

MICRO ENTREPRENEURSHIPS**TODAY'S NEED FOR SOCIO-ECONOMIC DEVELOPMENT**

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ABSTRACT

The magnitude of micro-entrepreneurial activities plays a decisive role in the economic development of the rural livelihoods, especially in third world countries. Micro-entrepreneurship has always been considered as a proven instrument to fight poverty in an effective manner. As a consequence, poverty alleviation through rural centric micro entrepreneurship development has been focused for more than the last three decades. However, despite such initiatives, the state of micro-entrepreneurship in Bangladesh has not yet reached to a satisfactory level. There are a number of prevailing factors that thwart the development of micro-entrepreneurship.

Among all the factors, non-institutions encompassing various political, economic, social, cultural, technological, environmental and personal factors are affecting the scopes of operating these economic activities to a significant extent. This paper attempts to identify the key non-institutional barriers that hinder the development of micro entrepreneurship in Bangladesh, and suggests a composite policy measure to overcome such encumbrances.

Keywords: *Entrepreneurship development, Micro Credit, Micro Entrepreneurship, Social Entrepreneurship.*

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INTRODUCTION

Micro enterprises make an important contribution to economic output and employment in developing economies. Finance is lifeblood of any enterprise irrespective of its size. Micro enterprise faces more problems in raising finance, as the provider of finance may not find the return on investment interesting as compared to large enterprise, and also investor is more skeptical about repayment.

Entrepreneurs compete in rapidly changing markets and must respond to the challenges of globalization, technological advance and other factors. Micro enterprise has limited resources at its disposal while competing with giant enterprises. At the same time they have special pool of business where micro enterprise is more competitive. To be able to work out of poverty, to survive and to grow, entrepreneurs need access to a range of services. Broadly, these are categorized as (1) financial services and (2) non-financial, or business development services (BDS), such as market information, management and vocational skills training and business advice. Non-financial services are equally important to design, develop & market product or services. Micro enterprise has edge over large enterprise in various products; traditional knowledge and better control over business are unique strength (Ackoff, 1987).

WHAT IS MICRO ENTREPRENEURSHIP ?

Micro entrepreneurs are the owners of small businesses that have fewer than five employees and have startup costs of less than \$35,000 and annual revenue of less than \$100,000. There are nearly 21.5 million micro entrepreneurs in the U.S. Examples of micro entrepreneurs are owners of bakeries, beauty parlors, child care facilities, repair shops, arts and crafts shops, painting businesses, contracting businesses, family-owned shops, auto body shops, small-scale restaurants, and small-inventory trading businesses.

Micro entrepreneurs face many hurdles in getting startup financing, and they sometimes lack the skills necessary to manage the financial aspect of their business. As a result, many micro entrepreneurs cannot grow and develop their business beyond a micro enterprise. Various micro enterprise development programs have helped micro entrepreneurs achieve great success and growth. These micro enterprise development programs have immensely helped micro entrepreneurs who lack collateral needed to secure a loan or those who have low or no credit by providing them with training, support, help in developing a solid business plan, and assistance in building their businesses. Successful micro entrepreneurs have contributed much to society by creating wealth, economic assets, and jobs.

SOCIAL ENTREPRENEURSHIP

Initially, academic interest in this activity primarily focused on the creation of philanthropic organizations, effective nonprofit management, and the application of business-like discipline to institutions created primarily to address social sector problems rather than the pursuit of economic objectives. This activity attracted its own scholarly literature, interest groups, and resource networks (Dees *et al.*, 2001); in practice, successful social entrepreneurs in public (De Leon, 1996) or nonprofit administration have the potential to bring about significant changes in the perception, policy making, and even implementation of social change in the public sector (Waddock and Post, 1991).

However, social venturing is best understood more broadly. Social entrepreneurship can also include business ventures with a strong overarching social purpose, as well as a wide range of hybrid organizations that mix both nonprofit and for-profit elements (Dees, 1998; Townsend and Hart, 2008). Indeed the concept of social entrepreneurship is recognized as encompassing a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like ‘investment’ portfolios; and nonprofit organizations that are reinventing themselves by drawing on lessons learned from the business world. In the past decade ‘social entrepreneurship’ has made a popular name for itself on the global scene as a ‘new phenomenon’ that is reshaping the way we think about social value creation (Mair *et al.*, 2006).

i) Employment Development

The first major economic value that social entrepreneurship creates is the most obvious one because it is shared with entrepreneurs and businesses alike: job and employment creation. Estimates range from one to seven percent of people employed in the social entrepreneurship sector. Secondly, social enterprises provide employment opportunities and job training to segments of society at an employment disadvantage (long-term unemployed, disabled, homeless, at-risk youth and gender-discriminated women). In the case of Grameen the economic situation of six million disadvantaged women micro-entrepreneurs were improved.

ii) Innovation / New Goods and Services

Social enterprises develop and apply innovation important to social and economic development and develop new goods and services. Issues addressed include some of the

biggest societal problems such as HIV, mental ill-health, illiteracy, crime and drug abuse which, importantly, are confronted in innovative ways.

