

Chapter 7

Micro-Enterprise Development and Prerequisites

Introduction

There are several government programmes to promote self-employment as a means of reducing poverty. However, success rates are low. Therefore, it is imperative that the lessons learned about the drawbacks to developing these enterprises are kept in mind. For example, while official statistics regarding the TRYSEM suggest that, between 1980 and 1995, 3.24 million youths were trained for self-employment, only 44 per cent of them were actually self-employed. Independent research studies have indicated a success rate of only 12-16 per cent (Galab 1993, Purushotham 1990, Soundarapandyan 1991).

In another programme (Rural Industries' Programme of the Government of Andhra Pradesh), a three-year action research project was initiated by the Small Industries' Development Bank of India. Their findings were that, even in the regions of high incidence of poverty where low in-

come and low demand usually do not provide avenues for micro-enterprises, with innovative approaches promotion is feasible. However, the project experience also indicates that, even with the best post-assistance, follow-up, and export services, success cannot be uniform in all product lines. Markets being highly dynamic, enterprises are also under constant risks. The risk is posed by a business environment that is characteristic of intense competition due to the relative ease of entry and exit conditions. Nearly three years of regular follow-up indicates that a success rate above 40 per cent seems to be unrealistic and unsustainable.

Keeping these experiences in mind, it appears imperative that the micro-enterprise development initiative is preceded and followed by activities that could determine the success of the initiative. This chapter highlights some of the prerequisites that would be needed for a micro-enterprise development programme based on ginger drying,

either at the household level (sun drying) or at the community level (gasifier based drying process).

Prerequisites

The basic plan for developing the 'backward and forward linkages' in the ginger trade is summarised in Figure 7.1.

Supply of Improved Ginger Varieties

One of the most important interventions for 'backward linkages' required by the Department is the promotion of improved varieties such as Nadia and Suprabha, which are more suitable for processing into value-added products. One of the reasons that these have not been taken up by the peo-

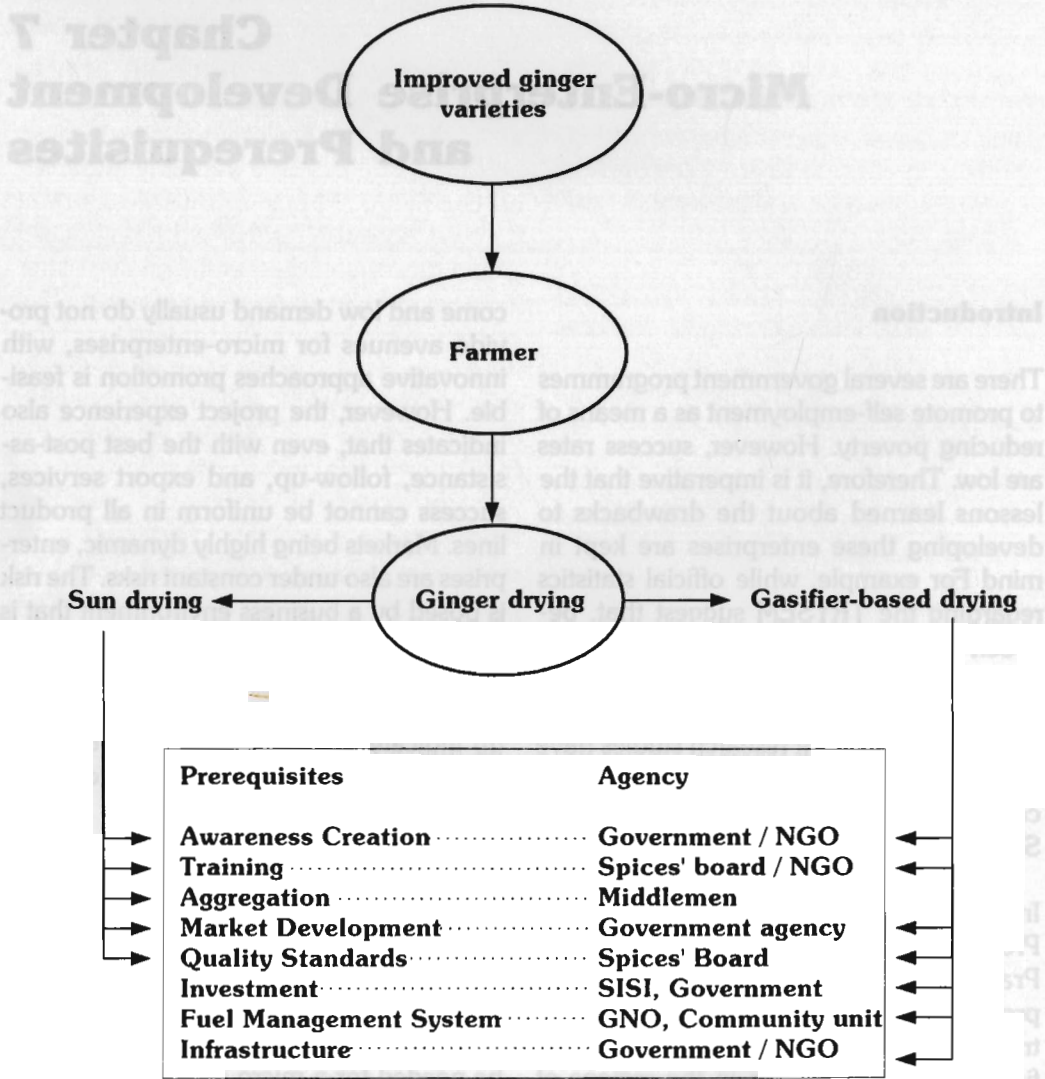


Figure 7.1: Micro-enterprise Options and Prerequisites

ple is the absence of increased returns from growing these improved varieties. However, if these are promoted with the twin benefits of being hardier varieties and disease resistant, at the same time ensuring that the farmer has a choice of processing them to make value-added products and /or sell them at higher returns by appropriate grading facilities in market yards, these would certainly be used by farmers.

