

Micro Enterprise Development through NGOs: An Analytical Study

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Abstract: *NGO's are acting as the connecting link between people belonging to grass root level and civil society. They are providing various assistance services and facilities to those who are poor to be civilized through self employment opportunities and other modes of self development. They have been instrumental in creating awareness among rural people related to the governmental policies and proving a venue for actualizes their own Income Generating Activities. Community focused approach and close interaction of field officers of NGOs benefitted the micro enterprises through several dimensions from the preparation of accounts and to the operational assistance in a broader sense. The study focused to make an evaluation of the respondent's attitude towards the services provided by NGOs to enrich their Income Generating Activities (IGAs). It observes the satisfaction level of micro entrepreneurs and impact of micro loans over their profit in an analytical way.*

Key Words: *Micro Enterprises, Micro Credit, NGO's, IGAs, Pathanamthitta District.*

1. INTRODUCTION:

It has been undoubtedly proved that India has made remarkable progress in technology, agriculture and infrastructural facilities during the post independent era. But several studies point out that, still there is an adverse relationship existing between growth rate and poverty. In order to reduce the effect of poverty, Government of India adopted a five year plans with the objective of upgrading of poor and bringing them into mainstream. Subsequently, the planners realized that the strategies of economic growth would not be able to satisfy the needs of the poor. This leads to direct intervention of Government by increasing incomes of identified poverty groups. It deals with the policies of targeted intervention intended to increase income and improve the conditions of identified groups of poor households. Micro enterprise development through micro finance and credit is substituted as an effective strategy for eradication of poverty during 1990s. In this filed Non Governmental Organizations (NGOs) played a crucial role as a vehicle which caters the need of unprivileged and enable them to self sufficient through self employment and to realize self-identity.

NGOs have gained recognition in the modern economic societies as a new channels of education, empowerment and economic dynamism. The role and relevance of the voluntary sector was clear from the fact that the people and societies conscious as much more efficient and less expensive in promoting development. The NGOs specialize in the integrative people's power and they have a value commitment to the society which is its distinctive strength. The NGO is considered as an independent, autonomous and vibrant sector which can work on social and development problems of the country with the freedom that the government institutions do not have and a sense of commitment and concern for the people that the business sector do not care for. This study particularly intends to identify the role and impact of NGOs in the development of microenterprises, by observing various assistance and supportive facilities provided by them in order to nurture and nourish micro enterprises in the study area.

2. REVIEW OF LITERATURE:

Puhazendhi and Jayaraman(1999) in their study reports that the informal groups of rural poor with active interventions of NGO, adequately supported by training and assistance, ensured and also significantly improved women's participation both from economic and social aspects. They observed that there is a great potential for the group approach in future specifically income generation projects while conceptualizing and implementing any programme, for the rural poor, especially women.

Rajesh Tandon and Srivastava S.S (2005), observes through his study that, organization which were termed as NGO in a general way were engaged in education, health care activities, loan scheme for providing self-employment and micro credit plans for sustainable household enterprise and encompassing the issues of larger national concern, governance, advocacy, generating awareness of the various laws and regulations and addressing the basic needs of the marginalized sections of the society.

Shamshad (2005), in his study of NGOs and the Development of Rural Entrepreneurship, observed that at present there has been a great deal to interest in voluntary sector and its possible role in development. It was because of the complexity of the development problems and the need for reaching out to the poor. The main characteristics of an NGO was the highly needed human touch with encouraging people's participation and promoting the development of rural entrepreneurship for solving the problems of unemployment and for the uplift of economically weaker sections. The author founds that only a few NGO's have succeeded fully in India in imparting skills of income generation and macro entrepreneurship development among the weaker sections of the society, among women, tribal people and the others.

Manmohan Mall and Mishra P K (2013) observes that, NGO can be a facilitator of micro credit services in a country like India where formal financial system could not support inclusive growth. Study describes NGOs are playing several roles such as direct lender of money, mediator between banks and SHGs , developer of products and trainer etc providing enormous services to those who are struggling to pick up the pace as a micro entrepreneur.

