly attributed to some drop-out which had lead to smaller group sizes.

**Table 6.58 Growth in AMI/member and Area of Micro-Enterprise**

S. No.	Growth in Per capita Income generated by ME during 2008-10	Rural (%ME)	Urban (% ME)	Total (%ME)
1	Negative	4.4	21.9	12.7
2	Zero	3.3	0	1.7
3	1 – 24.9%	5.5	14.6	9.8
4	25 – 49.9%	18.7	25.6	22.0
5	50 – 74.9%	8.8	15.9	12.1
6	75-99.9%	5.5	7.3	6.4
7	100 – 199.9%	31.9	9.8	21.4
8	Above 200%	21.9	4.9	13.9

Source: Field Survey Data

Comparing the income growth observed in rural and urban areas, it was observed that the average monthly income in rural areas grew faster (the AMI/ member had experienced growth ranging between 100 and 200 per cent in 31.9 per cent of the ME, while it trebled for members in 21.9 per cent of the rural enterprises as illustrated in Table 6.58) in comparison to urban (here only 9.8 per cent of ME grown in the range of 100-199.9 per cent, while income more than trebled in 4.9 per cent of ME). Again as explained before this difference may be due to the growth rate being calculated over a lower base in rural areas (as monthly income earned from enterprise were much lower) which lead to higher growth value, while in urban enterprises the average monthly income/member in the base year (2008) was higher and hence growth was lower in spite of a comparatively higher absolute growth in income.

#### 6.7.2.7 Average Monthly Income Growth (2008-10) and Sector

Under this section the growth in average monthly income during the period 2008-10 is discussed across sectors. It is observed that over the period, some enterprises in small scale manufacturing (35.7 per cent), services (9.6 per cent) and hand crafts (33.4 per cent) had generated lower monthly income to its members than before. Faster income growth (100 per cent or more) was seen in the monthly incomes of members engaged in 50 per cent of enterprises in animal husbandry, 44.4 per cent in food processing, 35.8 per cent in small scale manufacturing, 33.4 per cent in hand crafts and 28.9 per cent in services (Table 6.59).

**Table 6.59 Growth in Average Monthly Income (2008-10) and ME Category**

AMT Growth Category (2008-10)	Small Scale Manufacturing (%ME)	Services (%ME)	Animal Husbandry (%ME)	Hand Craft (%ME)	Food Processing (%ME)
Negative	35.7	9.6	0	33.4	0
Zero	7.2	0	0	8.3	0
1 – 24.9%	3.5	14.5	0	8.3	8.3
25 – 49.9%	10.8	26.5	21.4	0	27.8
50 – 74.9%	3.5	14.5	14.3	8.3	13.9
75 – 99.9%	3.5	6.0	14.3	8.3	5.6
100-199.9%	17.9	19.3	28.6	33.4	22.2
Above 200%	17.9	9.6	21.4	0	22.2

Source: Field Survey Data



### 6.7.3 Comparison of Average Monthly Income with Programme Expectations & MPCE

Average monthly income earned in 2010 by individual members from enterprises was compared with two benchmarks. One, the average income the programme had expected to generate to individual members in the enterprise (₹ 1500/ member/month) and the other, the monthly per capita consumption expenditure (MPCE)<sup>16</sup>

The logic behind comparing with the MPCE is to ascertain whether the income generated is sufficient to meet the average consumption expenditure of the individual member. According to the sixty-first round of NSSO, in rural areas of Ernakulam the MPCE was ₹1018 and in urban ₹1419. Out of the 173 active enterprises, 130 or 75.1 per cent had generated its members an average monthly income that was higher than the MPCE in the area. But only 68.2 per cent (or 118 enterprises) had generated an AMI that was higher than programme expectations, which was ₹1500/member/month.

#### 6.7.3.1 Area-wise Comparison of AMI and MPCE

The number of active enterprises generating an income that was higher than both the MPCE and programme expectations to individual members was higher in urban areas (as illustrated in Table 6.60). The monthly income earned may have motivated members in 80.7 per cent of active urban enterprises to continue operations. But in rural areas, members in 43.3 per cent continued with the enterprise, despite earning less than ₹1500/member/month. This is not surprising as opportunities for suitable alternate work or employment may not be easily available within the immediate locality; hence, even comparatively ‘small’ monthly earnings may be sufficient for members to continue with enterprise operations in rural areas.

**Table 6.60 Area-wise Comparison of AMI with MPCE & Programme Expectations**

Area	AMI/member > MPCE (% ME)	AMI/Member > Programme Expectations of <i>Kudumbashree</i>
Rural	70.0 (63/90)	56.7 (51/90)
Urban	80.7 (67/83)	80.7 (67/83)
Total	75.1 (130/173)	68.2 (118/173)

Source: Estimated from Survey Data, 2010

<sup>16</sup> Monthly Per Capita Consumption Expenditure (MPCE) is found to be a better indicator of the economic well being than per capita income estimates for a population with low per capita income levels according to Planning Commission (2002). The MPCE according to Chand (2007) is a fair indicator of human living standards, since it aggregates the monetary value of all goods and services actually consumed during a particular reference period.

### **6.7.3.2 Activity-wise Comparison of AMI with MPCE and Programme expectations**

The average monthly income earned by individual members was compared with the MPCE and average monthly income *Kudumbashree* expected every group enterprise to generate to individual members (which henceforth is referred as programme expectations). The average monthly income generated to individual members from the micro-enterprise is illustrated activity wise (Table 6.61). The average income is calculated as the mean income earned by members in all active enterprises engaged in one particular activity.

This depiction captures to some extent the individual incomes, activity wise, though there may be variability in income generated to individual members among enterprises engaged in the same activity. The comparison was done activity-wise, and is presented (in column III and IV in Table 6.61) as the proportion of enterprises (engaged in a particular activity, eg. tailoring) which provided an income that was higher than programme expectations (₹ 1500/month); and also as the proportion of the active enterprises which provided an income that was higher than the MPCE in the area. Overall, larger proportion of enterprises engaged in service activities provided higher income, and met both the income criteria in comparison to other categories.

Under small scale manufacturing, the Nutrimix units were generating on an average ₹ 5025/member/month which was the highest, while members engaged in enterprises making paper products, soaps and detergents etc earned lesser than one thousand rupees in a month. Most of the service activities provided a higher monthly income to individual members; for example, tailoring (₹ 2581/month), canteen (₹ 3244/month), waste management (₹ 4042/month) etc. Under food processing, enterprises engaged in oil extraction provided highest income (₹ 5300/month) to its members, while ethnic food making and bakery operations were also worthwhile. Income received is the main motivating factor for members to continue in the group enterprise. The proportion of active enterprises in rural and urban areas which had 80 per cent of members continuing in the activity is discussed in the next section.

**Table 6.61 Comparison of AMI with MPCE and Programme expectations**

<b>Enterprise Activity</b>	<b>Av. Mthly income ₹/ member from Active ME</b>	<b>Higher than programme Expectation of ₹1500/ month (% ME of total)</b>	<b>Higher than MPCE<sup>##</sup> in the area (Rural = ₹1018; Urban = ₹1419) (% ME of total)</b>
<b>I. SSM</b>			
Paper Products	940	20	20
Soaps and Detergents	933	33.3	33.3
Umbrella	1183	33.3	66.7
Candle	1675	50	75
Food Supplement (Nutrimix <sup>#</sup> )	5025	100	100
Brick Making	1700	50	50
Book Making	1300	50	50
<b>II. Services</b>			
Catering	2569	88.8	100
Tailoring	2581	72.2	83.3
Direct Marketing	3375	100	100
Restaurant	2236	71.4	71.4
Provision Store	2406	62.5	62.5
Waste Management	4042	100	100
Data Entry	5600	88.9	88.9
Canteen	3244	100	100
Laundry	1917	100	100
Hostel/ Mess	6000	100	100
Singari Melam*	3000	100	100
<b>III. Food Processing</b>			
Ethnic Food Items	1853	63.2	63.2
Rice/ Flour Milling	1578	50	80.0
Bakery	2563	75	75
Fish Processing	800	0	0
Oil Extraction	5300	50.0	50.0
<b>IV. Hand Crafts</b>			
Bamboo products	1225	50	66.7
Paper Bags	820	20	20
Jewellery	500	0	0
<b>V. Animal Husbandry</b>			
Dairy	5183	100	100
Goat Rearing	1227	20	80
Goat rabbit Quail	1850	100	100
Bee keeping	1500	100	100

**Notes:**

\*Singari Melam is a traditional temple festival performance by a group on drums & other instruments.

<sup>#</sup> Nutrimix is a food supplement made by the ME which is entirely procured by the ICDS in the state.

<sup>##</sup>MPCE is Monthly Per Capita Consumption Expenditure as given by the NSSO 61<sup>st</sup> Round Survey Results

**Source: Estimated from Survey Data, 2010**

### **6.7.3.3 Continuity of Members in Active Micro-Enterprises**

It was observed that drop-out was a common problem. The proportion of active micro-enterprises in which at least 80 per cent of members were continuing is presented in Table 6.62. In almost all activities studied, the proportion of active micro-enterprises retaining 80 per cent or more members were higher in rural areas in comparison to the urban. The only exception was enterprises engaged in manufacturing machine made paper products. Here, more urban units (71.4 per cent), in comparison to rural had 80 per cent or more members remaining active.

Taking comparable activities like soaps and detergents, all functional or active enterprises in rural areas, had at least four-fifth of members continuing, while not even a single active enterprise in the urban area had experienced similar continuity. It was also noted that out of the total enterprises that had entered in to the business of making soaps and detergents, just 33.3 per cent had generated a monthly income that was higher than the MPCE in the area. Out of all active soap and detergent making units, the rural units had at least four-fifth of members continuing. This indicates that most of the members were continuing despite receiving very low monthly income from the enterprise. One reason for this may be that there are no alternative opportunities available or a lack of enthusiasm or inability to actively search for one. Also majority were house-wives (with varying degrees of restriction from family members for venturing out on their own from homes, let alone into an economic activity) prior to entering the group activity and had never earned an income of their own. This may have resulted in the women being satisfied with the income they are receiving from the enterprise.

In service activities like catering, restaurants, tailoring, data entry, direct marketing and waste management, enterprises with 80 per cent of member continuity was higher in rural areas in comparison to urban. Under food processing, only 63.2 per cent of enterprises engaged in making ethnic food products were generating a monthly income that was higher than the MPCE of the area. It was observed that out of the ethnic food making enterprises that were generating a monthly income which was lower than the MPCE, most were located in rural areas.

**Table 6.62 Continuity of Members in Active Rural and Urban Micro-Enterprises**

<b>Enterprise Activity</b>	<b>ME generating a monthly income higher than MPCE<sup>##</sup></b>	<b>Active ME(%) with 80% Members</b>	<b>Active Rural ME(%) with 80 % Members</b>	<b>Active Urban ME(%) with 80 % members</b>
<b>I. Small Scale Manfr.</b>				
Paper Products	20	70.0	66.7	71.4
Soaps and Detergents	33.3	66.7	100	0
Umbrella Making	66.7	66.7	100	50.0
Candle Making	75	25.0	33.3	0
Food Supplement (Nutrimix <sup>#</sup> )	100	100	100	NA
Brick Making	50	50	100	0
Book Making	50	50	NA	0
<b>II. Services</b>				
Catering	100	55.6	80.0	25.0
Tailoring	83.3	61.1	66.7	55.5
Direct Marketing	100	16.7	50.0	0
Restaurant	71.4	71.4	75.0	33.3
Provision Store	62.5	50.0	50.0	50.0
Waste Management	100	41.7	100	54.5
Data Entry	88.9	11.1	50.0	0
Canteen	100	55.6	100	50.0
Laundry	100	0	NA	0
Hostel/ Mess	100	100	100	100
Singari Melam*	100	100	100	NA
<b>III. Food Processing</b>				
Ethnic Food Items	63.2	52.6	69.2	20.0
Rice/ Flour Milling	80.0	60.0	83.3	25.0
Bakery	75	50.0	100	33.3
Fish Processing	0	100	100	NA
Oil Extraction	50.0	50.0	50.0	NA
<b>IV. Hand Crafts</b>				
Bamboo products	66.7	100	100	NA
Paper Bags	20	60.0	100	33.3
Jewellery	0	100	100	NA
<b>V. Animal Husbandry</b>				
Dairy	100	100	100	100
Goat Rearing	80	40.0	40.0	NA
Goat rabbit Quail	100	50.0	50.0	NA
Bee keeping	100	0	0	NA

**Notes:**

\*Singari Melam is a traditional temple festival performance by a group on drums & other instruments.

# Nutrimix is a food supplement made by the ME which is entirely procured by the ICDS in the state.

##MPCE is Monthly Per Capita Consumption Expenditure as given by the NSSO 61<sup>st</sup> Round Survey Results; In Ernakulam district it was ₹.1018 in rural and ₹.1419 in Urban. It varies across districts and states of India.

**Source: Estimated from Survey Data, 2011**

Under hand crafts also, many active enterprises were providing its members a monthly income below the MPCE in the area. It was seen that units engaged in making bamboo based hand crafted products performed better with 66.7 per cent of enterprises generating each individual member a monthly income above the MPCE. But, in the case of hand-made paper bags and artificial jewellery, out of the functional units, just very few, that is 20 per cent in paper bags and none in the later had generated an income above the MPCE in the area. The problem here was mostly lack of demand. But despite this, all active paper bag units in rural had 80 per cent or more members continuing in the enterprise activity. This may be because of the lack of alternate opportunities in rural areas in comparison to the urban, which may have resulted in members continuing in the group as well as in the activity.

#### **6.7.4 Additional Employment Generated by Micro-Enterprises**

The additional employment provided by enterprises was also considered as a measure of better performance. People had been hired in 47 units or 27.2 per cent of the active enterprises. Some of the 'employment' had happened as the 'women only' enterprises found that there was a requirement for 'men', to do certain types of work (for example, as drivers in certain waste management units, as cooks in canteens, bakery and restaurant units); while in some, due to substantial drop out of members, there was a requirement for more people as was the case in data entry units.

It was also observed that most of the additional employment happened in urban enterprises, that is, 63.8 per cent of the units that provided additional employment were urban units. It was also seen that in many activities, enterprises had hired people on either daily wage basis (as in the case of catering units) or on salary basis (as in the case of the drivers in waste management units or cooks in canteen and bakery). In data entry units, mostly, the hiring was temporary, and generally for short durations, on the basis of job work available at the time, or in some cases on a permanent basis with a fixed monthly salary.

**Table 6.63 Additional Employment by Micro-Enterprise and Sector**

<b>Sector of Micro-Enterprise</b>	<b>Total Active Units</b>	<b>Additional Employment ( no. of people)</b>	<b>% Active Units with Additional Employment</b>
Small Scale Manufacturing	28	3	10.7
Services	83	31	37.3
Animal Husbandry	14	2	14.3
Hand Craft	12	0	0
Food Processing	36	11	30.6

**Source: Survey Data, 2010**

The additional employment provided by enterprises varied according to the sector, with 37.3 per cent of enterprises engaged in services sector hiring either on wage or salary basis, while none of the enterprises under hand crafts, and just 10.7 per cent under small scale manufacturing had added employees (Table 6.63).

Under services, larger number of units engaged in enterprise activities like data entry, waste management and catering had employed more people in comparison to others. Out of all activities, the enterprises engaged in data entry had hired maximum number of employees (only women) with 77.8 per cent of active units (almost exclusively located in the urban areas), hiring about 8 women on an average. One reason behind this may be the huge drop out experienced by the urban data entry enterprises. It was observed, that on an average, 80 per cent of the group members dropped out over a period of time primarily due to reasons like marriage or obtaining a regular / salaried employment. Most of the employment was on casual basis, temporary and depended on the work available at the time. The payment was also based on the quantum of work completed and varied based on the type of data entry work.

A number of enterprises engaged in waste management had also hired with many (66.7 per cent) hiring a driver for driving the garbage collection vehicle. This was because the women were not confident in driving the vehicle. In this case, the salary of the driver was almost double of what the individual member was earning from the enterprise. In the case of animal husbandry, some had hired help for milking, though most were doing the milking activity on their own. In the case of units dependent on one or two male employees for the basic functioning of enterprise, the income earned by each of the owner members' was lower than that of the employees.

### 6.7.5 Additional Investment by ME

Some enterprises made additional investments after the initial capital expenditure made at inception, towards adding new or replacing old assets. An additional investment is one made towards buying some capital assets like gas stoves, machinery, computers, printers or even vehicles after remaining engaged in the enterprise activity for six months or longer. It is expected and observed that well performing enterprises would make periodic investments to upgrade some of its fixed assets. A number of enterprises had made additional investments to buy new assets or replace old and obsolete ones. It was observed that few (four enterprises) of the enterprises that had turned inactive had also made additional investments. The usage of investment varied according to enterprise activities. Many catering and restaurant units bought utensils while some even bought food processors. Almost all enterprises engaged in data entry operations had made an investment that was higher than ₹ 100,000 as computers which had become obsolete and unusable were replaced.

**Table 6.64 Additional Investment by ME**

<b>Additional Investment (₹)</b>	<b>Rural (Per cent) N=125</b>	<b>Urban (Per cent) N=125</b>	<b>Total (Per cent) N=250</b>
Zero	88.0	57.6	72.8
1 – 5000	4.8	10.4	7.6
5,001-10,000	3.2	11.2	7.2
10,001-15,000	1.6	5.6	3.6
15,001- 20,000	0.8	4.0	2.4
20,001- 30,000	0	2.4	1.2
30,001- 40,000	0	1.6	0.8
40,001- 75,000	0.8	0.8	0.8
75,001- 1,00,000	0	0.8	0.4
1,00,001- 2,00,000	0.8	3.2	1.6
2,00,001- 3,00,000	0	1.6	0.8
3,00,001- 3,50,000	0	0.8	0.8

**Source: Field Survey Data**

Table 6.64 illustrates the additional investment made by all units including the inactive ones. It is clear that 72.8 per cent of the units made no additional investment. Out of those that made additional investments, 76.5 per cent made investment that fell below ₹ 20,000. It was also noted that 3.2 per cent of the enterprises had made investments that ranged above ₹ 100,000.



**Table 6.65 Additional Investment by Micro-Enterprise and Sector**

<b>Sector of Micro-Enterprise</b>	<b>No. of ME Active</b>	<b>Additional Investment</b>	<b>% Active Units with Additional Investment</b>
Small Scale Manufacturing	28	5	17.9
Services	83	49	59.1
Animal Husbandry	14	1	7.1
Hand Craft	12	0	0
Food Processing	36	10	27.8

**Source: Survey Data, 2010**

As in the case of employment, additional investment made by the enterprises varied according to sector. From Table 6.65 it can be observed that 59.1 per cent of the enterprises engaged in services sector made additional investments. In comparison, only 27.8 per cent of enterprises under food processing and 17.9 per cent under small scale manufacturing had undertaken new investments, for enabling replacement, improvement, or even expansion. It was also observed that there was a positive association between average monthly turn over and additional investment made by enterprises ( $r = 0.253$ ,  $p < 0.01$ ) indicating that higher sales receipts may have motivated enterprises towards making additional investments.

#### **6.7.6 Performance of Micro-Enterprise: Financial and Demographic Variables**

The performance of the enterprise was primarily analysed in terms of monthly turnover or the total sales receipts earned by the enterprise, and the average net income generated to individual members in 2010. The degree of association between performance and various investment related variables like bank loan, subsidy and the total project cost was determined using correlation studies. The Pearson Correlation Coefficient which gave the degree of association between performance measures and independent variables related to capital invested is illustrated in Table 6.66. The total capital invested for setting up the enterprise, had a number of components, and included bank loan, own capital (which is also known as beneficiary contribution and as a rule is about 5 per cent of the total project cost in micro-enterprise development programmes), loans from friends and family and subsidy (the maximum subsidy possible was 50 per cent of the total project cost).

