Directorate of Industries and Commerce

Government of Kerala

A STUDY ON SUSTAINABILITY AND SCALABILITY OF MSMEs FORMED UNDER THE YEAR OF ENTERPRISES INITIATIVE

Submitted by

Centre for Management Development

An autonomous institution under the Government of Kerala

Directorate of Industries and Commerce

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CENTRE FOR MANAGEMENT DEVELOPMENT

(An Autonomous Institution Under the Govt. of Kerala)

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

ABBREVIATIONS	DEFINITION
CD ratio	Credit Deposit Ratio
CMD	Centre for Management Development
CRZ	Coastal Regulatory Zones
CVP	Customer Value Proposition
DIC	Directorate of Industries and Commerce
DLGRC	District Level Grievance Redressal Committee
DRP	District Resource Persons
ED Clubs	Entrepreneurship Development Clubs
EDE	Entrepreneur Development Executives
ESA	Eco-Sensitive Areas
ESG	Environment and Social Governance
ESS	Entrepreneur Support Scheme
FGD	Focus Group Discussion
FSSAI	Food Safety and Standards Authority of India
GDP	Gross Domestic Product
GoK	Government of Kerala
GOT	General Orientation Trainings
GST	Goods and Services Tax

KFC	Kerala Financial Corporation
KII	Key Informant Interview
KSPCB	Kerala State Pollution Control Board
KSIDC	Kerala State Industrial Development Corporation
KSSIA	Kerala State Small Industries Association
KSWDC	Kerala State Women's Development Corporation
LSGI	Local Self Government Institutions
MIS:	Management Information System
MSME	Micro, Small and Medium Enterprises
NOC	Non-objection Certificate
NRK	Non-Resident Keralite
OECD	Organisation for Economic Cooperation Development
PIE	Private Industrial Estate
PMEGP	Prime Minister's Employment Generation Program
PSU	Public Sector Undertakings
SC	Scheduled Caste
SDF	Standard Design Factories
SLGRC	State Level Grievance Redressal Committee
SOP	Standard Operating Procedure
SPMU	State Project Management Unit
ST	Scheduled Tribe
TRP	Taluk Resource Person
YOE	Year of Enterprises

LIST OF TABLES

CHAPTER 1

LIST OF FIGURES

LIST OF FIGURES

01

Introduction

This chapter offers an overview of the MSME (Micro, Small, and Medium Enterprises) sector in Kerala and explores the Year of Enterprises (YoE) initiative of the Department of Industries and Commerce of Government of Kerala. Additionally, it outlines the purpose of the study, setting the stage for further exploration and analysis.

1.1 MSME Sector

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in economies worldwide, constituting approximately 90% of businesses and contributing to more than 50% of total employment. In emerging economies, Small and Medium Enterprises (SMEs) make a significant contribution, accounting for up to 40% of the national income, as measured by Gross Domestic Product (World Bank, 2023). They are vital drivers of job creation and economic growth, particularly in developing countries.

In India, MSMEs form a dynamic sector, particularly in terms of employment generation and economic growth. The MSME sector in India provides jobs to over 100 million people, and it plays a pivotal role in the country's economic landscape. This sector contributes significantly, representing 45% of the manufacturing output and over 40% of India's total exports. With 63.4 million units spread across the nation, MSMEs make a substantial impact, contributing about 6% to the manufacturing GDP and 24.63% to the GDP generated from service activities (Ministry of Commerce & Industry, 2020).The Micro, Small, and Medium Enterprises (MSME) sector comprises a vast majority of informal micro enterprises, accounting for over 63 million enterprises. The Economic Survey of the year 2022 underscores the sector's importance, highlighting its role in economic, social, and sustainable development, with MSMEs contributing 45% of total manufacturing output, 40% of exports, and 30% of the national GDP, making it the second-largest employer after agriculture.

MSMEs in Kerala play a crucial role in industrialising rural and underserved areas and offer employment opportunities to youth and socially disadvantaged groups, including Scheduled Castes (SC), Scheduled Tribes (ST), women, and persons with disabilities. According to the MSME Annual Report 2022-23,it is estimated that Kerala hosts 3.75% of the total MSMEs, with approximately 23.79 lakh units, of which 23.58 lakh are micro-enterprises (MSME, 2022). While the fragmented nature of available land in Kerala may not be conducive to large-scale industries, the state government is actively addressing this challenge by utilising such fragmented land to foster the growth of MSMEs. The excellent connectivity, a robust communication network, access to highly skilled human resources, and the presence of industrial parks (including info parks and techno parks) and specialised zones, make it conducive to the growth of the MSME sector in Kerala State. Over the years, Kerala has made substantial investments in enhancing connectivity, communication networks, skill development, and infrastructure, giving it a unique advantage for fostering growth in this sector. Remarkably, significate portion of these MSME units were established in the state over the past five years, underscoring Kerala's significant progress in nurturing MSMEs in the recent past,(Directorate of Industries and Commerce, 2023). The State has the highest density of MSMEs in the country, with 69 MSMEs per population of 1000. With the evolving MSME ecosystem and high quality cost-competitive talent availability, MSME sector in Kerala is ideally positioned to be leveraged for growth. (Report on Evaluation of Policies and Agencies for Industrial Development in Kerala, 2019).

However, the MSME sector in Kerala faces several challenges hindering its economic growth. These obstacles encompass absence of targeted policies and institutional support, a lack of emphasis on growth and formalisation, infrastructural limitations, limited access to credit and risk capital, the necessity for improved market linkages, inadequate convergence between various departments leading to delays in approvals, a general lack of awareness among the public regarding government schemes and policies, and a notable absence of support schemes for COVID-affected trade units, especially in the wake of the pandemic's aftermath. These challenges collectively impede the sector's potential for growth and development. In the light of the aforementioned challenges and with the aim of expanding the boundaries of the existing industrial ecosystem in the state, Kerala government designated the fiscal year 2022-23 as 'Year of Enterprises'. The Directorate of Industries and Commerce has set itself the ambitious goal of establishing one lakh enterprises in 2022-23. This initiative was geared towards advancing the developmental goals for the MSME sector within the State.

1.2 Year of Enterprises (YOE) Initiative in Kerala

1.2.1 Overview of YOE initiative

This comprehensive strategy was developed through a series of meetings involving the honourable Minister for Industries & Commerce, the Chief Secretary and the Principal Secretary for Industries Department.

The genesis of the 'Year of Enterprises' initiative involved collaborative brainstorming sessions and strategic planning efforts, engaging stakeholders from senior policymakers to district level officials responsible for implementation, to lay the foundation for comprehensive industrial promotion in Kerala. In the initial stages of planning and strategy formulation of the initiative, a series of brainstorming sessions and idea-generation meetings took place involving stakeholders ranging from high-level policymakers to implementation-level officials. These sessions produced valuable suggestions and inputs, which led to the decision to begin the initiative by gathering comprehensive information on different aspects of industrial development and promotion in the state. This consolidated information would serve as a valuable reference guide for stakeholders operating within the industrial ecosystem. To gather this data, District Industries Centers were engaged, resulting in the publication of seven booklets, each focusing on distinct aspects. The Directorate of Industries and Commerce (DIC) meticulously crafted an extensive strategy for the seamless implementation of the 'One Lakh Enterprises' initiative. This comprehensive strategy was developed through a series of meetings involving the honourable Minister for Industries & Commerce, the Chief Secretary and Principal Secretary for Industries Department. The overarching concept was formally presented to the Chief Minister on December 30, 2021. This strategy unfolds in a three-phased approach, encompassing activities focused on Capacity Building and Ecosystem Strengthening, Marketing and Promotional Outreach, and dedicated MSME Facilitation with a keen emphasis on sustainability.

The 'Year of Enterprises' initiative was officially launched on 30th March, 2022 in Thiruvananthapuram, in an event graced by the esteemed presence of the Honourable Chief Minister of Kerala. In this significant ceremony, the Chief Minister announced the target of establishing one lakh enterprises in Kerala for the fiscal year 2022-23 as part of the "Year of

Enterprises" initiative" to foster and support Micro, Small, and Medium-level entrepreneurs in the state.

The scheme's primary objectives are multifaceted, first, to kickstart a minimum of 1 lakh enterprises in Kerala during the fiscal year 2022-23. Secondly, to establish a resilient ecosystem for enterprise development by fostering collaboration and support from various Government Departments, Public Sector Undertakings (PSUs), and financial institutions. Thirdly, to cultivate an entrepreneur-friendly environment aimed at stimulating job creation within the state. Additionally, the scheme aims to generate at least 3 lakh employment opportunities in Kerala in the year 2022-23. Lastly, it seeks to bolster the capabilities of state-level agencies in expediting enterprise growth and development in the state.

1.2.2 Enabling Critical Systems for the 'Year of Enterprises' Initiative

The Year of Enterprises initiative in Kerala has introduced a range of enabling systems aimed at supporting and fostering MSMEs (Micro, Small, and Medium Enterprises) and entrepreneurship in Kerala. The table presented below highlights the key systems introduced, provides brief descriptions of each, and outlines their integral roles in contributing to the success of the Year of Enterprises initiative. These systems collectively contribute to the success of Year of Enterprises initiatives by providing comprehensive support, guidance, and resources to MSMEs and entrepreneurs ultimately fostering economic growth and entrepreneurship in Kerala.

Table 1: Key system Introduced under YOE

Systems	Description	Roles/Responsibilities
Placement of interns in every LSGI	A total of 1,153 professionally qualified interns were selected and deployed across all local bodies. This allocation comprised one intern per Panchayat and one for every 20 wards in Municipalities and Municipal Corporations.	▪ Raise awareness among entrepreneurs about the wide spectrum of available services. ▪ Offering guidance and support in areas like licence applications, subsidies, and loans, while closely collaborating with various government agencies and departments. ▪ Each intern is entrusted with specific targets pertaining to the identification and registration of new enterprises within their designated local jurisdiction.
Help Desks	Functioning across all 1,034 local bodies across the state.	▪ Provide assistance to the public for industry or enterprise-related questions every Monday and Wednesday.

MSME Clinics	In every District Industries Centre, a panel of accomplished experts with a track record of effectively addressing entrepreneurial inquiries and resolving issues across diverse domains has been constituted. .	▪ Provide entrepreneurs with guidance and advisory services covering a spectrum of domains, including marketing, finance, GST, export/import, banking, licences and approvals, legal matters, and technical aspects of their businesses.
Enterprise Facilitation Centre	MSME facilitation centers established within 59 Taluk Industries Offices throughout the state, staffed by qualified Taluk Resource Persons.	▪ Assist entrepreneurs in filing online applications for licences and clearances, securing support for various MSME schemes, resolving inquiries, and streamlining communication with various government departments.
District Call Centres	District Resource Persons (DRPs) have been designated at every District Industries Centre to provide assistance to individuals utilising the established help desks.	▪ Call centres are operational to enable beneficiaries to access the services of the DRPs (District Resource Persons) without the need to physically visit the office.
Online services for MSMEs	Online application portals have been set up for all the services of Directorate of Industries and Commerce	▪ Simplify the process for obtaining licences, permits, financial assistance, industrial land, subsidy schemes, and other services. ▪ Enable online application for grants for Entrepreneurship Development (ED) Clubs and the Kerala State Small Industries Association (KSSIA). ▪ Provide online status updates on applications and clearances.
Grievance Redressal System	Grievances pertaining to industries with capital investments up to Rs. 10 Crore are addressed by the District Level Grievance Redressal Committee (DLGRC), presided over by the District Collector. Grievances related to industries with capital investments exceeding Rs. 10 Crore fall under the purview of the State Level Grievance Redressal Committee (SLGRC), with the Principal Secretary (Industries) serving as its chairperson.	▪ Facilitate effective resolution of complaints ▪ Resolve any grievance related to licences and clearances for opening or operating enterprises within 30 days.

Chat with Minister	A dedicated facility that includes a WhatsApp contact number where entrepreneurs can submit their grievances and inquiries to the office of the Minister for Industries and Commerce.	▪ Process the grievance through a well-structured system involving district-level resource persons and officers from the Industries Department. ▪ Promptly address and provide suitable responses to these grievances and inquiries within a maximum time frame of 7 business days

Table 1.1

To ensure effectiveness of the Year of Enterprises initiative, a comprehensive system of monitoring committees has been established. At the state level, there is a State Level Monitoring Committee chaired by the honourable Chief Minister and a State Level Core Committee led by the Principal Secretary of Industries and Commerce. At the district level, the District Level Monitoring Committee operates under the guidance of the District Collector. Furthermore, at the grassroots level, there are Local Body Level Monitoring Committees, each presided over by the respective President or Chairperson. These committees play a pivotal role in overseeing the scheme's progress and facilitating its successful implementation across various administrative tiers, ensuring that the objectives of promoting entrepreneurship and supporting enterprises are met efficiently.

Furthermore, a State Project Management Unit (SPMU) functioned within the Directorate of Industries & Commerce (DIC) in the achievement of the task of "Setting up of One Lakh Enterprises in Kerala". Its key functions include facilitating project implementation, establishing governance structures, and aiding in policy development. Additionally, the SPMU monitors progress, coordinates training programs, and assists with marketing efforts.

1.2.3 Campaigns to promote 'Year of Enterprise Initiative

Following the launching of the initiative, a concerted effort was made to establish an entrepreneurial ecosystem in the state. This effort was spearheaded by the Industries Department in collaboration with various line departments and agencies. A series of decentralised campaigns were initiated, encompassing a range of activities aimed at fostering entrepreneurship. These activities included General Orientation Training sessions for prospective entrepreneurs, specialised events for facilitating loans, licences, and subsidies, as well as marketing events to provide new enterprises with marketing opportunities. Additionally, there were ongoing efforts to monitor and expedite MSME registrations across all local bodies.

General Orientation Trainings were conducted in all 1034 local bodies in the state. These one-day sessions provided aspiring entrepreneurs with an overview of various livelihood options, entrepreneurial opportunities in manufacturing and services sectors, essential licences and permits, Udyam and K SWIFT registrations, government initiatives and schemes including services by Public Sector Undertakings (PSUs), financing sources, and contact details of local and district-level resource persons. Experiences of successful entrepreneurs were shared during these sessions.

Loan/License/Subsidy Campaigns were conducted at the local government level to streamline and expedite loan, licences, and subsidy application processes. Interns conducted awareness campaigns on various loan and subsidy schemes, and bank representatives and government officials addressed queries during loan melas. As of 31st August, 2022, approvals were granted for loans totaling Rs. 14.3 crore, with 2,096 licence applications approved and over 1,194 subsidy applications processed.

As part of the Marketing Campaign, trade fairs were organised at Taluk headquarters and prominent local venues, coinciding with regional festivals and locally significant events, to support marketing activities and empower MSMEs.

The Department of Industries and Commerce also hosted 'Samrambhaka Maha Sangamam', an Entrepreneurs Summit to celebrate the accomplishments of the "Year of Enterprises" initiative. The event drew over 10,000 attendees, including more than 8,000 new entrepreneurs who launched businesses in the state during the fiscal year.

The table provides a comprehensive overview of the outputs of various campaigns undertaken by the Industries Department as part of 'Year of Enterprises'

Campaigns	Outputs
General Orientation Trainings	▪ Conducted 1159 trainings in 1034 Local bodies ▪ Attended by 85160 participants
Loan, License, Subsidy Melas	▪ Sanctioned 2274 loans worth Rs. 108 Cr, out of 5556 loan applications for Rs. 297 Crore ▪ Issued 4919 licences of 5917 applications ▪ Processed 1059 subsidies out of 1219 applications
Marketing Trade Fairs	▪ Organised 50 Taluk level Marketing Melas across the State
Samrambhaka Maha Sangamam – Entrepreneurs Summit	▪ Attended by more than 10,000 people, in which more than 8000 new entrepreneurs who had established enterprises in the state during the Financial Year 2022-23

Table 1.2

1.2.4 Schemes supporting 'Year of Enterprises' Initiative

In pursuit of nurturing an environment conducive to the inception and expansion of new enterprises within the State, the Industries and Commerce Department has diligently crafted and executed a range of schemes and policies. These initiatives are pivotal in addressing the fundamental need for a structured framework that promotes and sustains the growth of industries. By implementing these schemes and policies, the department aims to create an industrial ecosystem where businesses can thrive, fostering economic development and prosperity in the region.

Kerala Enterprises Loan Scheme

This scheme provides term and working capital loans to MSMEs established after April 1, 2022, at a 4% interest rate with government interest subvention. It focuses on empowering women entrepreneurs, ensuring that 50% of beneficiaries are women. The scheme includes interest subvention for the first five years, with subsidies available after six months of interest servicing.

GeM Portal Registrations for MSMEs

This scheme incentivizes MSMEs to register on the Government e-Marketplace (GeM) portal by offering a one-time assistance of Rs. 10,000 per enterprise. It aims to enhance the digital presence and business opportunities for MSMEs by facilitating their participation in the digital economy.

Entrepreneur Support Scheme (ESS) for Manufacturing Startups

ESS offers financial assistance to MSMEs in manufacturing, providing subsidies ranging from 15% to 45% of fixed capital investment. The scheme is inclusive, catering to various investor categories, and does not require a loan from financial institutions, making it accessible to a broad range of entrepreneurs.

Private Industrial Estate Scheme

Launched in 2022, this scheme encourages the development of private industrial estates by offering financial support of up to Rs. 3 lakh per acre for land development. It aims to promote youth employment and expand industrial opportunities across the state.

Scale-Up Subsidies and the Margin Money Grant to Nano Units

This initiative supports existing enterprises in scaling up their operations, facilitating their growth from micro to small or medium-sized enterprises.

Industry-University Linkage Scheme

This scheme fosters technological innovation by providing grants to students of APJ Abdul Kalam Technical University to develop solutions for industrial challenges. It strengthens the connection between academia and industry, promoting innovation and practical problem-solving.

One Local Body One Product (OLOP) Scheme

A collaborative initiative between the Department of Industries and Commerce and the Department of Local Self Government, OLOP aims to harness the unique potential of local self-governments by promoting specific products tailored to local resources. It emphasizes local entrepreneurship and community empowerment.

Kerala Brand

This initiative focuses on creating a unique identity for Kerala's products to enhance their global market presence. The Kerala Brand aims to ensure product quality and highlight the state's commitment to sustainable and socially responsible practices.

1.3 Purpose of the study

The 'Year of Enterprise' initiative represents one of the most significant campaigns to promote entrepreneurship in Kerala in recent years. Despite numerous success stories highlighting its impact, there is a gap in systematic studies that comprehensively capture the industrial development catalysed by the initiative. Given Kerala's heavy reliance on MSMEs for industrial growth, it is crucial to invest in sustaining and scaling these enterprises to contribute significantly to the local economy. This study aims to provide valuable insights into the success and challenges of the initiative by analysing the socio-economic profiles of entrepreneurs, understanding their motivational factors, and evaluating the current status of enterprises in terms of sustainability and scalability. Additionally, the study seeks to identify key factors influencing the sustainable performance of these enterprises including market competativeness and operational efficiency of these enterprises and recommend strategies to enhance their long-term viability. The study aims to provide valuable insights for policy-making and future entrepreneurship promotion efforts in Kerala.

