

Microenterprises

Address at the Global Conference of Micro Enterprises on Monday the 13th November, 2000 at Vigyan Bhavan, New Delhi

It gives me immense pleasure to participate in this global conference of Micro industries meeting here today to focus on the relevance of Tiny and micro industries in the national and global scene. It also brings to my mind nostalgic memories of my handling the subject as Minister of Industries four decades ago in the then state of Madras. Generally when the term 'industry' is used, it brings to our mind giant transnational corporations, heavy industries and automated production with computer aided designs and robots. All discussions, dissertation publicity in print and electronic media and even government attention are devoted to that sector. Newspapers flash full-page advertisement of their achievements and success. I have no quarrel with this. But when the welfare of the masses is relegated to a corner I begin to despair of the future of human society.

It is an axiom of political science that the state comes into being for life i.e. for the protection of life and liberty of the citizen but it exists for good life i.e. for the welfare of the masses. Some of the Nordic Countries and New Zealand have introduced social security like maternity benefit for the citizen, children's allowance, unemployment relief, old age pensions and even funeral cover – in short from the cradle to the grave - to their people. On the other hand, neglect of the welfare of the masses spells doom for the society and the state. The motto of the International Labour Organisation is "*Poverty anywhere is a threat to prosperity everywhere*".

Malthus, the economist of doom postulated that while population increases at a geometric ratio of 2,4,8,16,32 etc food production increases at an arithmetic ratio of 2,4,6,8 etc, and therefore wars, pestilence and disease will have to contain the population to manageable limits. Malthus has been proved wrong by Science. The application of science and technology to agriculture has enabled the world to march ahead of population growth. The FAO reports that the world production of cereals, vegetables, fruits and other edible things is more than enough to meet the needs of the present world population of 4 billion. India's production of over 200 million tons of food grains is more than sufficient to feed its one billion population. The annual per capita availability of food grains in India, which was 141 Kg in 1950-51, has increased to 185 Kg in 1988 despite the growth of population from 360 million to 800 million. It is higher than 182 Kg recommended by the Indian Council of Medical Research for welfare of a person.

And yet, there are in the whole world 800 million hungry people in the developing countries and 34 million such in the developed countries. India alone has over 300 million hungry that is below the poverty line. Average of food availability like the average depth of a river is deceptive. The ground reality of the situation is that even though food is available, the people have no purchasing power to buy their needs and starvation stalks their homes. Therefore, the only way to alleviate poverty and hunger is to increase employment opportunities to the masses in whatsoever form it may offer itself such as employment in agriculture, factories, commercial establishments, services sector, handicrafts, rural and village products etc.,

Industries fall under the following categories:

1. Transnational Corporation
2. Large Scale Industries

3. Medium Industries
4. Small Scale Industries
5. Tiny / Micro Industries
6. Village and Cottage Industries etc.,

Item 4, 5, and 6 fall under the category of Micro industries. While Small Scale Industries are either Companies or Partnerships, other Micro industries are largely family or self-employment ventures. Thus the problems of the Micro industries are totally different from other industries enumerated above. For developing countries small and tiny units play an important role. The capital cost of investment is very low, the gestation period very short and levels of skills required are within their means and availability. Like a fisherman harvesting his product within 12 hours, from the Sea or Lake, many micro industrial products can be turned out within hours. As poverty alleviation scheme the micro industries are incomparably the best.

Since Micro industries are not only unorganized but totally disorganized, statistics of employment created by them are not easily available. However, the growth of small industries during the decade 1984-1994 may give the nature of the growth of the small sector. While during this period employment in Large Scale Industries grew from 5.22 million to 5.71 million (a bare 0.5 million) employment in the Small Scale Sector increased from 9 million to 14.66 million (a full 5 million and above).