**Table 6.66 Performance of ME: Capital Invested and Subsidy Received**

Independent Variables (related to Capital, Subsidy, bank loan etc)	Average Monthly Turnover from Enterprise in 2010	Average Monthly Income/ Member from Enterprise
Total Project Cost	0.49**	0.174*
Bank Loan	0.504**	0.179*
Own Capital invested	0.403**	0.204**
Loan from SHG	-0.03	0.036
Loan from Friends and family	0.01	-0.006
Subsidy	0.311**	0.098
Proportion of project cost on fixed assets	0.02	0.418**

\*\* Correlation is significant at the 0.01 level (2-tailed); \* Correlation is significant at 0.05 level (2-tailed)

From Table 6.66, we find that there is a significant association between the average monthly turnover and some of the investment related aspects like bank loan, subsidy, own capital invested and total project cost of the enterprise. The monthly turnover is positively correlated with size of the bank loan ( $r = 0.504$ ,  $p < 0.01$ ). The turnover was also positively correlated with leverage ratio (proportion of bank loan in the total project cost). Also 60.7 per cent of enterprises that had achieved all three criteria of performance had higher leverage with bank loan comprising more than 45 per cent of the total project cost. Enterprises with a larger loan size like the Nutrimix units and data entry units had also earned higher sales receipts. The monthly turnover was also positively correlated with total project cost ( $r = 0.49$ ,  $p < 0.01$ ) and own capital invested in the enterprise ( $r = 0.403$ ,  $p < 0.01$ ). Subsidy was received by 94.2 per cent of the active enterprises. The subsidy amount varied from ₹5,000 – 2,00,000 which primarily was determined by the number of members and the programme criteria. It was observed that monthly turnover was positively correlated with subsidy received ( $r = 0.311$ ,  $p < 0.01$ ), though there were also a number of enterprises that had become inactive in spite of receiving a substantial amount (as high as ₹ 1, 25,000) as subsidy.

In Table 6.66, association between the capital variables and average monthly income was also worked out. It can be observed that there is a positive correlation between income earned by individual member and investment related aspects like bank loan ( $r = 0.179$ ,  $p < 0.05$ ), initial capital invested ( $r = 0.174$ ,  $p < 0.01$ ) as well as own capital invested ( $r = 0.204$ ,  $p < 0.01$ ) in the enterprise. Surprisingly, *income generated per member and the subsidy received by the enterprise did not exhibit any significant correlation.*

The total project cost, met the initial expenditure for fixed assets (like machinery/vehicle/furniture/livestock etc) and also working capital requirements during the first few months. In certain types of enterprises like waste management units almost the entire initial capital was used for buying a three wheeler, which functioned as a garbage collection vehicle. In certain others, like the direct marketing units, paper bag units, catering etc it was observed that not even 10 per cent of the project cost was spent on fixed assets. Thus depending on the nature of the enterprise activity, the proportion of project cost spent on fixed assets varied. The correlation between proportion of project cost utilised on fixed assets and average monthly income was positive and significant ( $r = 0.418$ ,  $p < 0.01$ ), while there was no association with the monthly turnover/sales receipts earned by the enterprise. Loans taken from friends and family as well as the SHG did not have any significant effect on performance (size of the turnover and income generated to individual members).

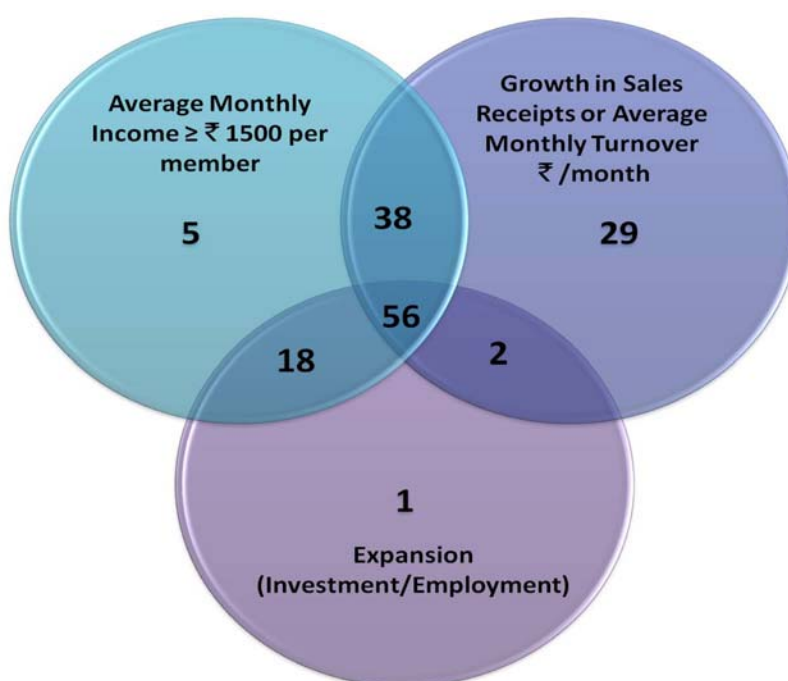
Demographic variables like age, education and marital status may have an impact on the performance in individually operated enterprises, but here, they were operated by groups of women and not individuals. In the sample, micro-enterprises operated by younger groups may have earned higher sales receipts and monthly income (this may have occurred due to the influence of well performing data entry and Nutrimix units which were operated by comparatively younger groups) but this was more due their strong market linkages and institutional support that had ensured demand. Though average age and education of the group was calculated and their influence on performance was examined the results were not robust. Thus demographic variables were excluded from further investigations as they did not have much of an impact on enterprise performance. The findings are in line with some of the studies cited under chapter on literature review. The group size in majority of the enterprises within the same activity was different due to members discontinuing with the group enterprise, which may also have influenced the average monthly income earned by individual members.

The correlation between the AMT and the AMI/ member was also worked out to see whether turnover had a strong influence on income. The correlation ( $r = 0.287$ ,  $p < 0.01$ ) between average monthly turnover and average monthly income was positive.

### 6.7.7 Distribution of Micro-Enterprises based on Achievement of Performance Criteria

An analysis of 173 active micro-enterprises based on the three performance criteria (defined under 5.9.2 in Chapter V as explaining performance) showed that 32.4 per cent or 56 units out of the active enterprises had achieved the three criteria. The criteria as defined were, enterprise should generate an income that was higher than or equal to ₹ 1,500/month to individual members engaged in the group enterprise; the turnover growth should have been positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment.

**Figure 6.13 Distribution of Active Micro-Enterprises based on Performance Criteria**

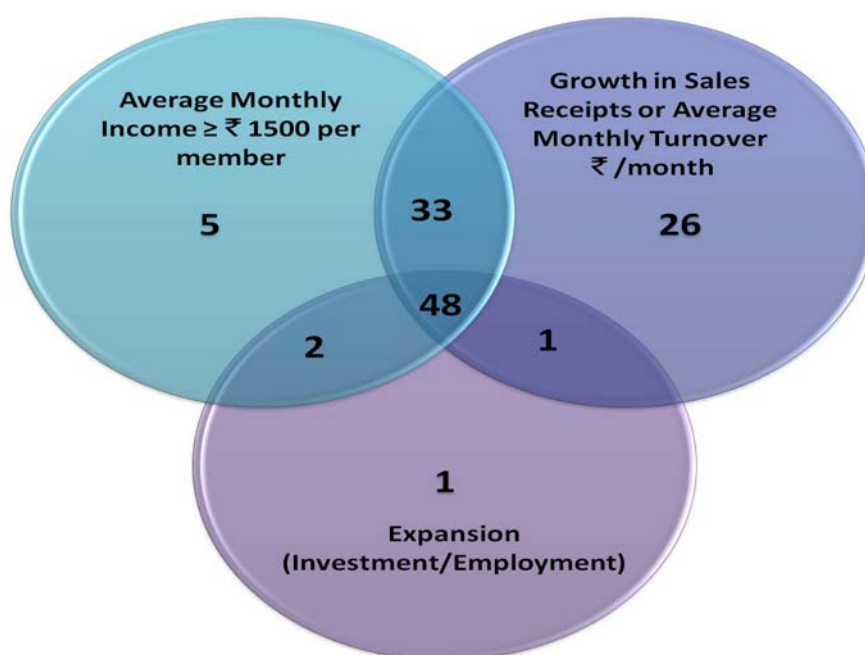


**Source: Survey Data**

Two of the above criterion were achieved by 33.5 per cent (58 enterprises) while 20.2 per cent (35 enterprises) achieved only a single criteria of performance. It was observed that 13.9 per cent (24 units in total of which 11 were rural and the rest urban) out of the active enterprises failed to achieve any of the performance criteria. The Venn diagram illustrates (Figure 6.13) the distribution of micro-enterprises according to the performance criteria achieved.

To understand whether the performance criteria was achieved with a significant number of group members (at least 60 per cent of members who were part of the group at inception) continuing with the activity, the research also examined the above enterprises, but restricting the selection to those where sixty per cent of the original members continued with the activity. Out of the active enterprises, only 132 units or 76.3 per cent had 60 per cent of members remaining engaged in enterprise operations.

**Figure 6.14 Performance Criteria Achieved by Enterprises Satisfying Member Criteria**



**Source: Survey Data**

It was observed that 48 enterprises (27.8 per cent of all active units) had achieved all the three performance criteria (Figure 6.14). Out of the rest, 36 enterprises (20.8 per cent) had achieved two criteria, while 32 units (18.5 per cent) had achieved only a 'single' criterion. The remaining 16 enterprises (9.2 per cent) did not achieve even a single performance criteria, in spite of which 60 per cent (or more) of original group members continued with the activity. Thus overall, 86.1 per cent of the active enterprises achieved at least a single criterion of performance, but only 67.1 per cent had achieved the same with sixty per cent of members remaining active in the enterprise. Based on performance criteria achieved, the enterprises were categorised into four and is discussed in the following section.

### 6.7.8 Categorisation of Micro-Enterprises and Achievement of Performance Criteria

From Table 6.67 it is observed that 56 enterprises (32.4 per cent of all active units) had achieved all three criteria of performance. Out of the rest, 58 enterprises (33.5 per cent) had achieved two criteria, while 35 units (20.2 per cent) had achieved only a 'single' criterion.

**Table 6.67 Categories of Active Micro-Enterprises Based on Performance**

Performance Criteria Achieved by Active Enterprises (N=173)	% ME under Performance Category based on Criteria Achieved				
	Achieved the criteria (Active enterprises =173)			Achieved Criteria with 60 (%) continuing in enterprise (n=132)	
<b>ALL Three (A/A*)</b>	32.4 %	(n= 56)	A	27.8 %	(n= 48) A*
<b>ANY Two (B/B*)</b>	33.5 %	(n=58)	B	20.8 %	(n=36) B*
<b>ANY One (C/C*)</b>	20.2 %	(n=35)	C	18.5 %	(n=32) C*
<b>None (D)</b>	13.9%	(n=24)		21.2 %	(n=16)

Note: The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment; Only 132 out of the 173 active enterprises had 60 per cent of members continuing in the enterprise. Out of these, 16 units did not achieve any of the performance criteria.

Table 6.67 categorises active enterprises in to A, B, C and D based on performance criteria achieved. The criteria as defined under section 5.11.2, place an enterprise under 'A' category, if it achieved all the three performance measures (₹ 1,500 generated by the micro-enterprise to individual members in the group enterprise as monthly income; positive growth in monthly sales turnover during the past two years; and, expansion in either employment or investment). If an enterprise achieved 'any two' of the criterion mentioned, then it is categorised under 'B' while an enterprise that achieved 'any one' of the criteria is categorised under 'C'. If it has remained active but had not achieved any performance criterion it is categorised as 'D'.

For identifying performance influencing factors which is discussed in the following section, active enterprises were classified in to three categories, namely X, Y and Z. From Figures 6.13 and 6.14, it was observed that higher number of active enterprises

had achieved the first two performance criteria, i.e. a monthly income of ₹1,500/month or above generated to individual members and positive growth in average monthly sales receipts (AMT or average monthly turnover) during the last two years of operation (2008-09 & 2009-10). The enterprises satisfying the above two criterion were categorised under ‘Y’. The other categories are ‘X’ (comprising of enterprises which satisfied all the three criteria); and ‘Z’ having enterprises which did not achieve even a single performance criteria. The following section discusses some of the variables that may have contributed towards enterprises achieving better performance.

It was observed that the achievement of performance criteria differed according to the broad sector of enterprise activity as can be observed from Table 6.68.

**Table 6.68 Performance Criteria and Sector of Enterprise**

<b>Sector of Micro-Enterprise</b>	<b>% Enterprises in Total Sample</b>	<b>X (n=56)</b>	<b>Y (n=93)</b>	<b>Z (n=24)</b>
<b>Small Scale Manufacturing</b>	18.0	8.9	11.7	50.0
<b>Services</b>	47.6	69.6	58.5	16.7
<b>Animal Husbandry</b>	6.4	3.6	8.5	4.1
<b>Hand Craft</b>	8.0	0	4.3	16.7
<b>Food Processing</b>	20.0	17.9	17.0	12.5

Note: The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment; Enterprises categorised under ‘X’ achieved all three criteria while those categorised under ‘Y’ achieved the first two criteria. Those under category ‘Z’ did not achieve a single performance criterion. (All figures denote percent micro-enterprises).

Out of the five broad sectors, enterprises categorised under the services sector performed better in comparison to others, with 69.6 per cent of enterprises under category ‘X’ being engaged in service activities. The proportion of service enterprises under category ‘X’ and ‘Y’, in comparison to that in the total sample (47.6 per cent) was much higher indicating that larger proportion of enterprises engaged under the sector had achieved better performance with respect to others. In comparison, enterprises under small scale manufacturing and hand crafts performed badly, as can be observed from Table 6.69, with 50.0 and 16.7 per cent of enterprises under category ‘Z’ being those engaged in small scale manufacturing and hand crafts (in both these cases the representation in the total sample was 18.0 and 8.0 per cent respectively). Thus performance varied across sectors with enterprises engaged in service activities performing much better in comparison to others.

### 6.7.9 Factors Influencing Performance of Micro-Enterprises

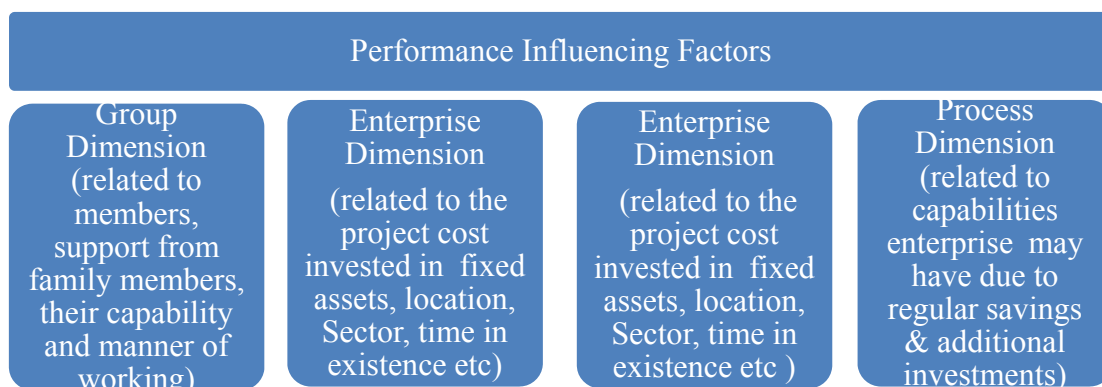
Here, variables under different dimensions, namely, ‘Group’, ‘Environment’, ‘Enterprise’ and ‘Process’ (as elaborated under 5.11.3 in Chapter V), which may have influenced the performance is discussed (Figure 6.15). Under the ‘Group’ dimension, aspects related to group, its members and their functioning, which are mostly internal is discussed. These are ‘Homogeneity or Cohesiveness’, ‘Previous experience’, ‘Time spent’, ‘Equal share of work’, ‘Segregation of work’, ‘Extent of support received from family’, ‘Average age’, ‘Average education’, ‘Reason for venturing in to the group enterprise activity’ and ‘All members at inception remaining in the group’.

Under the ‘Enterprise’ dimension, variables studied are those related to the enterprise. These include, ‘Location’, ‘Broad sector of enterprise activity’, ‘Place of operation’, ‘Time in existence’, ‘Frequency of accounting’, ‘Proportion of project cost being met by bank loan, own capital and subsidy’.

‘Environment’ dimension, relates to aspects that are external but having a major influence on performance like, ‘Local demand’, and ‘Help received for marketing the product’, both in an organised/formal manner (through tie-ups with government or private establishments which ensures sale or demand for the product/service on a regular basis) and informal (from SHG members/others in the locality on either goodwill or even commission basis) manner.

The ‘Process’ dimension, includes variables that may influence the enterprise performance, and may either be internal or external. Under this dimension, ‘Regular savings for expansion or replacement needs’ and ‘Additional investments’ are studied.

**Figure 6.15 Performance Influencing Factors**





Out of the twenty-five variables that were studied to understand performance of group operated micro-enterprises, sixteen were found to influence the performance as they were observed to occur with greater frequency in enterprises under category 'X' and 'Y' (those that either met all the three performance criteria or had achieved the income and growth criteria), or because of their low or negligible presence in enterprises belonging to category 'Z' as well as the 'inactive' enterprises.

#### **6.7.9.1 Performance Influencing Factors: Group Dimension**

Of the ten variables that were studied under the 'Group dimension', four were observed to occur with greater frequency in well performing enterprises. These were, 'equal share of work by all members'; 'higher level of support extended by the family members' (particularly moral and financial support from the husband as 96.4 per cent of members were married); 'members working on a regular and full time basis' (spending a minimum of 6 hours a day engaged in enterprise activities for six days every week); 'segregation of work among members according to capability and interest'; 'high cohesiveness of the group' may also have contributed towards better performance as these variables were present in more than fifty per cent of the enterprises in category 'X'. Cohesive groups are those where the activity group members that formed the enterprise were either from the same SHG or were friends, but belonging to two or more SHGs in the same neighbourhood.

Two other variables (reason for joining group enterprise and presence of members with previous experience in the group) also seemed to contribute to performance, particularly by their absence or having a smaller presence in enterprises under 'Z' category. The popular reasons for joining the group enterprise were, either to earn a livelihood, to support family income, subsidy support, and motivation from agency. It was observed that about 41.1 per cent of enterprises that had achieved all three performance criteria were initiated by members whose primary reason for venturing in to group activity was to earn a livelihood. Not even a single enterprise in category 'Z' had members who had joined the enterprise with the above motive. It was also observed that one or more members with previous experience were present in 35.7 per cent of enterprises under 'X' category, 44.6 per cent under 'Y' category but in just 16.7 per cent of enterprises under 'Z' category.

From Table 6.69 it is clear that in 92.9 per cent of group enterprises which met all performance criteria and belonged to category ‘X’, members contributed equally or did ‘equal share of work’ in enterprise; 83.9 per cent had received ‘substantial support from family members’, particularly moral and financial support from husband; while in 80.4 per cent of enterprises, members were ‘working full-time’ in enterprise. The ‘segregation of work’ was also high in 75 per cent of ‘X’ category enterprises. It was observed that 4 variables mentioned above were also present in more than 70 per cent of enterprises under category ‘Y’.

Demographic variables like average age and education of the group as a whole did not have much influence performance. This may be due to the fact that most groups predominantly comprised of women who were middle-aged with age of individual members anywhere between 30-45 years. Average education of the groups also exhibited low level of heterogeneity, with only those belonging to data entry operations having higher level of education while the rest had high school or lower level of educational qualification. It was observed that the number of members at inception of the enterprise did not affect the performance, and neither did drop out of members. From Table 6.70, we can deduce that most of the active enterprises that had performed well had suffered drop-out of members. Out of the enterprises in category ‘X’ and ‘Y’, 66.1 and 60.6 per cent had suffered drop-out, despite which their performance was not affected. In the case of drop-out, it was observed that if capable or ‘key’ members dropped out either due to an employment opportunity or some other reason, then the enterprise faced a higher probability of becoming inactive.