02

Methodology

This chapter outlines the rationale for conducting the study, delineates its objectives, discusses the variables being examined, elucidates the research design employed, and acknowledges the inherent limitations of the study.

2.1 Rationale for the study

The study on the sustainability and scalability of enterprises under the 'Year of Enterprises' initiative in Kerala is crucial for several reasons. First, it identifies the significant gaps by offering a systematic analysis of the current status of the enterprises in terms of sustainability and scalability. This information is crucial for comprehending the factors that influence the success or failure of these enterprises and for informing policy interventions aimed at enhancing their long-term viability. Secondly, the study is timely and relevant, given the importance of entrepreneurship in driving economic growth and development, particularly in the context of post-pandemic recovery. By identifying the key challenges faced by entrepreneurs and recommending targeted interventions, the study aims to contribute to the creation of a more conducive environment for entrepreneurship in Kerala.

2.2 Objectives

a) To profile the basic demographics and characteristics of entrepreneurs under the 'Year of Enterprises' initiative, and to explore the motivational drivers of entrepreneurs and the contextual factors that influence enterprise establishment and growth.

b) To evaluate the sustainability of these enterprises, focusing on their potential for long-term viability and growth.

c) To assess the market competitiveness and operational efficiency of these enterprises, identifying key factors that contribute to their long-term success.

d) To evaluate the scalability of these enterprises, determining their capacity for expansion and future growth.

e) To identify and analyse the challenges faced by these enterprises, with the aim of enhancing their sustainability and scalability.

f) To evaluate the overall effectiveness of the 'Year of Enterprises' initiative and provide actionable recommendations for improving enterprise promotion and support.

2.3 Key Variables of the study

Sustainability and scalability are crucial concepts that determine whether a business can succeed and grow over the long term. Sustainability refers to a business's ability to maintain and improve its economic, environmental, and social performance over time. This means not only making sure the business is profitable but also operating in a way that protects the environment and supports the community. Achieving sustainability requires balancing financial stability with responsible practices that ensure future generations can thrive. Scalability, on the other hand, focuses on a business's ability to grow and expand efficiently. A scalable business can increase its output or services without a significant rise in costs, which enhances profitability and allows it to reach new markets or meet increasing demand. Scalability is essential for businesses that aim to broaden their impact and adapt to changing market conditions. This often involves adopting new technologies, optimising processes, and innovating business models.

However, measuring how sustainable and scalable a micro-enterprise is can be quite challenging. Micro-entrepreneurs often lack the resources and tools to gather key metrics like gross profit margin, return on investment (ROI), or market penetration. These metrics are critical for understanding the financial health and competitive position of a business, but many small enterprises may not have the capability to collect and analyse this data effectively.

Additionally, micro-enterprises often tailor their products or services to meet specific customer needs, making it difficult to track metrics like Average Transaction Value (ATV) or Customer Lifetime Value (CLV). These metrics require sophisticated data collection and analysis methods, which might be beyond the reach of small businesses.

Because of these challenges, there is a strong need for a tailored approach to help micro-enterprises effectively measure their sustainability and scalability. This approach should be designed to fit the unique circumstances of small businesses, providing them with the tools and support they need to overcome data collection barriers. By addressing these challenges with customised strategies, micro-enterprises can better understand their impact, track their growth, and ultimately achieve long-term success in a competitive business landscape.

2.3.1 Sustainability

Sustainability of an enterprise refers to its ability to operate in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs. It encompasses three dimensions, including economic, environmental and social.

1. Economic Sustainability

Economic sustainability is defined as the enterprise's ability to generate long-term value while maintaining profitability and financial stability. Economic sustainability is measured using four indicators: - Profit Making, Increase in Sales Growth Increase in Income and No Significant Cash Flow Challenges

Dimension/s	Indicators
Economic Sustainability	1. Enterprise's financial performance- Profit making
	2. Increase in Revenue
	3. Increase in Net Income
	4. No significant Cash flow challenges

Table 2.1 : Indicators of Economic Sustainability

The average score of all indicators together gives the economic sustainability score to evaluate the financial health and growth potential of micro-enterprises. Based on discussions with industry experts, enterprises scoring between 1-2 are considered *'Unsustainable'*, indicating significant struggles in financial performance, sales growth, and income increase, necessitating immediate corrective actions to prevent closure. Scores between 2.1-3 denote an *'Vulnerable' status*, where the enterprise shows some signs of sustainability but requires substantial improvements to stabilise its operations. Enterprises scoring 3.1-4 are deemed *'Moderately Sustainable'*, performing moderately well in terms of financial stability, sales growth, and income increase, yet still needing improvements to ensure long-term sustainability. Scores between 4.1-5 indicate the enterprise is *'Highly Sustainable'*, exhibiting strong financial performance, robust sales growth, and significant income increases, positioning it well for long-term success.

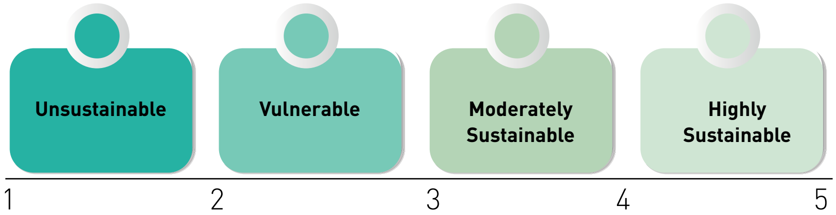


Figure 2.1: Scale Measuring Economic Sustainability

2. Environment Sustainability

Environmental Sustainability focuses on minimising the negative impact of the enterprise's operations on the environment. It is assessed based on three indicators: Effective Solid Waste Management, Effective Liquid Waste Disposal Management, and Concern Regarding Environmental Impact.

Dimension	Indicators
Environment Sustainability	1. Effective Solid Waste Management
	2. Effective Liquid Waste Disposal Management
	3. Concern regarding environmental impact

Table 2.2 Indicators of Environment Sustainability

Environmental sustainability is assessed on a five-point scale to evaluate the impact of a micro-enterprise on the environment. Enterprises scoring between 1-3 are considered to have *'Limited Environmental Impact'*, indicating deficiencies in effective solid waste management, liquid waste disposal management, and overall environmental responsibility. These enterprises show minimal contribution to environmental sustainability and require significant improvements in their practices to mitigate negative environmental effects. Enterprises scoring between 3.1-5 are considered to have a *'Positive Environmental Impact'*, demonstrating success in managing waste effectively and showing a strong concern for environmental impact. These enterprises actively engage in environmentally responsible practices, contributing positively to the preservation and sustainability of the environment.

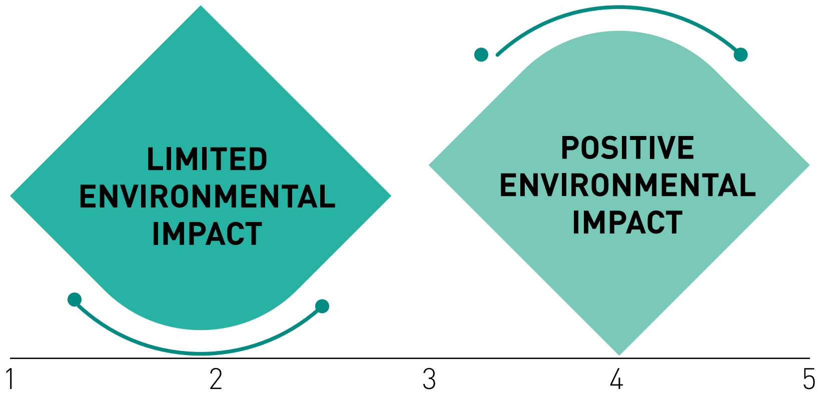


Figure 2.2: Scale Measuring Environmental *Sustainability*

3. Social Sustainability

Social Sustainability involves the enterprise's commitment to supporting the well-being of its employees, communities, and society at large. Social sustainability is measured using seven indicators, including capacity for employment generation, salary/wages according to industry standards, investment in employee training and development, workforce diversity, participation in community projects, and personal aspects such as quality of life, status/acceptance, social skills, and overall well-being.

Dimension	Indicators
Social Sustainability	Capacity for employment generation
	Salary/wages according to industry standards.
	Personal aspects such as quality of life, status/acceptance, social skills, and overall well-being.

Table 2.3 Indicators of Social Sustainability

Social sustainability is assessed on a five-point scale to evaluate the impact of a micro-enterprise on its workforce and community. Enterprises scoring between 1-3 are considered to have *'Limited Social Impact'*, indicating deficiencies in aspects such as employment generation, wage standards, and personal well-being. These enterprises show minimal contribution to social sustainability and require significant improvements in areas such as fair wages, employee training, and community engagement. Enterprises scoring between 3.1-5 are considered to have *'Positive Social Impact'*, demonstrating success in social aspects, including employment practices and quality of life for employees. These enterprises showcase fair wages, robust employee support, and active community involvement, contributing positively to both their workforce and the surrounding community.

Figure 2.3: Scale Measuring Social *Sustainability*

4. Overall Sustainability of Micro Enterprises

Sustainability of micro-enterprises encompasses all the three key dimensions: economic, social, and environmental. However, the relative importance of these dimensions can vary depending on the specific context of the enterprise. In the context of micro-enterprises in Kerala, for example, economic sustainability is prioritised due to its critical role in ensuring financial stability and growth. Social and environmental sustainability, while still relevant, are weighted less heavily due to the limited scope of social impact and minimal environmental implications in many micro-enterprises. This contextual approach is taken to ensure the sustainability assessment accurately reflects the unique operational realities and challenges faced by micro-enterprises.

Based on discussions with industry experts, the weightage for assessing the sustainability of micro-enterprises in Kerala has been allocated as follows:

Dimension	Weightage
Economic Sustainability	60%
Social Sustainability	20%
Environmental Sustainability	20%

This weightage reflects the critical importance of economic stability for micro-enter prises, acknowledging their limited resources and the essential role of financial health in their survival and growth. Social and environmental sustainability are also considered, but with a reduced emphasis, recognizing the specific operational constraints and minimal impact in these areas for many micro-enterprises.

Scoring Procedure of Sustainability of Micro Enterprises

1. Calculate the Average Score for Each Dimension:

- *Economic Sustainability: Average score of economic indicators*
- *Social Sustainability: Average score of social indicators*
- *Environmental Sustainability: Average score of environmental indicators*

2. Apply the Weightage:

- *Economic Weighted Score (EcWS) = Average Economic Score * 0.60*
- *Social Weighted Score (SoWS)= Average Social Score * 0.20*
- *Environmental Weighted Score (EvWS) = Average Environmental Score * 0.20*

3. Aggregate the Weighted Scores:

Sustainability Score= EcWS+SoWS+EvWS

(A standardised scale of 1 to 5 for each indicator under economic, social and environmental dimensions is used, where 1 represents the lowest performance and 5 represents the highest performance)

This methodology ensures that the assessment of micro-enterprise sustainability is aligned with the practical realities of their operations. By focusing predominantly on economic sustainability, while also considering social and environmental factors, the approach provides a comprehensive evaluation that reflects the importance of financial stability, alongside social and environmental responsibilities.

Overall sustainability of micro-enterprises is further assessed on a five-point scale to provide a comprehensive evaluation of their economic, social, and environmental performance. Enterprises scoring between 1 and 2 are considered *'Unsustainable',* indicating very poor performance across all dimensions and being on the verge of closure. These enterprises face significant challenges and require immediate corrective actions to prevent failure. Scores between 2.1 and 3 denote a *'Vulnerable'* status, where the enterprise is at risk and shows some signs of sustainability but needs substantial improvements to stabilise its operations and mitigate potential threats. If vulnerable enterprises do not receive sufficient support, they may likely fall into the Unsustainable category. Enterprises scoring 3.1 and 4 are deemed *'Moderately Sustainable',* performing reasonably well across various sustainability dimensions but still needing further enhancements to ensure long-term stability. Scores between 4.1 and 5 indicate that the enterprise is *'Highly Sustainable',* demonstrating strong performance in economic, social, and environmental aspects, and is well-positioned for continued success and growth.

2.3.2 Market Competitiveness

Market competitiveness refers to the ability of a business to succeed and grow in its industry relative to its competitors. It is measured using five indicators: Product/Service Differentiation,New Product Development, Deliberate Customer Retention Efforts, Deliberate Brand Building Efforts, and Perceived Market Competitiveness.

Dimension	Indicators
Market Competitiveness	1. Product/Service Differentiation
	2. New product development
	3. Deliberate customer retention efforts
	4. Deliberate Brand building Efforts
	5. Perceived market competitiveness

Table 2.4 Indicators of Market Competitiveness

In the analysis of Market Competitiveness, a Funnel Analysis approach was employed, utilising five key indicators: Product/Service Differentiation, New Product Development, Deliberate Customer Retention Efforts, Deliberate Brand Building Efforts, and Perceived Market Competitiveness. This method systematically filtered through a series of criteria, starting with the broadest and most critical factors, and progressively narrowing down to more specific ones. The analysis began with evaluating how enterprises differentiate their products or services in the market, followed by assessing their efforts in new product development. From there, the focus shifted to examining deliberate strategies for customer retention and brand building, both of which are essential for sustaining market presence. Finally, the analysis culminated in assessing the enterprises' perceived market competitiveness, providing a comprehensive view of how well-positioned they are within their respective markets. This funnel approach allowed for a logical and methodical examination of market competitiveness, revealing the proportion of entities that meet each criterion and highlighting areas where improvement is needed.

2.3.3 Operational Efficiency

Operational efficiency refers to the ability of an organisation to deliver its products or services in the most cost-effective manner while maintaining high quality. It involves optimising processes, reducing waste, and making the best use of available resources. It is assessed using eight indicators: Minimal Resource Wastage, Presence of Quality Control Measures, Documentation and Adherence to SOPs, Capacity to Manage Increased Demand, Comparable Safety Standards, Technology Integration, Efficient Supply Chain Management, and Workforce Skill Adequacy.

Dimension	Indicators
Operational Efficiency	1. Minimal Resource Wastage
	2. Presence of quality control measures
	3. Documentation and adherence to SOPs
	4. Capacity to Manage Increased Demand.
	5. Comparable Safety Standards
	6. Technology Integration
	7. Efficient supply chain management
	8. Workforce Skill Adequacy

Table 2.5 Indicators of Operational Efficiency

In the assessment of Operational Efficiency, a Funnel Analysis was conducted using a set of key indicators: Minimal Resource Wastage, Presence of Quality Control Measures, Documentation and Adherence to Standard Operating Procedures (SOPs), Capacity to Manage Increased Demand, Comparable Safety Standards, Technology Integration, Efficient Supply Chain Management, and Workforce Skill Adequacy. This analysis began by evaluating the broadest and most critical factors, such as the minimization of resource wastage and the presence of quality control measures. It then progressively narrowed down to more specific indicators, including the documentation and adherence to SOPs, which are crucial for maintaining consistent operational standards.

Further, the analysis examined the capacity of enterprises to manage increased demand while maintaining safety standards, highlighting their scalability potential. The integration of technology and its impact on operational processes was also assessed, followed by an evaluation of the efficiency of supply chain management. Lastly, the analysis focused on the adequacy of the workforce's skills, a critical factor in ensuring operational effectiveness. This funnel approach provided a structured and logical framework to assess operational efficiency, revealing how enterprises performed against each criterion and identifying areas for enhancement to achieve greater operational excellence.

2.3.4 Scalability

The concept of scalability in enterprises refers to the ability of a business to handle and manage growth efficiently and effectively. Scalability is crucial for firms, especially those identified as "scalers," which experience rapid expansion in terms of employment or turnover.

When we refer to "scalers" as defined by the OECD (Organisation for Economic Co-operation and Development), we are describing businesses that undergo significant growth in either employment (number of employees) or turnover (revenue) within a relatively short period. Scalability is the ability of firms to undergo a period of high growth in employment and / or turnover by transforming the way they operate.These firms achieve scalability by transforming their operational methods, often adopting new technologies, business models, or strategies that enable them to expand rapidly.

Kumar (2010) outlines that scalability of an entity begins by addressing four concepts: customer value proposition (CVP), business attribute analysis, change capacity, and market analysis.

Customer Value Proposition (CVP)	Business Attribute Analysis	Change Capacity	Market Analysis
Focuses on how well the business is meeting customer needs and creating value	Emphasizes understanding the unique aspects that differentiate the business from competitors	Assesses the business's innovate in response to market dynamics and evolving customer preferences	Focuses on envaluating the external environment and identifying growth opportunities

In the present study, scalability was evaluated across these essential dimensions to gauge the potential of enterprises to achieve substantial growth in employment or turnover through operational transformation. Business Attribute Analysis focuses on foundational aspects like organisational structure, resource allocation, and operational efficiency to assess how well these attributes support scalability and growth without compromising quality. Customer Value Proposition (CVP) involves creating value for customers through activities such as collecting and evaluating customer feedback, understanding market dynamics, and implementing initiatives to build customer loyalty. Change Capacity evaluates an enterprise's adaptability to market trends, technology, and increased demand, emphasising the importance of perceiving competitiveness, technology utilisation, workforce skill enhancement, and infrastructure development. Market Analysis encompasses strategies for market expansion, business development planning, and future market expansion plans, crucial for understanding growth potential and enhancing market competitiveness.

These dimensions collectively provide insights into factors enabling or hindering firms from achieving significant growth and transformation, aiding strategic decision-making to navigate scalability challenges effectively. Each dimension underscores the critical role of foundational business attributes, customer-centric strategies, adaptive capacities, and market insights in fostering sustainable expansion and success. Scalability is considered as the amalgamation of these dimensions. Business attribute analysis is measured using 3 indicators, customer value proposition (CVP) with 3 indicators, change capacity with 3 indicators and market analysis with 3 indicators respectively,as described in the table below.

Dimension	Indicators
Customer Value Proposition	1. Market Understanding
	2. Collection and evaluation of customerfeedbacks
	3. Customer loyalty building initiatives
Business Attributes analysis	1. Financial Leveraging Capacity
	2. Asset Acquisition
	3. Increase in net worth
Change Capacity	1. Perception of ability to compete
	2. Technology Utilisation for business
	3. Capacity to Manage Increased Demand.
Market Analysis	1. Existence of a business development plan.
	2. Market Expansion
	3. Future Market Expansion Plans

Table 2.6 Dimensions and Indicators of Scalability

In the analysis of Scalability, a Funnel Analysis approach was employed to systematically evaluate scalability by assessing each of the critical dimensions: Business Attribute Analysis, Customer Value Proposition (CVP), Change Capacity, and Market Analysis. Each dimension was carefully analysed through a series of filters, with indicators within each dimension progressively narrowing down the pool of enterprises to those demonstrating the strongest scalability potential. The Funnel Analysis began with broader criteria that are fundamental to scalability, and then moved towards more specific and refined indicators. This step-by-step filtering process allowed for a detailed assessment of how well enterprises perform across multiple facets of scalability.

In the Customer Value Proposition (CVP) dimension, the funnel analysis began with Market Understanding, ensuring that enterprises have a solid grasp of their market landscape.

