

Entrepreneurship Development in Unorganized Sector- A Micro Credit Approach

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Abstract: A major portion of India's labour is concentrated in unorganized sector and it is considered as the dominant sector in the Indian economy. Nevertheless, many problems are hindering the goal of making the sector profitable. The most important thing is that, it doesn't get enough money as credit, on the right time and also not getting any assistance to utilize its opportunities properly. Micro credit is considered world wide as a solution for improving micro entrepreneurship as it promotes up group effort and cooperation which inculcate the idea of employment and earnings to poor's through their own ventures and assisting and supporting them both financially and by other means. In Kerala, Kudumbashree and NGOs are the major two institutions playing the role of 'facilitators' effectively for past two decades, particularly in unorganized sector. This study primarily makes a comparative evaluation of the financial performance of micro enterprises in unorganized sector, formed and assisted by Kudumbashree and NGO's of Idukki district.

Key Words: Unorganized Sector, Microcredit, Micro Enterprises, Kudumbashree, NGO's

1. INTRODUCTION:

Entrepreneurship is the newly well-versed trend emerging out of the business field whereas new innovative and renovative initiatives are promoted and given at most importance in all conceivable ways. The startups and make-in-India ventures do provide platforms for people to engage in various business activities which enable them to explore new areas of operations. The introduction of entrepreneurship to the unorganized sector as new initiatives can change the complexation of the game at the direction a comprehensive shift in the way the unorganized sector is perceived in general. The main aim of entrepreneurship is to work really hard to bring transformation to the society through new mode of functioning. Entrepreneurship is considered as one of the finest tools for eradicating poverty in the developing countries. It is found that there is a strong correlation existing between entrepreneurship and poverty eradication. It has been proved as an effective mechanism for generating income as well as wealth which ultimately leads to the improvement of social living of rural poor^[1]. Entrepreneurship is the core of economic development. It is necessary to establish the process of economic development of both the developed and the developing countries. It is also instrumental in sustaining the process of economic development. Every country tries to achieve economic development for the attainment of richness, success and betterment life of society. So the contribution of both men and women is important in building a nation. The main stream of Indian economy has always been in the unorganized sector. Unorganized sector constitutes the major sector, especially in providing the employment opportunity in the economy. There is no doubt in ensuring that, the unorganized sector in developing countries that makes a significant contribution towards domestic product and is a major source of entrepreneurship. An individual can set up business ventures and enterprises by utilizing his entrepreneurial talents. He can earn profit through production, processing, or distribution of goods and services to the society. In short the entrepreneur is a person who brings in overall changes through innovation with a view to attaining social good.

Governments had initiated several approaches to assist micro entrepreneurs in unorganized sector with a long term perspective. The National Commission on Enterprises in the Unorganized Sector (NCEUS) was set up by the Government as an advisory body and a watchdog for the informal sector. Commission has been identified some constrains existing in unorganized sector as about the reluctance of financial corporations to provide credit as increasing number of sick units in SSI sector. It has also observed that, banks were not ready to provide any assistance beyond the normal credit programs initiated by the governments along with subsidies, to small entrepreneurs. However, micro enterprises in the informal sector cannot be able to go beyond its four walls of operations.

Micro credit has been considered as a substitute for normal finance and it encourages entrepreneurship especially in unorganized sector. Micro credit is a clear tool to improve the growth and profit of micro entrepreneurs^[2]. It helped the enterprises to improve the area of operations and to modernize their operations. The main problem facing entrepreneurship in India is financial instability. This prevents those who are economically backward, from doing the business. This advices the necessity of entrepreneurship as poverty eradication tool, especially for those who are under the poverty line. Banks, however, tend to be reluctant to provide financial assistance to such people. Micro credit through SHGs opens up a large opportunity to the 'unprivileged', by the way of financial and further business assistance, to enter into business avenues. Micro credit is a panacea for financial squeezes faced by micro

entrepreneurs in unorganized sector. Micro credit through SHGs allows for those who are economically backward to access formal financial sector and to use it for income generating activities. In India governmental agencies and NGO's are providing remarkable services to the rural poor in order to organize SHGs and initiate its members to commence their own micro enterprises, by providing different wings of services such as micro credit, trainings, and empowerment. This study intends to investigate the impact of micro credit through SHGs on entrepreneurship development by comparing the financial and economic performance of micro enterprises assisted by Kudumbashree and NGO's in unorganized sector.