**Table 6.69 Performance Variables under Group Dimension**

Performance Factors: Group Dimension	X ( N=56)	Y (N=93)	Z (N=24)
Equal Share of work by group members	92.9	87.2	70.8
Support from Family Members	83.9	81.9	54.2
Time Spent in Enterprise Activity (Full-Time)	80.4	79.8	33.3
Extent of Work Segregation among Members	75.0	70.2	54.2
Cohesiveness of Group	51.8	40.2	54.1
Members with Previous Experience	35.7	44.6	16.7
Started Enterprise to earn a Livelihood	41.1	35.1	0
Enterprise had all members continuing	33.9	39.4	33.3

Note: The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment; Enterprises categorised under ‘X’ achieved all three criteria while those categorised under ‘Y’ achieved the first two criteria. Those under category ‘Z’ did not achieve a single performance criterion. (All figures denote percent micro-enterprises).

Thus out of the variables under ‘Group dimension’, those that were substantially influencing the performance were ‘equal share of work’ as well as ‘high segregation of work’ among members’; the members being ‘full-time’ engaged in the activity, and, members receiving ‘moderate to high levels of support from their family members’. Groups that began the enterprise with the objective of ‘earning a livelihood’ also seemed to perform better as 91.8 per cent of those that began the enterprise with the above objective continued operations. Individual members in the enterprises that were initiated with the above objective (83.7 per cent of groups) were able to earn ₹ 1,500 or above every month.

The performance of enterprises was also analysed based on group size. Uniform representation of enterprises of different sizes was not possible in the sample as certain group sizes (five and ten member groups) were predominant in the population. The dominance of these sizes was due to the number criteria mandated by various programmes under which subsidy was provided to groups. From Table 6.70 it can be observed that micro-enterprises incepted by smaller groups (2-4 members) performed much better than all other group sizes. Though only seven enterprises were incepted by groups of this size, 85.7 per cent remained operational, with 71.4 per cent achieving sales and income criteria with at least 60 per cent of members remaining active in the group.

**Table 6.70 Group Size and Performance**

Group Size(No of Members)	N	Active (%)	% of ME that achieved two criteria* of performance	Achieved two criteria with 60% of members continuing
< 5	7	85.7	71.4	71.4
5	59	69.5	37.3	32.2
6 – 9	21	52.4	23.8	23.8
10	145	67.6	35.9	31.1
>10	18	94.4	55.6	38.9

Note: \*The two criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation.

In the case of enterprises operated by large groups (with 11-20 members), it was observed that 94.4 per cent were operational. Here, 55.6 per cent of enterprises had provided ₹ 1,500 or above to individual members and had also achieved continuous sales growth. But only 38.9 per cent (these included two Nutrimix units and one waste

management unit) had achieved the performance criteria with 60 per cent of members at inception continuing in enterprise activity.

Out of the 59 enterprises operated by five member groups, 69.5 per cent were active at the time of survey, while in the case of 145 enterprises operated by ten member groups 67.6 per cent remained operational. In both cases just above 30 per cent of enterprises had achieved both sales growth and income criteria with 60 per cent of entrepreneurs continuing in the activity. It was also observed that out of the 21 enterprises having group size that ranged from 6-9 members, 52.4 per cent remained active, but only 23.8 per cent had achieved both criteria of performance. Thus, group size influenced performance with enterprises incepted by smaller groups achieving the income and sales criteria with lesser drop-out.

#### **6.7.9.2 Performance Influencing Factors: Enterprise Dimension**

Of the eleven variables that were studied, five were related to capital or financial aspects of the enterprise. The others dealt with the enterprise and included, 'location' (rural/urban); 'broad sector of activity' (services/small scale manufacturing etc); 'place of operation' (home-based or functioning from outside); 'number of members at inception', 'time in existence' (had operated for 36 months or more and therefore was better established with substantial part of the loan repaid); and 'frequency of accounting for expenses' (frequency would reduce financial irregularities, that may otherwise remain undetected by group members until very late).

Out of these factors, 'location of enterprise' (urban/rural) may not have a significant influence on performance as the divide between rural and urban areas is less pronounced in Kerala. From Table 6.71 it is observed that 61.7 per cent in category 'X' and 46.8 per cent of enterprises under category 'Y' were urban based. The proportion of enterprises in category 'X' may be higher in 'urban' areas, either because of additional employment in certain enterprise activities like data entry, which was required due to drop-out of original group members, or nature of work had requirement of male employees. The performance varied according to the broad sector of enterprise activity. It was observed that 69.6 per cent of the enterprises under category 'X' were engaged in service activities. Enterprises that were not home-based

performed better, with 75.0 and 64.9 per cent in category 'X' and 'Y' being such enterprises. It was also seen that those that had been in existence for 36 months or longer performed better, with 80.4 and 67.0 per cent in category 'X' and 'Y' being enterprises that had operated for longer period of time. The number of members at inception did not have an effect on performance.

Out of the enterprises in category 'X' and 'Y', 76.8 and 72.3 per cent were regularly writing their accounts on a daily basis, while only 20.8 per cent under category 'Z' were doing so. It may be due to this reason that these enterprises also had lesser levels of difficulty with their working capital and could manage it better. Working capital is the money needed for daily operations like purchase of raw material, payment of wages, electricity, rent etc. Many enterprises had lot of difficulty with management of working capital as they had sold substantial part of the product or service on credit while the payments the enterprise had to make could not be delayed. Those enterprises that sold most of their product/service on cash basis found working capital management easier.

As noted in Table 6.71, the difficulty with working capital ranged low to moderate for 76.8 and 72.3 per cent of enterprises in category 'X' and 'Y'. From the figures it can be deduced that 54.2 per cent of enterprises in category 'Z' had experienced high levels of difficulty with working capital. The financial variables related to initial capital, which in general included bank loan, subsidy and 'own or beneficiary contribution', varied across activity and area. To make them comparable, they were studied with respect to 'how much' of each of these components made up the total project cost. Thus enterprises that availed maximum subsidy (50 per cent of the project cost), those which had a bank loan that was higher than 45 per cent of the project cost, those which had 'own capital' or 'beneficiary contribution' higher than 5 per cent of project cost, and those which had 'invested more than 25 per cent of total project cost in fixed assets at inception', were grouped and the frequency of occurrence of such enterprises were studied under category 'X' and 'Y'. It can be observed from Table 6.71 that in the case of enterprises belonging to 'X' and 'Y' category, 60.7 and 55.3 per cent had a bigger loan component, while only 50 per cent of enterprises under 'Z' had bigger loans. Thus bigger loan component may have a positive influence on enterprise performance.

**Table 6.71 Performance Variables under Enterprise Dimension**

Performance Factors: Enterprise Dimension	X (N=56)	Y (N=93)	Z (N=24)
Area of Enterprise or Location (urban)	61.7	46.8	54.2
Broad Sector of Enterprise Activity (services)	69.6	58.5	16.7
Operated from Outside Home	75.0	64.9	45.8
Time in Existence (36 months or more)	80.4	67.0	58.3
Frequency of Accounting (daily)	76.8	72.3	20.8
Better Management of working capital	76.8	72.3	45.8
Fixed Assets > 25 % of Total Project Cost	67.9	42.3	50.0
Received Max Subsidy = 50% of project Cost	51.8	54.3	87.5
Bank Loan was > 45 % of Total Project Cost	60.7	55.3	50.0
Own Capital was > 5% of Total Project Cost	21.4	12.8	16.7

**Note:** The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment; Enterprises categorised under 'X' achieved all three criteria while those categorised under 'Y' achieved the first two criteria. Those under category 'Z' did not achieve a single performance criterion. (All figures denote percent micro-enterprises).

Majority of Enterprises (94.8 per cent) had received subsidy which supported substantial part of the total project cost. Some received the maximum possible subsidy (which was 50 per cent of the total project cost). From Table 6.71 it can be deduced that 48.2 per cent of enterprises and 45.7 per cent of enterprises under 'X' and 'Y' had achieved the performance criteria without receiving the maximum possible subsidy. Subsidy as such may not be an important contributor of performance, as it was observed that 5.4 per cent of the enterprises under category 'X' had not received any subsidy.

The proportion of 'own capital' which is popularly termed as 'beneficiary contribution' under most government programmes comprises about 5 per cent of the total project cost. In case of few, the members had put in more than 5 per cent, as there was either a requirement for higher capital or they had wanted to reduce the loan burden. Out of the enterprises under category 'X' and 'Y', 21.4 and 12.8 per cent had invested more than 5 per cent as beneficiary share in the total project cost. 16.7 per cent of enterprises under 'Z' had also invested an amount that was more than 5 per cent of the total project cost. But even though only about one-fifth of the enterprises in category 'X' had beneficiary contribution that was higher than 5 per cent of the total project cost, it may be concluded that higher share in the project cost may have

positive influence on performance for two reasons. One, 83.3 per cent of those in category 'Z' had not contributed more than 5 per cent towards beneficiary share and secondly, it was noted that about 50 per cent of those enterprises with higher 'own capital' were generating bigger monthly income (more than ₹ 3000) to members.

Thus out of the eleven variables studied under 'Enterprise dimension', eight may have influenced the performance. These were 'broad sector of enterprise activity' with more enterprises engaged in services activities exhibiting better performance in comparison to other sectors; 'enterprise being operated from non-home based locations'; 'time in existence or age of the micro-enterprise being more than 36 months'; 'daily accounting of expenses'; 'low to moderate difficulty in working capital management', 'fixed assets being greater than 25 per cent, beneficiary contribution more than 5 per cent and the bank loan being higher than 45 per cent of the total project cost.

### 6.7.9.3 Performance Influencing Factors: Environment Dimension

Here three variables were studied. The first dealt with the 'nature of product or service', where, if the enterprise satisfied any of the three conditions, it may have performed better. These conditions were, 'high local acceptance or demand for the product or service'; the enterprise, to some extent is 'protected from competition by bigger firms'; or may have 'filled a gap' (or fulfilled an unmet demand in the locality which was not properly served).

**Table 6.72 Performance Variables under Environment Dimension**

Performance Factors: Environment Dimension	X (N=56)	Y (N=93)	Z (N=24)
Nature of product/ Service*	78.6	79.8	12.5
Help from 'outsiders' in marketing	25.0	29.8	8.3
Organised Marketing Support (Tie-ups)	37.5	29.8	4.2

**Note:** The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to group enterprise; turnover growth should be positive in last two years of operation and enterprise should have expanded in terms of either additional investment or employment; Enterprises categorised under 'X' achieved all three criteria while those categorised under 'Y' achieved the first two criteria. Those under category 'Z' did not achieve a single performance criterion. (All figures denote percent micro-enterprises). \*The product/service has local acceptance or demand OR to a large extent may be protected from competition from big firms OR has fulfilled an unmet demand that was not properly served in the locality.

The second dealt with ‘unorganised marketing support’ or ‘outsider’ help, particularly marketing assistance the enterprise received from others, including friends and relatives, as well as ‘SHG members’ in the locality. The last was ‘organised marketing support’ received by the enterprise either due to some kind of tie-up with another organisation, which may have helped it to perform better than those that had not received such support. The product or service then does not have to worry about marketing as demand is assured due to tie-ups. It was noted at the time of the survey that such enterprises in general performed very well but very few enterprises had received such tie-ups. These included enterprises engaged in the production of ‘Nutrimix’, the data entry units and the canteen units. Some of the enterprises engaged in making bamboo products also had tie-ups with the bamboo corporation.

From Table 6.72 it can be observed that in 78.6 per cent of enterprises in category ‘X’ and 79.8 per cent in category ‘Y’, the product or service offered by the micro-enterprise, satisfied one of the three conditions, which may have influenced it in achieving the performance criteria. For example, most of the waste management units achieved all three performance criteria as they had ‘filled a gap’ (or fulfilled the unmet demand for proper solid waste management in the urban areas of the district which was not properly served). Many of the tailoring units had ‘high local acceptance or demand for their service’ and were also not in competition with bigger firms. Out of the enterprises under ‘Z’ category (that is those that failed to achieve even a single performance criterion), 87.5 per cent did not offer a product or service that satisfied even one of the above mentioned properties. Many in ‘Z’ category were offering products or service which were in competition with bigger manufacturers (for example, paper plates which suffered competition from Chinese imports or soaps and umbrellas from well known branded manufacturers).

It can be observed that 25.0 per cent of enterprises in category ‘X’ and 29.8 per cent under category ‘Y’ had received ‘help from others in the neighbourhood’ particularly for marketing the product. With respect to enterprises under ‘Z’, only 8.3 per cent had received such help or assistance, meaning 91.7 per cent of enterprises under category ‘Z’ had not received such assistance. This assistance may either be from women belonging to other groups or friends and relatives who may receive a ‘commission’



for every sale or order brought. For example, in the case of curry powders, soaps & detergents etc, for every ₹ 100 sale brought in by an 'outsider', ₹ 15 was given as commission. Though beneficial in achieving higher sales revenues or monthly turnover, marketing arrangements of this nature were undertaken by fewer enterprises. From Table 6.72 it is observed that less than 30 per cent of enterprises under category 'X' and 'Y' had availed 'outsider' help. But out of those that received such help 82.4 per cent (or 28 enterprises out of the 34 active units), achieved two of the important performance criteria (Rs.1500/month or higher earned by individual members and growth in sales revenue experienced in the past two years) and were performing better in comparison to similar units that did not receive such help.

The third, that is, 'organised marketing support' received by the enterprise either due to some kind of tie-up with another organisation, was received by forty firms in the sample. Of these 70 per cent (or twenty-eight units) had achieved the three criteria of performance. Thus, out of the variables studied under the 'Environment dimension', all three, that is the 'nature of product or service', 'outsider' help in marketing, as well as 'organised marketing support' through tie-ups are important influencers of performance.

#### **6.7.9.4 Performance Influencing Factors: Process Dimension**

Under the 'Process dimension' two variables were studied. The first was 'regular savings for expansion or replacement needs' which helped the enterprise to meet planned as well as unplanned but necessary expenses. It was assumed that those enterprises which kept aside some money from profits to take care of future expenses were able to manage the requirements without much difficulty. Thus enterprises that saved regularly or had the 'saving habit' performed better. This was particularly important for long term sustainability as small enterprises in general found it difficult to raise the necessary capital for expenses like replacement of obsolete or defunct machinery, which, either lead to its exit or borrowing at high interest rates from private lenders. This in turn made the enterprise vulnerable, as it had to meet the huge debt servicing or repayment burden.

**Table 6.73 Performance Variables under Process Dimension**

Performance Factors: Process Dimension	X (N=56)	Y (N=93)	Z (N=24)
Regular Savings for Expansion/Replacement	76.8	62.8	16.7
Additional Investments undertaken	83.9	50.0	0

**Note:** The three criteria as defined were, enterprise should generate a monthly income that was higher than or equal to ₹1,500 to individual members belonging to the group enterprise; the turnover growth should be positive in the last two years of operation and the enterprise should have expanded in terms of either additional investment or employment; Enterprises categorised under ‘X’ achieved all three criteria while those categorised under ‘Y’ achieved the first two criteria. Those under category ‘Z’ did not achieve a single performance criterion. (All figures denote percent micro-enterprises).

Some enterprises had made ‘Additional investment’ after inception which may have helped in achieving better performance. From Table 6.73, it can be concluded that the two variables, regular savings, as well as additional investments were important influencers of performance. It is observed that 76.8 per cent of enterprises in category ‘X’ and 62.8 in category ‘Y’ were making regular savings for future requirements. With respect to additional investments, it may not be an influencer or determinant of performance, rather well performing enterprises in general may undertake additional investments. But here, it is assumed that performance of 83.9 per cent of enterprises under category ‘X’ to some extent was influenced by their additional investments. After studying the performance influencing variables under various dimensions, the positive influencers of performance are consolidated and discussed in the next section.

#### **6.7.9.5 Positive Influencers of Enterprise Performance**

All variables that had positively influenced performance of group operated micro-enterprises are presented in Figure 6.16. As each enterprise is operated by groups of women who have equal share of ownership and responsibility, the variables related to aspects concerning the members, particularly their functioning with respect to enterprise activities is discussed first. It was observed that in majority of the enterprises under category ‘Y’ (those that satisfied the income and sales growth criteria of performance), the members in general considered enterprise related activity as a ‘full-time’ work, and were spending on an average more than 6-8 hours a day, and without exception all were working six days a week.

In many enterprises, it was observed that there was an equal sharing of work among members and moderate levels of work segregation. Women members also received support from family members, particularly from the husband. In some cases this included help in loading and unloading of goods, repairing of machines and in arranging short-term loans to tide-over difficult conditions.

With respect to factors related to the enterprise, the selection of activity by the group to a large extent determined the success. It was seen that enterprises selling 'services', particularly those engaged in canteens and mess/hostel operations, catering, tailoring, waste management etc had higher number of enterprises in category 'X' or 'Y' in comparison to other activities.

Enterprises that had been in existence for three or more years as well as those operating from premises outside, meaning enterprises that were not home based performed better. The reason for those 'operating not from home' performing better may be the fact that in group based enterprises with five or more members, a realistic feeling of being engaged in an economic activity or gainful work may be felt, only when functioning from 'outside' of homes. Hence such enterprises had performed better in comparison to those that were home-based<sup>17</sup>.

Enterprises that accounted their expenses daily had also performed well. One reason may be as it helped all members to have a clear understanding as well as full knowledge about revenue as well as expenses. Thus there was no omission of accounting of any cash that was spent or earned on a particular day which resulted in lesser conflict among members on 'money matters' as well as ensured better working capital management.

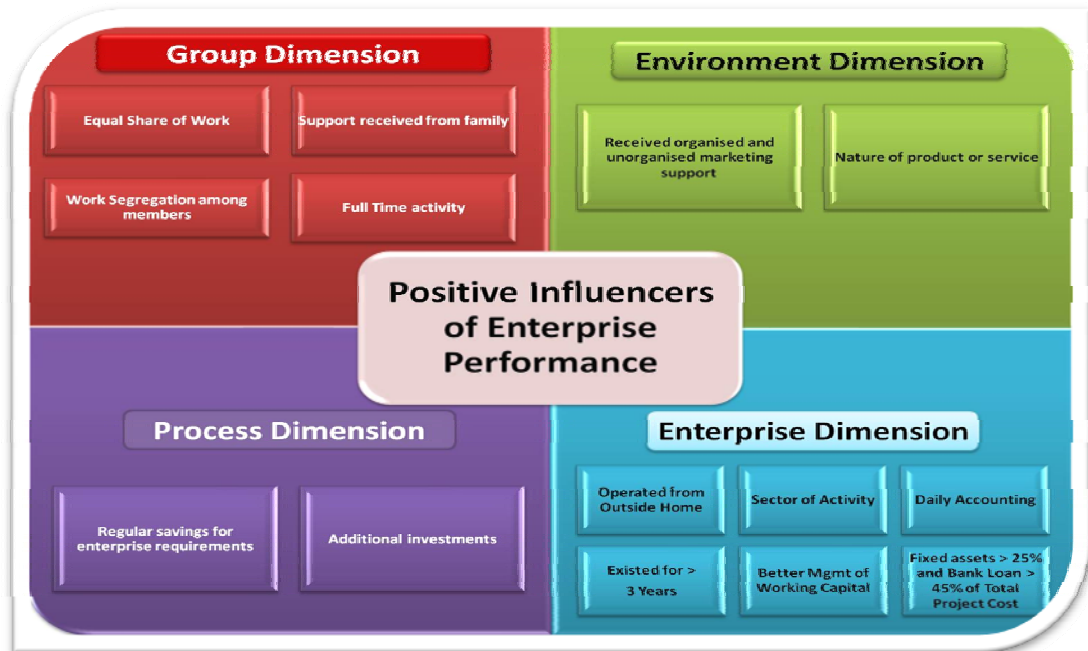
Enterprises that could manage their working capital judiciously, performed well as they did not suffer shortage of cash for meeting production requirements. Many enterprises which had turned inactive had cited 'lack of money to buy raw materials'

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<sup>17</sup> Home-based enterprises had all group members gathering in the home of any one member who had space to spare either inside her home or the backyard. It was observed in many cases, that over a period of time this member not only had to shoulder higher responsibility in comparison to others but also . This in some cases resulted in the member acting like a 'single owner' with greater involvement from her family members. This resulted in conflict and disinterest setting in among other members which eventually lead to drop-out.

as the main reason for exiting operations. Some of these enterprises, as was observed in the case of direct marketing and provision stores, had sold goods on credit, and part of this was never recovered. There were also cases of few members using the working capital to meet some ‘urgent’ personal requirement which resulted in the depletion of capital and inability to buy raw material.