It then progressed to evaluating how well these enterprises collect and evaluate customer feedback ultimately filtering down to those that implement strong Customer Loyalty Building Initiatives, a key indicator of sustainable growth.

For the Business Attribute Analysis dimension, the analysis started with assessing Financial Leveraging Capacity, a critical factor in determining an enterprise's ability to secure and manage financial resources. As enterprises passed this initial filter, the analysis then focused on Asset Acquisition and Increase in Net Worth, further narrowing down to those that not only secure resources but also effectively utilize them for growth.

The Change Capacity dimension applied a funnel that started with the Perception of Ability to Compete, a broad measure of confidence and market positioning. This was followed by the evaluation of Technology Utilisation, which is crucial for modern scalability, and finally, the Capacity to Manage Increased Demand, which indicates readiness for operational expansion.

For the Market Analysis dimension, the funnel analysis started with the existence of a Business Development Plan, a fundamental indicator of strategic planning. It then narrowed down to enterprises that have actively engaged in Market Expansion and culminated in evaluating those with articulated Future Market Expansion Plans, identifying enterprises that are not only growing but also planning for sustained growth.

Through this Funnel Analysis approach, each dimension was meticulously filtered to identify enterprises that demonstrate strong scalability across multiple indicators, ensuring a comprehensive understanding of their potential for high growth and transformation. This method provided a clear pathway for identifying areas of strength and those requiring further support, ultimately guiding strategic interventions to enhance scalability among enterprises.

2.4 Research Design

The study employed a mixed-methods approach, combining quantitative and qualitative research methodologies to obtain a comprehensive understanding of the subject matter. Both primary and secondary data were utilised in the research process.

2.4.1 Secondary Data Collection

Secondary data was sourced from the Management Information System (MIS) of the Department of Industries and Commerce. This data was assessed to gain insights into the profile of enterprises, conduct demographic analyses, identify patterns and to acquire valuable information on the implementation and outcomes of the initiative under study.

2.4.2 Primary Data Collection

Primary data collection involved gathering both quantitative and qualitative data from diverse stakeholders, including entrepreneurs and implementing officials. Quantitative data was acquired through surveys conducted among entrepreneurs. On the other hand, qualitative data was obtained via key informant interviews with implementing officials at both district and state levels, as well as through focus group discussions with Enterprise Development Executives.

2.4.2.1 Quantitative Data: Survey of Entrepreneurs

To understand the perspectives of entrepreneurs, a detailed survey was conducted among 3000 entrepreneurs who established enterprises under the 'Year of Enterprises' initiative. The quantitative survey was conducted using a structured questionnaire, focusing on demographic information, entrepreneurial motivations, challenges faced, and perceptions of sustainability and scalability.

A representative sample of 3,000 enterprises was selected from a pool of 100,000 enterprises initiated under the Year of Enterprises. A stratified random sampling method was used, dividing the state into three geographical zones—Northern, Central, and Southern—to ensure balanced representation across regions.

Zone	Districts	No. of samples
Northern Kerala	Kasaragod, Kannur, Wayanad, Kozhikode, and Malappuram.	967
Central Kerala	Palakkad, Thrissur, Ernakulam, Idukki, and Kottayam	1133
Southern Kerala	Alappuzha, Pathanamthitta, Kollam, and Thiruvananthapuram.	900

Table 2.7 Zones and districts of data collection

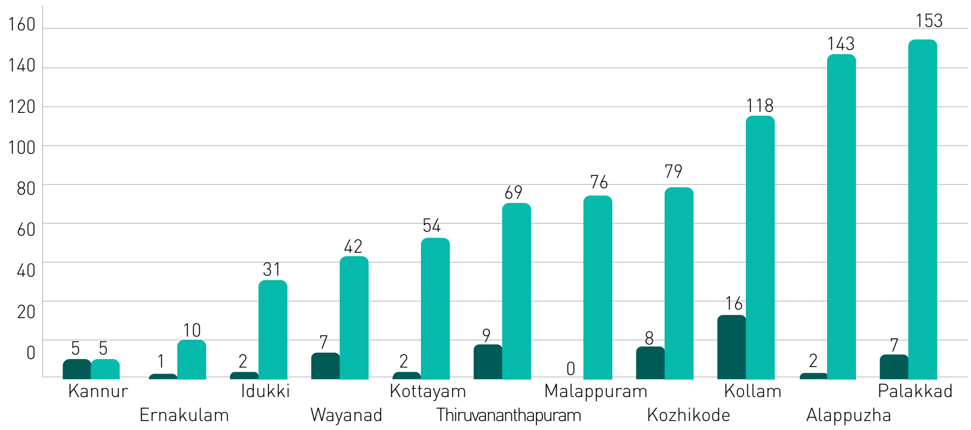
From the total of 3000 enterprises, the number of samples chosen from each zone was proportional to the total number of enterprises in that zone, as given in the table. Therefore, the sampling ensured equitable representation from all three zones. The samples in each zone were selected randomly from the list.

Structured questionnaire, developed in Malayalam, was used for data collection from entrepreneurs. Enumerators received training on administering the questionnaire. The questionnaire was uploaded to the ZOHO application to facilitate convenient and sustainable data entry. Interviews were conducted in person by trained enumerators, and responses were recorded directly into ZOHO during the interviews. Before conducting fieldwork, enumerators contacted Entrepreneurship Development Executives (EDEs) to confirm the locations of entrepreneurs. Subsequently, entrepreneurs were contacted to confirm their availability, and interview timings were scheduled accordingly. The survey was conducted between November 2023 and March 2024.

Out of the 3000 sampled enterprises, 780 enterprises were found to be unavailable for interview, and an additional 54 were closed. Replacements were made for the enterprises that were unavailable and closed. The replacements were selected based on similar criteria as the original sample to minimise bias and uphold the quality of the survey data.

Figure 2.5

Total Closed/Not Available Enterprises Across Districts



2.4.2.2 Qualitative Data: Key Informant Interviews (KIIs) and Focus Group Discussion (FGD)

Key Informant Interviews (KIIs) were conducted with key officials, including the Director of Industries and Commerce Department, state level officials (Deputy Director and Assistant Director), and district officials of the Industries department. The district officials represented General Managers from three districts: Kozhikode, Ernakulam, and Thiruvananthapuram. To ensure comprehensive exploration of project implementation aspects, a structured guide encompassing key areas was developed for the interviews.

A Focus Group Discussion (FGD) was organised with 10 Entrepreneur Development Executives (EDEs) actively involved in project implementation in the field, making their insights particularly valuable due to their direct involvement. The FGD, facilitated by a trained moderator, spanned approximately 2 hours to allow for in-depth discussions and exploration of perspectives.

2.5 Data Analysis

Quantitative data, both primary and secondary, was analysed using statistical software IBM SPSS, with descriptive and inferential analysis to identify patterns and relationships. Qualitative data from KIIs and FGD were transcribed and analysed thematically, using coding and thematic analysis techniques to identify key themes and patterns.

2.6 Ethical Considerations

Informed consent was obtained from all participants, ensuring confidentiality and anonymity of their responses. The voice recording of the KII was saved in a protected drive and was deleted immediately after the transcription process. The study also made sure that there were no children involved in it.

2.7 Limitations of the study

The few limitations of the present study are acknowledged as below.

1 Reliance of self reported data

The sustainability and scalability of enterprises are measured based on self-reported data from entrepreneurs. There is a possibility of bias, as respondents may provide information that is either overly optimistic or inaccurate. There may also be risk of social desirability bias, wherein entrepreneurs may feel pressure to present their enterprises in a favourable light, potentially overstating achievements or downplaying challenges.

2 Focus on specific indicators

The study has chosen to concentrate on specific indicators or dimensions of sustainability and scalability within the context of MSMEs. While there may be additional indicators that could provide valuable insights, the study streamlined its approach to align with practical constraints and available resources for entrepreneurs. However, this selective focus may have unintentionally overlooked other important factors that could influence outcomes or relationships. Therefore, the study's findings may not fully encapsulate the complexity and nuances of sustainability and scalability within the MSME sector, potentially limiting the depth and breadth of the research conclusions.

3 Cross-sectional design

This research design restricts its capacity to infer causality or track changes over time. Sustainability and scalability, being dynamic variables, are subject to fluctuations and evolution over time. However, the study only captured these variables at a single point in time. By employing longitudinal or experimental designs, the research could have yielded more comprehensive and reliable insights into the relationships between variables, offering a deeper understanding of how sustainability and scalability evolve over time within the context of MSMEs.

4 Generalisability of findings

Despite efforts to ensure generalisability by selecting a random sample of entrepreneurs, there were instances where enterprises were closed or entrepreneurs declined to participate, or stopped responding in the midway of the survey. As a result, these instances necessitated the replacement of non-participating entities with the next available sample. This substitution introduces the potential for selection bias and may affect the representativeness of the final sample. Thus, while the study aimed to capture a diverse range of perspectives, the inability to include all initially selected entities could impact the generalisability of the findings to the broader population of entrepreneurs.

03

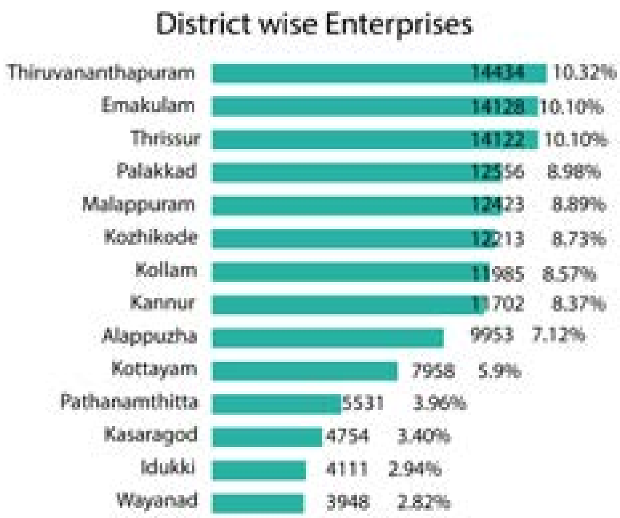
Overview of the ‘Year of Enterprises’ Initiative

This chapter examines secondary data sourced from the Management Information System (MIS) database of the Department of Industries and Commerce to gain insights into the implementation and outcomes of the Year of Enterprises (YOE) initiative. It provides insights into enterprise development scenario, presenting a thorough analysis of the initiative’s effects and associated challenges.

The Year of Enterprises (YOE) program had a substantial impact on the state of Kerala. The initiative resulted in the registration of more than 1.39 lakh enterprises, representing a remarkable surge in entrepreneurial activity. These enterprises collectively attracted an impressive investment of Rs. 8421.63 crores, indicating substantial financial backing for new ventures and business expansion. Moreover, the YOE program played a pivotal role in job creation, with a total of 3,00,051 jobs generated across various sectors, contributing significantly to employment opportunities and economic growth in the region. This data underscores the program's success in fostering entrepreneurship and driving economic development in Kerala.

3.1 Profile of enterprises

As per data from the MIS database of the Department of Industries, the Number of enterprises started under the 'Year of Enterprises' initiative is highest in Thiruvananthapuram, closely followed by Ernakulam, and Thrissur. In contrast, districts like Idukki and Wayanad have relatively lower participation rates, each contributing less than 3% of the total.



As shown in Figure 3.2, the most number of businesses were started under the Trade Activity category, followed by Agro Food, Beverage, Meat/Fish product and Processing, with 37357 units and 21528 units respectively. 13248 units were initiated in the Garments, Textiles, and Tailoring sector, positioning it as the third most popular category among businesses launched under the scheme. The next prominent sector - Electrical & Electronics and IT related services/Products, with 4578 units - exhibits a marked difference in number from that of the previous sector in rank. There are 10218 Other Service Activities in between the third and the fourth prominent sectors.

Other sectors with moderate number of enterprises include Personal Care Products and Services (4163), Automobile Service/Repair (3479), Building Materials/Construction related activities (3337), Medical/Hospital Equipments (2091), and Wood Products (1369). The sectors with least number of enterprises are Biotechnology with 24 units, Glass Products with 116 units, Energy/Renewable Energy sector, with 141 units, and Recycling and Waste Management sector with 191 units.

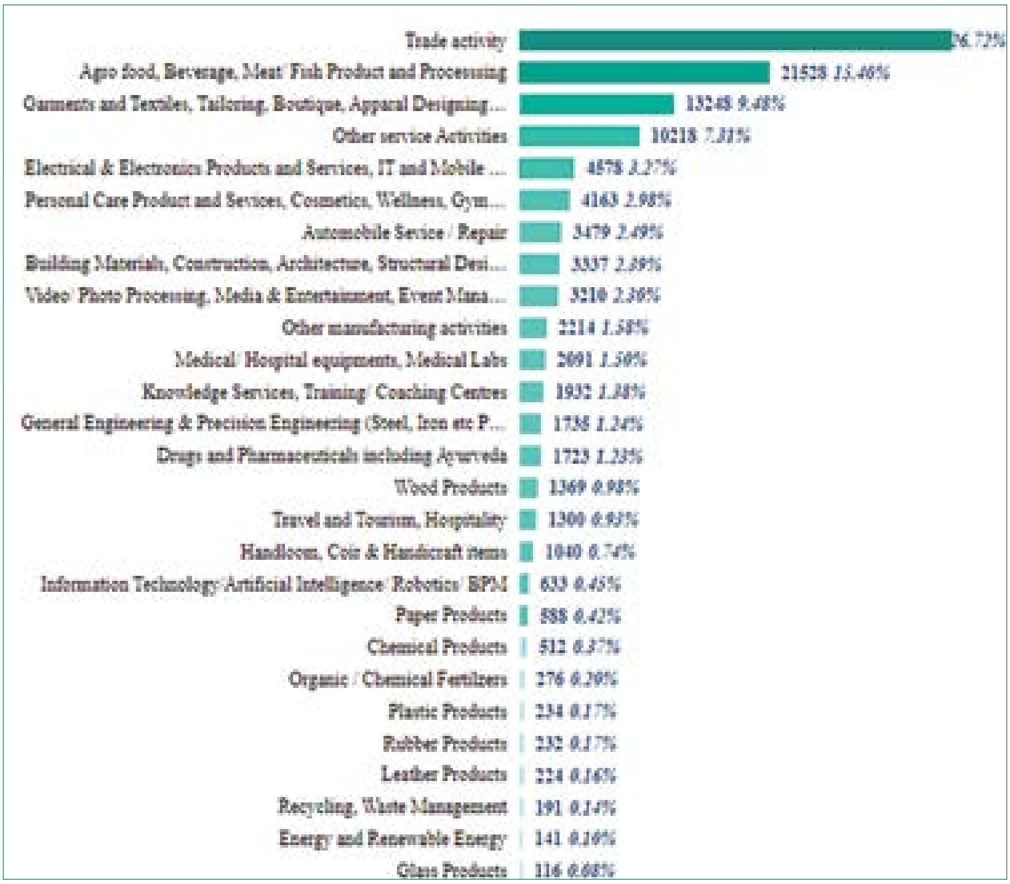


Figure 3.2

3.2 Profile of Entrepreneurs

Year of Enterprises initiative has a significant predominance of male entrepreneurs, with 67.6 % males enrolled in the scheme. Female entrepreneurs account for 32.26 % of the entrepreneurs. While lower than their male counterparts, this substantial percentage indicates active participation and a strong interest among women in entrepreneurship within the state. Additionally, 14 entrepreneurs identify as transgender, reflecting increased participation from this transgender community.

A significant majority of the entrepreneurs have education levels at or below "Plus Two/Pre-Degree" level. Specifically, those with SSLC education make up 32.08% of the total, while

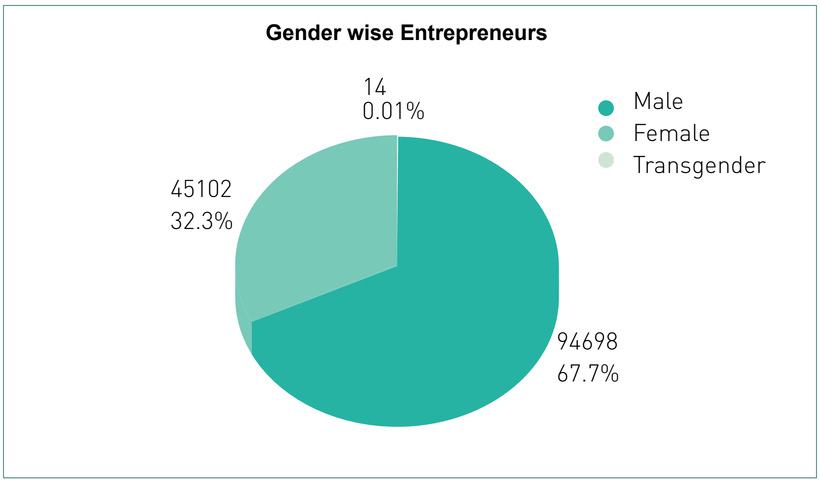


Figure 3.3

individuals with a Plus Two/Pre-Degree education constitute 23.69% of the entrepreneurs. Entrepreneurs with a Degree represent the third largest group at 19.99%. Those with qualifications beyond Plus two and other than a Degree, such as Diploma holders (6.55 %), Professional Degree holders (3.27 %), and Post Graduates (3.08 %), collectively make up for more than 12 %. 0.09 % of the total are Entrepreneurs with a PhD and above.

Qualification of Entrepreneurs

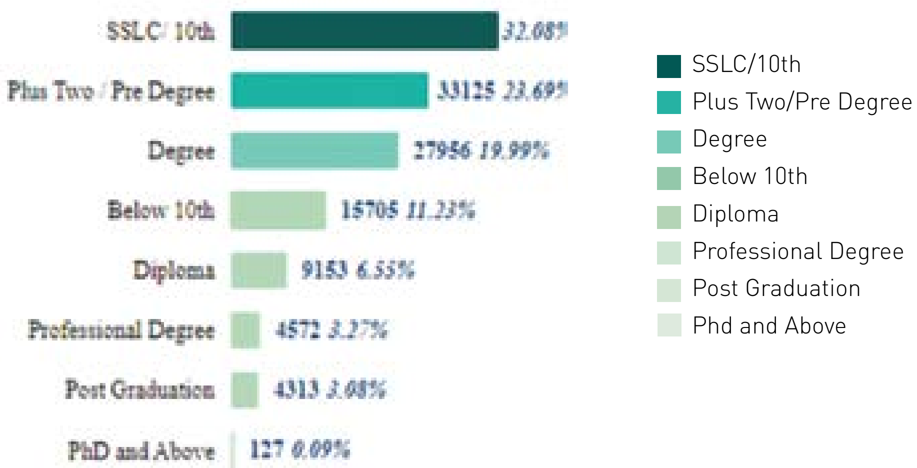


Figure 3.4

While looking into the social category of the entrepreneurs under the program (Figure 3.5), OBC entrepreneurs constitute the largest proportion comprising 57.79% of the total entrepreneurs. Entrepreneurs from the General category makeup 28.89% of the total entrepreneurs. The enrollment of entrepreneurs from Minority communities stands at 8.66%. SC entrepreneurs constitute 4.28% of the total, while ST entrepreneurs represent a smaller fraction at 0.38%.