Biswas Manju Pathania and Dr. Rama Mohan Rao M (2014) through their research paper work signifies the vital role of NGOs in the empowerment of women through micro finance. Study points out that NGOs pattern of functions which focus on overall development such as economic, health, social and education, which is a more feasible alternative than governmental models which definitely Increasing women's income levels and control over income leading to greater levels of economic independence.

3. OBJECTIVES OF THE STUDY

- To study the NGOs involvement in entrepreneurship development.
- To examine the level of financial support provided by the NGOs.
- Analyze the satisfaction level of respondents over the operational services provided by NGOs
- To delve into the NGOs effort in promoting micro enterprises.

4. HYPOTHESIS OF THE STUDY

- H_0 : There is a relationship exist between average amount of loan and average amount of profit among the sampling units.
- H_0 : There is a significant difference between satisfaction levels of various services provided by NGOs.

5. RESEARCH DESIGN

The study is both descriptive and empirical in nature. Primary and secondary data have been used for the study. Primary data has been collected directly from the respondents through a well structured interview schedule and secondary data has been collected from different journals, magazines and articles related to the study. Statistical tools such as Man Whitney U test and ANOVA had been applied to test the hypothesis.

5.1 Sample Design

Study area is confined to Thiruvalla Taluk of Pathanamthitta district as it is considered as the one of the rural districts in central Kerala. Micro enterprises run by members of SHGs coordinated by NGOs were taken as sample units in the study. Multi stage sampling method has been applied to collect the data from the respondents. In the first stage Thiruvalla Taluk had been selected from sample district. In the second stage six villages selected by using random sampling method. In third stage, ten samples had been obtained from each village, which constitute the total 60 sample for the study.

Table: 6.1 Sample Representations

Area	Representations	Samples	Total
Kaviyoor	SA-1	10	60
Thiruvalla	SA-2	10	
Kadapra	SA-3	10	
Niranam	SA-4	10	
Kuttappuzha	SA-5	10	
Kavumbhagam	SA-6	10	

Source: Primary Data

6. ANALYSIS

6.1 Demographic Profile of the Respondents

Table: 6.2 Demographic Profiles of the Respondents

Gender	Age		Education		Cast		
	No	No	No	No	No	No	
Male	23	<25	11	< SSLC	41	OBC	20
Female	37	25-40	21	SSLC - pre degree	13	General	18
		>40	28	>degree	6	SC/ST	22
Total	60		60		60		60

Source: Primary Data

Table 6.2 shows demographic classification of the respondents under the study area. Out of the 60 respondents, 23 are males and 37 are females. 11 respondents comes below the age of 25 , 21 respondents are between the age group of 25 to 40 and 28 respondents came above 40 years of age. Majority of the respondents under the study area has acquired SSLC qualification. 13 respondents have educational qualification of either SSLC or Pre-degree and only 6 respondents have a qualification of degree or more. 20 respondents belonging to OBC category, 22 respondents belongs to SC/ST category and remaining 18 respondents are from general category.

6.2 Activity based classification of the respondents

Table: 6.3 activity based classification

Activities	SA-1	SA-2	SA-3	SA-4	SA-5	SA-6	Total
Farm	3	3	2	3	2	2	15
Agriculture	1	1	2	2	1	1	8
Food products	1	0	0	1	3	5	10
Tailoring	2	3	2	6	2	2	17
Retail shops	4	2	1	0	2	1	10
Total	11	9	7	12	10	11	60

Source: Primary Data

Table 6.3 depicts activity based classification of the respondents who are indulging various income generating activities in the study area. Out of 60 sample units 15 are doing farm business. 8 respondents are involved in agricultural activities. 10 units producing food products, 17 units running tailoring units and 10 sampling units are carrying retail business.