**Figure 6.16 Positive Influencers of Enterprise Performance**



Certain aspects related to initial capital also influenced performance. In many of the better performing enterprises it was observed that the total project cost being supported by the ‘eligible maximum’ subsidy amount was not as important as utilisation of the initial project cost (or initial capital). It was noted that in majority of enterprises in category ‘X’, at least 25 per cent of the initial project cost was invested in fixed or capital assets. In more than 60 per cent of the enterprises, the bank loan was higher than 45 per cent, which indicated that these had higher project cost. It was also observed that more than 75 per cent of enterprises in category ‘X’ made regular savings, or kept aside some of the profits for future requirements. This increased the capability of the enterprises to meet any ‘sudden or unforeseen’ expenses without borrowing from money lenders. The savings habit had also aided about 80 per cent of enterprises to put in more investments, which in turn may have positively impacted performance.

But above all, the nature of product or service offered was extremely important for determining the success or performance criteria attained by the enterprise. If the product or service offered 'filled a gap' that was not properly served in the locality, the enterprise became a success and continued to remain active provided some of the other performance determining factors were also favourable. If the enterprise received some kind of marketing assistance, particularly organised support through tie-ups with government or private organisations, the chances of achieving better performance was higher. Even unorganised support from friends, relatives and SHG members favourably influenced the performance, though this type of support through social networks was only achieved by fewer enterprises in the sample. A comparison of active and inactive units was undertaken to find whether some of the performance factors that were present in better performing active units was present in the inactive units.

#### **6.7.10 Comparison of Performance Factors in Active and Inactive Units**

Under this section, some of the variables that were identified to have a positive influence on performance under 'group', 'enterprise', 'environment' and 'process' dimensions are compared across all active and inactive enterprises. Overall, out of the total enterprises that comprised the sample, 69.2 per cent were active and the rest inactive. From Table 6.74, it can be observed that the presence of certain factors under 'group dimension' like 'equal share of work', 'high support from family members', 'enterprise operation is full-time activity', and 'moderate to high extent of work segregation among members' was present in more than 60 per cent of active enterprises, but in fewer inactive units. Work segregation was practised in many of the active units. In fact, segregation of work, particularly production and marketing activities among group members seemed to benefit enterprises engaged in diverse activities like soap making, garments and even food processing. It was also observed that in active enterprises, a larger proportion had members with previous experience.

Out of the inactive enterprises, majority (93.5 per cent) had not received any support from family members, while about 88.3 per cent were operated by members without previous experience. In fact, a large number of members in these enterprises had been 'housewives' all their lives and had never worked outside their homes. Under

‘enterprise dimension’ some of the aspects like ‘non-home based operational location’, ‘daily accounting of expenses’ and certain other variables were compared to understand whether there were differences between active and inactive units. It was deciphered from the data that 63.6 per cent of inactive enterprises had operated from their homes while just 41.6 per cent of active enterprises were home-based (Table 6.74).

**Table 6.74 Performance Influencing Factors in Active and Inactive Units**

Dimension	Performance Influencing Factor	Active (N=173)	Inactive (N=77)
Group	Equal share of work by group members	80.8	36.4
	High support from family members	74.6	6.5
	Active in Enterprise on Full-time basis	71.2	44.2
Enterprise	Work segregation among members is high	65.3	48.1
	Members with previous experience	42.2	11.7
	Operated from ‘Outside’ Home (not home-based)	58.4	36.4
	Better Management of working capital	23.1	16.9
	Frequency of Accounting (daily)	58.4	19.5
	Fixed Assets > 25 % of Total Project Cost	57.8	29.8
	Received Max Subsidy = 50% of project Cost	57.8	81.8
	Bank Loan was > 45 % of Total Project Cost	56.1	39.0
	Own Capital was > 5% of Total Project Cost	23.1	10.4
	Environment	Nature of product/ Service*	67.1
Help from ‘outsiders’ in marketing		19.7	1.3
Organised Marketing Support through Tie-ups		21.4	3.9
Process	Regular Savings for Expansion/Replacement	50.3	2.6
	Additional Investments undertaken	37.0	2.6

**Note:** An ‘Inactive’ Enterprise is one which has not carried out any business activity in the last six months, and the average sales turnover or volume of sales achieved was zero during the entire period; while an ‘Active’ Enterprise had earned and recorded sales receipts (referred as average monthly turnover or AMT), at least once, during the past six months. \*The product/service has local acceptance and demand or to a large extent may be protected from competition from big firms or has fulfilled an unmet demand that was not properly served in the locality.

Regular accounting of expenses was observed with greater frequency in active enterprises as compared to inactive ones where only 19.5 per cent of enterprises accounted for all expenses and income on a daily basis. Aspects related to the initial capital also differed between active and inactive enterprises. It was observed that in 81.8 per cent of the inactive enterprises, the total initial project cost was supported by the ‘eligible maximum’ subsidy amount, while only 57.8 per cent of the active enterprises had received similar subsidy. In the case of inactive enterprises, the capital

invested in fixed assets was lower, with just 29.8 per cent of enterprises having invested at least 25 per cent of the initial project cost in such assets. With respect to own capital invested in the enterprise, only 10.4 per cent of inactive units had invested an amount that was higher than five per cent of the total project cost while in the case of active units 23.1 per cent of enterprises had done so. In 56.1 per cent of the active enterprises, the bank loan was higher than 45 per cent of the project cost, while only 39 per cent of inactive enterprises had similar loan component.

***Thus, overall, inactive enterprises had lower bank loan, 'own capital' invested was lesser, but subsidy proportion comprising the total project cost was much higher in comparison to active units.***

In the case of 67.1 per cent of active and 6.5 per cent of inactive enterprises, the 'product or service' offered for sale had lot of local acceptance or satisfied some hidden demand which was not properly served in the locality; or to some extent was protected from branded competition by bigger enterprises offering similar products. It was observed that 21.4 per cent of active enterprises had received organised marketing support while out of the inactive enterprises only 3.9 per cent had received such support (as discussed earlier, organised marketing support was received by forty enterprises in total of which, 90 per cent remained active). With respect to marketing support from SHG members, friends and relatives in the locality (social networks), it was observed that 19.7 per cent of the active enterprises had received help that had enabled them to improve sales, while such support was obtained by just 1.3 per cent of the inactive enterprises (in this case over all 35 units had received such support of which 97.1 per cent were active units). Regular savings for meeting future requirements was practised by 50.3 per cent of active units, while 37.0 per cent had also undertaken additional investments. Both these processes were carried out in just 2.6 per cent of the inactive enterprises.

From the above analysis it is clear that the occurrence of performance enabling factors was observed with greater frequency in active enterprises in comparison to inactive ones.

## 6.8 CHAPTER SUMMARY

The chapter began by discussing the profile of enterprises selected in the study. The distribution of enterprises in rural and urban areas as well as the status (i.e. whether active) was recorded. The rural enterprises were randomly selected from fifteen blocks in Ernakulam district, while the urban were selected from seven municipalities and the corporation area of Kochi. The enterprise activities selected were grouped under five broad sectors, small scale manufacturing, services, animal husbandry, hand crafts and food processing. Some of the activities selected were, paper products, soaps, umbrellas, candle making, catering, tailoring, restaurants, canteens, direct marketing, waste management, provision stores, data entry, ethnic food items, bakery, fish processing, dairy, goat rearing, bamboo products and paper bags. It was observed that service activities were dominant in the population and therefore also in the sample. It was noted that out of the 250 enterprises in the sample, only 69.2 per cent were active at the time of the survey. A higher proportion or 72.8 per cent of enterprises in the rural areas remained active, while only 65.6 per cent of the urban were operational. Though the proportion of urban units remaining active was smaller, the average active unit earned larger sales receipts and also generated higher monthly incomes to individual members in comparison to rural micro-enterprises. It was observed that larger proportion of enterprises remained active in animal husbandry (87.5 per cent), followed by 72 per cent in food processing. Out of the 2205 women who had entered into group enterprise operations, 50.4 per cent continued to remain active.

Status of enterprises based on activity varied, with all enterprises in certain activities like canteens, dairy, waste management etc, remaining operational while out of the units engaged in activities like tailoring and flour milling, 90 and 83.3 per cent remained active. It was also noted that, enterprises engaged in paper products were struggling to remain operational primarily due to competition from imports. The income earned by members as well as the sales turnover were declining in 70 per cent of enterprises engaged in the above activity. In spite of this, less than one-fifth of members had dropped out in 70 per cent of these enterprises. One reason for this was that the loan repayment of many of these units was yet to be completed which mandated the members to continue in the activity group and also the enterprise. In



certain other activities like hand-made paper bags and catering, a large proportion of units became inactive in spite of receiving subsidy and loan support. The reasons cited was lack of demand for the product, particularly in the case of paper bags, while for those engaged in catering, intense competition, financial mismanagement, water scarcity etc were common problems.

Bigger bank loans had a positive influence on turnover/ sales receipts earned by the enterprise. This may have occurred as outstanding bank loan may have motivated members to work hard towards generating revenue to pay back the loan. The amount of subsidy also had a weak but positive correlation with the turnover generated, but hardly any positive impact on the income generated per member. Aspects related to the initial capital also differed between active and inactive enterprises. It was observed that in 81.8 per cent of the inactive enterprises, the total initial project cost was supported by the 'eligible maximum' subsidy amount, while only 57.8 per cent of the active enterprises had received similar subsidy. Thus subsidy as such may not help group enterprises to remain in business or ensure members a stable monthly income. In the case of inactive enterprises, it was also observed that the investment in fixed assets was lower, with just 29.8 per cent of enterprises having invested at least 25 per cent of the initial project cost in such assets. But if a sizable proportion of the subsidy as well as the bank loan (which together with beneficiary contribution forms the total project cost in most of the enterprises) were used in buying assets, and if the proportion of the project cost invested in capital/fixed assets were higher, the chances of generating higher income to individual members were also greater (as could be seen in enterprises like waste management, data entry units, flour mills etc). It was also seen that age and educational level of the activity group members did not have any influence on the performance.

The growth in sales turnover and the individual monthly income generated to members were considered as the two main criteria of performance. The factors influencing the performance were studied under four dimensions, namely 'group', 'enterprise', 'environment' and 'process'. Some of the major positive influencers of performance were 'equal sharing of work' with moderate levels of 'work segregation' among group members who also took up enterprise activity as a 'full-time' job. It was also observed that enterprises operating from non-home based locations and those

with regular accounting of expenses performed better. With respect to financial variables, higher bank loans as well as its higher proportion in the total project cost positively influenced enterprise performance but receiving bigger subsidies did not have a similar effect. The selection of enterprise activity and members were also critical elements in group operated micro-enterprises. Both influenced the performance, as well as the survival or sustainability of enterprises. If incorrect choice of enterprise activity or adverse selection of members happened at the formation stage, the enterprise had a greater risk of turning inactive. Enabling environment with respect to market support was also found to improve the probability of earning better income and sales receipts from the enterprise, but may not have ensured continuity of members especially if there were high levels of uncertainty with respect to receiving regular monthly income from the enterprise.

From the results it is clear that to ensure the transformation of group operated micro-enterprises in to sustainable income generating activities for SHG women, there is a need to aid and support the formation of enterprises that are innovative, have satisfied a local need, or else have marketing support. Kudumbashree has been pro-active in aiding group entrepreneurship and has helped many groups to bid for canteen contracts, digitisation of government records, and even tied-up with the Central Food Technological Research Institute (CFTRI) to develop a baby food formula (Nutrimix) that could be produced by group based enterprises for supplying to the ICDS in the state. The product has helped in providing a good income to group members, nutrient rich food to poor children, and most importantly, has plugged the leakage in the system to a great extent. It is an example of an innovative product which has benefitted many and at the same time has made the best use of limited government funds/resources. Though it is not possible to support all SHG women venturing in to group enterprises with winning enterprise ideas, they could be supported and positively discriminated wherever possible (as has been the case in Kerala, where at least one group enterprise is given the permit to operate a canteen in governmental quasi-governmental and even private institutions).

In the following chapter, some of the micro-enterprises engaged in either 'unique' enterprises or those in 'traditional' enterprise activities are discussed individually and in greater detail to understand enterprise initiation and operational challenges.

# CHAPTER VII

## CASE STUDIES

### 7.1 INTRODUCTION

In this chapter, a detailed discussion on the working of ten selected micro-enterprises is presented first. Thereafter some reflections about group owned and operated enterprises based on findings are presented. Finally some of the common enterprise activities and problems specifically pertaining to them are discussed.

### 7.2 CASE STUDIES OF SELECT ENTERPRISES

The enterprises were selected after careful consideration with each being a representative unit of some of the common group operated enterprise activity that was dominantly present in the sample. The cases were prepared based on information collected after detail interviews with activity groups operating the enterprise. The first case discussed is that of a Nutrimix unit.

#### 7.2.1 Amrutham Nutrimix

‘Nutrimix’ was designed as a take home ration<sup>18</sup> or food supplement for the ‘Anganwadi’<sup>19</sup> children. The ‘Kudumbashree’ mission found that an opportunity existed for manufacturing a wholesome take home ration for the *Anganwadi* children by the NHG entrepreneurs which could be wholly procured by the ICDS<sup>20</sup> in state. The micro entrepreneurs were trained to manufacture the food supplement, a nutritious mix constituting of wheat, sugar, peanut, chana dal and soya meal in 9: 4: 3: 2: 2 ratio, which could be consumed alone or with milk.

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18. Take home ration is provided to all ‘anganwadi’ children below three years of age, by the government through the ICDS (Integrated Child Development Services) primarily as eggs and milk powder, which were sourced from the local market and from neighbouring states, as large scale purchases. In Kerala, this is now given as ‘Nutrimix’ with each child being entitled to 3.375kg/month.

19. An Anganwadi is a day crèche, which is run by the panchayat for providing nutrition and day care shelter to children belonging to economically marginalised sections of the society.

20. ICDS, a scheme launched by the government of India in 1975 aimed primarily at development of children and fulfilling the needs of children below six years of age. It provided the children with an integrated package of services such as supplementary nutrition, health care and pre-school education, the delivery of which took place through the “Anganwadis”(ICDS,1975).

The aim of the *Kudumbashree* mission at the onset was to scale up to five hundred Nutrimix manufacturing enterprises to serve the requirement of all *Anganwadis* in Kerala. These enterprises were run by five member activity groups formed from various neighbourhood groups. The project cost of one five member unit was ₹ 2,20,000 with a subsidy component and an entrepreneur contribution of ₹ 50,000 and ₹ 10,000 each. The bank loan component for each unit was ₹1,60,000.

About ten Nutrimix units were functional in Ernakulam in 2010, with each fulfilling the requirement of at least 10 panchayats. The ‘Amrutham Nutrimix unit’ located in Edathala panchayat under Aluva municipality was taken as a representative unit and the case details aspects related to its formation in February 2007, and its progress since then.

In the initial stages, prior to the actual setting up of unit, all twenty activity group members had undertaken a seven day training for learning the process of manufacturing, and a six day training called PIP (Personality Improvement Programme) training where they were taught general non-operational aspects related to running an enterprise.

But after this, there was a delay in the actual setting up and commencement of operations, as the sanctioning of loan of ₹ 5,00,000 from Central Bank of India had taken much more time than usual. Because of this delay, six members withdrew from the group, as they felt that there was a lot of risk in availing such a huge loan. Later, after the loan amount was sanctioned, machinery worth ₹ 1,05,000 which consisted of a pulveriser, a blender and a roaster, was bought and installed in a two-room rented room of 800sq.ft which became the factory. The remaining 14 members also invested ₹ 35,000 as entrepreneur or ‘beneficiary’ contribution. The subsidy amount of ₹ 2,00,000 (as there were 20 members in the group at the project proposal stage) was passed subsequently and was deposited in to the account as a back end subsidy<sup>21</sup>. Altogether the project cost or the initial investment for the unit was ₹ 7,35,000.

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21. A back end subsidy is one where first the loan is passed and then the subsidy is released. The subsidy amount goes as cheque to the bank account of the group and is adjusted against the loan amount, and interest is charged only for that amount which is released to the enterprise minus the subsidy.

The group of 14 women who were operating the enterprise was observed to be very cohesive, with 12 being married, while one was unmarried and another a widow. This lady had become widowed a year after the inception of the enterprise when she had lost her husband in a freak accident. Her family therefore was now solely dependent on the income from the enterprise and all others supported her both monetarily and otherwise. At the time of inception, the youngest was only 23 years of age while all others were below 40 years of age. The educational qualification of the members ranged from tenth pass to graduation. There were two members who were graduates. None of them had any previous experience in running any kind of business activity. Prior to setting up the enterprise, the leader of the group had worked at a dental clinic, few members were house-maids, and the rest were mostly house wives.

**Enterprise Operations and Growth** In 2007, when the enterprise began its operations, the monthly production was 9000 kilograms but in 2010, it had increased to 12,000kg due to the recommended monthly entitlement per child being raised from 2.5kg to 3.375kg. Initially all 14 members worked from 10AM in the morning to 5PM in the evening. But after the demand from ICDS was increased, the requirements for longer hours of operation lead to working in three shifts. In the first shift, three women worked from 8AM to 1PM, in the second, eight women worked from 10AM to 5PM while in the last shift three worked from 1PM to 6PM. This strategy of working in shifts helped them to meet the increased order without working on Sundays. The enterprise had taken a loan of ₹ 700, 000 at 8.5 per cent interest rate, from the Central Bank of India, which had a repayment period of five years. The loan in effect was reduced to ₹ 500, 000 after the back-end subsidy of ₹ 200,000 was adjusted against the total amount. The monthly repayment amount of ₹ 11,500 had been paid by the group since April 2007, without any defaults.

**Difficulties or Issues facing the micro-enterprise** one of the main issues that the group faced was the *shortage of working capital*. The main cause was the delay in receiving payments from the ICDS office at the block level (*Vazhakkulam*), particularly during certain months. The unit managed by taking short-term loans against gold (most members had some gold with them, and they had also bought gold from the profits every year, keeping in mind the purpose of meeting short term capital requirements whenever a need arose). Another issue faced by the enterprises was the

*frequent changes in input prices.* For example, in 2009, wheat prices had gone up, but the firm was able to manage as the *Kudumbashree* mission at the state level had helped in securing supply of wheat at ₹ 4.2/kg from the food Corporation of India (FCI) with support from the Civil Supplies department. The cost of manufacturing a kilogram was calculated to be 37 ₹/kg while the supply price of Nutrimix to the ICDS was fixed at 40 ₹/kg. Thus changes in input costs not only affected the profitability but even the viability of the enterprise. There were also issues like the noise the production process generated and complaints from neighbours.

**Average Income/ member from the enterprise** all members received wages which was determined according to the number of days a member worked in a month, and also a share of the profits which was divided equally among all, once every year. They had shared profits in three years, 2008, 2009 and 2010. The total profit that was shared amounted to around ₹ 60,000 per member in these three years. The daily wages received for eight hours of work, during the first year (2007) was ₹ 75 per person, which from the second year was raised to ₹ 100 per person.

The members felt great deal of satisfaction in their achievement and felt the enterprise had made them confident enough to face challenges and difficulties in life. The women felt that the co-operation among them and from family members had made it possible to continue with the activity. In the case of the lady who was unmarried, the group members had persuaded her to keep her share of the profits as a fixed deposit in the bank, for meeting expenses at the time of marriage. The group was confident about receiving higher income from the enterprise in the future, particularly once the repayment of loan was completed.

### **7.2.2 Case II: Ruchishree Pickles**

At the time of the field survey it was observed that there were instances where the group enterprise had broken up and was operated by just a few, or even a single member after a few months in to the activity, as others lost interest or for various reasons left the group. One such enterprise is discussed here. The case deals with *Ruchishree*, an enterprise originally formed by five middle-aged married women, who were neighbours and belonged to the neighbourhood group 'Amma'. The educational

qualification of the members ranged from high school to pre-degree pass. Before entering in to the enterprise activity, the leader of the group, *Ms.Thankamani*, was working as a nursing attendant at a hospital in town. The group decided on making pickles and savouries as one member had worked in a pickle factory and had some experience in the field. The enterprise began its operations in October 2004, with a bank loan of ₹ 100, 000 from the Central Bank of India. The back-end subsidy cheque of ₹ 50, 000 was later received by the group which was deposited in the bank and adjusted against the loan. Less than a month in to the operations, two members left, and four months later, one more, as they did not find the activity to be worthwhile.