Social Category of Enterpreneurs

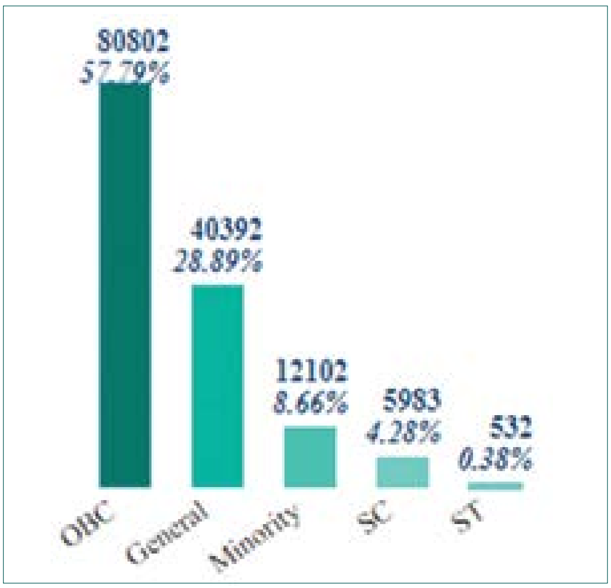


Figure 3.5

3.3 Registrations and Licences

Majority of enterprises, 81%, initiated under the program, required a licence, while the remaining 18 % did not.

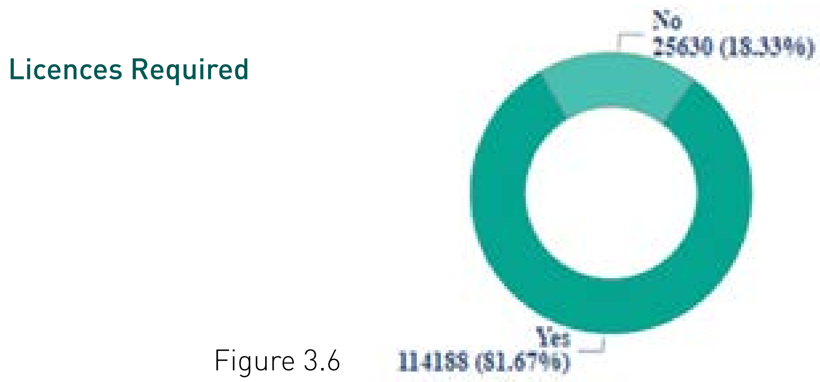


Figure 3.6

There are 18 types of licences that were required by the enterprises under the 'Year of Enterprises' Scheme. The major Licences that were required for starting enterprises (figure 3.7) include Licences from LSGI, FSSAI Registration/License, KSPCB Consent to Operate, GST Registration, KSPCB Consent to Establish, Permission for/from Legal Methodology,

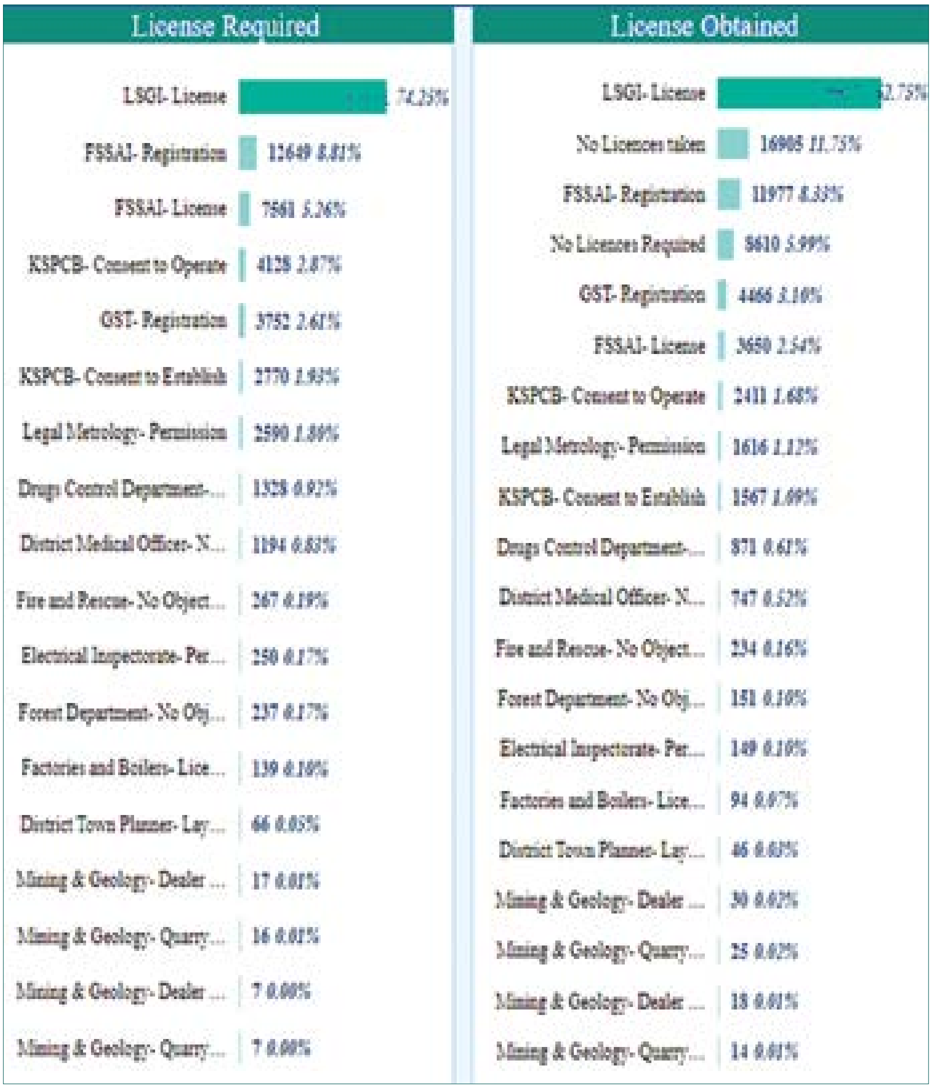


Figure 3.7

Electrical Inspectorate, consent from Drugs Control Department, NOC from District Medical Officer, Fire and Rescue Department, Forest Department, Licence from Factories and Boilers, District Town Planner - Layout Approval, and different Licences from Mining & Geology.

The licence that was most required was from Local Self Government Institutions (LSGI Licence) with 106641 applications. Out of this only 90272 licences were obtained. 11977 FSSAI Registrations were obtained by enterprises, while the requirement was for 12649 registrations. Similarly 7561 FSSAI licences were required, while only 3650 licences were provided to the enterprises. This trend of number of licences obtained falling short of licences required continues for KSPCB Consents, Legal Metrology, Drugs Control Department, NOC from District Medical Officers, etc. The trend breaks with GST Registrations for which 3752 Licences were required whereas 4466 licences were obtained by entrepreneurs. Similarly for the different licences from the Mining and Geology department, the number of licences obtained exceeded the number that was required. Notably, only 4% of enterprises have filed K-SWIFT self certification and received acknowledgement receipt while around 96 % did not.

Udyam registration is not a mandatory, yet highly recommended clearance for MSMEs as it opens the door to many government benefits. It helps banks identify businesses eligible for benefits and schemes specifically designed for MSMEs. From the graph , it is evident that only a few, accounting for 13% of enterprises, have registered for Udyam registration, while the majority have not registered.

Udyam Registration

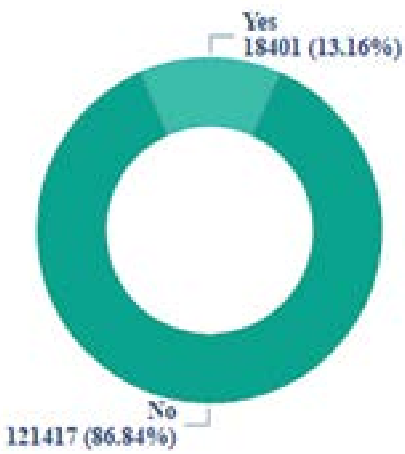


Figure 3.8

District	Percentage of enterprises	Udyam registration
Alappuzha	11.0%	6.58%
Ernakulam	12.1%	9.84%
Idukki	4.0%	2.80%
Kannur	6.8%	8.59%
Kasaragod	3.9%	3.33%
Kollam	5.5%	8.86%
Kottayam	5.2%	5.77%
Kozhikode	7.4%	8.92%
Malappuram	7.2%	9.12%
Palakkad	9.3%	8.94%
Pathanamthitta	3.9%	3.96%
Thiruvananthapuram	11.3%	10.19%
Thrissur	10.0%	10.12%
Wayanad	1.7%	2.97%

Table 3.1

Quality certification is an essential clearance for MSMEs which can improve their product quality and lead to increased customer satisfaction. When it comes to quality certification obtained by enterprises, only 15 % have acquired it. The majority of enterprises (85 %) have not obtained any form of quality certification.

Quality certification

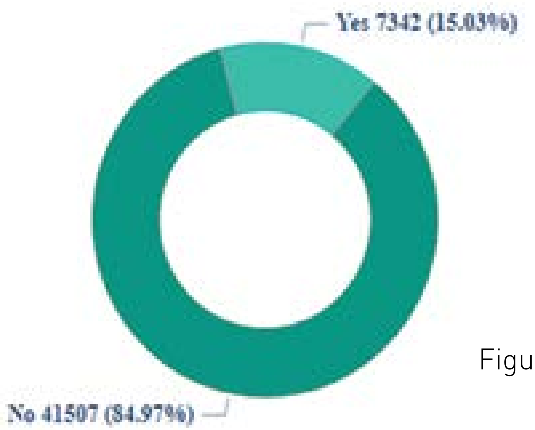


Figure 3.9

3.4 Investment and Financing Challenges

Total Fixed Capital Investment (In Lakhs)	Total Working Capital (In Lakhs)
545,745.6	**295, 040.7**

Total Term Loan Required **98, 958.3**	—	Total Term Loan Obtained **86, 246.5**	=	Difference **12, 711.8**
Total Working Capital Loan Required **44, 429.6**	—	Total Working Capital Loan Obtained **33, 343.7**	=	Difference **11, 086.0**

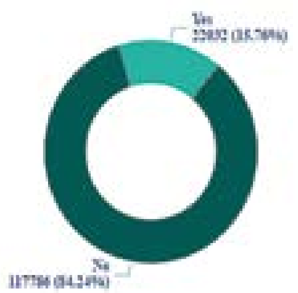
Figure 3.10

The graph gives a glimpse of the overall investment and Financing Challenges of the Year of Enterprises Initiative.

During the first year of the Year of Enterprise campaign, enterprises made a total investment of Rs. 8,407.85 crores (Rs. 5,457 crores of Fixed Capital and Rs. 2,950 crores of Working Capital).

The enterprises under the Year of Enterprises initiative had a total loan requirement (including term loan and working capital loan) of 143,387 lakhs. However, they were able to obtain loans amounting to a total of 119,589 lakhs, representing approximately 83.5% of the total loan requirement. Specifically, for term loans, enterprises received 87% of the required amount, while for working capital loans, they obtained only 70% of the required funds. This observation suggests that enterprises faced more difficulty in obtaining working capital loans compared to term loans under the Year of Enterprises initiative. The relatively higher availability of term loans compared to working capital loans implies that there might be greater ease of accessibility in securing longer-term financing for businesses. However, the shortfall in working capital financing is critical, as it directly impacts the day-to-day operations and sustainability of enterprises. Addressing this disparity is essential to ensure that businesses have the necessary financial resources to thrive and grow over time.

Finance Required



Finance Obtained

Figure 3.11

It's noteworthy that out of the 22,032 enterprises that required financing, only 15,371 were able to obtain it, indicating that approximately 60% of the financial requirements were met. This also highlights that around 40% of enterprises did not receive sufficient financing during the initial period, underscoring a significant gap in accessing financial support for business development and operations.

3.5 Credit Availability and Loan Repayment

During the period from 2022 to 2024, while the overall uptake of MSME loans increased across the state, only 13% of entrepreneurs participating in the Year of Enterprises initiative took advantage of MSME loans. Surprisingly, more than 70% of these entrepreneurs financed their ventures using personal resources. Another 20% relied on gold loans to obtain the required funding, demonstrating alternative financing methods employed by participants. Interestingly, only 2% were denied loans due to low CIBIL scores or non-feasibility, indicating a relatively low rate of loan rejections among the participants.

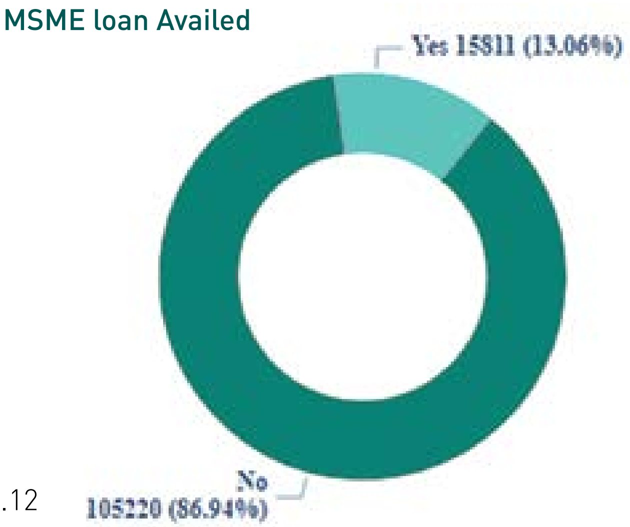


Figure 3.12

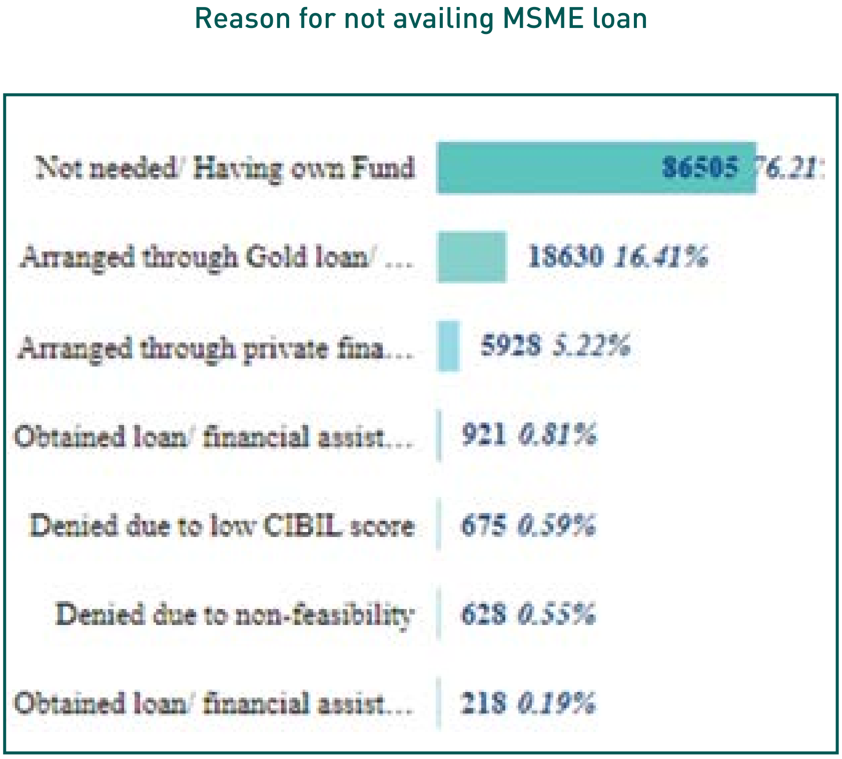


Figure 3.13

The trend of entrepreneurs relying on private sources, including potentially non-formal sources (comprising 4% of financing), highlights potential challenges in accessing formal financing options. Depending heavily on private sources, particularly informal ones, poses long-term risks due to high interest rates and less favourable terms. The significant use of gold loans underscores a preference for asset-backed financing, likely driven by the ease of access to gold and the cultural practice of storing gold as an emergency asset in Kerala. This cultural affinity towards using gold as a financial fallback could explain the prevalent utilisation of gold loans among enterprises in the region.

Loans availed by male and female-owned enterprises:

Another observation is that 18% of female-owned enterprises have availed loans while only 10% of the male-owned enterprises have utilised MSME loans.

While looking into the loan repayment status of YOE, only 11 % of the MSMEs are able to ensure proper loan repayment. A vast majority, 89%, of the MSMEs are not able to ensure proper loan repayment.

Is the unit bank linked now ?
(i.e Currently availed MSME loan from Bank)

Male

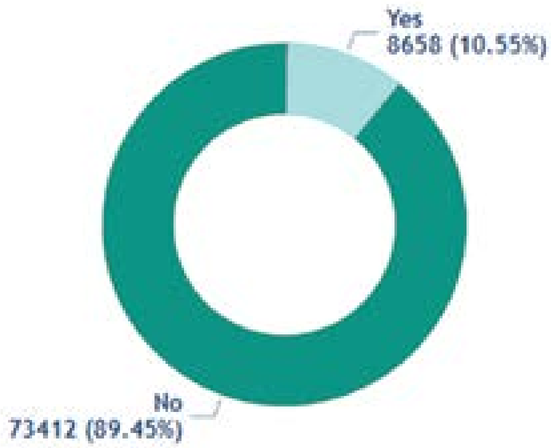


Figure 3.14

Is the unit bank linked now ?
(i.e Currently availed MSME loan from Bank)

Female

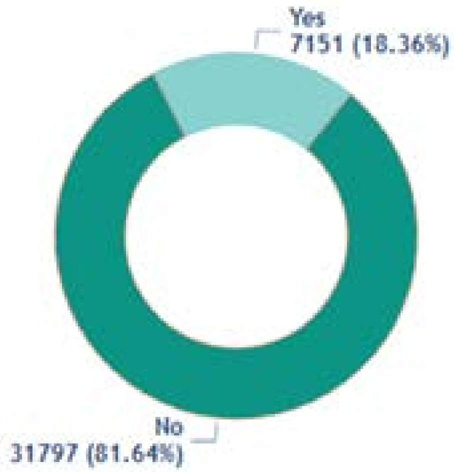


Figure 3.15

3.6 Subsidies and support

Subsidies / Benefits

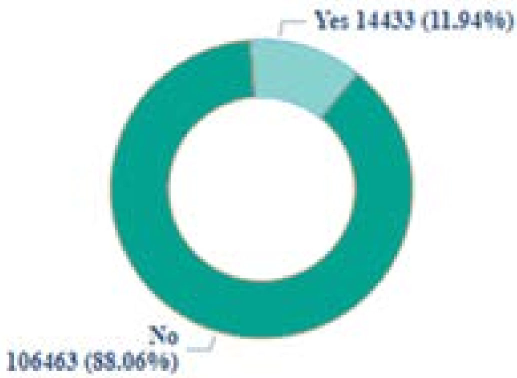


Figure 3.16

Total Subsidy Amount Received (Rs in Lakh)

31,303.2

When it comes to subsidies, 12% of the total entrepreneurs availed subsidies/benefits from various government agencies/departments. A total of 313 crore rupees has been released through various government agencies and departments as subsidies for the enterprises under 'Year of Enterprises'. A majority of enterprises did not avail any sort of benefits or subsidies from departments. It is to be noted that even when just 12% availed subsidies, a significant amount of 313 crore rupees has been disbursed, suggesting a substantial investment in industrial development by the government. It's noteworthy that the majority of enterprises have not availed any subsidies, indicating potential underutilization of government support schemes.

