

## **Sustainability of a Micro Enterprise - A Case Study**

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**Abstract:** This paper analyses about the factors affecting the sustainability of micro enterprises. Here a case study has been done from the Telengana State. For this case study, a women micro entrepreneur has been selected. She produces the product chocolate. This case study explains what all the factors are leading to the sustainability of micro enterprises. Here she suggested that there are 10 factors responsible for sustainability of micro enterprises. She is very particular about net working among the entrepreneurs, advertisement with quality of the product those determine the sustainability.

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### **I. INTRODUCTION**

Entrepreneurship plays an eminent function in creating an avenue for employability for rural communities, providing self-employment for those who have started-up a business of their own and enhancing the economic status of the rural sector as well. Entrepreneurship has transformed many entrepreneurs into successful business persons and generated income for rural communities. Entrepreneurs in rural area have transformed their vicinity into trading hubs thus enabling them to become urbanized areas.

SMEs play a very important role in the industrialization and development of an economy as they make-up over 98 percent of all enterprises in Europe, which in turn, employ more than half of those employed in the European Union. Furthermore, SMEs constitute the majority of enterprises in developing countries and are considered as one of the most important factors in economic and social growth, employment, local development and poverty reduction. Considering the growing importance of the SMEs, many researchers have focused on the issues related to its development and it has therefore become the main topic for a number of analyses.

The Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and contribute enormously to the socio-economic development of the country. Fast changing global economic scenario has thrown up various opportunities and challenges to the MSMEs in India. While on the one hand, many opportunities have opened up for this sector to enhance productivity and look for new markets at national and international level, it has also, on the other hand, put an obligation to upgrade their competencies in various fields like marketing, finance, business development, operations, technology etc. The Micro, Small and Medium Enterprises (MSME) or Small and Medium enterprises (SMEs) or also known as small scale industries (SSIs) are defined on the basis of their investment in plant and machinery (for manufacturing enterprise) as well as in equipment for service enterprises. The Ministry of Micro, Small and Medium Enterprises, Government of India imposed the Micro, Small and Medium Enterprises Development (MSMED) Act in 2006 which defines MSME for both manufacturing and service sector. In case of manufacturing sector, micro enterprise is where the investment in plant and machinery does not exceed twenty five lakh rupees; small enterprise is that enterprise in which the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; medium enterprise is that having investment in plant and machinery more than five crore rupees but does not exceed ten crore rupees. In the present scenario, the micro enterprises boost up the income and employment of the rural entrepreneur. The following are some of the work reviewed in the micro entrepreneurial study.

### **Previous studies on MSME**

Brouwers (2010) believes that there are three key barriers to SME adoption of environmental practices. The first one is SMEs' perception that they have little individual impact on the environment (Ammenberg & Hjelm, 2003; Hillary, 1995; Simpson, Taylor & Barker, 2004). Also, the lack of expertise and understanding of strategies to address environmental issues is the second barrier (Ammenberg & Hjelm, 2003; Simpson, Taylor & Barker, 2004; Tilley, 1999; Welford, 1994). Finally, cost is a major barrier to more proactive environmental oriented behaviour in SMEs, with their managers perceiving little financial benefit from environmental investments (Petts et al., 1998; Revell & Rutherford, 2003; Simpson, Taylor & Barker, 2004).

Bargal et.al. (2009) examined the causal relationship among the three variables Gross Domestic Product, SSI output and SSI exports and also have compared the performance parameters of SSIs in the pre and post liberalization era. The study identified that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag causal relationship between exports and production in small-scale sector and GDP of Indian economy.

MSME (2011) this report reveals that in the last decade, the growth rate of MSMEs has been consistently higher than the overall growth rate of the industrial sector, crossing the 12% mark in the terminal year of the Tenth Plan.