The remaining two members *Ms.Thankamani* and *Ms.Janani* struggled on and continued with the enterprise nurturing it, making different varieties of pickles until October 2009 when they decided to part ways, dividing the assets that the business had, namely some steel containers and utensils. Today both are in the same business but operate as individual entrepreneurs. *Ms.Thankamani* operates '*Ruchishree pickles*' while *Ms.Janani* is engaged in running '*Ruchisree Amma pickles*'. The original loan, for which the monthly repayment was ₹ 1,850, was fully repaid to the bank before parting ways. *Ms.Thankamani* and *Ms.Janani* maintain that they continue to be good friends and had separated to maintain that friendship. Both of them operate their individual businesses with the help of family members and sell their products mostly to regular customers (small retail shops and restaurants) as well as through the various monthly markets organised by the *Kudumbashree* mission.

**Reasons for the breakup** The break-up of the group run enterprise in to its present state can be divided in to two phases. The first break-up happened within the first six months when three members left. An important reason was the low returns received from the enterprise, as the group hardly made any money from the activity during the first year of operations, and therefore the members dropped out to engage in other activities. The reason for the final breakup in to individual enterprises after five years of jointly running the venture were issues related to sharing of work and money. The misunderstandings may have started since *Ms.Janani* was full-time in to managing the enterprise while *Ms.Thankamani* continued with her work at the hospital and was actually involved only part-time. As a result the entire work related to marketing the goods through monthly markets was done by *Ms.Janani*, who also equally contributed

in the production related activities. As the enterprise grew, *Ms. Janani's* husband, who had retired from the electricity board, became involved in the activity. This further intensified the feeling in *Ms. Janani* that she was doing much more work, but *Ms. Thankamani* who did not work half as hard, was also getting an equal share of the profits without equally contributing towards the work involved in enterprise operations. As misunderstandings increased, both women mutually decided that it was best to part ways before the relationship soured further.

**Working of Individual Enterprises** The two women ran their individual enterprises with some help from their family members. *Ms. Janani*, who sold her pickles under the brand name '*Ruchishree Amma*' was helped by her husband in running the monthly market stalls, while *Ms. Thankamani* had her college going children helping her with the transportation of goods from home to the six monthly market venues (located at *Angamaly, Kalamasserry, Aluva, High Court, Vyttila and Paravoor*) in the district. *Ms. Thankamani*, who had earlier worked as a nursing attendant while the enterprise was run jointly, had resigned her hospital job and was now fully involved (working about 16 hours every day) in enterprise operations. She was actively involved in both production and marketing, and did not employ any outsider as she felt the income from the enterprise was not substantial enough to pay wages. She operated from home and had converted part of her house in to a work area where she produced and stored her products. *Ms. Janani* on the other hand had employed another woman on a part-time basis and operated from a rented area which also acted as a retail outlet.

**Income from the Enterprise** The income from the enterprise was the main source of family income for both the women. Both felt it contributed about 75 per cent of the total family income. According to *Ms. Janani*, the monthly income (profits after all expenses) was about ₹ 7,500 but she did not keep proper records of the same. The same was the case with *Ms. Thankamani* who felt her income ranged between ₹ 6,000-7,500 per month and was satisfied being an entrepreneur and earning her livelihood. Both said their individual income was more than double of what each received earlier when they were working together and operated the jointly owned enterprise. Thus both were happier to run individually owned enterprises than the jointly (group) owned enterprise. *Ms. Janani* said, "*At least one is motivated to work hard as the income generated from one's efforts is substantial enough to support the family*



*needs*". Hence one of the primary reasons for the break-up may be that the income generated per member was very less and hence it was not sustainable, as it did not generate an income that could substantially contribute to meeting the requirements of their individual families. *Ms. Janani* who worked harder had no motivation as she felt she was not getting her just share of profits and had no incentive to continue with the group enterprise where she had to share the profits equally with *Ms. Thankamani*, who worked only part-time.

### 7.2.3 Case III: Punchiri Catering

Catering is one of the most popular entrepreneurial activities among the women micro entrepreneurs, primarily because many feel it is an activity which requires no special training and is easy to carry out from the premises of their homes. The activity is a very popular livelihood enterprise in both the urban and rural areas. This case deals with a group catering enterprise named '*Punchiri caters*' located in the *Kumbalangi* panchayat of Ernakulam. The word '*Punchiri*' in Malayalam means 'smile' and the group said that they always served their customers with a smile. The enterprise was originally formed by five women, who were neighbours and belonged to the same neighbourhood group. The group decided on catering as a livelihood activity primarily because they thought it could be done from the premises of their own homes, utilising their 'spare time'.

The activity was started by five middle-aged women with Ms. Lily as the leader, who at 45 was also the oldest member of the group. All members belonged to similar socio economic backgrounds. Three of the ladies had completed high school, while none had attended college. All were married and had either school or college going children. Most of the members had their spouses engaged in various small occupations, like masonry; light commercial vehicle driving, plumbing and painting, while the leader's husband did not do any work.

**Enterprise Operations** The enterprise began its operations in April 2003, with a bank loan of ₹ 70,000. The back-end subsidy cheque of ₹ 35,000 was later received from *Kudumbashree*, which was adjusted against the loan. The members also put in ₹ 3,500 with all members contributing equally. The loan had a monthly repayment of

₹ 800, a repayment period of 36 months and an interest rate of 12 per cent. The loan was repaid in full before time. Part of the loan amount (₹ 25,750) was used for buying some cooking utensils, serving plates (about fifty plates and glasses were bought), a big table and two gas stoves and cylinders. The group spent about ₹ 5,000 on constructing a shed where some of the cooking (particularly the rice, which had to be cooked in huge aluminium vessels) was done, using firewood, instead of gas as substituting cooking gas with firewood helped in reducing overall expenses. Six months later, the enterprise had also made an additional investment of ₹ 6,000 for buying some more cooking and serving vessels.

The group had decided that they would accept all kinds of catering orders and would deliver the order whether it was at an office, a banquet hall or at some one's home (as long as the minimum order was for 10 persons) and also for bigger functions like marriages, where the number of meals supplied could be as big as 500. Less than a month in to the operations, one member left, as her husband did not find the activity to be worthwhile. According to the leader, *'He did not like his wife going for delivering and serving the order at the clients' place'*. The remaining four members continued with the activity. A year in to the operations, another member got an opportunity to work at a fish processing plant, where the daily wage was ₹ 150, and as a result left the enterprise. The remaining members carried on, though it was difficult for them to carry out all the activities like purchasing raw materials, and preparing and delivering the food at the clients' place on time, especially as the group now only had three members to do all these activities. But because of the efficient leadership of Ms Lily, the enterprise continued to receive healthy orders (on an average about three in a month during the initial months). The group also received help from Lily's husband who became involved in the operations. After two years of operations, the group received 10-15 orders in a month where the order size ranged from 20-500 meals.

**Transformation of members to wage earners** Initially all members were sharing the profits equally, but over a three year period, a single member controlled the group completely. This end was resulted as Ms. Lily (who was also the leader) managed to convince her group members Ms. Ammini and Ms. Anne that the entire profits of the

work should go to the person who brought in the order. According to them, the most difficult part was to get the order as there were too many competitors. The ‘incentive’ of allowing the entire profit being given to the member who brought in the order helped as all worked towards bringing in more orders.

But over a period of time, all orders seemed to have been brought in only by Ms. Lily, with the help of her family, relatives and friends. Thus, she took charge of the enterprise, receiving all profits, with others accepting it. Both Ms. Ammini and Ms. Anne felt that it was the hard work of Ms. Lily that resulted in their catering unit doing so well in comparison to competitors in the locality and it was because of the profit sharing ( or lack of it) arrangement that the group had devised.

**Income from the Enterprise** The income from the enterprise was the main source of family income for Ms. Lily who was earning about ₹ 8000-10,000 every month, from the enterprise. For the other two ladies, who helped Ms. Lily, the income earned contributed about 25 per cent of the total household income. Both of them received ₹ 200 per person for a days’ work, and earned about ₹ 2,000 on an average every month. Also if the order came through their efforts (or contacts) they also received the profits earned from the order. All the three ladies seemed to be happy with the working arrangement where the profits belonged to the person who was responsible for bringing in the order. They felt it was perfectly justified as only regular orders ensured regular income to members.

#### **7.2.4 Case IV: Nirmal Nize Bakery**

This is a bakery unit which has many unique features, one of them being the fact that it employs two male workers. The bakery is located in the *Kazhathumuttom* area in the town of Fort Kochi in Ernakulam and has survived because of the perseverance and determination of one member, Ms. Elsy Basil. The enterprise was originally formed by ten women, who were neighbours, with four belonging to one neighbourhood group (SHG) and the others from two other neighbourhood groups under the same Area Development Society (ADS). The group decided on starting a bakery as a livelihood activity primarily because they thought there would be good

demand from small stores and bakeries in the nearby towns. These bakeries/stores were outsourcing fresh baked products like patties and breads.

The activity was started by ten middle-aged women under the leadership of Ms. Elsy Basil, who was the convenor of the activity group. The members were middle-aged and were from three different NHGs. Ms Elsy became the leader since she had initiated the formation of the activity group and was also one of the senior most members of the group. All members belonged to similar socioeconomic backgrounds, with the spouses of seven engaged in small jobs like carpentry, painting, plumbing, masonry, professional driving and so on. Two women were widows while one was an unmarried woman who was staying with her brother. These three women belonged to the same NHG as Ms.Elsy. Three out of the ten women had completed high school, while no one had attended college.

**Enterprise Operations and Investment** The enterprise began its operations in December 2004, with a total investment of ₹ 2,50,000. A bank loan of ₹ 1,15,000 was availed and the group members contributed ₹ 10, 000 with each women putting in ₹ 1,000. The back-end subsidy cheque of ₹ 1,25,000 was later received from *Kudumbashree*, which was adjusted against the loan. The loan had a 12 per cent rate of interest, a monthly repayment of ₹ 2,500 and a repayment period of 60 months. The loan was fully repaid at the time of the interview. The enterprise also made an additional investment of ₹ 35,000 for buying an egg mixer, grinder and baking trays. A major part of the initial investment (₹ 1,12,000) went in to the purchase of the oven and a flour mixing machine. The machines were installed in a separate room in the group leaders' house. There was no rent charged for this room, as the enterprise was having a tough time to even continue its existence during the initial years. The rest of the money was utilised partially for buying raw material and the remaining was kept in the bank account for meeting working capital requirements.

The group decided that they would sell bakery items on wholesale basis only. The strategy was that they would try to sell their products to small bakeries in the towns nearby by canvassing bulk /regular orders. The reason for deciding on wholesale sales was mainly the fact that they did not have the required financial investment to run a

bakery by hiring a store in town, where the rents were exorbitant. Neither did the enterprise have the capability to compete with big bakeries which not only carried a variety of products but also was very beautifully done up with expensive and attractive decor. In the initial days all members together made the bakery products, which were restricted to four items, patties, buns, bread and sweet *paranthas*. All members worked towards the production with moderate levels of segregation of work.

**Reasons for the Conflict among the members in the Enterprise** Less than three months in to the operations, problems started among the members with six of them declaring that they were not interested in continuing with the enterprise. They demanded their share of the subsidy amount (₹ 12,500) as they considered it their right (subsidy is given to a group on the basis of number of members with a maximum limit on the amount depending on the nature of the government programme). According to those who continued with the activity (all members from a single NHG), women from other groups had joined with the aim of obtaining a 'share' of the subsidy amount (₹ 1,25,000). They had even suggested that the group should just stop real business operations after few months, and therefore should invest only a minimum amount in machinery (fixed assets) to pass inspection by the bank and the programme officials (The *Kudumbashree* mission has appointed micro-enterprise consultants (MEC) in every district to monitor the working of enterprises). They had suggested that they could just pretend they were working and over a period of time (one or two years) just close down completely, claiming losses. This would help them to divert part of the loan and subsidy among themselves (dividing equally) and the final outstanding loan amount could be repaid back jointly by all of them contributing to monthly repayments (from income of other family members or self).

The main reason for the break up may be 'adverse selection' as all were not genuinely interested in carrying out the entrepreneurial activity for which the loan and subsidy was granted. The interest of some members was towards dividing the subsidy amount which was a 'substantial amount' that was received 'free'. But in this case few members from one NHG were genuinely interested in operating the enterprises and therefore there was conflict of interests. Finally, the problem was settled with the convenor of the activity group, Ms. Basil, and the remaining three members agreeing to give ₹ 5,000 each as share of the subsidy to six members (belonging to two other

NHGs) who left the enterprise. As per *Kudumbashree* rule the subsidy amount has to be repaid if the group does not stay together for a minimum period after availing the subsidy. But the rule was never implemented, as the task was almost impossible to achieve because of the socio-economic status of the borrowers as well as lack of political will among the leaders.

Some of the members who had left the enterprise had tried to claim their full subsidy share later, as the enterprise flourished. The issue was settled with the UPAD- Fort Kochi office intervening and settling the dispute. All members were made to understand that no one had claim to the subsidy amount individually and could not ask for any compensation or share of the subsidy.

**Micro-Enterprise Operations after the breakup** the enterprise continue to operate as a group enterprise with four women. But one has become dominant over others because of her greater involvement and leadership skills. Today, all women work in the enterprise for four hours, except on Sunday, with Ms. Elsy being in charge of the entire operations. The male workers were hired in 2008 at a monthly salary of ₹ 7000 and ₹ 5000, as the physical work involved in rolling the patties (one of the main product of the bakery) became extremely difficult for the women, who also recognised their incapability to do this work efficiently (which for about three years was done by them). The firm over a period of time has grown and on an average sells goods worth ₹ 3,750 per day while the cost per day averages about ₹ 1,750. The enterprise sold their products in small bakeries in the nearby towns and also had a regular daily order for 300 patties.

**Income from the Enterprise** The monthly income earned by the members from the enterprise was not uniform. The leader took ₹ 4,000 as the monthly salary while the other three women received ₹ 2,000 each (In this enterprise the money matters were solely handled by the leader). The three ladies seemed to be happy with this arrangement as they felt the leader was trustworthy. During the interview they had remarked that the involvement was much higher for Ms. Elsy and the enterprise survived only because of her determination. Also the enterprise operated from Ms. Elsy's house in a separate room and there was no rent charged. The members also felt

that the leader's husband had substantially helped the group to overcome various crisis stages during the initial two years as they had suffered a lot of loss due to lack of experience and know how.

The enterprise did not have expansion plans with respect to daily production, but planned to diversify in to other products like burgers and cutlets. Every month, the enterprise saves a part of the profit so as to build a corpus for buying machinery in future. The members were confident of achieving this task, as the prices of bakery equipment had fallen and they were also saving a decent amount every year (₹ 12,000 every year since 2008) and had build a corpus (This was a positive aspect as most enterprises did not cater to huge but inevitable future expenses).

### **7.2.5 Case V: Ushas Restaurant and Catering**

The case deals with *Ushas* Restaurant and catering which operated a restaurant that served breakfast, lunch and tea. Catering orders were taken up only occasionally as the group felt it had inadequate resources for both activities. It began its operations in January 2000 and had survived over a decade which was a longer period in comparison to many other enterprises that were surveyed.

The enterprise was formed by a group of ten middle-aged women, from four neighbourhood groups but from the same ADS (Area Development Society). After commencement of operations, six members left, citing health and family problems. The business activity was continued by the remaining four who decided that they had to stay on at least until the loan was repaid.

**Total Investment and Enterprise Operations** The business started with an initial investment of ₹ 100, 000 with half of the amount being bank loan and the other half being subsidy. Later they had also taken a loan of ₹ 50, 000 from a private lender in the area to repair the dilapidated room (without a roof and only partial walls) which the corporation had provided to them for operating the business in 2004. The group within three months had closed the loan, by adjusting the subsidy against it. This meant that the total capital that was actually invested in to the enterprise was only

₹ 50,000. According to the group members the loan account being open was a huge burden on their heads especially as they were worried about meeting the monthly repayments. It is also probable that they must have paid a much higher interest for the loan they had taken from the private lender but they were comfortable with it.

The enterprise started its operations in a small tarpaulin covered shed near the beach in Fort Kochi and was open between 6:30 in the morning till the same time in the evening. Two of members worked from 6:30 in the morning to 4:30 in the evening while the other two worked from 8:30 in the morning to 6:30 in the evening. All activities from purchase to cleaning, cooking and serving were done by the four women with no hired help. Other than breakfast and evening snacks and tea, they also served on an average about 60 lunches every day.

According to Ms. Ridhu, the leader, *“Lot of people prefer to come to us even though there are bigger restaurants than ours nearby. This may be since we have the Kudumbashree brand name, and serve good quality food prepared under hygienic conditions. Also since we do not have a refrigerator, all our customers know that everything served on a particular day has been cooked on that very day and are not leftovers of the day before”*

**Income from the Enterprise** The profits were divided on a daily basis which on an average was about ₹ 1000 per day. On days when business was good or when more people visited the area like Saturdays and holidays, each was earning ₹ 300-350 per head. Thus every member earned ₹ 6,000 or more every month from enterprise activity which helped all to contribute substantially to household income.

**Daily Settlement of Accounts** The enterprise settled its accounts on a daily basis, with every day starting with fresh cost and revenue accounts. The entire cost for the day was calculated and this was deducted from whatever was collected from sales (turnover). After keeping the money required for the expenses of the next day, as well as ₹ 100 for paying the monthly rent, electricity charges and contingency expenses (₹ 1600 + ₹ 600 + ₹ 400), the rest of the profit was divided among the members equally. Daily settlement may be highly suitable for such small and group operated



enterprises in comparison to weekly or monthly settlement and has certain advantages.

A positive aspect of everyday settling of accounts is that the financial disputes which are a major reason in break-up may not occur as the accounting is done in front of everyone and the chances for omissions and errors in calculation is minimum. Again as profits are distributed on a daily basis, only those members who came to work on that day are eligible for the profit share. Thus there cannot be any complaint about a member being absent for some days in a month but being paid an equal wage or salary as all others who had worked on all days. Since the reward for the labour is immediate, and distributed to the members at the end of the day the motivation to continue with the enterprise may be higher.

#### **7.2.6 Case VI: Kripavaram Hotel and Tea Shop**

This case deals with *Kripavaram* hotel and tea shop which was set up on public land by a group of ten women. The shop closed down as it was demolished by the ‘locals’ in the area. The members said this happened because their shop was on a public land which was not in the ward to which the NHG members belonged. Some people who were residing in the nearby houses were envious of the success of the women who were ‘outsiders’ and wanted to start a similar enterprise on the same piece of land. The enterprise began its operations in May 2002 and had operated for 30 months when their shop was demolished overnight by people in the area.

#### **7.2.7 Case VII: Vanitha Canteen**

The case deals with a canteen that began in January 2000 by ten women with in the premises of *Paravur* municipality. Initially, the members in addition to the canteen had also rented a shop from where they had operated a restaurant. The food was cooked there and the employees of the municipality, who were regular clients, were also served there. Until 2005, all members had worked together and were getting a good income when three dropped out. One had got a job abroad; another fell ill while in the case of the third a relative was terminally ill and needed care. Later four more dropped out. This resulted in the remaining three members winding up the operations

in the shop and deciding to serve only tea and snacks. All women belonged to the same NHG, and were predominantly housewives. At inception, all except two were married and were between 26 and 46 years of age. The project cost was ₹ 2,50,000 of which 50 per cent was subsidy (from the SJSRY), and with this the group had furnished the shop as well as the small area that was allotted to them within the municipality building. For both these, they had incurred an expense of ₹ 36,700. Except dinner, all meals including breakfast, lunch and tea were served with all members taking turns to cook and serve, as well as for manning both places.