The unorganized sector consisting of Khadi (hand spun and hand woven textiles) handlooms, handicrafts, coir industry, sericulture and a host of others provide employment for about 30 million people in India. One has to remember that the Micro Enterprises provide employment to artisans, craftsmen, tinkers, tailors, women and illiterates whom modern industry regards as unemployable. About four decades ago, as minister for industries in the then State of Madras, I had revived the ancient arts of sculpture, casting of Bronzes, Icons, temple ornamental lamps, kalamkari printing and a few others by setting up schools to train the hereditary artists. The Mahabalipuram College of sculpture alone has trained thousands of artisans who secured employment not only within the country but also in America where a number of Hindu temples have sprung up in recent years. Interestingly, the Bronze icons are made by a process of making the idols in wax, encasing them in moulds and then pouring the hot metal through a hole, which melts away in the wax and suffuses into the mould and becomes a rough idol.

Thereafter, it is, delicately carved into masterpieces of art. This has been in vogue for over two thousand years in India. This process has been developed by western technologists and sold to us under the name of investment casting! India could not participate in the Industrial Revolution, which swept over the west as she was under colonial domination and our skills remained dormant and undeveloped. Impressive as these facts are, they do not touch the fringe of the problem of a country with one billion populations.

Realising the need for self-employment, the FAO as part of their *food for all* campaign has launched a Tele food project with financial assistance for raising of cereals, vegetables, goats, poultry etc. This has a salutary effect of providing, not only food for themselves, but also, providing income for their other expenses. In India 70% of the population live on agriculture. Since agriculture cannot sustain such a heavy burden, many live below the poverty line. Agriculture in India can sustain hardly 40 to 50% of the population and therefore it is imperative that at least 20 to 30 % living on agriculture have to be shifted to primary, secondary and tertiary sectors. Rural poverty cannot be alleviated unless other gainful employment is secured for about 30% out of 70%, dependent on agriculture. Thus the need for their deployment

in Industry, Trade and Commerce and Services is inescapable. In this context the role of small sector becomes vital.

The main constraint for Micro enterprises is lack of initial funds for starting small ventures. If they borrow at the usual usurious rates, they find very soon that they are drowned in debt. Banks hardly ever look at them. Even if they do, Banks insist on collateral securities which the entrepreneur seldom has. Good banking should finance enterprises on the viability of a project and not on the viability of the borrower. Today Banks has the same thumb rule namely relying on collateral security whether it is a Micro project or a giant industry. The Grameen Bank of Bangladesh has a creditable record of financing small viable projects and should serve as a model for development of Micro projects. The model is worth studying by all people interested in growth of Micro Enterprises.

In my experience, marketing of small industries product is a major stumbling block for the artisan and small entrepreneurs. These producers are not able to sell their products and very often surrender them at prices dictated by the middlemen. The Cottage Industries' Emporia are few and far between and they seldom buy from remote villages. Some district marketing organizations may be set up which will collect the village industries' products and market them. Also efforts must be made to up grade and innovate new products from the village industries so that the Consumer may have choice of larger varieties. We should endeavour to produce marketable things and not rest content with marketing what ever is produced.

Some relief in marketing small industries products may be afforded by requiring large industries to buy 20% of their requirements from small enterprises. In the United States there is rule that the large industries shall procedure 20% of their requirements from small enterprises of ethnic groups. A similar provision will go a long way in helping the small industries than reservation of items for the small sector. To day out of 800 items reserved for the small sector only a few items are actually manufactured by the protected sector. The experts gathered here may debate this point and offer suggestions to governments.

Micro entrepreneurs need not confine them to making handicraft products. After training in Industrial Training Institutes as fitters, turners, machinists, welders or plumbers, they may be enabled to establish small repair shops in semi urban areas or component manufactures for large-scale industries. These people cannot afford to buy expensive lathes, cutting machines etc. Government may establish small tool rooms with Jigs and fixtures, copying machines etc and lease them to small entrepreneurs for 48 or 72 hours for the artisan to produce the parts and components. These may be established as adjuncts to industrial estates that are dotted all over the Country. In some of the well-known Industrial estates in Tamilnadu, I had established such tool rooms, which saved the small-scale operator the enormous of cost of machinery.

There is no limit to human ingenuity. Man has conquered space, harnessed the atom, and excelled the human brain in memory and complex calculations with the computer. It is a shame; he has not been able to banish poverty. I do hope that the experts gathered here from all parts of the globe will put their head together to erase poverty and hunger from the face of the earth.