Awareness Creation

Efforts need to be undertaken to create awareness among growers about the possibilities and methods of value addition to their farm produce. Specifically, the benefits from ginger drying could be summarised as follow.

- The lack of wastage from the rotting of fresh produce
- Freedom from fluctuations in demand
- Early harvesting of ginger, shortened rotation of the ginger crop – this would reduce natural climatic hazards and pest infestation possibilities.
- Much higher returns from value-added produce than from unprocessed produce

Training

The growers would need to be trained to ensure that they understand the technology and also the desired standards. Training for proper pre-harvest and post-harvest care (Annex 8) for ginger drying could be carried out by the Horticulture Department/ Spices' Board. Additionally, young men and women could be trained in management and maintenance of gasifier units.

Aggregation

The problem of aggregation arises in cases of sun-drying of wise production of household ginger, as the quantity of ginger that can be dried is small. Hence, apart from the collection system, which would have to involve middlemen, institutionalised mechanisms are needed in order to ensure that the supply of dry ginger is regular enough to constitute truckloads (approximately 10 tonnes in capacity) at regular intervals. Unless this is achieved, there might be problems in the transportation and storage of non-tradable quantities.

Market Development

As mentioned in Chapter 5, the initial market development for processed products would require specific attention. The Marketing Board of the Meghalaya Government or the Spices' Board (for dry ginger) could take positive steps in this direction. Price regulation, especially in the initial phases, may be needed to ensure that the farmer gets a fair share of the profits and that the minimum local price remains in excess of Rs 20/kg (if the gasifier technology is used by the enterprise).

Quality Standards

This is extremely important as the standards of quality for dry ginger prescribed by various trade regulation organizations (Annex 9) determine the extent of the market for the product as well as the price it can fetch. Hence, it is important that local growers are aware of these standards and take an interest in grading the products at their level. The Spices' Board would be able to disseminate information and provide training for grading products at the growers' level.

Investment and Credit

The avenues for small amounts of credit available within the district are often not known to the people, or not used because of fear of long institutional procedures. The government or local NGOs could create awareness and enterprise development seminars, specifically aimed at ginger growers. Easier credit terms could be offered to pioneering farmers. However, if infrastructural facilities are developed by the government, then credit for the farmers would not be essential. Alternatively, the SISI could help individual entrepreneurs with initial investments to install ginger processing units.

Fuel Management System

The use of gasifiers for the drying of ginger requires a fuel management system whereby a continuous supply of the biomass required is available. The maximum fuelwood required would be one kilogramme of fuelwood per kilogramme of green ginger, although experiments with cardamom drying (TERI 1996, TERI 1997) have indicated greater levels of efficiency and, hence, lower fuelwood requirements. Participatory management approaches could be tried with users of the drying unit and mechanisms for the management of the plant implemented. Alternatively, a commercial system could be tried with individuals paying a certain amount per kilogramme of ginger dried, and the management left to a single individual on lease basis. Other requirements would be storage for fuelwood and manpower while the unit is in operation.

Conclusions

The distribution of fresh ginger from the district to the final consumer is being at-

tended to by a chain of middlemen at different stages, eroding the producer's share in the consumer's rupee. With the provision of regulated markets, the surplus middlemen would be eliminated. Experience in other regulated markets, however, suggests that regulation is often not enforced in many of the fruit and vegetable markets in the strict sense as many of the traditional practices, allowances, and deductions still continue. It is observed in certain regulated markets that produce is sold to traders by producers on a traditional lot basis and not on a unit weight basis. Also, most often, markets are located in big cities and towns. Though equipped with necessary infrastructural facilities to meet the volume of business, the participation of farmers in these markets is negligible due to the distances involved.

Hence, while the introduction of regulated markets in the district would help to ensure fair returns to the individual farmer, the promotion of micro-enterprises would provide farmers with a choice of adding value and securing better returns from products. The very availability of an alternative method of earning from the present products would also increase the farmer's bargaining power and reduce the short-term risks arising from uncertain markets and traders' collusion.

Among the options evaluated, the most feasible is that of drying ginger using gasifier-based dryers. At the household level, ginger could be dried in the sun. The latter option does not involve any additional costs for the farmer, though the time required for drying would be between 10-12 days in bright sunshine. The accompanying prerequisites are arrangements for aggregation of small quantities of dry ginger into marketable quantities.

The other option of using gasifiers would reduce drying time to a maximum of two to three days, with larger quantities being processed simultaneously. Hence, the product would be in marketable quantities. The accompanying prerequisites involve the research/development of appropriate technology and infrastructure, training local people, and market development.

While the emphasis on development of processing opportunities would be a definite step towards assuring higher returns to farmers, the importance of the corresponding prerequisites cannot be under-

estimated. Especially important among them is the promotion of improved varieties of ginger, leading to greater productivity and making processing more viable. It is essential that a sustained supply of good quality ginger as raw material is ensured to make the dry processing of ginger an economical and technically feasible enterprise in the region. Hence, any development initiatives should incorporate an approach integrating both the 'backward and the forward linkages'. The absence of the former would render efforts towards micro-enterprise development unsuccessful.