Singh et.al. (2012) analysed the performance of small scale industry in India and focused on policy changes which have opened new avenues for this sector. Their study ended that small scale business has made good progress in terms of number of SSI units, production and employment levels. The study was suggested that the emergence of technology up-gradation and strengthening of financial infrastructure to boost SSI and to achieve growth target.

Corporate sustainability (CS) is a general concept which cannot be applied to SMEs as it assumes similarity with large corporate (Jenkins, 2004). Moreover, CS belongs to large companies because they are capable of addressing sustainability challenges due to their stronger accessibility to resources than small firms (Lucas, 2004). In this regard, "Business sustainability" (BS) is the term adopted here since it is a term encompassing all business forms, including small and medium firms, which follow sustainability strategies and practices (Kerr, 2006). Potts (2010) believes that BS originates from socially progressive influences on the traditional business base, but the points of distinction relate to the commitment

to sustainable development. Cost, managerial time and knowledge/skills are reported as the three important limitations or barriers to the adoption of BS in the study of Collins et al. (2010). Despite these barriers, Collins et al. (2010) argue that businesses are influenced significantly by customers in the adoption of sustainability issues. SMEs are in a unique position to embrace sustainability practices, as Trainer (1998) believes that growth and development of SMEs is a significant part of a sustainable world. In particular, SMEs develop close relationships with their

Customers, so they can depict the value of sustainable services and products to their customers (Kerr, 2006; Aragon-Correa et al., 2008). Also, SMEs can easily respond to sustainability issues in the communities through their diversity and flexibility (Hawken, 1993; Sinha and Akoorie, 2010) provided that they receive enough support and incentives to match their diversity and adaptability (Welford, 1997). Similarly, their low usage of non-renewable resources due to their small size means they are able to adopt sustainability in their businesses easier than large businesses (Jones and Welford, 1997). Management attitudes play a prominent role in the level of adoption of sustainability by SMEs. In some cases, the owners/managers of SMEs feel little responsibility towards the environment and society because they think that their businesses have little individual impact on the environment (Yu and Bell, 2007). However some studies argue otherwise. For example, in UK, where SMEs constitute 99.8% of the businesses in private sector, a study about the environmental practices of 220 UK SMEs by Revell et al. (2010) reports that a large number of sustainability in SMEs

This study also shows that owners/managers are encouraged to adopt sustainability not just by "push of legislation" but also by the "pull of cost saving, new customers, higher staff retention and good publicity for their firm" (Revell et al., 2010, p.273). Furthermore, SMEs are usually unaware of the advantages that are available from sustainability adoption (O'Laire and Welford, 1996) because management models are unable to integrate SMEs' management strategies into the sustainability issues (Hass, 1996). As a result, strategies and tools for adopting sustainability practices are usually developed for large companies and it is very difficult for SMEs to transfer and incorporate them into their management processes (Holtet et al., 2000; Ammenberg and Hjelm, 2003). So, a different approach to SME business sustainability is needed to be developed.

About 60% of the micro enterprises which are run by the women annually at the world level fail due to the problem of sustainability. Here one can raise the question that what is meant by sustainability? Sustainability means ability to maintain at a certain level. After the definition, the further question is what are the factors affecting the sustainability of micro enterprises?

To answer this question, Investment occupies first place followed by environment marketing, net work etc. A study by Kamuku, Sesyline (2015) pointed out that in the absence of technological intervention and marketability, the functions of micro enterprises fail. However number of studies Razak (2010), Kassim & Sulaiman (2010) and Albey etal (2012) states that Micro enterprises have been registered as the main source of economy.

Further, it is to be noted that sustainability of micro enterprises alone lead to women empowerment.

So, in the context of women micro enterprises, it is necessary to study the factors affecting the sustainability of micro enterprises.