**Income from the Enterprise** The accounts were settled on a daily basis. All sales except those to the employees of the municipality office were on cash basis and the daily expenses were met through the revenue generated through these sales. All items were bought on a daily basis. At the end of the month, on an average members received about ₹ 2, 000 per person. The three members who were continuing in the business were happy with the income, particularly as they were no longer young (oldest being 56) and found the work to be simple and easy.

#### **7.2.8 Case VIII: Technoworld Soft Tech, Paravur**

**Evolution of IT Units** The *Kudumbashree* mission saw an opportunity when the High Court of Kerala in 1999 initiated steps against the department of *Panchayat* for contempt of court and for not complying with the court order to provide provident fund cards to about 10,500 employees working in 991 panchayat and 14 district offices. The delay of about eight years had occurred and therefore the department was summoned by the court. The delay had happened as it was a herculean task to prepare all the cards manually and in spite of approaching certain private agencies and a prominent government company for the computerised preparation of the cards, it was not successful in getting the work done. At the time, bulk data processing was done by only a few big players who had large number of computers at their disposal.

This situation prompted *Kudumbashree* leadership at the state level to look in to the possibility of its members venturing in to computerised data processing units by harnessing funds from different self-employment programmes of both the centre and the state. The message was conveyed to the district mission at *Thiruvananthapuram*,

and the CDS in the corporation area was entrusted with the task of identifying qualified and interested women from the NHGs. The response was tremendous as many came forward, from which after a series of discussions and capacity building trainings 10 poor women were selected for starting the first data processing unit of *Kudumbashree*, “Technoworld Digital Technologies”. Since then, more than 100 IT units have been established in the state, which has opened avenues for gainful employment to women with secondary and higher secondary education, which is the segment recording the highest incidence of educated female unemployment in Kerala (Mridul and Praveena, 2005).

**Establishment of Technoworld Soft Tech** The enterprise was formed by a group of ten young women, all unmarried, belonging to different NHGs (but same ADS). All members were in the age group of 18-23, and had completed higher secondary at the time of joining the group. Some continued with their degree courses and had completed them after entering the enterprise activity. One member left within a month, but the rest continued to work together for about two years. There after the unit experienced a fifty per cent drop out of members as two left due to marriage while two others got clerical jobs in the government. The business activity continued to struggle, and within the next three years, four out of the remaining five dropped out due to marriage. In spite of some of these married members not leaving the area they could not work or be part of the group enterprise as the spouses of the women were not in favour of their wives working as they had ‘decent’ jobs.

**Total Investment and Enterprise Operations:** The business started with an initial investment of ₹ 2,50,000 with half of the amount being a bank loan and the other half, the subsidy. The repayment was ₹ 2,700 every month and the loan was completely repaid after 52 months. The enterprise began its operations in 2002 with six systems. Some members at the time, worked part time as they were attending college. The enterprise worked from the rented premises in the municipal building and right from its inception, members earned according to the work put in, which resulted in some earning ₹ 1,500 per month while some others earned more than double the amount. The enterprise received work from various government departments, mostly involving digitisation of records like the BPL list, election cards etc which were all completed in time. But with time, members dropped out due to reasons as varied as marriage,

obtaining regular jobs, working odd hours (particularly at night, when there was some time pressure involved in completing a work), irregularity of payment etc. The member who remained with the enterprise continued to work from the municipal building, and also conducted training in the basics of computers at nominal fees.

**Income from the Enterprise** The payment though irregular was never below ₹ 1500/month/person right from inception. In spite of this, many were not happy as there was no certainty of the 'date' of payment. Thus lack of entrepreneurial attitude and the ability to withstand uncertainty resulted in the enterprise being left with just one member by 2007. The member continued with the enterprise and hired six employees on a part time basis. Today it operates with the help of part-time employees who are paid according to the quantity of work done. For example, during the digitisation work of the BPL records, for entering details of 'A form' the payment was 50 paise, while for the 'B form' it was ₹ 1.50 paise. At the time, 12 girls were employed on a part-time basis and had received on an average, ₹ 6,000 per head for the work. The enterprise for the work of entering the details of A and B forms was paid at the rate of ₹ 1 and ₹ 3 respectively. The enterprise had recently received digitisation work of NHG and the rate for entering the NHG details was fixed at ₹ 30/NHG. Twelve people on part-time basis were engaged in the work and were paid at the rate of ₹ 10/NHG entry. The woman entrepreneur or the single member who continued with the enterprise was one of the few women in the sample who had earned a five-digit monthly income from enterprise activity. In 2010, she had on an average earned about ₹12,000/ month from the enterprise after meeting all expenses and payment of wages. The enterprise plans to bring in new members in future as it wants to become part of the IT consortium which mandates member units to have at least five members.

### **7.2.9 Case IX: Cherupushpam Hollow Bricks**

The hollow/concrete brick unit was initiated with a total project cost of ₹ 2,00,000 by Ms. Barbara Xavier and nine other women belonging to a single SHG in *Mundamvely*. The project had received a subsidy of ₹ 1,00,000 under the SJSRY scheme. Since the activity was tough (cement and metal had to be mixed and poured

in to metal frames to make blocks), four members had dropped out within a year, and had gone back to working as domestic helps in the city. At the time of the survey, the remaining members were finding it difficult to continue as the place they had used for carrying out the manufacturing activity (area around their houses was used as a yard for storing the raw material, carrying out the manufacturing as well as for storing the finished goods) had shrunk in size as two members had constructed additional rooms. The leader herself had given up working as a domestic help in a doctor's house to start the hollow brick unit in December 2007. Her erstwhile employer was repeatedly asking her to rejoin and had offered a salary of ₹ 6,000 per month for working 8 hours/day with a weekly off (this was much more than what she was currently earning from the unit). The unit had not paid its monthly instalments and were desperate to receive the revolving fund of ₹ 25,000. The CDS personnel had informed that the revolving fund was not yet granted to the group as many members had stopped being involved and the unit seemed to have exhausted the working capital and was not carrying out the manufacturing activity on a regular basis. The group members were keen to start off with some other activity which was less laborious and felt that they had chosen a wrong activity. The members were also hopeful of receiving a bigger subsidy and a loan from 'Matsyafed'<sup>22</sup> for starting some activity related to fisheries.

#### **7.2.10 Case X: Chaitanya Waste**

The case deals with a solid waste management unit that began its operations as part of the 'Clean Kerala' project. Under the 'Clean Kerala' type of micro-enterprises, women from poor families and belonging to NHGs of *Kudumbashree* are engaged in door to door household waste collection and transportation to the transit points fixed by the Urban Local Bodies (ULBs). By November 2008, there were about 40 such units in Ernakulam and 155 units in total across the state.

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22. The Kerala State Co-operative Federation for Fisheries Development Ltd is popularly known as the Matsyafed. The organisation was formed with the objective of liberating the fishermen from the clutches of middle-men by organising cheaper credit. The organisation is working towards the overall development of the community by encouraging and facilitating their participation at all levels including the marketing so as to improve their incomes.

The 'Clean Kerala' venture is estimated to have a potential to generate around 30,000 jobs<sup>23</sup> in the state. Under 'Clean Kerala' project, each urban household has to compulsorily segregate its daily waste into bio-degradable and non-biodegradable bins, which is then collected by waste management units operating in the area. *Chaitanya* waste began operating in the municipality of *Kalamasserry* in 2008.

The ten women who joined to form the group enterprise belonged to the same area but were from two different NHGs. The education of the members ranged widely, with one member having passed higher secondary (Class XII), while some had studied only up to the second standard. The age of the members also varied widely with the oldest woman being 52 years while the youngest was twenty years her junior. Only five of the women had husbands' earning regular incomes, and in the case of the rest, they were the primary bread winners of their families. At present, out of the ten women, nine (one member had dropped out in the first month) continue to work in the enterprise and are happy with their work. In the beginning, they had found it hard as the nature of work was not only difficult but also 'demeaning' as they were looked down by the society as 'garbage collectors'. But with the passage of time the members as well as the society understood that there is dignity of labour and every work no matter how small is significant to the well being of society.

**Total Investment and Enterprise Operations:** The business started with an initial investment of ₹ 2,70,000. The loan amount of ₹ 2,50,000 was supplemented by the back end subsidy of ₹ 1,25,000. The women had also invested ₹ 20,000 which was a loan (was repaid by the group within a year) from one of the functionaries in the ULB. The group was repaying ₹ 5,000/ month as they wanted to close the loan as early as possible, and after 26 months, had just ₹ 60,000 as the outstanding loan amount. The enterprise began its operations in March 2008, after they had bought the Tata Ace which facilitated the garbage collection operations. The enterprise operated in two four hour shifts (9AM-1.30PM and 2PM-6.30PM), with 5 women working in the morning shift and 4 in the afternoon. At the end of the day, members cleaned the vehicle and equipments and readied it for the following day.

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23. The calculation is based on the fact that there are 1,895 wards in the 58 urban local bodies. If there is one waste collection group of 10 women each in every ward, a total of 1,895 units can be established providing employment to 18,950 women. In addition, *Kudumbashree* estimates that 10,000 women can be employed in turning the degradable waste into vermi-compost.

One negative aspect for the enterprise was that they were dependent on their employee, a male driver (in 2010 was paid ₹10,500/month) to drive their waste collection vehicle. Even though one of the women had learnt driving for the purpose, the group was not confident to let her drive, as she had caused a small accident during the initial days.

**Income from the Enterprise** In the first few months the members earned about ₹ 350 per head from the enterprise. The amount at the time was low, as they were collecting waste from only about 400 houses. With the passage of time, the entrepreneurs canvassed and convinced more households, hotels, and housing societies to dispose off their solid waste through them. Today they collect waste from more than 2000 clients, including six hotels, three housing societies, and eight flats. Each member in 2010 had received ₹ 5,000 as salary/month. The monthly turnover for the enterprise during the year was around ₹ 70,000. The major expenses incurred were mostly those related to the running and maintenance of the vehicle, which included the salary (₹10, 500), diesel (₹ 4,000) and the EMI (₹ 5,000). The enterprise wanted to become independent and become self-reliant, particularly with respect to driving the vehicle. In order to achieve this goal, two members were attending driving classes. At present they are having a huge disadvantage as they are operating at the mercy of someone who has given them trouble due to his irregularity as well as repeated demands for salary hikes. This step would also raise the salary of each woman by a thousand rupees without increasing the work. The group regularly saves ₹5,000 every month towards a contingency fund, which is deposited in to their savings account to meet any unforeseen expenditure like vehicle repairs.

In the next section, some of the common reasons that made enterprises engaged in certain common activities like catering, restaurant operations, data entry, tailoring, provision stores and others are discussed.

### **7.3 CAUSES OF MICRO-ENTERPRISES BECOMING INACTIVE**

Analysing the performance of all active enterprises in the sample, it was felt that the reasons for enterprises turning inactive needed careful study and detailed discussion.

It was noted that out of the 250 randomly selected enterprises, 30.8 per cent were inactive at the time of the survey. There were some similarities as well as differences behind the enterprises becoming inactive. One enterprise that stopped operations had done so just after eight months while there were enterprises that had operated for more than six years before calling it a day. It was also observed that in certain activities, number of enterprises that became inactive was higher. Some of these are discussed below.

### **7.3.1 Catering**

Out of the total catering units that were selected in the sample 55 per cent (eleven out of the twenty) were inactive. Some of the common reasons cited by the members for discontinuing the enterprise activity are discussed below

- Lack of demand (as there were too many competitors)
- Water shortage in the area due to which operations became difficult
- Income obtained was too low so some of the members became engaged in other activities. As a result, over a period of time members remaining in the group found it difficult to continue on their own
- Money got diverted for other uses, depleting working capital
- Drop out of members and group size became too small to continue operations
- Infighting within the group due to one/two members swindling money

A catering unit '*Margadeepam*' in *Kumbalangi* panchayat had stopped operations due to water shortage, competition from similar catering groups in the area and also since 4-5 members started going work under NREGA. Another enterprise, '*Surya Catering and Panthal*' had stopped operations as they had depended upon male workers for panthal fixing and dismantling which became very expensive and thus non remunerative. The group even sold off their assets in 2008 after operating for three years.

### **7.3.2 Restaurant Operations**

Here out of the 14 enterprises, seven or 50 per cent had turned inactive. Some of the reasons for becoming inactive were



- Members could not renew the lease period of the room/place from where they were operating initially
- Conflict over various matters like pilferage of food and money; also due to unequal contribution towards enterprise operations
- Drop out of members

*Kripavaram Hotel & Tea shop:* The shop was in a makeshift place at *Thoppumpadi* on public land which was demolished after 30 months of operation by people living in the adjacent plot to start own shop;

*Sheetal Restaurant at Thammanam:* The restaurant operated for almost seven years before completely winding up. In the end, members were not ready to work together as there was lot of conflict due to some members engaging in pilferage (i.e. some took home cooked food items and even grocery like oil, sugar, rice etc). Finally two members tried to operate the establishment but could not continue for long.

### **7.3.3 Data Entry Operations**

About 25 per cent of the total data entry units in the sample had turned inactive by 2010. Data entry was an activity that had received substantial support in terms of both subsidy as well as organised marketing support. Most of these units received data processing work on a regular basis mostly from government departments, which were sanctioned at the state level (for example, voter ID card work, ration card work etc), which subsequently was allocated to the *Kudumbashree* data processing units in all districts. But the distribution among units was not uniform as capabilities differed. Few job works were also obtained locally by the units but this did not comprise even five per cent of the total sales. Out of the inactive units, 66.7 per cent of enterprises became inactive due to member drop out, while 33.3 per cent had decided to quit as they were not getting enough work from the *Panchayat*. Most urban enterprises had operated for a substantially longer period in spite of member drop out. Common issues facing these enterprises were

- Drop-out of members due to alternate employment, marriage etc.
- Over dependence on government work for obtaining business/ job works (two rural units had turned inactive as they did not have enough work).

- Irregularity in receiving payment for completed works. This resulted in uncertainty in the monthly income received from enterprise by individual members. It also created problems in meeting salary and wage obligations in 77.8 per cent of the active enterprises which had employees working on either full-time or part-time basis. Hence working capital management was a major problem for these units.

#### **7.3.4 Hand-Made Paper Bags**

Many had ventured in to paper-bag making because of a 'plastic bag ban' but found hardly any demand for the product once they became operational. This was because of the ban being partial, the product an ineffective replacement, as well as the competition from jute and cloth bags. Within few years of operation, 44.4 per cent of enterprises had become inactive because of the above reasons, while those continuing with the activity struggled with low levels of sales and income. Only in the case of a single enterprise, *Gift paper bags* which had innovated and was selling through the monthly markets as well regular shops, the income received by members was higher than ₹ 2,000/month. Here members had dropped out (with only 4 members or 40 per cent continuing), which may have helped the enterprise to work as a more cohesive group. Common reasons for becoming inactive were

- No demand and therefore low sales and revenues.
- Not possible to earn a worthwhile income from the activity

#### **7.3.5 Machine-made Paper products**

Out of the 12 enterprises that ventured in to making paper products like glasses and plates, only 16.7 per cent had turned inactive. But majority of the active units were on the verge of closure due to a common problem: competition from Chinese imports. This resulted in drop in market prices of the product but the cost of raw material for the enterprises remained the same. Some common problems faced by all involved in the above activity were

- Unable to buy raw material in bulk so could not avail benefit from cheaper rates
- Unable to compete on price with big manufacturers

- Drop in product price due to Chinese imports completely eroded profit margins and made even loan repayments difficult
- Monthly Repayment burden was huge
- Drastic drop in the monthly income earned from the enterprise

### **7.3.6 Soap and Detergent Making**

Out of the 10 enterprises that ventured in to soap and detergent making, 70 per cent had turned inactive. The groups that stopped operations cited some common problems which are discussed below.

- The product could not compete against the branded and attractively packaged substitutes available in the market and hence had to be satisfied with low sales.
- Could not reduce price to compete against low priced soaps and detergents sold by some of the big brands as only quality ingredients were used.
- The enterprise activity failed to generate a decent income to the members

### **7.3.7 Provision Stores**

As many as thirteen groups in the sample had ventured in to this activity, of which 38.5 per cent were inactive at the time of the survey. Out of the remaining, 23.1 per cent had converted from group to individually operated enterprises. Out of these, two had experienced voluntary member drop-out as it was decided by the group to allow the person with the 'greatest need' to earn a livelihood from the enterprise. In the case of the third, *Chaitanya provision store* at *Malayattoor* the members at inception took a share of the subsidy before leaving the enterprise in charge of one group member. The main problem or issue faced by members was

- Tough competition from similar shops nearby as well as bigger retailers selling at discounted prices.
- Problem of 'credit sales' made to 'known' people with in ones' locality. Some of this became bad debts, which depleted the working capital over a period of time.

## 7.4 CHAPTER SUMMARY

The case studies provided a closer picture with respect to aspects like group dynamics, specific problems pertaining to operations, good practices followed, elite capture of the enterprise and many other aspects. Some of the reasons for closure of enterprises also came to light.

There was a tendency for *members to drop-out from group activity after a few months*. The reasons for drop-out of the entrepreneurial activity were many, the common ones being, an employment which provided a regular monthly income, marriage, illness of self or some family member, and so on. Some other unspoken but real reasons included hostility from husbands, conflict among group members' etc. The hostility was probably higher in cases where the activity failed to provide substantial or 'worthwhile' income to the family. The group also preferred the 'hardly working' members dropping out rather than remaining as 'sleeping' members with zero contribution to the progress but with claims on profits. Again, though large number of members was beneficial while availing the loan and particularly the subsidy it was better if there were only few members when the profits/ income had to be shared. Thus, in enterprise activities where the revenue and profits generated by the activity, particularly during the initial periods was low and the income received by the individual members was also very low (on an average less than ₹ 250 per month in many enterprises) some of the members dropped out if they were cleared of all financial obligations.

There was also the problem of 'elite capture' which is the term used when *some members take charge of the enterprise after a few months/years in to the group activity*. This may have occurred due to increased involvement from family members. Again it was facilitated or even a requirement because of member drop-out. At times, within the group, one member became dominant (usually the one who took the initiative to form the activity group and start the enterprise) because others were ready to accept all suggestions and were generally meek.

Many *group enterprises had 'inactive' members* who were not involved in the enterprise activity as they were in to other activities including full time jobs. In urban

areas, almost every group enterprise had few members already engaged in some work, predominantly as domestic help/ part-time house maids who were earning good monthly income (some even around ₹5,000 per month). These members were not fully involved in enterprise operations and had joined the group for enabling them to get the maximum possible subsidy and loan. Some of them had joined in to ‘help’ the ‘activity group’ formation from the neighbourhood group and were there only in name until the project amount was sanctioned.

The *repayment* was regular but in almost all cases the group members did not pay back a ‘fixed’ amount but were paying ‘*according to capability*’, and in some cases much more than the amount so that they could ‘close’ the loan as quickly as possible. Many members had no idea about concepts like equated monthly instalments (EMI) or even the rate of interest that was being charged. They only knew the repayment amount and also that if they repaid larger amounts every month, their loan would ‘get over’ faster. Account books were kept updated on a regular basis until loan amount was repaid and the account closed, after which many groups seemed to be less diligent with book keeping. It was also observed that many groups stayed together until the loan amount was repaid after which some members left, more so in urban areas where there were enough employment opportunities available.

In some cases, enterprises had performed well until similar businesses (many supported by *Kudumbashree*) sprang up in the neighbourhood. This happened due to the common tendency to emulate successful enterprises by activity groups when choosing enterprise activity which resulted in mushrooming of enterprises engaged in offering the same product or service in a small area. This resulted in both reduced sales revenues as well as decline in average monthly income earned by individual members. In many cases particularly in restaurants, catering, provision stores and direct marketing enterprises, members divided the profits after keeping aside cash for buying raw material for the next cycle. This could even be the next day (in case of some restaurants which settled accounts on a daily basis) which ensured financial discipline, limited fraud, and also ensured rewards with minimum time-lag.

The following chapter is the final Chapter of the thesis and deals with conclusions and policy recommendations.

