



Sustainability of micro enterprises for economic progress

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Abstract

With an Indian rural population of 85%, the thrust is on rural development for its upliftment. The micro enterprises has been a dynamic sector since independence. The active role of micro enterprises paves way for the creation of low capital investment and remarkable employment openings unlike large scale industries but have an active role in the socio economic development of our nation. These micro enterprises not only act as the balancing agents for equitable national income distribution but also play the role of ancillary units to the large industries by enhancing development. Majority of the rural schemes did not yield the expected results which brought the concept of Self Help Groups to life penetrating the minds of people. From this concept, micro enterprises system evolved. The Micro Enterprise emergence generated employment and also leads to Women Empowerment in the course of its process. The national and international studies available on the Sustainability of Micro Enterprises, reduction of poverty, employment and income generation and Women Empowerment sparked few research questions - whether, the Micro enterprises should have sustainability or the micro finance institutions viability of micro enterprises is based on the marketability of the markets. To get solution, it is necessary to study and correlate the above. To understand better an attempt of the analysis of the prevailing scenario has been made which has made it helpful to know about the factors responsible for sustainability of micro enterprises.

Keywords: sustainability, potentiality

Introduction

The oil crunch leading to international crisis in 1970s acted as a catalyst in transforming both the developed as well as the developing countries alike. The developed countries utilized this occurrence as a process for ideally revamping their economies with the existing and available resources paving way for a higher productivity and incomes in the 80s and 90s. The technological advent facilitated a lot of other changes like importance and preference over service sectors vis-à-vis manufacturing sectors. But on the other hand the same occurrence in the developing countries had a cumulative negative impact chain with payment imbalances, low productivity and income but increased poverty. Most of the structural programmes of the developing countries had to be revamped to suit the changing conditions on the assistance and guidance of the World Bank, and tried seeking improvements through appropriate policy changes. This state of dependence and insecurity had to be replaced by a state of independence and security, the role of which was aptly taken over by the small scale industries. The role and impact of small scale industries in this restructuring was one of worthy mention.

Further the latest and new technologies call for an emphasis of external economies which demands the scale and scope of production networking. This is only possible by the advent and role of small and medium sized enterprises only and does not require the involvement of very large sized enterprises. The production organization can be done in clusters which can be facilitated through technical, managerial and networking coordination done usually with small groups with socio

economic milieu and group dynamics to make this a reality. This is possible when a big organization plans to involve micro units in the production process and a mini production unit of the massive production process. The much required socio economic cultural activities for this process is facilitated by the micro units with the support of extended families, friends and affiliation groups who are informal part and parcel of the micro units and can help assist to bring about significant changes rather than individual capabilities. Further the formation of clusters of these small micro units can act as means to meet the local or regional consumer demands and are significant and have the inherent potential for the assistance of the small industry progress. An observation in China in the 1980s has brought to light that the development of the small and village enterprises paved way for a significant leap in industrial progress. These small enterprises operated as niche teams, serve a very small and a specialized target consumers or local markets, using available local labor and resources but often deliver specialized non-branded requirements or products thereby paving a path for flexible specialization which is a significant feature of small scale enterprises. Flexible specialization is a boon in the current industrial scenario which can be embraced with ease by the small scale industries only unlike the large scale industries which calls for rigid processes which does not facilitate flexible specialization.

Thus it was rightly vouched by Huber Schimitz, one of the pioneers in the field of research in small scale industry and flexible specialization citing the example Kumasi in Ghana.

He has observed that the small scale industries exhibited an enormous capability and tenacity to respond to a crisis situation as well as an innovation and openness to collective efficacy with the same integrated spirit. Schimitz after several studies about the African and Asian enterprises came to the conclusion that the basic requirement of competitiveness is to be adaptable to disruptive environment, more predominant in the developing countries than the developed countries. Further small enterprises have in it the inbuilt sectoral agglomeration, conducive for the development of collective efficacy and flexibility. But the innovation part do not necessarily take place in the clusters and enabling or reinforcing this collective efficiency and flexibility is a challenge across the globe. Can the same be enforced through policies that can enhance both the collective efficiency as well as flexible specialization is an uncertain proposition.

The structural reforms do play a role in the reformation of the industrial sector. But the major positive recipient of the structural reforms are the micro enterprises sector which is stated by a study of the United Republic of Tanzania, which were using the local available resources. Further more it was observed that the informal micro enterprises grew very rapidly and in a significant measure with massive increase in the employment labor during the 1985 - 1990, paving way for the forward linkage industries. The potentiality and power of the micro enterprises was also seconded by countries like Zambia, Uganda, Senegal and Ghana. It was found that the major reason for this was that the micro enterprises learnt to survive the crisis by the usage of local and regional resources innovatively. The concept of "learning by doing" also helped the micro enterprises to stay above the surface on the face of crisis. Further the incentives offered for the micro enterprises also helped and served as a multiplier effect. Thus structural reforms do play a significant role in the enhancement of micro enterprises.

Further it was found that micro enterprises which had embraced technological changes to uphold quality sustained as against the ones which failed to do so. Added to these the micro enterprises which joined hands with the big production houses to cater to big needs survived in contrast to the micro enterprises which failed whose preference was a small target group for survival. Internal trade, agriculture linkage, forward linkage industries all helped the micro enterprises to have a strong foothold. Apart from all the above mentioned public restructuring had a significant impact on the existence and survival of the micro enterprises. According to the IMF the progress rate of the countries under the structural reforms is 4.2% per annum in the three or four year period as against a 2.6% in the preceding three year period with an increase in the non-traditional exports to its credit. But all these study and observations bring to focus an important aspect of structural reforms that the same has to be in line with the requirement of the small scale industries that is relevant, selective targeting of the potentialities of the small scale industries rather than a generic supply oriented assistance or guidance.