## **II. METHODOLOGY OF STUDY**

The study area is Telengana State. To identify the women Micro Enterprises for which, the researcher approached the Directorate of MSME, Telengana state. There, list of women micro enterprises was available. All the registered micro enterprises investment was not less than 10 Lakhs. Further scrutiny of the list showed that five of them invested Rs.5/- lakh each. All the five women entrepreneur who hailed from the village near Hyderabad migrated to the present area. In fact, they wanted to run their firm from their own village, but due to the absence of marketability, net work and further finance they shifted their micro enterprises to the city area where they are able to get the above. Though, they have started their micro enterprises in the village area, for the want of marketing, she shifted her micro enterprises to Hyderabad.

During the first instance, she started the enterprises alone. During that time there were no workers. After three years, she brought five poor women from her own village. This entrepreneur thought that, it is better to give an opportunity to the poor women through which a family could be well supported. So, it is decided to take up a case study. Because, rather than posing a regular questions, it is strongly felt that it is better to taking up a case studies. Hence case study methodology is applied here.

## **III. CASE STUDY**

Ms.Ujwala Giri, aged 32, started the Micro enterprises named “Diletto” (A Chocolate Production & Packaging Company)

Being an unemployed graduate, during the year 2009, she started this business at the investment of Rs.40000/- alone.. Before starting this enterprise, she conducted a survey in the area where she wanted to establish her micro enterprise. After the survey, she decided to move from her village to town area of Hyderabad.

To make the micro enterprise to be sustainable, she decided that the following factors should be considered and concentrated.

- i) Minimum level of investment
- ii) Marketing ability
- iii) Approach towards customers
- iv) Network process
- v) Facing the competitors
- vi) Re-investment
- vii) Keeping the product life cycle
- ix) Expecting finance from financial institution and
- x) Business environment

### **i) Minimum Level of Investment**

She invested Rs. 40000/- as an initial one. During the initial period, she was unable to get the financial support from the banks or private financial institutions at the affordable interest.

Hence, she got money from her family members. When the micro entrepreneurs are unable to get the financial assistance the financial institution should come forward to give this issue.

### **ii) Marketing ability**

This micro entrepreneur has to market her product that is Chocolate. As we think, marketing a new product that too chocolate like products is a not an easy one. One can say when it is a normal and ever available product, why she has decided to produce it? Even the product is general or common one. Being an entrepreneur, it is the responsibility of them to market the product in a different way.

To market such a produce like Chocolate, it requires quality, packaging and affordable price by the consumers.

But, the problem is, when quality is maintained it is not easy to fix the lowest price. But to sustain in the market, during the initial period the entrepreneur has to bear the risk. In the first phase, make the consumers to understand that the product is qualitative than the others, hence, higher price could not be fixed.

So, the entrepreneur attracted the consumers first. She attracted them not only in terms of quality and also in the form of packing with different style.

Here, another point to be noted is, when the product is proved as a qualitative one, the consumers do not mind about the hike in price. It is due to awareness on quality of a product by the consumers. Moreover, when the entrepreneurs maintain the quality, they are alone able to maintain the quality, their product are able to sustain in the market for a long term. When a product is able to sustain in a long term automatically, the consumers will be getting confident on the product any by them regularly.

### **iii) Approach towards consumers**

When an entrepreneur promotes his/her product apart from initial investment and marketing ability, it is necessary to approach the customer in terms of advertisement and mouth to mouth Propaganda. At the local, the entrepreneur is able to reach the people and make them to buy their product to sustain in the market. In this context, the entrepreneur who is the sample of this case study has reached the local customer well. She used the term "Break the Break" at the level of school children. The producer made a propaganda that their products may be taken during the break, either in the morning or in the evening. Rather than using the other items such as snacks at the higher cost and more time consumption, it is better to buy their products.

### **v) Net work Process:**

Now days to sell the products at different area and at different level, process of net working has become an inevitable one. Here, this entrepreneur adopted the Coco cola technique. Making the shopkeeper to display her product much visible that attracts the customers. Further, such entrepreneurs are having net work with the other entrepreneurs throughout the district or the state. Through this net work, they exchange their products and sell them across the district and state.