2. REVIEW OF LITERATURE:

It can be seen that the contribution of unorganized sector in the economic development of the country has been neglected so far. It is contributing 60% NDP and amounts to 60-67 percentage of total employment of the country. Government needs to encourage well prepared business and support in setting up business by potential self – employers. (Anthony P. D'souza -2013)^[3].

Dr. R. Elangovan, Dr. K. Veeramani (2016)^[4] conducted a study with an intention to find out the impact of micro credit on socio economic status in both organized and unorganized sectors points out a positive correlation between micro credit and improvement of social life of respondents. Impact of micro credit also improved the earning capacity which in turn increased the amount of savings of the respondents.

Kamrun Nahar Munny,Zhang Weiyu (2011)^[5] in their study, observe that the facility of micro credit as a source of finance has made a positive influence of women entrepreneurs for expanding and continuing their entrepreneurial work. The study comes up with a conclusion that micro credit has a strong impact on the development and growth of enterprises in the study area.

Gargi Kulshreshtha, Dr. M. K. Kulshreshtha (2013)^[6] in their study investigate the problem faced by micro enterprises in India. They observed the need for a strong policy implementation from the part of Government to monitor the activities of small enterprises.

Manmohan Mall, P K Mishra (2013)^[7] analyzed the role of NGOs in the sustainable development of rural poor through micro credit. They explained in their study that, NGOs are very effective in the tasks of organizing, training, assessing and monitoring the trading activities of group members which make micro credit programme more fruitful than any other agencies.

Mohammad Shamsuddoha , Tasnuba Nasir (2011)^[8] in their study express that, intensive training programme given by the NGOs are beneficial to the members to setting up their own business enterprises. However they also recommended the necessity of a system which provides easy procedure and timely availability of micro loans with a substantial reduction of interest.

M.K. Irshad, B.K. Muhammed Juman (2015)^[9], evaluated the performance of micro enterprises promoted by Kudumashree and found that poor women have truly been empowered by joining in Kudumbashree organs like Neighbourhood groups and Micro enterprises. There is a significant level of improvement of the performance of enterprises after they become part of such programmes by attaining the means of credit, training and further marketing assistance.

3. OBJECTIVES OF THE STUDY:

- To study the socio-economic background of the entrepreneurs in unorganized sector.
- To evaluate the performance of micro enterprises.
- To analyze the assistance level provided by Kudumbashree and NGOs in unorganized sector.
- To study the problems faced by micro entrepreneurs.

4. HYPOTHESIS OF THE STUDY:

- H₀: There is no significant difference between profits of two types of micro enterprises.
- H₀: There is no significant difference between rankings of problems faced by micro enterprises.

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. Basic statistical tools like percentages mean, standard deviation have been used to interpret the data from interview schedule and statistical techniques like t-test and spearman's rank correlation test have been applied to test the hypothesis also.

5.1 Sample Design

Study area is confined to Idukki district as it is considered as the one of the rural districts in central Kerala. Micro enterprises run by members of SHGs coordinated by Kudumbashree and NGOs were taken as sample units in

unorganized sector. Multi stage sampling method has been applied to collect the data from the respondents. In the first stage one Municipality and one Grama Panchayath such as Thodupuzha and Kanthalloor respectively have been selected from sample district. In the second stage five wards have been selected from Municipality and Grama Panchayath by using random sampling method. In third stage, ten samples have been obtained from each ward, five of Kudumbashree organized micro enterprises and five of NGOs organized micro enterprises, which constitute the total 100 sample for the study.