iii) Social Capital

Next to economic capital one of the most important values created by social entrepreneurship is social capital (usually understood as “the resources which are linked to possession of a durable network of relationships of mutual acquaintance and recognition”). Examples are the success of the German and Japanese economies, which have their roots in long-term relationships and the ethics of cooperation, in both essential innovation and industrial development. The World Bank also sees social capital as critical for poverty alleviation and sustainable human and economic development. Investments in social capital can start a virtuous cycle.

iv) Equity Promotion

Social entrepreneurship fosters a more equitable society by addressing social issues and trying to achieve ongoing sustainable impact through their social mission rather than purely profit-maximization.

To sum up, social enterprises should be seen as a positive force, as change agents providing leading-edge innovation to unmet social needs. Social entrepreneurship is not a panacea because it works within the overall social and economic framework, but as it starts at the grassroots level it is often overlooked and deserves much more attention from academic theorists as well as policy makers. This is especially important in developing countries and welfare states facing increasing financial stress.

MICRO CREDIT PROGRAM AND THE ENTREPRENEURSHIP DEVELOPMENT

Micro credit is a structured program under which micro level loans are given to poor people especially to the poor rural women without collateral security. It is a group-based and intensively supervised loan program. The uniqueness of this loan program is that there is no requirement of collateral security. Anybody can apply for this credit and is eligible to receive credit. The purpose of the micro credit program is to give the loans to the poor people for self-employment that generate income, allow them to care for themselves and their family members (Sankaran, 2005).

Micro credit program has significant impact on income and economic security on the socioeconomic lives of rural women. It increases income and helps the women to spend more for the development of their lives and families. It helps to increase household income that

improves the consumption patterns and lifestyles of the rural families (Hossain & Sen 1992; Navajas, *et. al.*, 2000). The access to the micro credit program of rural women helps to improve lifestyle through economic self-sufficiency (Apte, 1988).

The main objective of micro credit providers is to create self-employment opportunities for the rural unemployed and underemployed people especially for rural women. This self-employment is largely in non-farm self employment. Before joining the credit program, many of the borrowers were wage labor sellers. Now, they are more self-sufficient and can work in their own businesses. The rural women had a very little opportunity to participate in economic activities. Micro credit programs have created opportunity for them to participate in economic activities and reduced their dependency on others. The immediate effect is to reduce the labor supply and consequently raise wage rate, given the local demand for labor. Wages remain at the high level if the credit program induces a large demand for food and other local products. Thus, the increase of placement in the rural areas is the result of micro credit programs (Ghai, 1984).

Empowerment is characterized as the mobility of women, economic security, ability to make purchase, involvement in major household decisions, relative freedom for the domination within the family, political and legal awareness, and involvement in public protest and political campaign. Women's participation in such programs increased their mobility to visit market place for buying products, medical center for medication, cinema hall for watching movie, other houses in the village, and outside village for more relations. It enhanced the ability to make small and large purchases. Small purchases include small items used for daily in preparation for the family (e.g., kerosene oil, cooking oil, spices), for oneself (e.g., hair oil, soap, glass etc), buy ice-cream or sweets for the children. The large purchases are related to pots and pans, children clothing, own clothing (e.g., Saries), family's daily food etc. the ability to major household decisions is concerned with repairing and innovation of house, buying animals, lease land, buy land, boat, rickshaw etc.

CHALLENGES & BARRIERS

A. Challenges

Aspect of Business

Main Challenges

1. Access to Finance

- ❖ Discriminatory national laws
- ❖ Prejudice against women and women-owned businesses
- ❖ Difficulty in providing collateral (women do not own assets in their own right)

- ❖ Lack of credit / banking history (due to past, informal nature of businesses)
- ❖ Need for credit plus business planning and advisory services
- 2. Access to Markets
 - ❖ Prejudice against women
 - ❖ Difficulty in traveling to make contacts
 - ❖ Sexual harassment
- 3. Access to Training
 - ❖ Training needs are often overlooked
 - ❖ When identified, women's needs may not be met (for example, time of training, content, method of delivery)
- 4. Access to infrastructure
 - ❖ Bias against women's businesses
 - ❖ Few or no contacts in the bureaucracy
- 5. Access to technology
 - ❖ Older women and women with low levels of education and literacy are particularly disadvantaged
 - ❖ Lack of English language skills
 - ❖ Bias against women's involvement in technical matters.

