



# **Inherent 'limits to growth' in micro-social enterprises: Insights from Kudumbashree micro enterprises, India**

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**Growing and Scaling Social Impact**

**ISIRC 2016**

# Motivation for the study



- Entrepreneurship as pivotal for development.
- Social innovation initiatives promote micro-entrepreneurship, especially among the underprivileged.
- Assumption - Micro-entrepreneurial activity will make social impact as it enables the underprivileged to break into the markets that were hitherto inaccessible, and accumulate resources for further growth on their own.
- Does it really happen?



# Research setting: KUDUMBASHREE (KS)



- Kudumbashree is a female-oriented, community-based, poverty reduction project of the Government of Kerala, India.
- It envisages bringing prosperity to poor families in the state with multiple programmes - *'To reach out to families through women and to reach out community through the family'*.
- Follows a process approach rather than a project approach.
- Provides information, creates awareness, builds up capability and capacity, enhance confidence and show them opportunity for better social security and empower them physically, socially, economically and politically.
- Has motivated thousands of women members of NHGs to take up micro enterprises, livelihood activities using the thrift loan and the linkage banking(collateral free) loans.

# Research design



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## In depth study of eight existing M.Es

TYPE	SETTING	SECTOR
		Service ( <i>META ladies health club</i> )
	Rural	Manufacturing (Ruchipura)
		Service ( <i>Udayam Printing Press</i> )
<b>Individual</b>	Urban	Manufacturing ( <i>Orumma Papadam</i> )
		Service ( <i>Hayar</i> )
	Rural	Manufacturing ( <i>Vanitha</i> )
		Service ( <i>Stitch &amp; Style</i> )

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# KS: Institutional Model



- Model: **Low capital, low risk model** for disadvantaged women
- Growth aspiration of KS model: Impact on women, family, community, state
- Support offered :
  - Motivation to start (Offering this as an attractive option)
  - Financial (Linkage banking)
  - Micro-enterprise consultants
  - Basic training
- Currently, there are over 35,000 enterprises in Kerala.



# Findings: 1. Micro-entrepreneur characteristics



- Poor
- Middle aged, with little education
- Without any prior business or work experience
- Often from rural areas



# Findings: 2. Motivation for entrepreneurship

## Why do they venture into **micro-entrepreneurship**?

- Tiding over a financial necessity
- Presented as a way of putting spare time to better use – is Micro entrepreneurship a part time vocation?
- Difficulties with that kind of conceptualization.



# Findings: 3. Micro-entrepreneurial Ideation & Setting up processes



## **Top down approach:**

Mission driven

Areas identified

Linked with existing govt. poverty eradication schemes

Individual: mostly using skills they already have.

## **Bottom up approach**

Group ideation – coming together of interested women across NHGs

Member selection- convenience , workability.

Group- collective ideation and choice of business



# Finding: 4. Market challenges



- **Awareness:** information asymmetry (vs. non KS entrepreneurs)
- **Access :** currently mostly local, weekly markets etc.
- **Visibility:** Hardly any advertising- word to mouth

These roadblocks seem more severe for rural women entrepreneurs compared to their urban counterparts



# Findings: 5. Funding – differential, stage based challenges



- Initial round through linkage loans ( general skepticism from banks and financial institutions)
- Second round funding- inability of MEs to generate sufficient capital for reinvestment into the next stage of growth,
- Reluctance to access other forms of capital and markets.
- Risk aversion

# Finding: 6. Organizational limits



- **Structure**
  - **Employees**
  - **Skill set needed**
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- Organization structure: rudimentary, group enterprises- women do each others jobs. Yet no structured attempts at multi-skilling.
  - Owner / manager/ employee model
  - Family members involved in most individual enterprises.
  - A few individual M.Es want to grow by inducting new members and converting the enterprise to a group M.E.
  - But successful group M.Es do not want to take in new members.

# Finding: 7. Social / gender based challenges



- Limited **financial autonomy**
- Autonomy only in operational decisions, not investment decisions
- Presented as a source of supplementary income- profits generated are instantly distributed and used to meet family education, social requirements.
- Lack of education & exposure

# Finding: 8. Aspirational limits



- Women entrepreneurs being content with being small and reluctant to take greater risks
- Root for growth– Limits of the Owner/Manager/Employee Model

# Evaluating the model: Inherent limits to growth



To what extent the KS model consider/addresses

- Original conceptualization of the model
- ME entrepreneur characteristics
- ME Consultants



# Road ahead



- Reconfirm the findings using a **state-wide survey**.
- **Relative criticality** of each of the factors listed as limits to growth.
- Assessing the **failure rate** and **longevity** of listed M.Es.

# Let's discuss

Questions/Comments/Observations?

# Thank you!

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