6. ANALYSIS:

6.1 Demographic Profile of the Respondents

Table: 6.1 Demographic Profiles of the Respondents

Gender	Age		Education		Family Income		Residential Status		
	No	No	No	No	No	No	No	No	
Male	30	<25	20	< SSLC	76	<50000	12	Owned	64
Female	70	25-40	64	SSLC - pre degree	16	50000-100000	54	Rental	36
		>40	16	>degree	8	> 10000	34		
Total	100		100		100		100		100

Source: Primary Data

Table 6.1 shows demographic classification of the respondents under study area. Out of 100 respondents, 30 are males and 70 are females. 25 respondents come below the age of 25 ,and 64 respondents come between the age group of 25 to 40 and only 16 micro entrepreneurs in the unorganized sector come under 40 years of age. Majority of the micro entrepreneurs under study area has not acquired SSLC qualification. 16 respondents have educational qualification of either SSLC or Pre-degree and only 8 respondents have a qualification of degree or more. When relating to their family income 12 respondents said that they have a family income of below Rs 50000 and 54 respondents have a family income ranging between Rs 50000 to Rs 100000 and 34 respondents have family income of more than Rs 100000. 64 respondents say that they have their own residential house while 36 respondents are living in rented property.

6.2 Capital Investments in Business Wise Classification of Respondents

Table: 6.2 Capital Investments in Business

Capital investment	Kudumbashree M.E's			NGO M.E's		
	No	Mean	S.D	No	Mean	S.D
Below 40000	28	32857	3398.15	8	28750	2155.06
40001-80000	12	56667	8928.73	15	68000	12984.1
80001-120000	8	90000	6870.73	7	97143	5514.36
Above 100000	2	112500	7500	20	126000	8396.43

Source: Primary Data

Table 6.2 depicts a comparison of capital investments made by micro enterprises under Kudumashree and NGOs. Majority of the Kudumbashree assisted micro enterprises have an investment of capital below 40000 with mean of Rs 32857 and with SD 3398.15. Only two enterprises have capital investment of above 100000. However 20 out of 50 samples under NGO based enterprises have a capital investment of over 100000 with an average 1260000 and SD Rs8396.43. Only 8 enterprises have lowest capital investment of below 40000 with a mean of 28750 and an SD 2155.06. It can be interpreted that, Kudumbashree assisted micro enterprises are low capital intensive business.

6.3 Analysis of Cost of Production of Micro Enterprise Units

Table 6.3: Cost of Production of Micro Enterprise Units

Cost Of Production	Kudumbashree M.E's			NGO M.E's		
	No	Mean	S.D	No	Mean	S.D
Below 10000	15	7933	1691.8	4	10000	-
10000-25000	20	19000	3741.66	10	21600	2870.5
25000-50000	10	32500	2500	23	45552	3773.5
Above 50000	5	72000	7493.32	13	76923	10552.5
Total	50			50		

Source: Primary Data

From Table 6.3, it can be observed that, out of 50 sample units of Kudumbashree assisted enterprises, which are using micro credit as their capital, 15 samples have cost of production below Rs10000 with a mean of 7933 and SD Rs 1691.8. 20 samples have cost of production ranging between Rs10000 to Rs25000 with a mean of 19000 and SD Rs3741.66. 10 units have cost of production incurred between Rs25000 and Rs50000 with a mean of Rs32500 and SD Rs2500 and 5 units have cost of production more than Rs50000 with a mean of Rs72000 and SD Rs7493.32. While 23 NGOs based enterprises have cost of production between Rs25000 and Rs50000 with a mean of Rs45552 and SD Rs3773.5 and only 4 sampling units are incurring the cost of production below Rs10000.