## **CHAPTER VIII**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **8.1 INTRODUCTION**

The major findings of the study, conclusions drawn from them and policy recommendations are presented in this final chapter. The research was carried out with the objective of understanding the performance of group owned micro-enterprises initiated, owned and operated by 'women only' groups. Some of the specific objectives of the research was to study the performance based on area, activity, group size, project cost, bank loans as well as subsidy and marketing support received. The sample of 250 micro-enterprises selected in the study was handheld by *Kudumbashree*, the poverty eradication mission of Kerala and was operated by 'activity groups' of women belonging to neighbourhood groups or self help groups. The enterprises were selected from both rural and urban areas, and were engaged in broadly thirty different activities.

#### **8.2 MAJOR FINDINGS FROM STUDY**

The performance of micro-enterprises, with respect to growth in sales revenue and individual income generated varied according to area, activities chosen and broad sectors. Out of the five broad sectors, enterprises under animal husbandry, services and food processing performed comparatively better than those in hand crafts and small scale manufacturing. A larger proportion of enterprises under services sector had generated substantially higher per capita income with 21.7 per cent generating ₹ 5,000 or above as monthly income to individual members. Out of all active enterprises it was observed that 42.8 per cent of enterprises in small scale manufacturing, 84.4 per cent in services, 64.2 per cent in animal husbandry, 33.4 per cent in handcraft and 61.1 per cent in food processing had generated a minimum monthly income of ₹1,500 to individual members.

Certain enterprise activities performed relatively better than others, and generated sizable sales revenue and income to members without any organised support from

governmental or quasi governmental institutions. Some of these enterprises were engaged in the production of goods or services that were in demand in the locality and were engaged in activities like tailoring, dairy, goat rearing, waste management, ethnic food preparation, flour milling and oil extraction. In majority of these enterprises, at least sixty percent of the group members continued with enterprise operations, that is, the drop out of members was comparatively lower, and the sales revenue as well as the income received by individual members in the group had grown over time.

It was observed from the sample that out of all women who had entered in to various group enterprise activities just 50.4 per cent continued to remain engaged. Drop out of members as well as the proportion of enterprises that became inactive was high in activities like direct marketing, provision stores, catering, restaurants, soaps and detergents, umbrella making, book making and fish processing. Most of the enterprises engaged in these activities had suffered from intense competition from big local and even global products. The tendency of enterprises becoming 'inactive' as well as member drop-out was high during the initial years, but after a few years stabilised, with active enterprises functioning under the leadership of a couple of members who remained in the enterprise during its initial years of struggle. In order to function normally, in certain activities like data entry, enterprises that had suffered substantial drop-out of members had to hire employees. These data entry units had tie-ups at the state level for receiving work from government departments and most of them despite reduced members were functioning well due to good flow of work.

Certain enterprises, like those engaged in Nutrimix (food supplement) making, waste management and dairy were also functioning well and had experienced growth in both monthly sales turnover as well as member income over the years. In the case of Nutrimix, the growth was primarily because of the organised support received from *Kudumbashree* (right from ensuring demand for the entire produce through tie-up with ICDS, to finding solutions when problems occurred). The better performance exhibited by enterprises in waste management and dairy was attributed mainly to demand in the locality. In the case of Nutrimix enterprises, continued support was expected by members for ensuring demand and growth, while enterprises engaged in dairy and waste management had become established with stable groups.

The reasons for drop-out was generally attributed to group conflict; personal problems like illness in family; hostile behaviour from the husbands; and alternate employment (in rural areas, few had left the activity to work under NREGS while in urban, some found regular jobs in the private sector while many went back to work as maids/domestic workers in the city). In these cases, the income earned by the women was much more than that earned from the group enterprise activity due to comparatively high wage rates prevalent in the state for almost all informal sector jobs (illustrated in Table A-1.7 in the Appendix).

The income threshold (monthly income of ₹1,500/member) fixed by *Kudumbashree* was low by all standards, particularly in cases where the woman was the primary bread-winner of the family and also when compared to official and unofficial wage rates prevalent in the state. But the programme may have kept the income expectations low as it considered women as supplementary income earners and through group enterprise promotion primarily aimed at increasing participation of women in economic activities.

It was observed that the monthly income earned by individual members from active enterprises was higher than the monthly per capita consumption expenditure (MPCE) in about 20 per cent of those engaged in making paper products (both machine made paper plate and glass units as well as the hand-made paper bag units), and 33.3 per cent of those in soaps and detergents. In certain activities like fish processing and artificial jewellery, not even a single enterprise provided individual members a monthly income that was above the MPCE.

In many enterprises engaged in activities like provision store operations, catering and direct marketing, substantial drop-out of members benefitted those who remained in the activity as total profits earned from the enterprise was shared by fewer members. In case of provision stores it was observed that the average monthly income earned by individual members was ₹ 2,406/month and 62.5 per cent of active enterprises engaged in operation of provision stores provided the members with a monthly income that was higher than the MPCE in the area. In these enterprises, on an average, just about 36.7 per cent of members continued to be part of the group. Here, if all members had continued in the enterprise, the average income earned by



individual members would have been much lower; this was applicable in case of many of the active enterprises engaged in catering, restaurant operations, provision stores and others where drop-out enabled members remaining in the activity to earn higher monthly incomes. Thus for many of the chosen enterprise activities, smaller groups were more appropriate and there was a tendency for larger sized groups engaged in these activities to reach optimal group size over a period of time.

Only in enterprise activities that had achieved sufficient and stable demand from the locality, like dairy, waste management, tailoring, canteen operations or had tie-ups that assured demand as was the case in Nutrimix enterprises, did individual members receive monthly incomes which was higher than programme expectations and MPCE with most of the group members continuing in the enterprise.

But, in spite of the low monthly income earned by members, many enterprises in rural areas continued with the group enterprise activity with majority remaining in the group, which may be attributed to lack of opportunities. It was also noted that in urban areas, two-third of operational enterprises had just 40 per cent of members continuing in the activity. Thus, if the monthly income received by the individual member from the enterprise was too low, and there was availability of opportunities in the area or awareness about existing opportunities, then drop out chances was higher as was the case in urban areas.

The *performance influencing factors of group enterprises* were studied under four dimensions (group, enterprise, environment and process). Sixteen factors were found to positively influence the performance. These were, equal share of work by group members, segregation of work, the members being engaged 'full-time' in the enterprise, support received from family members, enterprise being operated out of non-home based locations, broad sector of enterprise activity (those under animal husbandry, services and food processing performed better), daily or regular accounting of expenses, better management of working capital, at least one-fourth of the project cost being utilised for fixed assets, bank loan being more than 45 per cent of project cost (which meant the enterprise may have a higher project cost or the group was confident enough to take bigger loans to buy fixed assets), enterprise had operated for more than three years (which also indicated that it had repaid its loan

completely), the nature of product or service satisfied an unmet demand in the area, it had received organised (regular tie-up for receiving orders) and unorganised (from friends and relatives who helped in receiving more sales orders) marketing support, made regular savings for meeting enterprise requirements and also carried out additional investments.

From the comparison of active and inactive enterprises, it was observed that inactive enterprises had lower bank loans, the capital invested by the group (own capital or beneficiary share) was lower, but subsidy proportion comprising the total project cost was much higher, with many receiving the maximum possible subsidy under various micro-enterprise development programmes. Though there may be many reasons for the formation of big groups, one major motivation was to avail larger financial assistance from *Kudumbashree*. It was observed that group size was determined by programme specifications, and the consideration of activity group formation primarily was to attain the size that helped to avail maximum subsidy. In the sample, maximum possible subsidy amount was availed by enterprises with ten members, which may have resulted in 65.2 per cent of enterprises formed by activity groups with ten or more members. But only 17.6 per cent of enterprises were being operated by similar sized groups at the time of field survey, and even with the reduced numbers, the groups continued to operate enterprises efficiently.

Thus the selection of ‘enterprise activity’ as well that of the ‘members’ is extremely important in group operated micro-enterprises, since it influences the performance, as well as survival (or being active) of the enterprise. If incorrect choice of enterprise activity or adverse selection of members happens at the formation stage, the enterprise may soon turn inactive. Size of the group should match the enterprise activity taken up, which may ensure a decent income to all members, and may keep the members active and the enterprise sustainable in the long run.

### **8.3 CONCLUSIONS**

The success of micro-enterprises and economic activities of the poor depends greatly on the empowering environment that the local and state governments can ensure or provide. One of the strategies adopted by *Kudumbashree* for promotion of successful

micro-enterprises was through the conversion of social needs into business opportunities. Enterprises were engaged in diverse activities like solid waste management, which has helped to improve sanitation in the urban area; digitisation of government records; supply of fresh milk; production of food supplements and so on. Many of these enterprises engaged in the above activities were more successful than others engaged in micro-enterprise activities like operation of provision stores, paper bag making, restaurants or even catering.

Group owned and operated enterprises can be effective in inducing women who may otherwise be reluctant to enter into self employment activity. The ease of availing bank loans as well as subsidy may help during the initial stages of the enterprise, but in the long run, the activity selected, its suitability to the group and the locality, and marketing support received may become more important. The functioning of the group also determines the performance, with those operating with some levels of segregation of work, as well as members considering the enterprise as their full-time work performing better.

It was observed that correct choice of activity was one of the most important aspects that determined the performance of enterprise. Therefore, it is important to study the demand-supply gap in an area before choosing a particular activity. It was observed that certain common activities like 'catering' was being chosen by groups without any consideration of the demand-supply situation in the locality which resulted in intense competition and finally closure of many enterprises.

The research stresses on choice of innovative group enterprise activities. For example, there could be group-based house-keeping or care giving services which are found to be in huge shortage, not only in the bigger cities of the state but even in smaller towns of Kerala. In the survey area, and all over Kerala, there exist huge demand-supply gaps for human resources, particularly in taking care of aged, infants as well households. Group enterprises can be engaged in providing these services in an organised manner by setting up professional groups for care, cleaning and so on.

Group entrepreneurship is an effective means to achieve higher participation of women in productive activities. It is important to pay adequate attention to certain

aspects for better success of such enterprises. The research brought out some policy suggestions.

#### **8.4 POLICY RECOMMENDATIONS**

Government programmes and microfinance institutions have promoted group owned micro enterprises to achieve greater inclusion. Subsidies to groups for facilitating micro enterprise creation is a well-meaning effort on the part of the government, as they equip women micro-entrepreneurs to meet operational challenges, particularly during infancy. But subsidies alone cannot ensure the continuity of these enterprises which for policy makers are a means of generating self-employment through enterprise opportunities in many developing countries. Of course, it helps the women and the marginalised to initiate into micro-enterprise activity, but for continuing with the activity, the enterprise has to find its ground, acceptance for its service/product, with or without organised marketing support.

Most of the government programmes targeting groups clearly advocate that the level of subsidy is decided by the number of people initiating the micro-entrepreneurial activity, subject to a threshold limit. Since programmes also has targets every year (that is support the formation of certain number of micro enterprises or disburse crores of rupees as subsidies), officials overlook the suitability of an activity to members, group size, as well as area, and other important aspects that may influence the continuity of the enterprise as well as its capability to provide a decent or sustainable income to members. Hence at times many of the enterprises that are formed with subsidy support have been found to be unsuitable and incapable of sustaining over time. *Kudumbashree* has realised the problem of moral hazard, and in recent years has added clauses like non-withdrawal of subsidy amount from bank accounts until the repayment of bank loans as well as existence of groups in full quorum for a minimum number of years.

The research make some specific policy recommendations for increasing the effectiveness of such interventions aimed at promoting group enterprises, which are

1. *Subsidy disbursement in group enterprises should not be solely dependent on 'Number' of members, and should be disbursed differently* Maximum subsidy amount provided to the group should have an upper cap or limit, which could be based on the project cost and not on the 'number' of group members alone. At present, most government programmes that emphasises on group based micro-enterprise development provide subsidies based on the 'number' of members. Instead, subsidy may be disbursed as two components. The first should be given to the group as a back-end subsidy, to meet part of the project cost and the amount should be based on the fixed capital requirement.

The second component of the subsidy should be used for market development of the product. The subsidy of several groups in similar activities may be pooled together and used to develop a joint marketing facility like development of sales kiosks in urban locations. This would be particularly useful if the enterprise do not have enough market for its product or service in the immediate locality. This kind of support may be beneficial in the case of hand crafted products like artificial flower bouquets and jewellery, soaps, paper bags, as well as organic agricultural produce like vegetables, honey etc, all of which are suitable for group based micro-enterprises. Depending on the fixed capital requirement of the project, the amount provided to the group can vary from 20 per cent to a maximum of 95 per cent of the eligible subsidy amount. The research thus does not recommend that subsidy to groups be reduced, but that entire subsidy amount should be disbursed differently so as to bring about better or judicious utilisation as well as long lasting effects.

2. *Selection of Members in the Group* Formation of an 'activity group' from the self help groups should ensure 'like-minded' people coming together. It is important to ensure at least a couple of capable women with strong leadership qualities to be part of every activity group which forms the group enterprise. This may reduce group conflict to some extent. The functionaries of the programme agency should be involved in the selection.

3. *Enterprise activity should match the group size* The enterprise should have the capability to support the group members or generate sizable sales revenues to provide a decent income to individuals in the group.

4. *Discourage Mushrooming of similar activity in the same locality* Do not allow groups to go ahead with project proposals with similar enterprise ideas/ activities that already exist in abundance in an area. This would prevent it from entering an already saturated market where it would not be able to generate sufficient demand for its product or service.

5. *Develop enterprises based on requirement or need in the Locality* Identification of demand-supply gaps in various spheres of economic activity that would be suitable to women should be done. This would help in making the correct 'choice of enterprise activity'. Careful selection of enterprise activity may help to reduce failures to some extent.

6. *Enterprise should strive to offer Innovative products or service* Innovative and unique service or product would attract regular clients/buyers. It is also important to offer product or services that are not in competition with bigger and financially stronger competitors

7. *Enterprises with big group size should segregate responsibilities among members* There should be certain amount of work segregation in bigger groups with responsibilities allocated to members based on interest and capability. Some members could become more involved with the marketing while others engage in production. There may also be incentives given to those who are involved in selling as without it there is no scope for carrying out the production activity.

8. *Efforts should be made for tie-ups with big firms* Micro-enterprises engaged in the production of goods, ranging from umbrellas to pickles find it difficult to market their produce. Tie-ups with bigger firms having better marketing networks may be a solution. The arrangement may be mutually beneficial if proper attention is paid at the time of drawing up contracts which could be carried out with the help of a third-party, who can either be independent consultants or experts.

Both financial and non-financial support is required to incentivise poor women and turn them in to entrepreneurs capable of venturing and continuing in micro-enterprise activities. Access to financial services through microfinance and employment

generation programmes is an enabling factor. To convert credit into productive and sustainable income generating activities, women need to surpass limitations posed by personal abilities like inherent meekness or situations within households as well as external limitations, both physical and social. 'Groups of women' may be better equipped physically, psychologically and socially to overcome both internal and external barriers. Strong groups of women may also prevent diversion of credit and subsidy towards usage by male family members to a very great extent. But the fact remains that physical and social vulnerabilities of women may not diminish and may remain as long as they are not taken care of in the broader socioeconomic context. Until then it would not be possible to completely break the barriers that prevent them from making significant economic contribution through greater work participation. But progressive women oriented programmes with a thrust on groups and enterprise creation could make a change in mind-sets which could ultimately lead to greater participation of women in economic activities.

Programmes aiming at group enterprise promotion and employment generation should restructure to increase the role of governance, with guidance in selection of groups with respect to eligibility criteria of members, selection of enterprise activity, its viability and suitability to the area and members, usage of funds and finally in procurement of inputs/raw materials and in marketing of outputs/products. In conclusion, the research adds a note on financial support for group enterprises. Subsidies should be determined based on aspects like fixed capital requirement, nature of the enterprise activity, and its capability to support a certain number of members, rather than eligibility being solely determined by group size or the 'number' of members.

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## APPENDIX-I

### TABLES MENTIONED IN THE MAIN TEXT

**Table A-I.1 Size and Performance of MSME Sector in India**

<b>Item</b>	<b>Older Definition</b>	<b>New Definition</b>
Number of Micro and Small Enterprises	12.8 Million	13 Million
Employment	31 Million	41 Million
Employment in % of Labour Force	6.1 %	8.1 %
Production at current prices	140 Billion \$	Not Available
Production Growth	12.7 %	Not Available
Exports	33 Billion \$	Not Available
Share in GDP	6 %	8-9 %
Share in manufacturing output	39 %	45 %
Share in Exports	33 %	40 %

**Source: Ministry of Micro, Small & Medium Enterprises, 2007: "Micro, Small and Medium Enterprises in India: An Overview", retrieved from [http://www.laghu-udyog.com/ssiindia/MSME\\_OVERVIEW.pdf](http://www.laghu-udyog.com/ssiindia/MSME_OVERVIEW.pdf) on Nov. 7, 2011**

**Table A-I.2 Rating Criteria of Self Help Groups for Bank Linkage**

Sl. No	Category	Criteria	Marks
1	<b>COMPOSITION</b>	Membership is homogeneous	10
		No homogeneity in membership	5
2	<b>AGE OF THE GROUP</b>	One year and above	10
		Six months and above but less than a year	5
3	<b>WEEKLY GROUP MEETINGS</b>	Four meetings per month	10
		2-3 meetings per month	8
		1 meeting per month	5
4	<b>ATTENDANCE</b>	More than 90%	10
		Between 70% and 90%	5
		Less than 70%	3
5	<b>MINUTES BOOK</b>	Written in detail	10
		Maintained, but not in detail	5
6	<b>PARTICIPATION IN GROUP DISCUSSION</b>	Participation by only a few members	5
		Participation by majority of members	10
7	<b>SAVINGS (FREQUENCY)</b>	4 times a month (by majority members)	10
		4 times a month (but not by majority)	8
		2-3 times a month (by majority members)	8
		2-3 times a month (but not by majority)	5
		1 time a month day (by majority members)	3
		1 time a month (but not by majority)	1
8	<b>SAVINGS &amp; LOAN RECOVERY (MODE)</b>	Collected in group meetings	10
		House - to house collection	5
9	<b>STYLE OF FUNCTIONING AND GROUP DECISIONS</b>	On Consensus Basis	10
		Decisions taken by few member/members/ group leaders	0
		Decision by majority	8
10	<b>SANCTION AND DISBURSEMENT OF LOANS</b>	Selection of borrowers in group meetings	2
		Sanction and disbursement of loans in group meetings	2
		Loan terms and conditions discussed in group meetings and recorded in minutes	2
		Utilization of loans reviewed regularly in group meetings	2
		Recovery of loans reviewed regularly in group meetings.	2
11	<b>INTEREST ON SHG LOANS</b>	Uniform rate irrespective of source of funds	5
		Different rates depending on source of funds	3
		Interest rates vary according to the purpose of loan	5
		Uniform interest rate for all purposes	3
12	<b>UTILIZATION OF SAVING FOR LOANING</b>	Above 80%	10
		Above 50% and up to 80%	5
13	<b>RECOVERY OF LOANS</b>	Dues not recovered in respect of 10% or less of total no. of loan accounts	10
		Dues not recovered between 10% and 30% of total no. of loan accounts.	5
14	<b>BOOKS OF ACCOUNTS</b>	Attendance cum minutes book	3
		Savings Register	3
		Loan Ledger	3
		Bank Passbook	1
15	<b>BYLAWS/GROUP RULES</b>	Known to all members	10
		Known to most of the members	5
		Not known to many members	0
		<b>TOTAL MARKS</b>	<b>150</b>

**Table A-I.3 Historical Evolution of *Kudumbashree* in Kerala**

Year	Progress in Evolution	Implementation
1987-88	CDS system evolved from Urban Basic Services Sponsored by UNICEF, GOI & GOK	Implemented in 13 towns of Kerala in Ernakulam and Alappuzha district.
1991-92 1991	UBSP (Renamed) CBNP by UNICEF	Implemented in 14 towns in Kerala. Implemented the programme in Alappuzha to improve the health of poor women and children. Nine risk factors were identified through UNICEF survey. Any family with four or more of these risk factors is classified as poor.
Feb 6 1993	CDS system: Later known as Alappuzha model	CDS- Alappuzha model inaugurated
1992-93	Under the name of CDS system. With the support of UNICEF	Implemented in 7 wards of Alappuzha Municipality
1994	Under the name of CDS system with the support of UNICEF	Implemented in all the 36 wards of Alappuzha Municipality
1994	Under the name of CDS system	Implemented in Malappuram District: 94 17770 panchayats and 5 municipalities
1995	Under the name of CDS system	Implemented in all the 58 towns in Kerala
1995-96	Kerala Municipal Act was amended	It provided a strong legal framework for decentralized governance & the programme was included in the state budget
May 17, 1998	<i>Kudumbashree</i> programme	Then Prime Minister Shri A.B. Vajpayee inaugurates at Malappuram, Kerala and the <i>Kudumbashree</i> Mission is registered in November
April 1, 1999		<i>Kudumbashree</i> mission started functioning
August 2000	<i>Kudumbashree</i>	Launched in 262 gram panchayats
Dec 2001	<i>Kudumbashree</i>	Launched in 338 gram panchayats
March 2002	<i>Kudumbashree</i>	Launched in 291 gram panchayats
2002	Won UN Habitat Global Practices 100 practices. UNDP recognized it as one among the 15 best practices in India.	
May17, 2008	<i>Kudumbashree</i>	Tenth Anniversary of the programme. Announced different schemes with a budget of ₹.191 crores

Source: *Kudumbashree* Mission, Kerala State Planning Board

**Table A-I.4 Indicators of Development-Kerala and India**

Sl. No.	Indicator	Kerala	India
1	Per Capita State Domestic Product (2011)	₹ 83725	₹ 60972
2	Monthly Per Capita Consumer Expenditure (2009-10):		
	Rural	₹1835	₹1054
	Urban	₹2413	₹1984
3	Poverty Ratio (2009-10):		
	Rural	12.0	33.8
	Urban	12.1	20.0
	Total	12.0	29.8
4	Literacy Rate (2011)	94	74

Source: For 1, [http://mospi.nic.in/Mospi\\_New/upload/State\\_wise\\_SDP\\_2004-05\\_14mar12.pdf](http://mospi.nic.in/Mospi_New/upload/State_wise_SDP_2004-05_14mar12.pdf) accessed on 12-10-2012;  
for 2, National Sample Survey Organisation, Key Indicators of Household Consumer Expenditure in India, 2009-10, Ministry of Statistics and Programme Implementation, Government of India, 2011;  
for 3, [http://planningcommission.nic.in/data/datatable/0904/tab\\_45.pdf](http://planningcommission.nic.in/data/datatable/0904/tab_45.pdf) viewed on 12-10-2012; for 4 & 5, Census of India (2011). *Provisional Population Totals*, Vol. I, Registrar General and Census Commissioner. New Delhi: Ministry of Home Affairs.