6.3 Analysis of the financial performance of Sampling Units

Table 6.4: Financial performance of Sampling Units

Activities	Sales	COP*	O.E**	Profit
Farm	30000	10000	3000	17000
Agriculture	28000	8000	3500	16500
Food products	40000	15000	6000	19000
Tailoring	25000	6000	2000	17000
Retail shops	30000	3000	10000	17000

Source: Primary Data

* Cost of Production, ** Other Expenses

Table 6.4 shows financial performance of various Income generating Activities (IGAs) involved by the respondents under the study area. It is observed from the table that, foods products units are recorded highest average sales with an amount of Rs 40000 per year, which follows retail units and farm business with an average amount of Rs 30000 each. Agriculture units reported slight lowest sales as Rs 28000 while tailoring units are reported very low sales of Rs 25000 per annum. Regarding cost of production retail units reported lowest cost of production of Rs 3000 p.a, and agriculture business reported it as Rs 8000 p.a and food production units have incurred a comparative high cost of production of Rs 15000 p.a. Regarding other expenses tailoring units reported a lowest cost of Rs 2000 p.a while retail shops having Rs 10000 p.a as other expenses. Agriculture units are reported a lowest profit of Rs 16500p.a , which

follows farm, tailoring and retail shops , having an equal amount of profit such as Rs 17000 p.a while food product units having the highest amount of profit of Rs 19000. From this observation, we can conclude that all the IGAs controlled by NGOs are making profit regularly.

6.4 Analysis of satisfaction on financial services provided by NGOs

Table 6.5: Satisfaction level on financial services

Marketing cost	High	Medium	Low	Poor	Total
To provide Loan	60				60
To get subsidy		30	10	10	60
Governmental Assistance		20	20	20	60
To get bank account	60				60
to get financial knowledge	40	20			60
To meet operational expenses	50	10			60

Source: Primary Data

Table 6.5 shows satisfaction level of respondents regarding the financial services provided by NGOs for nurturing their IGAs. A high rank has been put by all the respondents related with the assistance provided by NGOs in the activity of providing loan and to get bank account. Related to the activity of subsidy assistance 30 respondents opined a medium satisfaction and 10 respondents marked it as low while remaining 10 respondents suggested the service as very poor. 40 sample units have a high satisfaction and they believe NGOs are helped them to get adequate financial knowledge while 20 respondent marked it as medium. 50 respondents believed NGOs helped them to meet operational expenses so they ranked this activity as high satisfied one, while 10 respondents provide only a medium rank only. It can be concluded from this table that, members are satisfied with the financial services provided by NGOs.

6.5 Analysis of satisfaction level on the operational services provided by NGOs

Table 6.6: Satisfaction level on operational services

Marketing cost	High	Medium	Low	Poor	Total
To keep books of accounts	60				60
To prepare books of accounts	60				60
Financial advice	60				60
Registration with associations	30	30			60
Market knowledge updating	30	10		20	60
To improve the skill in finance	30	10	20		60

Source: Primary Data

Table 6.6 analyses the satisfaction level of operational services provided by the NGOs to the respondents. All respondents reported a high level of satisfaction regarding NGOs financial advice and assistance to keep and prepare books of accounts for them. 30 respondents opined that NGOs helped them to register with several associations to boost their business and ranked a high level of satisfaction while 30 reported a medium level of satisfaction. Regarding market knowledge updating, 30 respondents marked as high, 10 respondents marked as medium while remaining 20 respondents reported this service as poor. Question regarding whether NGOs activities improved skill in finance of respondents? 30 respondents marked a high satisfaction, 10 ranked as medium and 20 ranked as low.

6.6 Analysis of satisfaction of social improvement activities provided by NGOs

Table 6.7: Satisfaction level of social improvement activities

Marketing cost	High	Medium	Low	Poor	Total
Improvement in co-ordination	60				60
Improvement in motivation	40	20			60
Personality Development	10	10	40		60
Confidence to travel anywhere		40	20		60
Communication improvement	10	50			60
Leadership improvement	30	20	10		60

Source: Primary Data

Table 6.7 portrays the satisfaction level derived by the respondents through social improvement activities of the NGOs. 60 respondents ranked a high level of satisfaction and believed NGOs services improved co-ordination among them. NMGOs activity related to improvement of motivation, 40 respondents given a high rank while 20 marked it as medium. Regarding personality development, only 10 respondents given the high rank, other 10 provide medium rank while remaining 40 respondents given it as low. 10 respondents given high rank and opined as NGOs activities improved communication significantly, while 50 respondents agreed to this and ranked as medium level of satisfaction. 30 respondents opined as NGOs services improved leadership skill and given highest rank, 20 respondents given medium rank and 10 respondents given low rank.