6.4 Analysis of Marketing Cost of Micro Enterprise Units

Table 6.4: Marketing Cost of Micro Enterprise Units

Marketing cost	Kudumbashree M.E's			NGO M.E's		
	No	Mean	S.D	No	Mean	S.D
Below 5000	26	3230	1101.31	2	4000	-
5000-10000	14	7571	1399.70	12	7500	1443.38
10000-15000	8	14250	2154.21	16	13333	1481.18
Above 15000	2	19000	1000	20	21500	2713.39
Total	50			50		

Source: Primary Data

Table 6.4 depicts marketing expenses incurred to micro entrepreneurs in the study area. Out 50 sample units of Kudumbashree assisted micro enterprises, 26 units have reported their marketing expenses of below Rs5000 with a mean of Rs3230 and SD Rs1101.31 and 14 micro enterprises incur expenses ranging between Rs 5000 to Rs 10000 and 8 enterprises have reported it between Rs 10000 to Rs 15000 with an average of Rs14250 and SD 2154. Only 2 micro enterprises spend the amount as marketing cost of more than Rs 15000. While micro enterprises assisted by NGO's, 20 units have incurred marketing cost of more than Rs 15000 with a mean of Rs 21500 and SD Rs2713.39 and only 2 units have reported it as below Rs 1500with a mean of Rs4000. This shows NGO supporting units have spent more amount for marketing and other allied activities as compared to Kudumbashree supporting micro enterprises in unorganized sector.

6.5 Analysis of Turnover of Micro Enterprises.

Table 6.5: Marketing Cost of Micro Enterprise Units

Turnover	Kudumbashree M.E's			NGO M.E's		
	No	Mean.	SD	No	Mean.	SD
Below 25000	5	22800	800	5	21600	979.79
25000-50000	10	39500	2166.67	13	36923	1654.29
50000-100000	31	84677	1310.33	15	92333	549.17
Above 100000	4	118750	3145.76	17	162058	4331.4
Total	50			50		

Source: Primary Data

Table 6.5 depicts average amount of turnover micro entrepreneurs in the study area. Out 50 sample units taken from Kudumbashree assisted micro enterprises in the study area, 5 units have reported a turnover of below Rs25000 with a mean of 22800 and SD Rs800 and 10 micro enterprises show a turnover between Rs 25000 to Rs50000 and 31 enterprises have reported it between Rs 50000 to Rs 100000 with an average of Rs84677 and SD 1310.33. Only 4 micro enterprises report a turnover of more than Rs 100000. While micro enterprises assisted by NGO's, 17 units have reported a turnover of more than Rs 100000 with a mean of Rs 162058 and SD Rs 4331.4 and 15 units have turnover between Rs 50000 to Rs100000 with a mean of Rs92333 and SD 54917.13 units have a turnover between Rs 25000 to Rs. 50000 and 5 units , show the sales as below Rs 25000.From the above table, it reveals that ,both classes micro enterprises are performing similar regarding the turnover they make , however a NGO's assisted micro enterprises report a slight increase of turnover than Kudumbashree assisted micro enterprises.

6.6 Analysis of Profit of Sampling Units

Table 6.6: Profit of Sampling Units

Profit	Kudumbashree M.E's			NGO M.E's		
	No	Mean.	SD	No	Mean.	SD

Below 20000	5	8800	748.33	1	20000	-
20000-40000	28	35143	6605.78	13	31308	15411.41
40000-60000	15	48067	5543.36	20	52750	5356.1
Above 60000	2	70000	5000	16	121563	15882.25
	50			50		

Source: Primary Data

Table 6.6 portrays the profit generated by Kudumbashree and NGO's assisted micro enterprises in sample area. It has been noted that 5 Kudumbashree assisted micro enterprises are making only a profit of below Rs20000. 28 units have profit between Rs20000 and Rs40000 with a mean of Rs35143 and SD Rs 6605.78. 15 sample units are making profit between Rs40000 to Rs60000 with a mean of 48067 and SD5543.36 and only 2 micro enterprises are reporting profit above Rs 60000. However 20 units of NGO's assisted micro enterprises are reporting profit ranging between 40000 to Rs60000 with a mean of 52750 and SD 5356.1 and 16 units make profit above Rs60000 with a mean of Rs121563 and SD Rs15882.25 and only 1 micro enterprise is making profit below Rs20000. It can be observed from the table that NGO's assisted enterprises are comparatively more profit generating enterprises but with a highest SD.