Further, such new entrepreneurs used to register their entrepreneurial unit and the registered entrepreneurs created a net work and sell their product.

So, it is evident that net work process is an important one for the growth of micro enterprises.

### **v) Facing the competitors**

One of the important problem faced by the entrepreneurs are their competitors. Because, they attain the sustainability, it is the first and foremost responsibility of the entrepreneur to prove their quality of the product. Here not only quality and affordable prices have to be fixed. When fixing the affordable prices the entrepreneur may not be able to maintain the quality. But in the present case study, the entrepreneur can pointed out that she maintained the validity to sustain in the market. Strongly she feels that maintaining the quality to retain the product in long run. Apart from quality and affordable price, it is necessary to make an advertisement. During the initial period, the cost of advertisement will be more. But it becomes inevitable, and another vital point noted by the entrepreneur is as follows: Though the entrepreneurs are making much attractive advertisement, the customer decides the right product.

Hence, the entrepreneur taking up the propaganda mouth to ear and mouth to mouth technique.

### **vii) Re Investment**

To expand the micro enterprises, reinvestment is one of the main factors. When there is a lack of finance, the entrepreneur has to invest their own finance or seek financial assistance from the bank either from government institutions or from the private institutions. But, due to exorbitant rate of interest, the entrepreneur cannot get finance firm the private institutions.

So, it is necessary to arrange for reinvestment. In this context, the registered forum of entrepreneurs should help the co-entrepreneurs. Here, Mrs, Ujwala Giri stated that they are able to get the financial assistance from their registered forum. Once, the group of entrepreneurs registered, from the date of registration onwards, they create a corpus fund/accumulation fund every month from the members. It is almost like a rolling fund by the SHGs. The needy can get the loan at the minimum rate of interest.

This fund is much useful for their reinvestment to sustain their business.

### **viii) Keeping the product life cycle**

The entrepreneur should concentrate on the concept of product life cycle. Because, during the introduction of a product, the entrepreneurs are struggling to sustain it. Once the product reached the growth stage the familiarity of the product may come down now, it is necessary to keep the life cycle of the product. Whatever it may be quality of a product, in a particular stage, the familiarity and attraction towards the consumer/customer comes down. It is quite natural. Keep the product live in the stream, the entrepreneur forced to change the color, pack or value addition.

**xi) Expecting the finance from the financial institutions.**

Whatever it may, the entrepreneur from the beginning stage itself, they expect financial assistance from the governmental institutions like banks etc. Being an entrepreneur they are not affordable to pay the debt at an exorbitant rate of interest. In this context, the registered forum or the MSM authorities at the state or district level should make necessary arrangements to promote the products.

**x) Business Environment**

The entrepreneur should analyse the business environment conducive for them. They define business environment as when, where and how to promote their products. In this case study, the entrepreneur concentrates on the environment of the area of operation, particularly, she concentrates on school premises that too bulk supply during the functions like school day, Independence Day, Republic Day etc.

Normally, during the rainy season, the movement of chocolate will be somewhat less. During that period, the entrepreneur has to introduce such variety that should not be detrimental to the health of the school children.

Apart from the above, the nine factors discussed should also be included into business environment that affect the sustainability of the micro enterprises.

At the end of the interview she said, net work connectivity, mouth to mouth campaign about the product registration of entrepreneur forum and 24x7 effort, innovation, attracting advertisement and finally maintaining the quality of the product alone made her product sustainable in the market.

#### **IV. CONCLUSION & RECOMMENDATION**

Now, all the products are available at the market. However, innovation is much necessary in the market to sustain the product, or the entrepreneur should differentiate their product from others in terms of quantity, quality, cost, packaging and very particularly advertisement.

Hence, it is recommended that the infant entrepreneur should concentrate on the factors discussed above.

Very particularly, net working facility, working as a group of entrepreneurs and effort to win are the prime factors of sustainability of a product and the entrepreneur.

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