6.7 Analysis of the relationship between average amount of loan and average amount of Profit

Table 6.8: Relationship between Loan and Profit

Activities	Avg. amount of loan	Avg. amount of profit
Farm	4500	17000
Agriculture	5000	16500
Food products	3500	19000
Tailoring	5000	17000
Retail shops	6000	17000

Source: Primary Data

Table 6.8 analyses the relationship between the average amount of loan received by the respondents from NGOs for their activities and profit made by them by using that amount. Retail units have reported a highest average amount of loan of Rs 6000 p.a and agricultural and tailoring units have an average loan of Rs 5000 p.a each. Farm units availed an average loan of Rs 4500 p.a while food products units have reported a lowest loan amount of Rs 3500 p.a. regarding average amount of profit, food product units reported a highest profit of Rs 19000p.a, which followed by farm, tailoring and retail shops with an average amount of Rs 17000 p.a each and agriculture units reported the lowest profit of Rs 16500p.a. in order to analyze the relationship between loan and profit, statistical test Man Whitney U test has been applied. The result has been summarized below;

H0: There is a relationship exist between average amount of loan and average amount of profit among the sampling units.

Z-value = -2.50672

P-value = .01208. The null hypothesis is accepted that there is a strong relationship exists between average amount of loan and average amount of profit among the sampling units

6.8 Analysis rankings of satisfaction level of services provided by NGOs

Table 6.9: overall satisfaction level of services

Activities	Financial	Operational	Social	Training	Marketing
Farm	3	3	2	4	3
Agriculture	1	1	2	2	2
Food products	1	2	2	1	4
Tailoring	2	3	2	5	5
Retail shops	4	2	1	2	1

Source: Primary Data

Table 6.9 provides overall satisfaction level of sampling units regarding various services provided by the NGOs. One way ANOVA test has been applied to test the statistical accuracy of the hypothesis. The result has been explained below;

Ho: There is a significant difference between satisfaction levels of various services provided by NGOs.

F value – 0.7692

P-value – 0.5578

The p-value corresponding to the F-statistic of one way ANOVA is higher than 0.05, it stated that there is no significant difference between satisfaction levels of various services provided by NGOs.

7. FINDINGS OF THE STUDY:

- Micro loan assistance by NGOs has a significant impact on the profitability of micro enterprises in the study area.

- There is a very high level of satisfaction of various services provided NGOs to the micro entrepreneurs.
- Study revealed that, NGOs are very helpful to the small entrepreneurs to open a bank account and getting loans to them.
- Accounting, as the pivotal point of every business, NGOs helped the respondents to prepare and keep books of accounts properly. They are also giving financial advices regarding time and place of investment, and utilization of their profit.
- Study explicitly discloses the fact that, NGOs operation definitely increases the co-ordination of respondents which motivates them to do business in a more confident way.
- Further it finds that, supporting activities provided by the NGOs, improved the leadership quality of the respondents which enable them to manage their business more flexible.

8. SUGGESTIONS:

- Success of a business not only depends upon the free flow of money as credit, but also the subsidy and incentives available on time. It is the responsibility of the micro credit institutions to provide adequate provisions for that. Study shows that, an improvement from the part of NGOs needed about the matter of subsidy available to the respondents regarding the micro loan taken by them.
- Government considering micro finance as the most congruent solution for economic improvement of the country. So they are implementing different plans and programmes for the assistance of micro enterprises. This is the duty of the NGOs as a carrier, to avail such governmental assistance to the members who are participating in this programme.
- Respondents demanded a close approach of updating market information by NGOs on the requirements of micro enterprise.

9. CONCLUSION:

It is remarkably true that micro credit services provided by NGOs are very effective for the successful implementation of self employment programmes in India. Community development approach and close supervision carry out by NGOs are far better than any other agencies providing supportive assistance to IGAs. Moreover the micro credit lending, NGOs are actively participating in the operational activities of each enterprise, which are very difficult to organize in a large way. Services of NGOs, directly or indirectly enable the participants to be a social player in a more confident way. Still are there a lot of 'un reached' areas, which are very essential for the success of entrepreneurship and it is the responsibility of NGOs to provide more attention on such areas.

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