The research has been put forward with a hypothesis to test the significant difference between profit of the micro enterprises assisted by Kudumbashree and NGO's (H_0). T-test has been applied with a level of significance of 5 % to test the hypothesis. Results are summarized below;

Profit	Kudumbashree M.E's	NGO M.E's
Below 20000	8800	20000
20000-40000	35143	31308
40000-60000	48067	52750
Above 60000	70000	121563

Result:

T value = -0.61

P value = .564684.

H_0 is accepted and proved that there is no significant difference between profits of two types of micro enterprises.

6.7 Analyses of Problems Faced by Micro Enterprises

Table 6.7: Problems Faced by Micro Enterprises

Problems	Kudumbashree M.E's	NGO M.E's
Labour problems	9	13
Financial problems	21	15
Marketing insufficiency	8	8
Lack of demand	7	9
Competition	5	5

Source: Primary Data

Table 6.7 shows the problems faced by micro entrepreneurs in unorganized sector. 21 Kudumbashree assisted enterprises reported financial problems as their main constraint followed by labour problems, marketing insufficiency, lack of demand and competition from other enterprises respectively. NGO assisted micro enterprises also reported financial problems as the main constraint followed by labour problems, lack of demand, marketing insufficiency and competition respectively. In order to analyze the relationship between problems faced by Kudumbashree and NGO assisted micro entrepreneurs, spearman's rank correlation test has been applied with H_0 : there is no significant difference between ranking of problems faced by micro entrepreneurs . Results summarized are follows;

R = 0.9

Two tailed value of P= 0.03739

It shows a high positive correlation between variables hence H_0 has been accepted by considering there is significant correlation between problems faced by Kudumbashree and NGO's assisted micro enterprises in unorganized sector.

7. FINDINGS OF THE STUDY:

- Micro credit has a significant impact on the profitability of micro enterprises in unorganized sector.
- NGO assisted micro enterprises are more capital intensive than Kudumbashree assisted NGOs in unorganized sector.
- Micro enterprises, those who are supported by Kudumbashree have incurred very small cost of production and allied expenses than others.
- NGO based micro enterprises are more profitable than Kudumbashree assisted micro enterprises.
- Financial problems are the major constraint faced by micro enterprises even though micro credit is available.

8. SUGGESTIONS:

- It has been observed from the study that, micro credit enterprises which are supported by governmental agencies are far behind the performance of those enterprises which are supported by NGOs. It sheds light on the fact that, more than wide dumping of policies and credit, a focused approach is needed for governmental agencies which do concentrate on individual enterprises than group.
- A close support and attention should be needed for governmental agencies to make the enterprises more profitable.
- Most of the respondents demanded a liberal approach of credit, depending on the requirements of each micro enterprise.

9. CONCLUSION:

Micro credit is considered as an effective source of finance for those who are in neglected sector and it contributes to the major source of India's population. It becomes the primary task of every government to provide avenues for empowering the poor and to make them self-sufficient. Entrepreneurship development can be able to fill the gap between the rich and the poor as it leads them to earn profit and savings by starting their own ventures and which ultimately improves the GDP of the nation. However major difficulty it poses is the lack of capital and other infrastructural facilities, which force the poor to stay away from business. Micro credit programme through Governmental owned agencies like Kudumbashree and NGO's enable those who are unreachable to formal credit system, to start their own enterprises and to make profits.

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