Assistance Received From Department / Agency

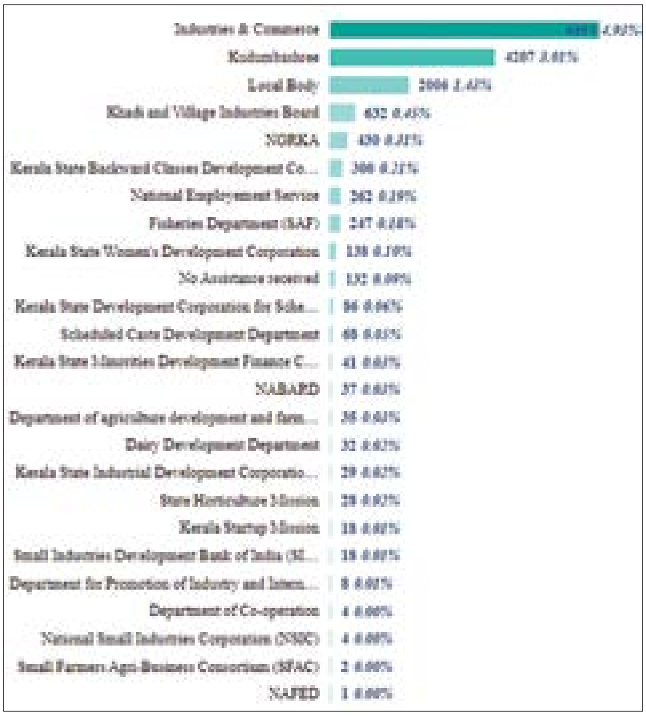


Figure 3.17

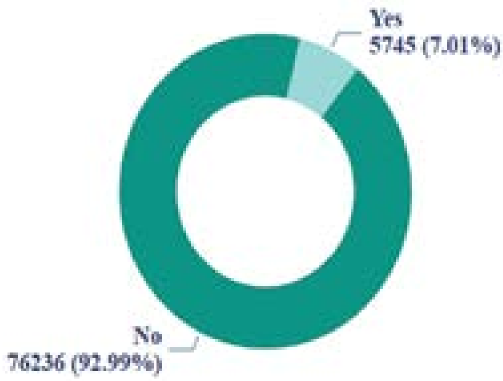
Among the 24 departments/ agencies selected to provide support to MSMEs under the Year of Enterprises initiative in Kerala, key contributors include Industries & Commerce, Kudumbashree, local bodies, commercial banks, and Khadi & Village Industries. Certain agencies, including Small Industries Development, Kerala Startup Mission, and National Small Industries Corporation, have contributed support to MSMEs within the initiative, although their involvement may be less extensive compared to the key contributors.

When analysing the subsidies availed by YOE, the major departments providing benefits or subsidies were Industries and Commerce Department, Kudumbashree Mission, Local Self Government Institutions, Khadi Board, NORKA, Kerala State Backward Development Corporation, SC/ST Development Corporations etc.

Departments/Agencies Providing Subsidies/Support	No of enterprises
Industries and Commerce	6894
Kudumbashree	4207
Local Body	2006
Khadi and Village Industries Board	632
NORKA	430
Kerala State Backward Classes Development Board	300
National Employment Service	262
Fisheries Department	247
Kerala State Women's Development Corporation	138
Development Corporation for SC and ST	86
SC Development Department	68
Kerala State Minorities Development Finance Corporation	41
NABARD	37
Department of Agriculture Development and Farmers Welfare	35
Dairy Development Department	32
KSIDC	29
State Horticulture Mission	28
Kerala Startup Mission	18
Small Industries Development Bank of India	18
Department for Promotion of Industry and Internal Trade	8
Department of Co-operation	4
National Small Industries Corporation	4
Small Farmers Agri-Business Consortium	2
NAFED	1

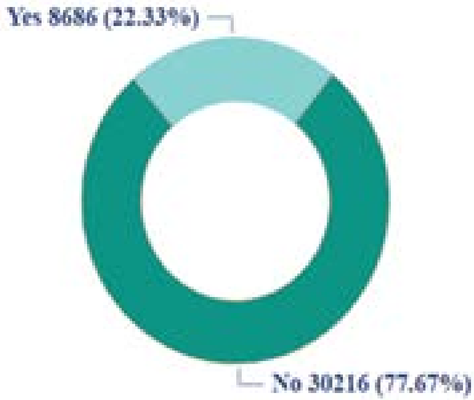
Table 3.2

Subsidies/Benefits



Subsidies received by male-owned enterprises

Figure 3.18



Subsidies received by female-owned enterprises

Figure 3.19

Upon further analysis of beneficiaries, it is evident that only 7% of male-owned enterprises have availed subsidies/benefits, primarily issued by the Industries and Commerce Department. In contrast, 22% of female-owned enterprises have accessed benefits, with the majority issued by the Kudumbashree State Mission. This disparity underscores a significant difference in benefit utilisation between male-owned and female-owned enterprises. Additionally, it highlights the critical role of the Kudumbashree mission in supporting the MSME sector in Kerala.

Assistance Received by male and female entrepreneurs From Department / Agencies

Figure 3.20

Figure 3.21

This difference in benefit utilisation may be due to factors such as the targeted nature of project assistance offered by agencies like the Kudumbashree State Mission, which are likely more accessible or tailored to the needs of female entrepreneurs. Upon further investigation into agencies offering benefits to SC/ST owned enterprises, Kudumbashree remains a primary supporter. However, the Industries and Commerce department appears to have allocated fewer subsidies to various social categories, particularly the vulnerable ones. The support provided to the ST category by this department for enterprise promotion is minimal.

Assistance Received by SC and ST entrepreneurs From Departments/ Agencies

Figure 3.22

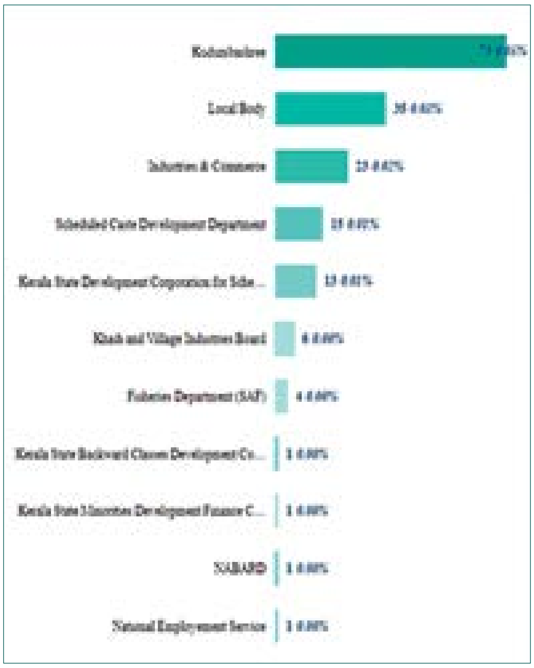


Figure 3.23

Subsidies/Benefits received by SC and ST category

Under the 'Year of Enterprises' program, beneficiaries explored the scope of availing financial assistance from a total of 62 schemes under State and Central Governments. Among the most suitable schemes for enterprises are the Prime Minister's Employment Generation Program (PMEGP) by the Ministry of MSME, assistance from Rebuild Kerala Initiative, Mudra Loan from the Ministry of Finance, and other Rural Micro-enterprises schemes. PMEGP loan is the most prominent of schemes in terms of number of loans availed by the enterprises, with a total of 4516 beneficiaries.

Suitable Scheme

Figure 3.24

Scheme Availed

Figure 3.25

3.7 Employment Generation

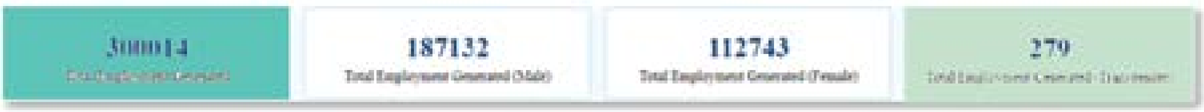


Figure 3.26

Job creation is a crucial aspect as enterprises that generate employment contribute positively to creating livelihood opportunities and reducing unemployment and poverty. The data demonstrates that the program has significantly contributed to social sustainability in Kerala by creating employment opportunities and promoting gender inclusivity. Specifically, the program has created a total of 3,00,014 employment opportunities. Among these, 1,87,132 positions were filled by male individuals, 1,12,743 by female individuals, and 279 by transgender individuals. This highlights the program's impact in fostering gender-inclusive economic development and addressing social challenges related to unemployment.

Employment Generated by Male Enterpreneurs

Employment Generated by Female Enterpreneurs

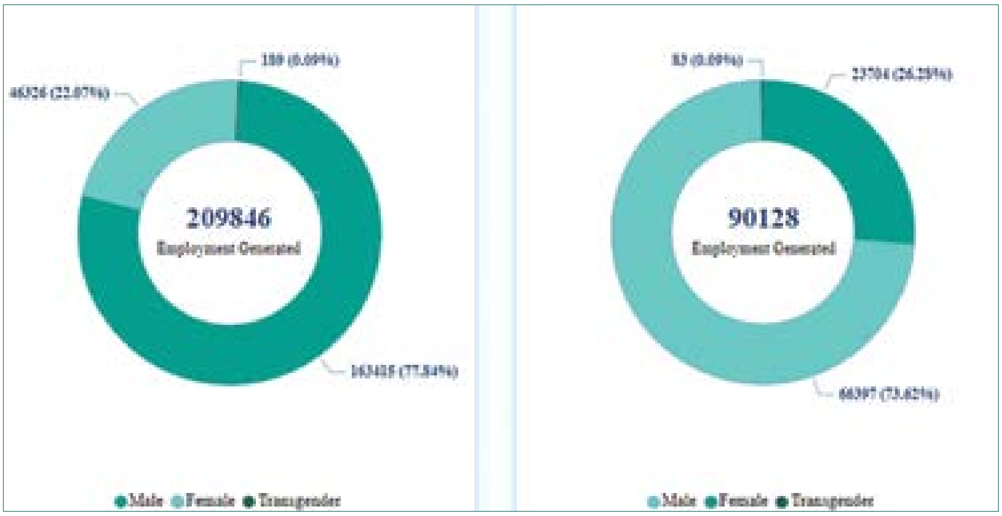


Figure 3.27

Analysis of the employment generated by male and female entrepreneurs reveals an interesting trend in the gender composition of their respective workforce. Among the 209,846 jobs created by male entrepreneurs, approximately 78% are occupied by male employees, 22% by female employees, and the remaining positions by transgender individuals. In contrast, among the jobs created by female entrepreneurs, around 73% are filled by female employees, 26% by male employees, and the rest by transgender individuals. This data suggests that entrepreneurs tend to hire individuals of the same gender, possibly influenced by factors like familiarity, trust, or specific workforce preferences.

3.8 Marketing

Exhibitions play a vital role in promoting products, yet the data indicates that only 5% of enterprises have participated in such exhibitions, with the majority, 96%, not having participated in any exhibitions.

Participation in Exhibitions

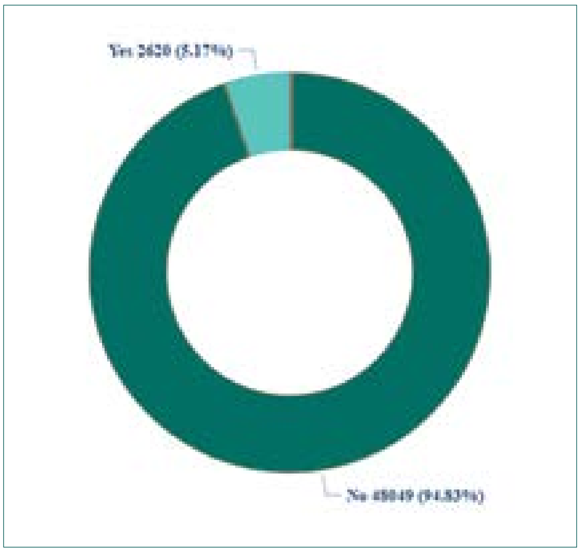


Figure 3.28

3.9 Operational Status

A survey was conducted after one year of the YOE initiative. The information gathered was recorded in a portal specially developed for this purpose. The survey gathered information on the operational status of the enterprise, challenges/problems faced, reasons for closure, plans for revival of non-functional units, assistance required/other special needs.

Functional Status

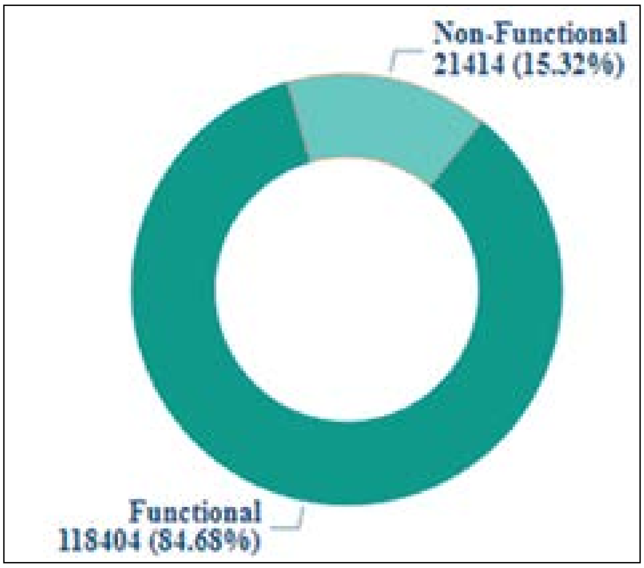


Figure 3.29

Out of the 139,840 enterprises started under the Year of Enterprise program, only 84% are functional, while the remaining 15% have shut down or are not functioning now.

Detailed Functional Status

Figure 3.30

Based on the updated functional status of the enterprises, 55% of them were performing well, 24% were performing satisfactorily, 5% were ailing, and the remaining 15% were defunct.

When examining the 84 % of functional enterprises, it is observed that 14% of them are currently encountering some issues or challenges, while the remaining 86 % are not facing any issues.

Challenges Faced

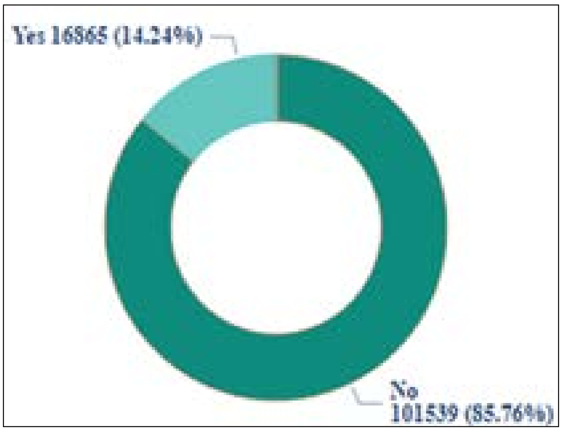


Figure 3.31

Moving on to the challenges enterprises face, they can be categorised into different issues such as financial problems, human resources, infrastructure, marketing, regulatory, and technology issues. Among these, the majority of the enterprises, about 42%, face a lack of access to credit or partial funding availability. Another significant challenge is the inability to market the products properly due to high competition or absence in the market, with 35% of enterprises facing this issue. Additionally, 6% of enterprises face infrastructural issues.

Type of Challenges

Issues/challenges	%
Finance: Lack of access to credit (including working capital) or partial funding was available.	42.19%
Human Resource: High cost of labour Non availability of man power. Unavailability of skilled workforce etc.	2.91%
Infrastructure: High cost Rent of hired space. Inadequate space land, connectivity.	6.17%
Marketing: Not able to market the products properly. High competition. Limited or no access to local regional markets, no presence in online markets, branding related issues etc.	35.24%
Other	7.40%
Promoter got another job	0.04%
Regulatory: Issues pertaining to licenses approvals clearances	3.59%
Technology: Unable to purchase machinery or equipment.High cost of technology or machinery. Lack of awareness about technology available etc.	2.46%

Table 3.3

When examining the 21,414 of closed enterprises, the majority, about 37%, cited inability to market their products properly due to high competition or absence of market as the reason for closure. 28% faced a lack of access to credit or partial funding availability. Additionally, 21% shut down due to other reasons.

Reasons for closure

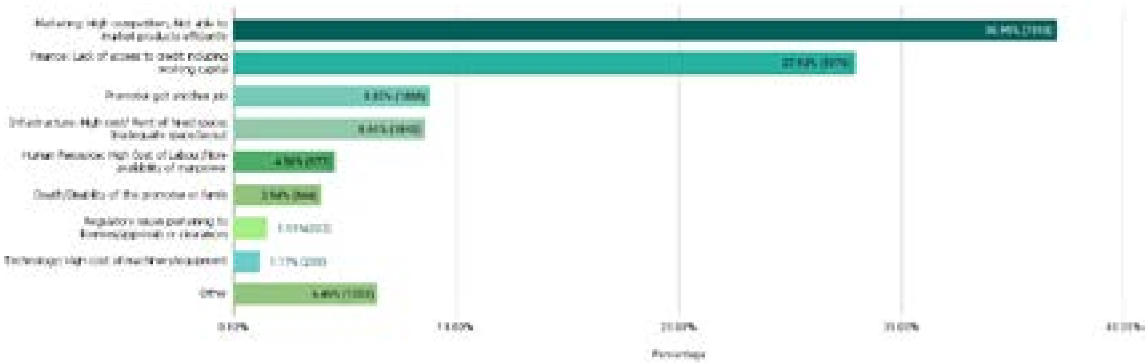


Figure 3.32

Even though 21,414 enterprises had shut down, only 13% of entrepreneurs are ready to revive their enterprises, while 87% are not ready to revive their enterprises.

Plan to Revive

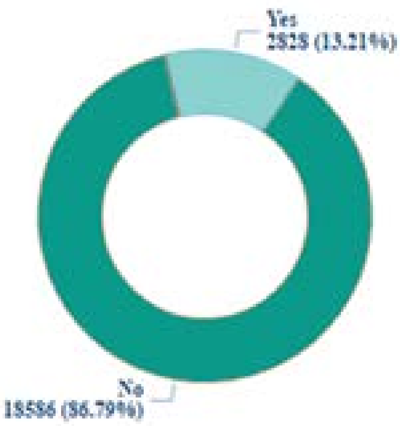


Figure 3.33

When reviving enterprises, most of the entrepreneurs, about 56%, require financial assistance. While 17% need marketing assistance, only around 7 % require infrastructure assistance and around 12% of entrepreneurs expect other assistance.