Source: Acharya (1994)

B. Constraints:

Some of the key constraints that are being faced by the Indian micro enterprises are:

- ❖ Accessing adequate and timely financing on competitive terms, particularly longer tenure loans.
- ❖ Accessing credit on easy terms has become difficult in the backdrop of current global financial crisis and the resultant liquidity constraints in the Indian financial sector, which has held back the growth of micro enterprises and impeded overall growth and development.
- ❖ The financing constraints faced by Indian micro enterprises are attributable to a combination of factors that include policy, legal/regulatory framework (in terms of recovery, bankruptcy and contract enforcement), institutional weaknesses (absence of good credit appraisal and risk management/ monitoring tools), and lack of reliable credit information on micro enterprises.
- ❖ It has become difficult for lenders to be able to assess risk premiums properly, creating differences in the perceived versus real risk profiles of micro enterprises.
- ❖ Access to skilled manpower, R&D facilities and marketing channels is limited.
- ❖ Availability of finance at cheaper rates, skills about decision-making and good management and accounting practices, and access to modern technology.

C. Non-Institutional Barriers

A broad range of controllable and uncontrollable non-institutional components such as political, social, cultural, technological, natural, and personal factors shape up the overall development process of micro-entrepreneurship and its sustainability in long run. Local economic factors such as - size of the local market and its demand generated by local purchasing power influence the entrepreneurs' business decisions. Businesses also depend on the geographical characteristics that lead towards specific business types historically. A crucial factor of production – labor and its availability and price (wage rate) are also considered as crucial factors in developing any entrepreneurship practice and type of business concentrations. High rate of wages influences micro-entrepreneurs inclined to selling labor and at the same time hiring labor for micro-enterprises becomes more costly – both the scenarios work as barriers for the micro businesses. Local standard of living alters the characteristics of the micro entrepreneurships, in cases of superior living standards; people are most likely to prefer SME over micro-enterprise to receive relevant services.

The geographical position also defines micro-entrepreneurship businesses, such as, micro-enterprises mostly run in the remote villages. Moreover, the quality of land plays an immense role for the success of agricultural businesses. The sustainability of micro-enterprises also depends heavily on availability of supplies, raw materials, price volatility of relevant goods, and price inflation of the product, substitute goods, demand elasticity of the goods and so on. Individual capacity development is a key priority area for the sustainable growth of these small scale entrepreneurs. Capacity development programs such as trainings on business start-up plans, regular operations, and enterprise developments are long overdue. Disseminating marketing knowledge to equip entrepreneurs with necessary skills to promote their ventures and other professional education such as management, sales, accounting, and strategies will be quite useful to enhance the capacity as a whole. Effective training on various managerial as well as social aspects will contribute largely in enhancing economic independence, self confidence, awareness, decision making process, sense of achievement, social interaction, leadership quality, personal and social capabilities. Fortunately, most of the micro-entrepreneurs engaged in informal activities do not require extensive training or skills. A few fundamental concepts and approaches will be enough to facilitate them to conduct their businesses smoothly.

Recommendations

In an integrated approach covering related workgroups from NGOs, MFIs, government, donor agencies, local elite groups and others, a specialist agency or department can be

established to provide right advice and assistance to micro-entrepreneurs at the local level. It will work for capacity building of the micro-entrepreneurs through offering educational courses and training, just like mass education system, on initial startup plans, marketing approaches, business expansion strategies, problem solving skills, record maintenance of transaction etc.

Entrepreneurs can utilize both their technical skills and raw resources from the farm and livestock in the production of Livestock feed and vermicompost using the animal waste to generate income. They can be widely benefited through establishing small scale agro-processing units. However, it is a continuous process to explore different potential sectors where micro enterprises have enough potentiality to grow. It will help to adopt training and capacity building programs at the community level to introduce and familiarize the technological implication among micro-entrepreneurs. Focus should be made on the capacity building of local microcredit retailers and the marketing of the new microcredit products. Through sharing ideas, organizing workshops, seminars and award programs involving media it will promote a healthy business environment for the micro-entrepreneurs.

CONCLUSIONS

Microenterprise is a time-tested wealth creation strategy, particularly for the low-income and minority communities that are at financial peril in the current economic climate. The time is now to envision and secure policy options that produce abundant, sustainable and enduring sources of funding for the microenterprise field.

The microenterprise field has had some notable policy successes in the past year. After several difficult years of diminished and then zero funding, efforts to restore funding to federal programs supporting the field were successful. Policies increasing access to capital and supporting entrepreneurship also achieved some success. The microenterprise field is poised to pursue opportunities for growth and innovation. Together, advocates, researchers, practitioners, financial institutions and entrepreneurs can seize these opportunities by promoting an ambitious new policy agenda for low-income micro entrepreneurs and the programs that serve them.

In order to reduce the poverty level through accelerating the growth of micro entrepreneurship in several countries, the government, policy makers, donors, NGOs, MFIs and other relevant organizations need to consider and address micro credit, social entrepreneurship, non-institutional barriers properly. The integrated approaches are important to overcome the non-institutional barriers through awareness creation, motivational program,

sound business plans and a combined external support. Through the right support from the institutional as well as non-institutional associations, micro-entrepreneurs can strengthen their own capacities besides contributing in both family and national earnings. Since micro-entrepreneurial movements and capacity building are imperative for economic and social development in the long run, an integrated approach is necessary to be deployed within shortest possible time.

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