With the advent of technology and global changes there has been a visible change in the need for customer specialized goods rather than the standardized branded goods that was the first preference a few years ago. This new trend of accepting tailor made specializations of service and products have made

micro enterprises a welcome cushion over its big wicks who are rigid in comparison. There was a noted deterioration in the economic growth on account of this in some of the developed countries, though the micro enterprises did its part to enhance the growth through its flexible specialization. However the Structural reformation programmes by the World Bank and the IMF were based on the idea to address these concerns. On the one hand macro policy liberalization, rigid fiscal aspects affected the short term interests of the profitability and sustainability of the existing industries to a great measure. But on the other hand, realistic pricing, import availability and the existence of a healthy competition have actually helped the dynamic enterprises which had initiated positive linkages with the growth sectors that can promote exports for a mutual progress over a period of time. The responses from the small scale sector, particularly the informal groups or associations, in this regard from some of the countries across the globe has been very encouraging. Such small scale industries most often fill the vacuum created by the downslide of large sick industries. In some of the countries these micro enterprises have organized themselves into self help groups to reap the ideal advantage of cooperation of marketing, financing, supply of raw materials as well as finished goods, etc. Such cooperation has laid the path for the growth of the NGOs which act as aides for the development of micro and small enterprises.

Going by the definition that a small scale business is one that is independently owned but is not dominant in its field, it is but imperative to understand the basis on which the micro enterprises function. This further makes the role of micro enterprises as significant and makes it a breeding ground for progress, an initiator of new ideas and innovations, the bargaining force for cartels and also acts as a means for fair trade practices. The potentiality and presence of the small scale business is on account many factors like individual polity, initiative, entrepreneurship, facilities provided by the government, activities of the cooperative associations, trade union activities and assistance to name a few and not only because of the small scale business policy alone. A US study reveals that only a quarter of the total employment is enabled by the manufacturing sector. In an enterprise comprising of less than 100 people, only 14.7% of the employment is by the manufacturing sector but whereas in the case of an enterprise comprising of less than 50 people it is about 18%. Further construction, trade and service sectors are more conducive for small business. Employment on account of small scale business increased 48.6 million to 50.1 million between 1988 and 1989, where the major contributors were the trade and the services sector. In 1986 enterprises with 500 or more employees contributed to about 65% of the total employment in manufacturing although this number constitutes only 15% of the total number of manufacturing establishments. The micro enterprises related study in the US brought to light a few conclusions which served as eye openers for the lot who were apprehensive about the potentiality and scope of micro enterprises. It stated that micro enterprises facilitated new and massive job opportunities. The reasons were varied like adaptability to flexible specialization, decentralization of activities by large companies, optimum sizes for new products, deregulation of economic activities, managerial

techniques favoring small businesses, crisis handling responses etc. to name a few major ones. The table below rightly brings the distinct variances of the

mass producers i.e., the large scale industries, and the flexible specializers i.e., the Micro or small industries.

Table 1: The distinctive features of large scale and small scale enterprises

Mode of Production	Competition	Product Strategy	Attitude To Labor	Division of Labor	Embodied Technology	Factory layout	Inter – firm links
Large Scale	Price	Standardization	Seen as Cost	Single Tasking & Skilling, Hierarchical communication, quality control, specialized	Special purpose, fixed Transfer line	Functional	Short term
Small Scale	Product Characteristics	Variety, rapid Response, Innovation	Seen as resource	Multi tasking & Skilling, two way communication, trust, Involvement, quality at source, labor as Resource	General purpose, flexible transfer line	Cellular	Close cooperation, long term

Source: R. Kaplinsky, from mass production to flexible specialization: A case study from semi industrialized economy, institute of development studies, Sussex, 1991.

Jeffery James and Ajit Bhalla, are of the opinion that implicit alternative technological and institutional mechanism for the advocacy of new technologies for micro or small enterprises is

possible by embracing one or more of the below mentioned aspects.

Decentralization
Flexible specialization
Choice of technology

Table 2: The distinctive features of micro enterprises

	Change of Technology	Flexible Specialization	Decentralization
Technical Focus	New technology as an expansion of existing range of techniques	New technology as part of new Paradigm	New technology as an expansion of spatial Technological possibilities
Unit of Analysis	Individual firm	Individual firm as part of a well defined cluster of firms.	Individual firm / community
Organizational Change	No major area	Innovative complementarities	May involve changed relationships between central and dispersed units of production
Geographical Focus	None	Agglomerative Cluster	Dispersion
Inter and Intra firm linkages	In only insofar Differential rates Adoption by small and large firms affect the competitive position of the Former.	Central issue, complimentary and cooperative relationships small scale and large and small scale firms.	Unimportant with dispersed stand alone Adoption or important dispersed Units interact with centrally located units.
Benefits	Increased profits By individual Adopting firms	Collective efficiency, dynamic gains in export markets, externalities.	Regional decentralization and increased equality
Main Constraints	Factors, prices, Skills, information	problems of collective action, government failures to induce cooperative behavior.	Lack of infrastructure and effective demand In dispersed location
Examples	Computer aided manufacturing in newly industrialized countries, micro computer technologies	Prato	Benetton, Micro hydro

Source: Ajit Bhalla and Jeffery James, Micro Economics, Flexible Specialization and Small scale Industrialization in the Third world, World Employment Programme, International Labor Organization (ILO), 1991

From the profound observations and study related to small scale industries it is only obvious that the need of the hour is the development of these micro and small enterprises. With numerous policies and interventions on the part of the Government to make this a permanent reality, this is only possible if we understand the potentiality of these micro enterprises and also give it the ground to survive paving way for its sustainability in the long run taking into consideration the factors that will aid this process eternally.

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