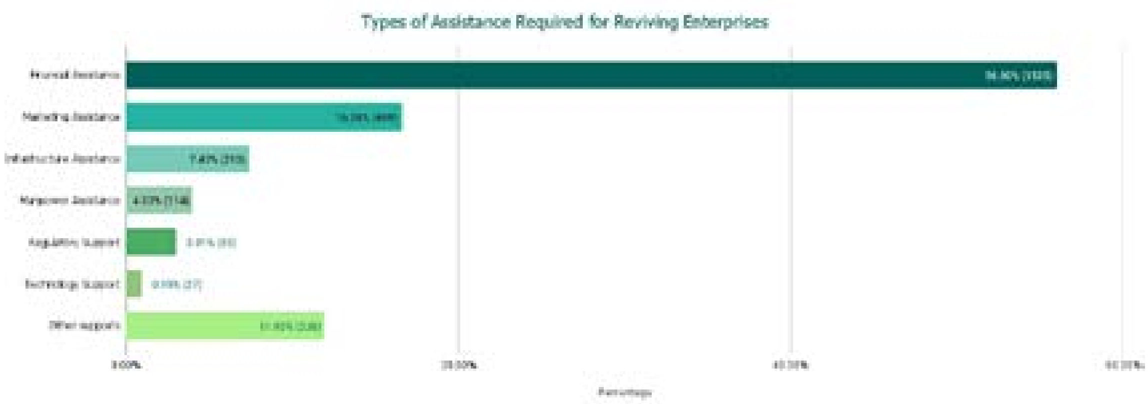


Figure 3.34

3.10 Impact of Year of Enterprises Initiative

Number of MSME established

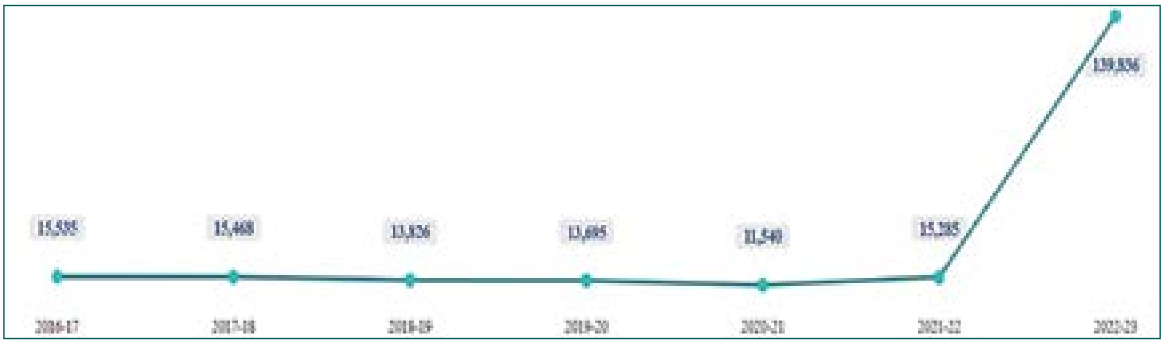


Figure 3.35

A comprehensive overview of the growth and employment trends in the Micro, Small, and Medium Enterprises (MSME) sector in Kerala from 2016 to 2023, including the number of MSME units established, the corresponding investment made in crores of rupees, and the employment opportunities generated during each fiscal year, reveals a consistent pattern of growth in the number of MSME units established each fiscal year.

While there have been fluctuations in the investment made in the MSME sector over the years, the overall trend shows that investment remained relatively stable, with occasional peaks. The fiscal year 2022-23 stands out with a significant increase in investment, indicating a strong commitment to fostering MSME growth.

Employment generated newly

Figure 3.36

Similarly, the MSME sector in Kerala consistently contributed to employment generation throughout the period. Notably, in 2022-23, a substantial number of jobs were created, reaching a peak of 3,00,016 employment opportunities. The dip in new MSME units and employment in 2020-21 can be attributed to the disruptions caused by the COVID-19 pandemic. However, the sector's resilience is evident as it quickly rebounded and surpassed pre-pandemic levels in subsequent years.

Investment (Rs in Crore) in MSME sector in Kerala

Figure 3.37

The year 2022-23 signifies a pivotal moment in the growth of Kerala's MSME sector, characterised by a remarkable surge in both the number of units established and the employment generated. This substantial increase in investment and job creation reflects a concerted effort to enhance the MSME sector's impact on the state's economy. The notable growth observed is largely attributed to the 'Year of Enterprises' initiative, which aimed to promote MSMEs, facilitate economic recovery post-pandemic, and create more employment opportunities. The initiative's impact underscores the critical role of targeted programs in driving sustainable economic growth and development in the region.

04

Stakeholder Perspectives on Enterprise Development in Kerala

This chapter provides qualitative analysis derived from interviews with key stakeholders such as the Director, Joint Director, Deputy Director and General Managers of DIC as well as insights from focus group discussions held with Enterprises Development Executives (EDEs). These insights offer valuable perspectives on the planning, implementation, and sustainability of the initiative.

4.1 Insights from Key Officials

The perspectives of implementing officials are vital for understanding the sustainability and scalability of the Year of Enterprises initiative. These officials, including Directors, Joint Directors, Deputy Directors, General Managers, and Enterprise Development Executives (EDEs), have firsthand experience addressing operational challenges and can offer valuable insights into practical hurdles, bottlenecks, and inefficiencies that impact the initiative's long-term success. Interviews conducted with key officials from different regions of Kerala—Kozhikode, Ernakulam, and Thiruvananthapuram—revealed important themes related to the planning, implementation, and sustainability of the program. The qualitative analysis of these interviews has been instrumental in distilling the insights and challenges faced during the initiative's execution.

4.1.1 Purpose/Objectives of the Year of Enterprise

The "Year of Enterprises" initiative was conceived to address the significant barriers to enterprise development in Kerala, such as land scarcity, labor issues, licensing complexities, and challenges in accessing capital. The program aimed to create an ecosystem conducive to enterprise formation, initially targeting the establishment of 1 lakh enterprises to generate 1 lakh jobs. This ambitious target was later expanded to aim for 3 to 4 lakh employment opportunities, underscoring the program's broader goal of transforming Kerala's entrepreneurial landscape. By adopting a campaign-mode approach, the initiative sought to drive a cultural shift towards entrepreneurship, encouraging the creation of enterprises across the state.

4.1.2 Uniqueness of the YOE Campaign

The "Year of Enterprises" (YOE) initiative introduced a comprehensive and visionary strategy for sustainable enterprise growth in Kerala. It integrated various components such as facilitation systems, infrastructure development, MSME insurance, and a data-driven approach to support entrepreneurs. A key innovation was the deployment of Enterprise Development Executives (EDEs) at the local body level, enhancing accessibility and effectiveness by providing grassroots-level support. This was complemented by the establishment of helpdesks and the organization of Loan Melas at the panchayat level, which further improved participation. The increased involvement of the Department of Industries and Commerce (DIC) at the grassroots level facilitated better access to licensing departments and financial institutions. The initiative's success was also due to the convergence between various line departments and local self-government (LSG) departments, which streamlined processes for obtaining licenses and clearances. The use of social media and real-time data to promote modern entrepreneurship also played a critical role in the initiative's effectiveness, marking a shift towards a more integrated and dynamic enterprise ecosystem.

4.1.3 Target Fixation

The YOE program set ambitious targets, employing a methodology based on population statistics to determine district-specific goals. For example, Malappuram, with its high population, received the highest target. Initially, the program aimed to establish 100,000 enterprises across the state, with specific targets like 14,600 for Thiruvananthapuram. Although these targets seemed daunting, sustained campaign efforts led to their achievement. However, population-based targeting proved more effective in some districts than in districts like Malappuram, where a youthful population did not directly correlate with enterprise development. In response to challenges in areas like Idukki's interior localities, strategies such as reallocating EDEs and promoting group work were adopted. Additionally, the program sought to include enterprises by collecting loan data from financial institutions to ensure comprehensive coverage. This approach highlights YOE's commitment to inclusivity and its adaptability in achieving set targets despite varying regional challenges.

4.1.4 Social and Economic Outcomes

The Year of Enterprise (YOE) campaign has led to notable social and economic outcomes. Economically, there was a significant increase in MSME loans, reflecting a surge in entrepreneurial activity. The loan amount rose from 52,000 crores in 2021-22 to 81,000 crores in the following financial year, with the manufacturing sector showing substantial growth. This increase contributed to a rise in the Credit-Deposit (CD) ratio, which reached 73%, indicating a growing trend of entrepreneurs accessing loans to establish new enterprises in Kerala. Socially, the initiative has begun to shift societal attitudes towards entrepreneurship. Although gradual, there has been a noticeable increase in the acceptance of entrepreneurship as a viable career option. The presence of EDEs at the grassroots level has played a crucial role in this shift by making government services more accessible and fostering trust in the Industries Department. Historically, Kerala's education system and societal norms favored employment over entrepreneurship, viewing business as a last resort. However, the YOE campaign, through its comprehensive industrial development initiatives, is gradually changing this mindset, leading to a cultural shift towards embracing entrepreneurship as a legitimate and desirable career path.

4.1.5 Inclusion of Vulnerable Communities

While the YOE program primarily focused on sector development, it also promoted the inclusion of vulnerable communities such as women, Non-Resident Keralites (NRKs), ex-servicemen, and SC/ST population. Although the program did not have specific schemes targeting these groups, it integrated their enterprises into existing development schemes aimed at their empowerment. The Department's overarching goal of supporting vulnerable communities provided a framework for their inclusion within the YOE initiative. However, the impact on women's entrepreneurship was limited, with only 32% of the enterprises formed under the campaign being owned and operated by women. This relatively low participation rate underscores the need for more targeted efforts to support women entrepreneurs. Although the program facilitated resources, such as Mudra loans, business plan development, and workshops, these efforts were insufficient to significantly boost women's participation. To truly empower women and other marginalized communities in Kerala, more robust support systems and resources are needed.

4.1.6 Challenges

The implementation of the YOE program, while largely successful, encountered several challenges. The Director of the Industries Department noted that the program's design and planning were comprehensive, benefiting from a bottom-up approach and strong political backing. However, delays in obtaining licenses and establishing convergence among various departments posed significant challenges. The Department of Industries and Commerce (DIC) was not the only department involved in enterprise development, leading to coordination issues. Integrating Enterprise Development Executives (EDEs) into the program was another challenge. Initially, the department faced difficulties in recruiting and deploying 1,000 professionals at the grassroots level. There was resistance from panchayat-level officials, entrepreneurs, and the general public, which hindered the integration of EDEs. The rapid expansion of field personnel from 10-20 to 1,000 also required the establishment of a new management system. Furthermore, dropouts among EDEs contributed to delays, necessitating the recruitment of new personnel. To address these challenges, the establishment of a dedicated Program Management Unit (PMU) is recommended. A PMU would provide the necessary structure to manage and coordinate the EDEs, enabling more efficient follow-ups, problem-solving, and communication between the state and district levels.

4.1.7 Emphasis on Focus Sectors

Kerala has identified 22 priority sectors based on the state's competitive advantages, such as geographical location, available resources, and existing expertise. These sectors were chosen from an investment perspective, rather than solely focusing on Micro, Small, and Medium Enterprises (MSMEs). Although the YOE initiative targeted the establishment of MSMEs across all sectors, it did not deliberately prioritize the identified focus sectors. While some MSMEs may have emerged within these sectors, there is no specific data collected to assess this aspect, indicating a need for more targeted promotion of MSMEs within these priority areas.

4.1.8 Convergence Between Departments

The YOE program benefited from extensive convergence with other departments and organizations, demonstrating strong coordination across governmental bodies. From the outset, department-level convergence was established, overcoming initial challenges to ensure smooth operation and effective program implementation. A Grievance Redressal Mechanism with civil court authority was also established, ensuring prompt application processing and dispute resolution. Private organizations, including the Kerala Small Scale Industries Association (KSSIA), were consulted during stakeholder meetings to address concerns and foster collaboration.

the Enterprise Development Executives (EDEs) established connections with various departments during their field visits, ensuring coordination and support for entrepreneurs. Additionally, government-level meetings during the Ease of Doing Business campaign led to the simplification of licenses and certifications, with consultants deployed to address business obstacles. The introduction of common application forms for all licenses promoted a streamlined and efficient single-window service approach, enhancing the ease of obtaining necessary permits for entrepreneurship.

4.1.9 Year of Enterprise Ver 2.0

The second phase of the YOE initiative, Year of Enterprise Ver 2.0, shifts the focus from target-oriented goals to sustainability, marketing, and import substitution. Unlike the first phase, which emphasized numerical targets, the new phase prioritizes nurturing existing enterprises and ensuring their long-term success. Sustainability has emerged as a central theme, with stakeholders agreeing on the need to reduce closure rates and explore innovative business areas.

The introduction of geotagging initiatives reflects a commitment to responsible practices and monitoring of enterprises. Additionally, the program aims to foster an entrepreneur-friendly ecosystem by continuously disseminating information and encouraging entrepreneurial mindsets, particularly among students. The recognition of the YOE initiative as a best practice in the MSME sector highlights its potential to create a thriving entrepreneurial landscape in Kerala.

The primary objective of the program was not merely to establish new enterprises, but to foster an entrepreneur friendly ecosystem in kerala. In addition to setting up new enterprises,the YOE initiative encompassed components for existing enterprises. Moving forward, addressing the enterprise closure rate will be a key area of focus. YOE 2.0 will prioritise the Sustainability and scalability of enterprises to ensure their countinued growth and resilience.

4.3 Insights from Enterprise Development Executives

A Focus Group Discussion (FGD) with Enterprise Development Executives (EDE) was conducted with 10 Enterprise Development Executives as participants on 13th February, 2024, to understand the role of EDEs in the execution of the Year of Enterprises and the sustainability and scalability of enterprises initiated.

The EDEs, initially recruited as interns and later re-designated, played a critical role in the implementation of the initiative. A total of 1,153 professionally qualified individuals were recruited through the Centre for Management Development (CMD) and deployed across all local bodies—one EDE per Panchayat and one for every 20 wards in Municipalities/ Corporations.

These EDEs received capacity-building training in industrial facilitation to equip them with the skills needed to assist entrepreneurs. Their responsibilities included raising awareness about available services, guiding entrepreneurs through the processes of applying for licenses, subsidies, and loans, and coordinating with various agencies and departments.

Each EDE was tasked with specific targets for identifying and registering new enterprises within their assigned local bodies. Their activities were closely coordinated through the Industrial Extension Officers at the District Industries Centers (DICs) and Taluk Industries Centers (TICs).

4.3.1 Background and Role of EDEs

The Year of Enterprises initiative included the recruitment of 1,153 professionally qualified interns, who were later re-designated as Enterprise Development Executives (EDEs). TheseEDEs were strategically deployed across all local bodies in Kerala—one per Panchayat and onefor every 20 wards in Municipalities/Corporations. Their primary role was to facilitate the establishment of new enterprises by providing essential support, such as assisting entrepreneurs with licensing, subsidies, and loan applications. EDEs also played a critical role in raising awareness about available services and coordinating with various agencies and departments. Their activities were managed by Industrial Extension Officers at the District Industries Centers (DICs) and Taluk Industries Centers (TICs), ensuring that each EDE met their assigned targets for identifying and registering new enterprises within their respective local bodies.

4.3.2 Motivation for Joining as EDEs

The motivations for individuals joining as EDEs were diverse but often centered around the opportunity to gain practical, grassroots-level experience, which many saw as a valuable stepping stone towards future management roles. The affiliation with a government department also provided a sense of job security and prestige. Some EDEs were driven by personal experiences; for instance, one participant, who had faced challenges as an entrepreneur, joined with the intention of helping others navigate similar obstacles. This role allowed EDEs to gain deeper insights into the systemic issues faced by entrepreneurs, many of which stemmed from a lack of awareness or access to support systems.

4.3.3 Capacity-Building and Training

EDEs underwent a rigorous 5-day training program led by General Managers at the district level, with oversight by Industries Extension Officers to ensure the training's effectiveness. The initial training focused on core responsibilities, such as facilitating enterprise formation and familiarizing EDEs with various industrial schemes. Over the course of the program, additional training sessions were provided to keep EDEs updated on new government initiatives and financial schemes essential for enterprise development. However, the training primarily emphasized the facilitation of new enterprises, with less focus on the ongoing development and scaling of these businesses. Recognizing this gap, it is recommended that EDEs receive more specialized, domain-specific training that includes technical support, mentorship skills, and advanced business development strategies. To ensure continuous support and effective coordination, the establishment of a Project Management Unit (PMU) at the state level is suggested. This PMU would oversee the activities of EDEs, provide ongoing training, and facilitate communication between different levels of the program.

4.3.4 Roles and Activities of EDEs

EDEs were instrumental in addressing the lack of local-level representation from the industries department. Their presence at the grassroots level enabled them to set up licensing help desks in local bodies, which significantly benefited entrepreneurs by streamlining the process of obtaining necessary approvals and documentation. Initially, EDEs faced challenges in gaining visibility and trust within communities, but over time, they became a vital resource for local residents, who increasingly sought their assistance. EDEs also played a crucial role in registering existing MSMEs into the industries department's database, ensuring these enterprises received the support they needed. Their responsibilities included facilitating registration on platforms like KSWIFT, connecting entrepreneurs with financial institutions, and organizing loan and license melas to enhance access to capital and regulatory compliance. EDEs also worked to build networks among entrepreneurs, using platforms like WhatsApp to keep them informed about relevant schemes and opportunities. Additionally, EDEs conducted General Orientation Trainings (GOTs) to create awareness about beneficial schemes and fostered collaboration through regular interactions with entrepreneurs.

4.3.5 Shift in Role: Towards Entrepreneur/Enterprise Development

As the Year of Enterprises initiative evolves, there is a growing need for EDEs to transition from their initial focus on facilitating enterprise formation to taking on more advanced roles in entrepreneur and enterprise development. This shift involves providing more strategic guidance, helping businesses develop long-term plans, and supporting them in scaling up and diversifying their operations. To effectively take on these new responsibilities, EDEs should receive specialized training in areas such as financial management, market strategies, and technology adoption. Additionally, there should be a continuous support mechanism at the state level to monitor EDE activities, provide regular training, and ensure they are equipped to meet the evolving needs of enterprises. This expanded role will not only enhance the sustainability of enterprises but also contribute to the overall growth of Kerala's entrepreneurial ecosystem.

4.3.6 Challenges Faced by EDEs

Despite their crucial role, EDEs faced several challenges in their work. Initially, many EDEs struggled with infrastructure limitations at local bodies, such as the lack of designated workspaces and computer systems. These challenges were gradually resolved with support from stakeholders. Another significant challenge was the perception of EDEs as interns, which affected their acceptance by local officials and the public. This perception improved after their official designation was changed, leading to a greater recognition of their role within the government system. Female EDEs, in particular, faced gender-related challenges, such as difficulties accessing remote areas and building connections with male entrepreneurs. The allocation of EDEs in urban areas did not always align with population density, leading to work overload in some regions. Additionally, the dropout rate among EDEs was a concern, as many left for permanent job offers elsewhere. New EDEs, who joined after the initial cohort, missed out on foundational training, which posed challenges in meeting their targets. To address these issues, it is recommended that a standard resource kit be provided to all EDEs, including essential tools like laptops and mobile internet access. A comprehensive induction and branding strategy should also be developed to clearly communicate the role and responsibilities of EDEs to stakeholders and the public. Additionally, the allocation of EDEs should be reassessed to better match the needs of different regions, and retention strategies should be enhanced through competitive benefits and career development opportunities. Continuous training and a mentorship program for new EDEs are also recommended to ensure they are well-prepared for their roles.