**Table A-I.5 Small Scale industrial units registered in Kerala**

S.No	Name of District	Total No of SSI Units (as on March 09)	Investment (Rs in Lakhs)	Employment (Nos)	Production (Rs in Lakhs)
1	Thiruvananthapuram	22346	52687.77	89132	115317.33
2	Kollam	16716	39814.65	78625	76376.93
3	Pathanamthitta	9392	16773.81	24388	20173.48
4	Alappuzha	18394	51668.26	72087	111903.63
5	Kottayam	20289	64697.26	60046	115068.51
6	Idukki	5519	23691.78	18933	31470.66
7	Ernakulam	26254	124366.09	114434	429549.65
8	Thrissur	23921	78806.05	89530	134434.6
9	Palakkad	15063	53024.74	49298	73563.66
10	Malappuram	10549	37509.06	36728	75568.17
11	Kozhikkode	16406	57220.93	60541	104925.46
12	Wayanad	3001	7843.23	10857	9159.54
13	Kannur	10963	33706.79	40185	69554.88
14	Kasargod	5568	15039.06	26187	22988.18
	All Districts	204381	656849.48	770971	1390054.68

Source: Directorate of Industries and Commerce, Thiruvananthapuram, Kerala



**Table A-I.6 MPCE of Households in Districts of Kerala**

<b>Kerala</b>	<b>Rural</b>		<b>Urban</b>	
<b>District name</b>	<b>MPCE</b>	<b>HCR</b>	<b>MPCE</b>	<b>HCR</b>
Kannur	656	35.4	824	39.4
Kozhikode	715	25.3	918	36.2
Kasargod	725	22.6	874	34.2
Wayanand	790	22.2	1153	10.6
Palakkad	868	11.2	1762	20.5
Malappuram	901	19.3	938	31.6
Kollam	1014	7.0	1270	12.2
Ernakulam	1018	12.5	1419	16.3
Trichur	1049	13.1	1112	15.3
Idukki	1156	3.4	1557	14.2
Pathanamthitta	1165	5.2	1243	6.1
Kottayam	1218	6.9	1774	6.0
Alappuzha	1259	4.4	1200	14.1
Triruvananthapuram	1442	3.7	1867	6.0
<b>Kerala</b>	<b>1013</b>	<b>13.2</b>	<b>1291</b>	<b>20.0</b>

Note: MPCE is the Monthly per capita expenditure reported by households. HCR is Head Count Ratio of population living below the state specific poverty lines. Though at the time of writing this thesis MPCE according to the 66<sup>th</sup> round of NSSO which recorded a higher MPCE of ₹1835 in rural Kerala and ₹ 2413 in urban Kerala was available, it was not used in the thesis for comparing with the average income earned by individual members as it would have been much higher than the threshold income fixed by Kudumbashree (which was ₹ 1500 /member /month from the group enterprise).

**Source: NSSO 61<sup>st</sup> Round Survey Results**

**Table A-I.7 Minimum Wages and Total Wages in 2010 in Kerala**

S. No	Selected Category of Scheduled Employment	Min Wages	Variable DA	Total Wage
1	Domestic Workers			
a	Household Workers	130.00	21.32	151.32
b	Caretaker (Children, Elders)	134.00	0	134.00
c	Cook	142.00	0	142.00
d	Other Household Workers	130.00	0	130.00
e	Maid/Driver/Gardener/Home Nurse (Part Time)	146.00	0	146.00
f	Home Nurse (Full Time)	150.00	0	150.00
g	Security/Watchman/Garden Workers	142.00	0	142.00
2	Fish Peeling and Fish Canning			
a	Processing Workers	138.00	21.32	159.32
3	Dairy Farming			
a	Milking (Twice Daily)	210.00	21.32	231.32
4	Sweeping & Cleaning			
a	Municipality and Corporation Areas	150.00	21.32	171.32
b	Other Areas	135.00	21.32	156.32
5	Agricultural Operation			
a	For Light Work	150.00	No Provision	150.00
b	For Hard Work	200.00		200.00
6	Construction and Maintenance of Roads and Building Operations			
a	Unskilled	112.46	67.39	179.85
b	Semi Skilled	142.62	67.39	210.01
c	Skilled	164.18	67.39	231.57

Source: Labour Department, Government of Kerala

<http://www.paycheck.in/main/officialminimumwages/kerala>

## APPENDIX II

### Nine Point Criteria for Identification of the poor

The following risk factors are considered by *Kudumbashree* for identifying the poor in urban and rural areas. The original risk factors were first developed in 1992, and were modified later.

#### Nine point index developed in 1992

1. Living in a substandard house or hut
2. No access to sanitary latrines
3. No access to safe drinking water (in the vicinity of up to 150 Metres)
4. Getting only 2 meals a day or less
5. Having children below 5 years of age
6. Having no or only one earning member
7. Belonging to socially disadvantaged groups
8. Having an illiterate adult member
9. Having alcoholics or drug addicts

#### **Modified risk index used now**

Rural	Urban
1. Living in a substandard house or hut	1. No Land /Less than 5 cents of Land
2. No Land	2. No house/Dilapidated House
3. No access to sanitary latrines	3. No Sanitary Latrine
4. No access to safe drinking water (150 meters)	4. No access to safe drinking water within 150 meters
5. Getting only 2 meals a day or less	5. Women headed house hold/ Presence of a widow, divorcee / abandoned lady / unwed mother
6. Women headed house hold/ Presence of a widow, divorcee / abandoned lady / unwed mother	6. No regularly employed person in the family
7. Having no or only one earning member	7. socially disadvantaged groups(SC/ST)
8. Belonging to socially disadvantaged groups	8. Presence of Mentally or physically challenged person / Chronically ill member in the family
9. Having an illiterate adult member	9. Families without colour TV

## APPENDIX III

### **Definition of Micro, Small and Medium Enterprises**

**(As per the Micro, Small and Medium Enterprises Development Act, 2006)**

**(a) Enterprises engaged in the manufacture or production, processing or preservation of goods** as specified below:

i) A micro-enterprise is an enterprise where investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries does not exceed ₹ 25 lakh;

ii) A small enterprise is an enterprise where the investment in plant and machinery (original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006) is more than ₹ 25 lakh but does not exceed ₹ 5 crore

iii) A medium enterprise is an enterprise where the investment in plant and machinery (original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006) is more than ₹ 5 crore but does not exceed ₹10 crore (not defined before 2006)

**(b) Enterprises engaged in providing or rendering of services and whose investment in equipment** (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) are specified below. These will include small road & water transport operators (owning a fleet of vehicles not exceeding ten vehicles), retail trade (with credit limits not exceeding ₹10 lakh), small business (whose original cost price of the equipment used for the purpose of business does not exceed ₹20 lakh) and professional & self employed persons (whose borrowing limits do not exceed ₹10 lakh of which not more than ₹2 lakh should be for working capital requirements except in case of professionally qualified medical practitioners setting up of practice in semi-urban and rural areas, the borrowing limits should not exceed ₹15 lakh with a further ceiling of ₹3 lakh for working capital requirements).

(i) A micro-enterprise is an enterprise where the investment in equipment does not exceed ₹ 10 lakh;

(ii) A small enterprise is an enterprise where the investment in equipment is more than ₹10 lakh but does not exceed ₹2 crore (Before 2006: Up to ₹10 lakh); and

(iii) A medium enterprise is an enterprise where the investment in equipment is more than ₹ 2 crore but does not exceed ₹ 5 crore (not defined before 2006)

## APPENDIX IV

### Calculation of Average Monthly Income Earned by Individual Members

(a) **Chaitanya Bamboo products:** An enterprise engaged in making and selling handcrafted bamboo products like mats, baskets and fancy decoration items. Initiated and operated by five women, the unit had availed a loan of ₹45,000 (which was fully repaid) and had also received a subsidy of ₹50,000

Particulars (Revenue/Expenses from April 2009-March 2010)	Revenue (₹)	Costs(₹)
Sale of mats made from <i>panambhu</i> strips	1,11,400	
Sale of baskets made from <i>panambhu</i> strips	35,750	
Sale of fancy decoration items	1,400	
Total Revenue/ Annual Turnover	1,48,550 (a)	
Wages (COGS)		90,000
Raw Material(COGS)		7,200
Total (COGS)		97,200 (b)
Transportation of Finished Goods (SG&A)		1,750 (c)
Total Costs		98,950
Gross Profit = Total Revenue - Total COGS = a - b = 51,350 (d)		
Net Profit = Gross Profit - SG&A = d - c = 49,600 (e)		
<b>Average monthly income/member ( equally shared by all Five women in the enterprise)</b>		
= Share of Wages + Share of Net Profit		₹ 2,327
= 90,000/ (5×12) + 49,600/(5×12) = 1,500 + 827 = ₹ 2,327		

**Note:** *Panambhu* is the local name for a variety of bamboo which is popularly used for weaving mats and baskets. COGS is Cost of Goods Sold. SG&A is Selling, General and Administrative Expenses; For an enterprise which has not yet repaid its loan, the repayment amount is also part of the total cost and is deducted from the total revenue to obtain gross profits.

The Average Monthly Income / member were determined as share of wages and share of profit. Enterprises had devised mutually agreed upon methods of determining wages, which in majority was equal for all existing members. An aspect noticed across enterprises was the lower wages the activity group members seemed to be satisfied with as they were workers as well as owners.

In few as contribution of some members was relatively low in comparison, there was a system of differential wages. In many well performing enterprises, there was a record kept on the time spent by each member in enterprise activities.

## APPENDIX V

### Questionnaire

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#### Performance of Micro Enterprises of SHG Entrepreneurs

Ph.D. Dissertation

#### I. Identification:

Name of the Micro-Enterprise & Activity: \_\_\_\_\_

Name of SHGs: \_\_\_\_\_

Village/Town: \_\_\_\_\_ Rural/Urban: \_\_\_\_\_ Mandal: \_\_\_\_\_ District: \_\_\_\_\_

Name of the Respondents: \_\_\_\_\_

Respondents' Position in SHGs/Activity Group: \_\_\_\_\_ Age: \_\_\_\_\_

Enumerator: \_\_\_\_\_ Date: \_\_\_\_\_

#### II. Micro Enterprise Particulars:

Status:  Working/Active  Closed/Inactive

1. The micro enterprise is situated in a

Rural area  Urban area

2. Establishment: Month \_\_\_\_\_ Year \_\_\_\_\_

3. Business activity comes under which sector:

Manufacturing  Service  Animal Husbandry  Hand Craft  Food Processing

4. Business activity received subsidy and other support from

Kudumbashree  SJSRY  Any other (specify)

5. Name, Address and Contact No. of the Micro-enterprise

#### III. Demographics Characteristics of the group running the Micro enterprise

6. Number of members in the micro enterprise are \_\_\_\_\_

7. All members at the start of the enterprise are still part of the group. Yes / No

8. If No, the current number of members \_\_\_\_\_ (out of) \_\_\_\_\_

9. **Demographic Characteristics of the group**

No.	M/F	Mar/Um	Age	Edu.	No.	M/F	Ma/Um	Age	Edu.
1					11				
2					12				
3					13				
4					14				
5					15				
6					16				
7					17				
8					18				
9					19				
10					20				

Notes: M-Male, F- Female, Mar-Married, Um- Unmarried and EDU.-Education

**IV. Income details:**

10. Members having steady family income generated from other means or have family members having regular income (Parents/husband/ children employed);

No.	Av family monthly Income from main breadwinner	No.	Av family monthly Income from main breadwinner	No.	Av family monthly Income from main breadwinner
1		8		15	
2		9		16	
3		10		17	
4		11		18	
5		12		19	
6		13		20	
7		14			

11. Income for each member prior and after starting enterprise & Hours Spent (>6hrs; <6 hrs)

No.	Steady monthly Income before	Steady monthly From enterprise	Hours Spent in ME activity	No.	Steady monthly Income before	Steady monthly From enterprise	Hours Spent in ME activity
1				11			
2				12			
3				13			
4				14			
5				15			
6				16			
7				17			
8				18			
9				19			
10				20			



12. The business activity is a full time job (if a member is engaging in the micro enterprise activity for at least 6-8 hours every day) \_\_\_\_\_ Yes/No

13. Number of members who are full time in the running of the enterprise \_\_\_\_\_

### Section 2

#### V. Information related to the Micro enterprise.

14. Did any member have any previous experience in similar entrepreneurial activity prior to setting up the business?

Yes  No

If so, how many \_\_\_\_\_

15. What is the level of segregation of work or operations among members (i.e. some are assigned for production, some for marketing etc)?

Very low  Low  Moderate  High  Very High

16. Extent of Difficulty with marketing the goods produced / for attracting customers?

Very low  Low  Moderate  High  Very High

Specify \_\_\_\_\_

Any Help from *Kudumbashree*/ NGO for finding markets and solving problems

\_\_\_\_\_ -

17. Difficulty with arranging for capital/ Finance for the business (Initial Capital)

Very low  Low  Moderate  High  Very High

18. Difficulty with arranging for capital/ Finance for the business afterwards (Working Capital)

Very low  Low  Moderate  High  Very High

19. Market the produce/ service by

- Taking the goods/service to the customers' door-step with a regular clientele
- We have a marketing tie-up with a better established business/ co-operative
- We wait for the customers' to come to our unit and buy our product
- We use multiple means (monthly bazaars; selling directly; previous orders)

20. The average monthly income and turnover(sales in Rs/month) from the business

Particulars	Year			
	2010	2009	2008	Year of Inception
(a) Average monthly income/ member from enterprise				
(b) Average monthly turnover/Gross sales				

21. What was your initial investment in the business at the time of establishment?

\_\_\_\_\_

22. Of this Investment in fixed assets was \_\_\_\_\_
23. Total Loan taken from Bank: \_\_\_\_\_
24. Period of the Loan in months \_\_\_\_\_
25. Rate of interest \_\_\_\_\_
26. Own capital \_\_\_\_\_
27. Loan from group (SHG) (own thrift & Savings) \_\_\_\_\_
28. Loan from friends and Family \_\_\_\_\_
29. Subsidy, if any \_\_\_\_\_
30. What is the total amount of loan that has been repaid? % \_\_\_\_\_
31. Have you ever defaulted in repayment- Never/ Rarely/ Many times/ Continue to
32. Repayment Period in months is \_\_\_\_\_
33. What was the monthly repayment amount \_\_\_\_\_
34. Additional investments made for developing business. \_\_\_\_\_
35. Additional Employment provided to others. \_\_\_\_\_ (Number of people)  
Salary/ Wage are \_\_\_\_\_
36. Do you have any plan to expand your enterprise activity in future?: Yes/ No
37. If Yes, Do you save part of the profits for the expansion?: NA/ Yes/ No
38. Do you get raw material on credit/Cash/Mixed \_\_\_\_\_
39. Do you sell your produce on credit/Cash/Mixed \_\_\_\_\_
40. Is the business operating from any members' home or in a hired building  
\_\_\_\_\_
41. Do you have to pay rent (if yes, how much): \_\_\_\_\_/month
42. Do you keep account of various expenses and revenue? If so do you maintain it on  
(a) Daily basis (b) Weekly basis (c) Monthly basis (d) Writes as required (e) Do not keep any accounts

### Section 3

#### VI. Members Perceptions about business and related details

Members' perception/Attitude about various aspects about the business

1	2	3	4	5
Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly Agree

43. The groups' decision to start this particular micro enterprise was a good decision? \_\_\_\_\_
44. All group members are working equally towards the success of the enterprise \_\_\_\_\_
45. We are confident about the success of the enterprise and have set goals \_\_\_\_\_
46. We are ready to suffer short-term hardships for long term gain \_\_\_\_\_
47. We started this business because we saw many other SHG's doing well in similar businesses in our neighbourhood? \_\_\_\_\_
48. We started this business because of inputs from handholding agency \_\_\_\_\_
49. We started this business because we felt there would be strong demand for our product/Service \_\_\_\_\_
50. Our family has supported us morally and financially and this has helped us to tide over difficult situations
51. Disagreements among the members is a problem
52. We have used external conflict resolving mechanism

50. Did activity group members know each other before the commencement of the micro-enterprise?

- Did not know each other                       Neighbours from diff SHG
- Friends but from diff SHG                       From the same SHG

53. Main reason that influenced us in choosing enterprise activity

- Previous experience     Neighbourhood effect     SHG decision     Market Potential
- Traditional Activity     Training Received     Home based work     Any Other

54. Main reason that influenced us in starting enterprise

- Livelihood means     Support family income     Subsidy/Loan Support
- SHG Motivation     Motivation from CDS     Any Other

55. Major challenge for the enterprise

- Fall in product price     Rise in input costs     Shortage in input availability     Health/Disease
- Competition     Conflict within     Working Capital Shortage     No Demand
- External Forces     Financial Mismanagement     Alternate Employment     Any other

56. Do you receive help from family members/ SHG/ Kudumbashree/ Others in the marketing and production activities of the enterprises? If yes, in what way? Specify.

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Any marketing / other tie-up with private /government organisation \_\_\_\_\_ (yes/ No)

57. Other relevant aspects of the business if any, including various problems/ challenges that the members may be experiencing/ experienced because of the entrepreneurial activity? If enterprise is closed the reasons that lead to closure of the enterprise in the order of importance ( also the most important reason for break up or closure)

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**Section 4**

58. Monitoring by *Kudumbashree*/ NGO (Specify activity)

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59. Monitoring by Bank officials (Specify if any activity)

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60. Comment of SHG /CDS leader (on success/failure/govt support needed, etc.)

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