4.3.7 Sustainability of Enterprises

After surpassing the target of establishing 1 lakh enterprises, concerns arose about the sustainability of these businesses. As part of a sustainability campaign, EDEs revisited enterprises formed under the Year of Enterprise program to assess their current status. The reasons for closures, such as financial constraints, marketing challenges, and technological issues were recorded and reported for programatic intervention. While this approach provided useful insights, it lacked a scientific framework for evaluating the long-term sustainability and growth potential of these enterprises. To address this gap, it is recommended that the sustainability campaign adopt a more comprehensive approach. This could include developing a Sustainability Index to assess the viability of enterprises, implementing regular monitoring systems to track key performance indicators, and establishing proactive support mechanisms for struggling businesses. EDEs should also receive advanced training in enterprise development, including financial management and market strategies, to better support the enterprises they oversee. Additionally, initiatives to support market expansion and technological adoption, such as onboarding MSMEs onto e-commerce platforms and providing digital marketing training, should be introduced to enhance the competitiveness of these enterprises. By implementing these recommendations, the sustainability campaign can ensure that the enterprises established under the Year of Enterprise program are not only sustained but also have the potential to thrive and contribute to the broader economic development of Kerala.

05

Entrepreneurial Landscape in Kerala: Survey Findings

This chapter presents the findings of the survey conducted among 3000 enterprises under the 'Year of Enterprises' initiative. This provides insights into the diverse experiences of entrepreneurs and provides valuable information to enhance support systems for fostering entrepreneurship within the state. Furthermore, it explores the sustainability and scalability aspects of the enterprises under scrutiny, shedding light on their potential for long-term viability and growth.

A survey was conducted among 3000 entrepreneurs participating in the 'Year of Enterprises' initiative utilising a structured questionnaire to explore their motivations, challenges, and perspectives on sustainability and scalability. A stratified random sampling method was employed to ensure representation from different geographical zones, dividing the state into Northern, Central, and Southern regions. Through this study, it was aimed to gain insights into the diverse experiences of entrepreneurs and provide valuable information to enhance support systems for fostering entrepreneurship within the state.

5.1 Profile of the respondents

The gender composition of the respondents stands at an interesting 50:50 %.

Gender

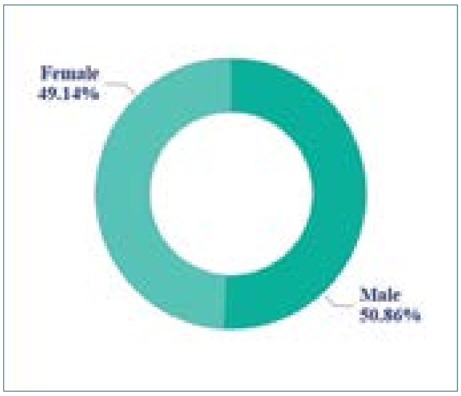


Figure 5.1

Social category

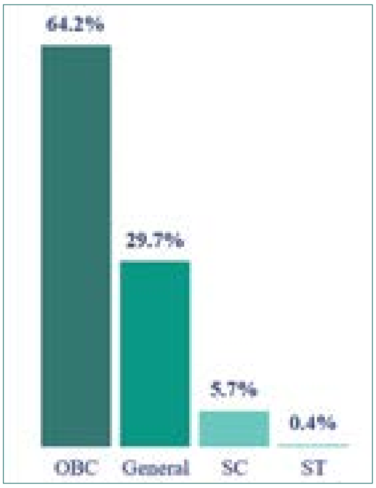


Figure *5.2*

Upon examining the social background of the respondents, it was found that approximately 64% belonged to various OBC communities, while nearly 30% were from the general category, and 6% represented the SC/ST category..

When examining the age distribution, the majority of respondents fall within the age range of 26-55, constituting 87% of the respondents. Specifically, 36% of these entrepreneurs belong to the 36-45 age bracket.

Age distribution

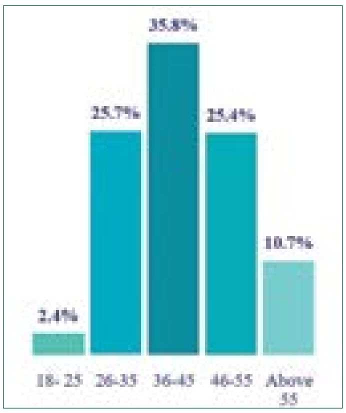


Figure *5.3*

In terms of educational qualifications, the majority of respondents have completed high school (27%), followed closely by those with higher secondary education (26%). Graduates make up 24.5% of the respondents. Additionally, over 15% have completed Diploma/ITI or other vocational education programs, while 7.3% hold postgraduate degrees or higher qualifications.

Educational Qualification

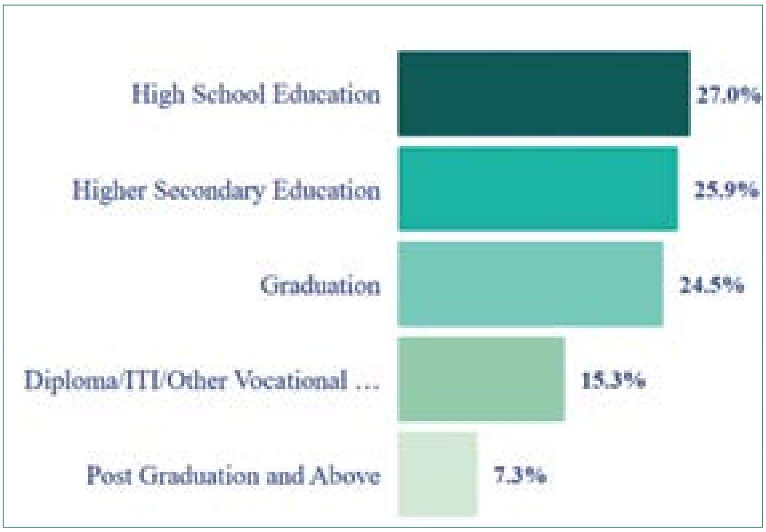


Figure *5.4*

The analysis of prior work experience among the respondents unveiled that approximately 34% had extensive work experience exceeding 5 years. Following this group, individuals with a moderate experience level of 3-5 years constituted 27% of the respondents. Additionally, 24% reported limited experience ranging from 1 to 2 years, while 15% indicated having no prior work experience.

Prior Work Experience

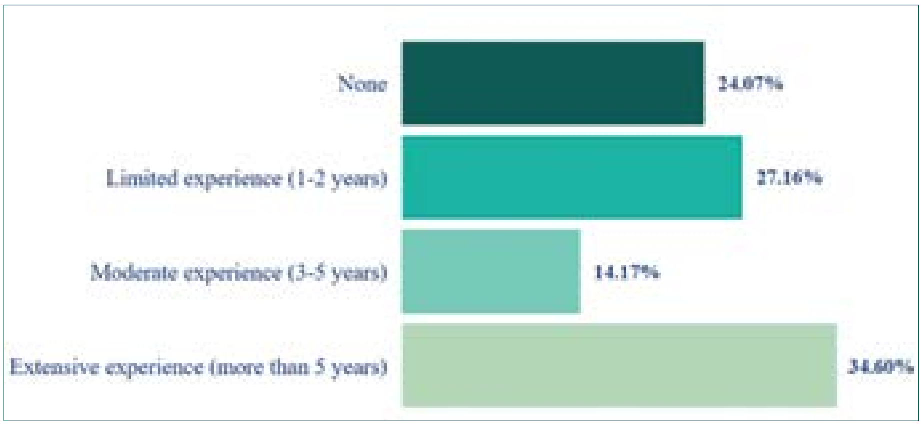


Figure *5.5*

5.2 Profile of Enterprises

5.2.1 Place of operation

Upon examining the profile of enterprises, it is evident that the majority (72%) are situated in rural areas, while the remaining 28% are located in urban areas. This distribution underscores a significant developmental focus on rural areas within the surveyed enterprise landscape.

Place of Residence

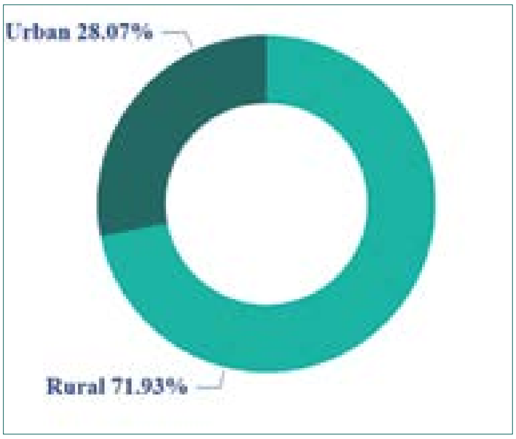


Figure *5.6*

5.2.2 Type of ownership

Upon analysing the data on the type of ownership of the enterprises, it is evident that the majority, comprising 87%, are registered as sole proprietorships. Partnership firms account for 8.49%, and self-help groups/group enterprises make up 2% of the enterprises surveyed. The remaining enterprises consist of private limited companies, cooperative societies, and joint ventures. This distribution highlights the prevalent ownership structures observed within the enterprises established under the program.

Type of Ownership

Type of ownership	
Sole Proprietorship	87.19%
Partnership	8.72%
Self-Help Group/Group Enterprise	1.82%
Private Limited Company	1.54%
Cooperative Society	0.36%
Joint Venture	0.36%
Total	**100.00%**

Table 5.1

5.2.3 Sector of operation

Among the surveyed enterprises, 54% belong to the service sector while 46% are in the manufacturing sector. The highest number of enterprises within both manufacturing and service sectors are categorised under the Agro, Food, and Beverage sub-sector. Conversely, the lowest number of enterprises are found in sectors such as biotechnology, energy, renewable energy, and artificial intelligence.

Sector of Operation

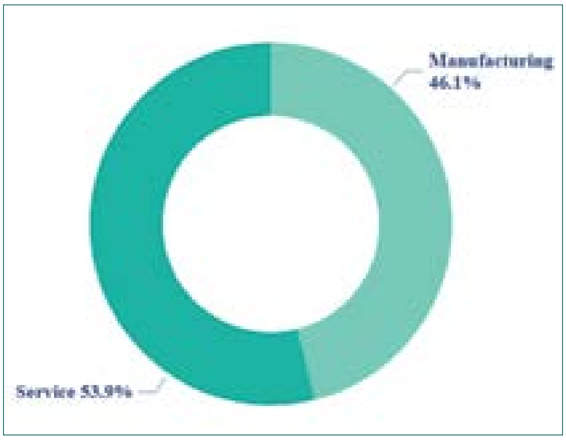


Figure *5.7*

The most prominent sub-sector within Manufacturing, based on the number of units, is Agro, Food, Beverage, Meat/Fish Products, and Processing, accounting for 43% of the enterprises. Following closely is the Garments-Textile/Ornaments sector, comprising 13.6% of enterprises.

Manufacturing:Subsectors

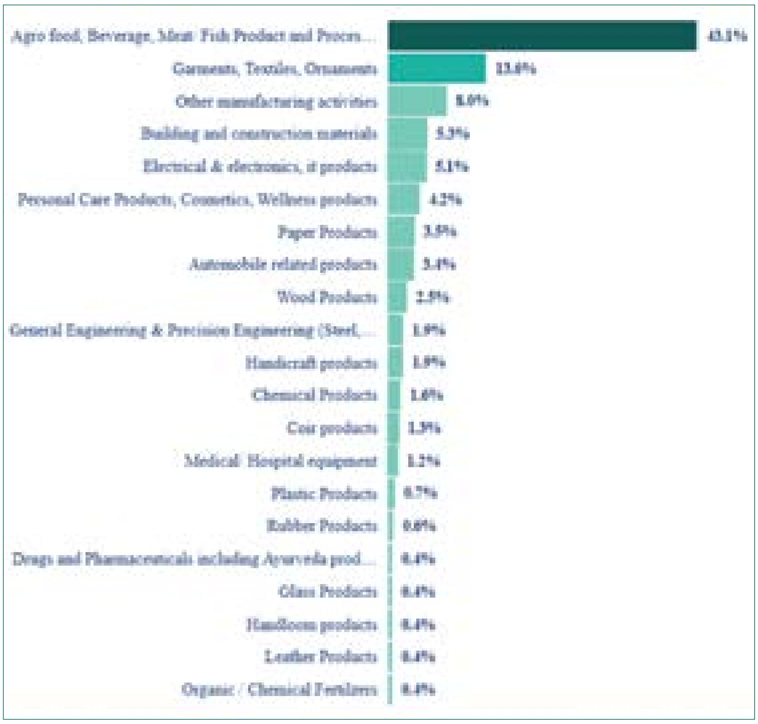


Figure *5.8*

Other sectors with a moderate number of units include Building and Construction Materials (5.3%), Electrical & Electronics/IT products (5.1%), Personal Care Products/Cosmetics (4.2%), Paper Products (3.5%), and Automobile related Products (3.4%), among others.

The sectors with the least prominence in terms of the number of units include Organic/Chemical Fertilisers, Leather Prod ucts, Handloom Prod ucts, Glass Products, Drugs and Pharmaceuticals including Ayurveda, and Rubber Products, each accounting for approximately

0.4% of the units in their respective sectors.

In the service sector, the Agro-Food, Beverage, Meat/Fish Processing businesses lead in the number of units, accounting for 26.2% of the enterprises. They are followed by Garments and Textiles, Tailoring,Boutique, and Apparel units, comprising 20.1% of the units.

Other notable sectors include Personal Care, Wellness, Gymnasiums, Martial Arts, as well as Video/Photo processing and related businesses, each representing around 10% of the units.

Services subsector

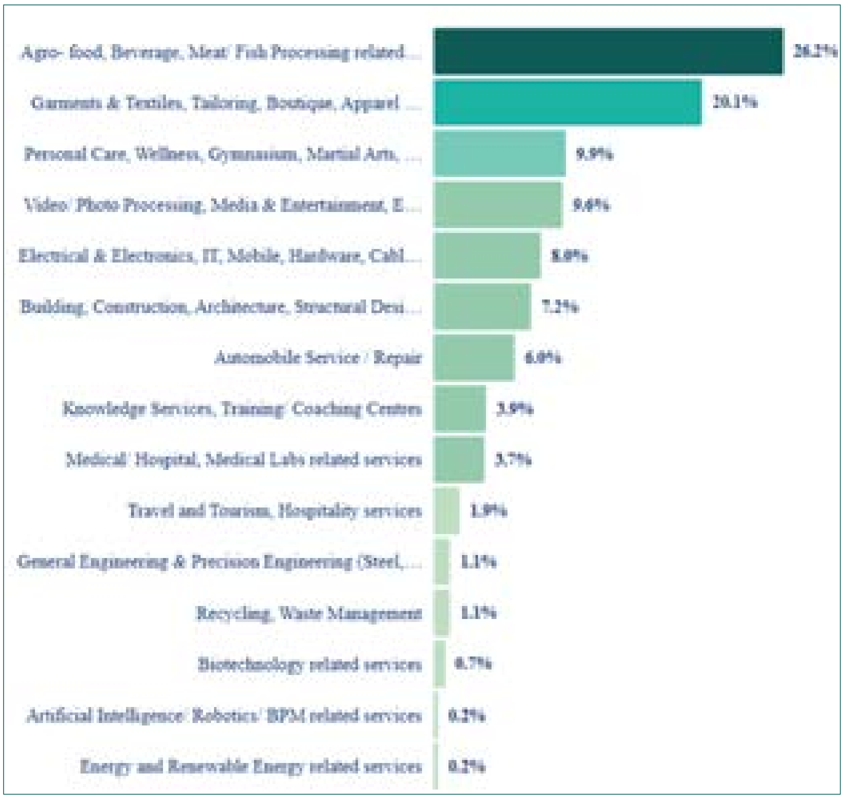


Figure *5.9*

Additionally, Electrical & Electronics, IT, Mobile, Hardware units, Construction, Architecture, and related units, Automobile service and Repair units, Knowledge Services, and Training/ Coaching Centre units have a moderate presence, each constituting roughly 4% to 8% of the units.

Sectors with the least prominence in terms of the number of units under the service sector include General Engineering & Precision Engineering units, Recycling and Waste Management, Biotechnology related Services, AI/Robotics and Related Services, Energy and Renewable Energy related products, and Services, each accounting for less than 1% of the units.

5.2.4 Products and Services

Major Products

The enterprises established under the Year of Enterprise program offer a diverse range of products and services. Some of the major products include Chilli powder, Coconut Oil,Bakery, Coriander Powder, Food Products, Churidar, Pickles, Turmeric Powder and Paper Bags and Designer Clothes

Major Services

The enterprises formed under the Year of Enterprise program offer a diverse range of services. Some of the major services include Stitching, Online services, Beauty Parlours, Sales, Designing, Tailoring, Bridal Makeup, and Mills.

The data indicates that industries with a higher prevalence of women owners include agro, food processing, beverages, personal care, and garments. These sectors demonstrate a significant representation of women entrepreneurs. Conversely, women-owned enterprises are notably underrepresented in sectors such as renewable energy, recycling and waste management, and organic fertilisers. This disparity highlights certain sectors where women's participation as entrepreneurs is lower compared to others. Overall, the data underscores the importance of addressing gender disparities and promoting greater inclusivity and participation of women across various industry sectors, fostering a more equitable entrepreneurial landscape.

Selection of Product/services

The data reveals that a majority (64%) of the product or service ventures were initiated based on personal intuition or gut feeling. This indicates a strong reliance on individual instincts and entrepreneurial vision in launching these enterprises.

In contrast, a smaller proportion (29%) of ventures were founded based on study or field reports, suggesting a more research-driven approach to business creation. Additionally, a minority (7%) of ventures were established based on opinions or insights from others, highlighting varying sources of influence in entrepreneurial decision-making.

Product / Services Selection

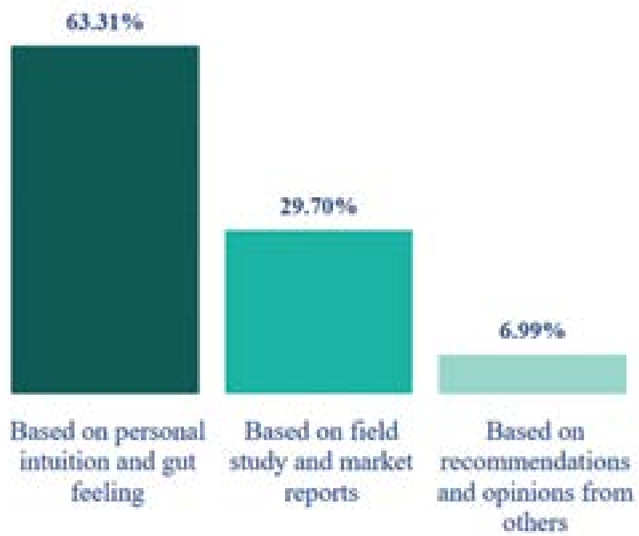


Figure *5.10*

5.3 Registration and Licences

5.3.1 Udyam registration and GST registration

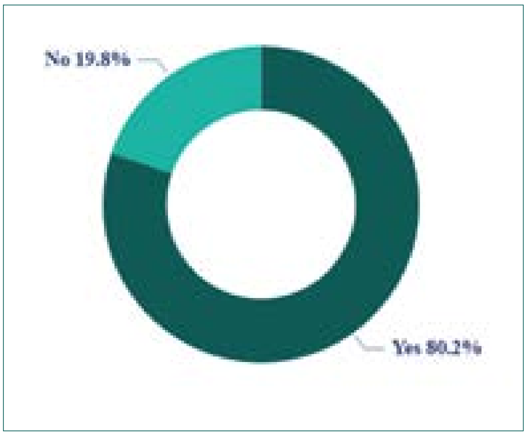


Figure 5.11

Figure 5.12

The survey results indicate that the majority of respondents, comprising 80.2%, have registered with the Udyam portal. In contrast, approximately one-fifth of the respondents, accounting for 19.8%, reported that they had not registered with the Udyam portal.

Among respondents who did not register with the Udyam portal, a significant majority (82.3%) cited lack of awareness as the primary reason for not registering. Additionally, 7.1% of respondents reported facing time constraints, which hindered their ability to complete the registration process. Another 2.86% mentioned complexities associated with the registration process as a barrier. Other reasons for not registering included concerns about conducting the registration online, lack of technical expertise, perceived lack of incentives, existing registration as MSME or SME, each cited by less than 2% of respondents. A small proportion (0.48%) noted that Udyam registration was deemed unnecessary in their specific circumstances.

Among unregistered respondents, approximately 70% cited that they have not obtained GST registration because they believe it is not required based on their turnover. This perception poses a challenge, especially in online marketing and sales, GST registration is compulsory. Consequently, this subset of respondents may be missing out on opportunities for online marketing through platforms such as Amazon and Flipkart due to their non-compliance with GST regulations.

GST Registration Status

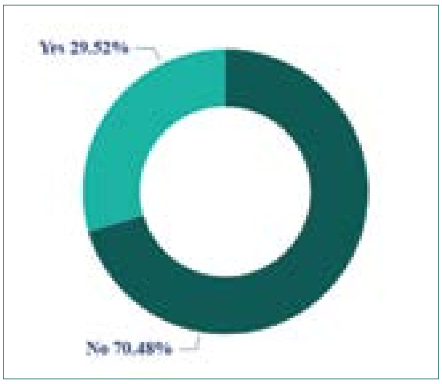


Figure *5.13*

Reasons for not having GST registration

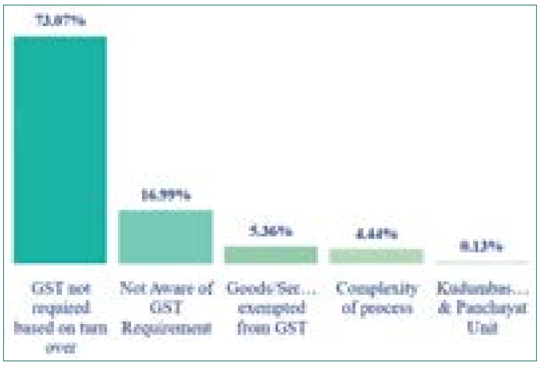


Figure *5.14*

Upon exploring the reasons for not registering GST, it was revealed that almost three-fourth (73.07 %) of the enterprises did not require the same based on their turnover. While 5.36 % enterprises were exempted from GST, 4.44 % did not register for the complexity of process involved. Almost 17 % of the respondents were not aware of the need for GST registration.

5.4 Motivation for doing Business

The survey results provide insights into the diverse motivational factors driving entrepreneurs under the Year of Enterprise campaign. The findings revealed that 50% of respondents identified "To achieve a stable source of income and achieve financial independence" as their primary motivation for starting their enterprise under the Year of Enterprise campaign. This indicates that the core driving force behind entrepreneurship among these individuals is indeed economic stability and the desire for financial independence.A notable finding is that 23% of respondents opted for entrepreneurship to turn their hobby or interest into a suitable career option, highlighting a significant segment of entrepreneurs driven by passion and personal interests. Additionally, about 10% of respondents mentioned their motivation to contribute to their community or address social and environmental challenges, indicating a growing trend of socially conscious entrepreneurship focused on impact beyond financial gains. A smaller percentage (5%) of respondents cited the desire for more autonomy in their work choices as a motivating factor for choosing entrepreneurship, underscoring the appeal of self-directed career paths. Interestingly, only 3% of respondents identified government initiatives as a motivation factor, suggesting that while government support is appreciated, it is not a primary driver of entrepreneurial pursuits.

Motivational Factors to start the enterprise under the "Year of Enterprises" initiative

Motivational Factors	%
To establish a stable source of income and achieve financial independence	49.67%
To turn my hobby/interest or talent into a viable business	23.03%
To make a positive difference in my local community and address specific social or environmental challenges	10.18%
To have greater autonomy over my work and choices or to break free from the constraints of a conventional job	5.42%
Felt family pressure or received family support to continue or establish a family business	4.38%
Identified a distinctive opportunity to introduce a novel and innovative product or service	3.99%
Incentives of government programs and support such as the "Year of Enterprises" initiative or similar initiatives	3.34%

Figure *5.15*

5.5 Contextual factors

The entrepreneurs' perception about the contextual factors influencing business sustainability and growth in Kerala was explored in the study. The table below exhibits their response to different aspects marked using a five point scale. The mean and standard deviation of the same are given.

Descriptive Statistics

	Min	Max	Mean	SD
Availability of financial resources, including access to bank loans and favourable interest rates, for initiating and sustaining the business	1	5	3.07	1.271
Government policies, incentives, and subsidies, as well as compliance requirements related to enterprise registration and regulations	1	5	2.80	1.316
Fees and taxes applicable to new enterprises	1	5	2.72	1.213
Opportunities in the Market and Competitive Environment	1	5	2.95	1.143

Availability of skilled workforce and talent	1	5	3.19	1.215
Physical infrastructure (Land space, utilities, transportation)	1	5	3.28	1.145
Availability of technology, machinery etc	1	5	3.33	1.144
Availability of Professional Services (e.g., Tax Consultants, Accountants, Lawyers etc)	1	5	2.53	1.256
Access to affordable professional services for new product development and protecting intellectual property rights	1	5	2.67	1.165
Availability of Technological Support from Universities, Research Centers, and Government Research & Development Institutions	1	5	2.43	1.247
Support from Local business associations, chambers of commerce, and other networking opportunities	1	5	2.55	1.247
Availability of mentors for guidance	1	5	2.69	1.338
Support from District Industrial Centres	1	5	2.81	1.234

Table 5.2

Among the contextual factors influencing entrepreneurship, certain factors such as 'availability of technology and machinery', 'robust physical infrastructure', 'presence of a skilled workforce', and 'access to financial resources' have received moderate mean ratings in the survey.

Specifically, 'availability of technology and machinery' and 'robust physical infrastructure' have emerged with the highest ratings among these factors, scoring 3.33 and 3.28 points respectively.

Entrepreneurs have perceived certain factors such as 'opportunities in the market and competitive environment' (2.95), 'government policies, incentives, and compliance requirements' (2.8), 'fees and taxes applicable to new enterprises', 'availability of professional services', and 'access to affordable professional services for new product development and protecting intellectual property rights' as slightly supportive. Among these factors, the lowest mean ratings have been attributed to aspects such as the availability of professional services (2.53) and support from local business associations like chambers of commerce (2.55), as perceived by entrepreneurs.

The contextual factors examined exhibit standard deviation values ranging from 1.143 to 1.368, indicating variability in responses and diverse perceptions among respondents. This variability suggests that while some entrepreneurs perceive certain factors as unsupportive, reflected in the minimum score of 1, others view the same factors more favourably, evidenced by the maximum score of 5. These differing perceptions underscore potential disparities in the business environment, with some facing challenges while others benefit from more favourable conditions.

The findings highlight that individual experiences and perspectives vary across contextual factors, emphasising the need for targeted interventions to ensure an equitable and inclusive environment for all businesses. Addressing these disparities can help create a more supportive and conducive ecosystem for entrepreneurship, ultimately fostering broader success and growth within the entrepreneurial community.

5.6 Economic Aspects

5.6.1 Performance of enterprise

The survey revealed the current economic status of various enterprises, showing that 38% of them are at a break-even point where they neither make a profit nor incur losses. Another 36% of enterprises are profitable, but a significant portion of their earnings is reinvested back into the business, leading to irregular income. It is notable that 14% of enterprises are achieving regular and stable income, reflecting a level of financial stability and consistent profitability. However, concerning is the fact that 12% of enterprises are experiencing losses, indicating significant sustainability challenges.

Financial Performance

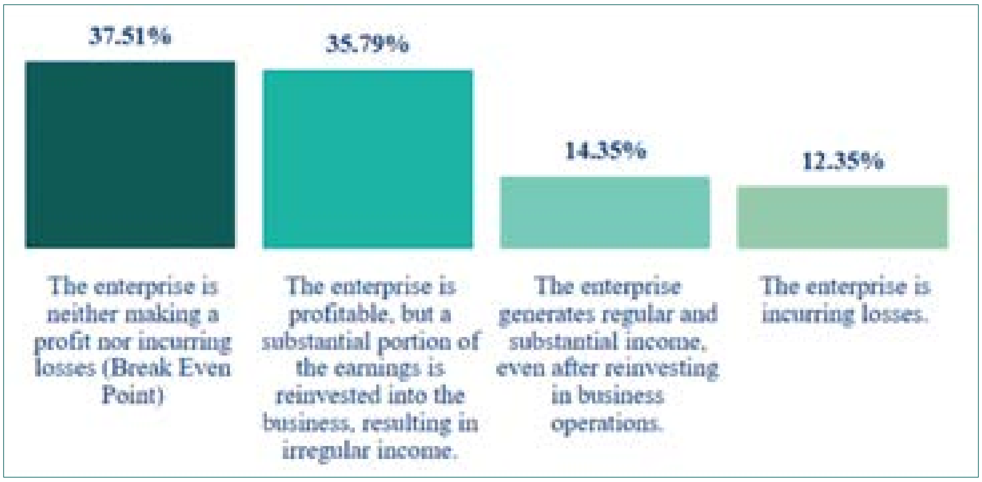


Figure *5.16*

5.6.2 Cash flow challenges

While probing about the cash flow challenges faced by the entrepreneurs, it was noted that around 35% of the enterprises rarely experience or never experience any sort of cash crunch. 37 % occasionally experienced cash flow challenges. Around 25% of the enterprises are experiencing cash flow challenges frequently or on a daily basis.

Cash Flow challenges

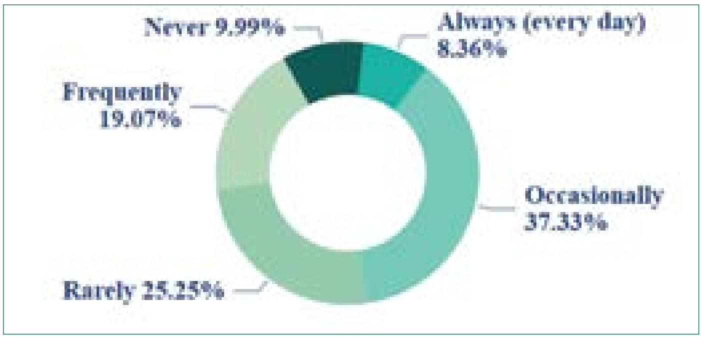


Figure 5.17

5.6.3 Monthly Income from Enterprise

The analysis of monthly income among enterprises reveals a varied distribution: approximately 5% of enterprises report no monthly income, while 29% earn below Rs. 10,000 per month. A significant portion (32%) falls within the income range of Rs. 10,000 to Rs. 25,000 monthly, and only 15% achieve a monthly income exceeding Rs. 50,000. Moreover, the majority of enterprises (61%) earn below Rs. 25,000 per month.Around 5 % reported no Monthly income at present due to various reasons.

Upon examining the income changes experienced by entrepreneurs after establishing their

Monthly Income

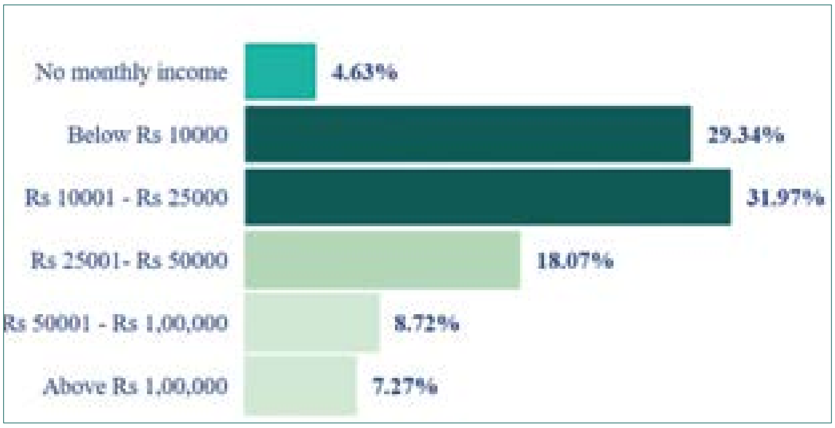


Figure 5.18

enterprises, the survey findings reveal a mixed pattern. 48% of the enterprises had a slight increase in their income suggesting. 10% enterprises shared that they have a significant increase in their income. Around 35% reported that they do not have any change or are experiencing a slight decrease in their income. 7% reported a significant decrease in their income.

Change in Income

Figure 5.19

5.6.4 Reinvestment of Profits

Around 30% of enterprises reinvest 10-20% of their profit back into the business. 10% of enterprises reinvest 20-30% and 12% of enterprises reinvest more than 30%. It is important to note that around 20% are not sure about their reinvestment rate or they have not calculated their reinvestment rate.

Profit Reinvestment

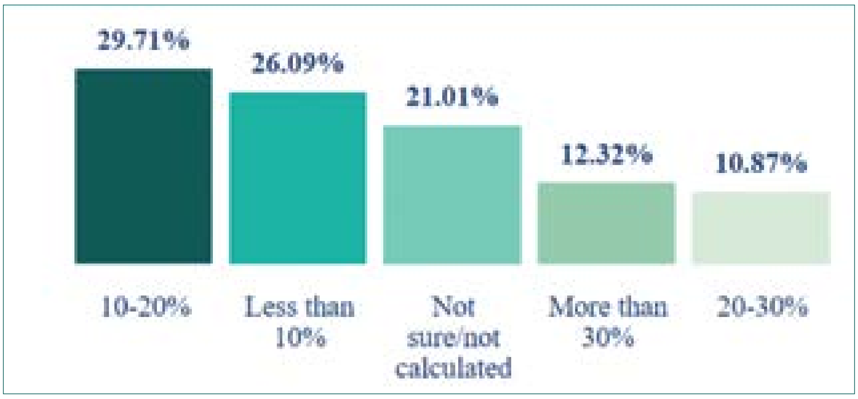


Figure 5.20

5.6.5 Capital Investment

The survey revealed diverse initial investment levels among enterprises, with notable findings including 38% of enterprises investing between 3 lakhs and 10 lakhs rupees, 25% investing more than 10 lakhs rupees, and 11% investing in the range of Rs 25,000 to Rs 50,000.

Capital Investment

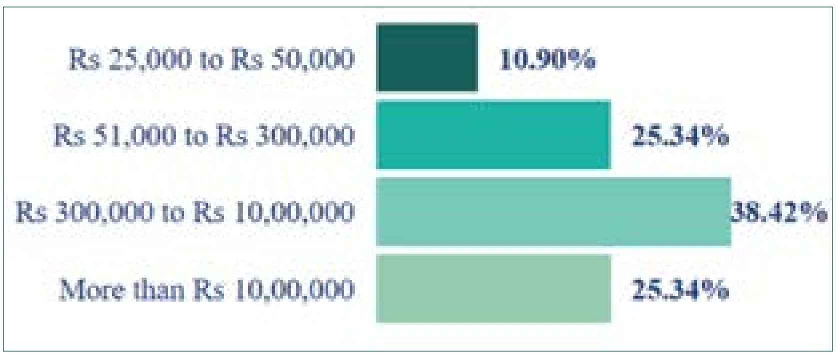


Figure 5.21

5.6.6 Asset Acquisition

It is notable that 42% of the enterprises were able to acquire assets through their business activities.

Asset Acquisition

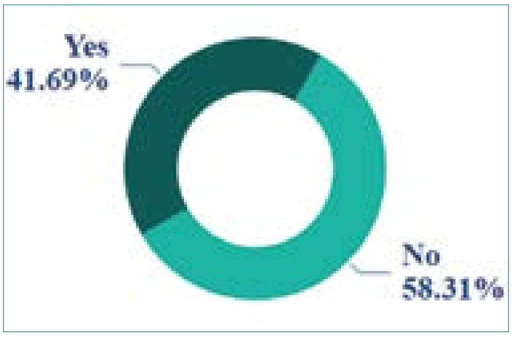


Figure *5.22*

5.6.7 Net worth

When surveyed about the growth in the net worth of their enterprises, a substantial portion of respondents (29%) indicated they have not calculated their net worth and are thus unaware of their net worth changes. Among those who provided responses, 33.5% reported a modest increase in net worth of less than 10%, while 9% noted growth ranging from 20% to 30%. Additionally, 6% reported a significant growth of more than 30%.

Increase in Net Worth

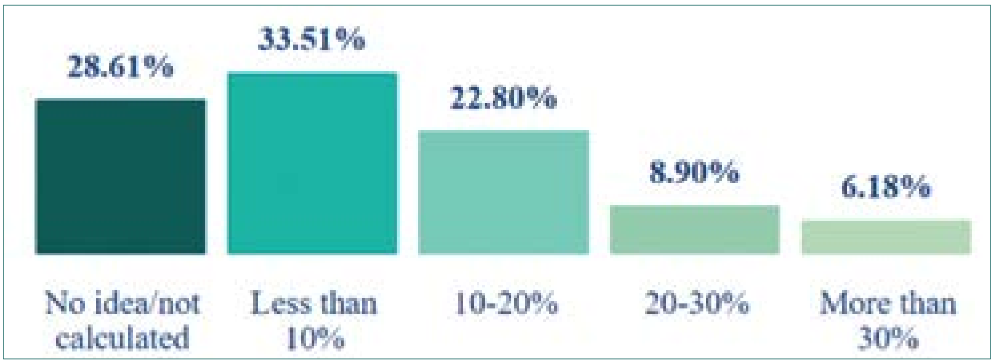


Figure *5.23*

5.7 Credit Usage

5.7.1 Credit Utilisation

In terms of loan utilisation, 69% of enterprises have taken loans. There is a notable preference for government-linked credit sources among the surveyed enterprises with 52% obtaining loans from public sector banks and 19% from state government institutions such as KFC, KSWDC, KSIDC, and others. 11% have sourced loans from alternative sources.

Loan Utilisation

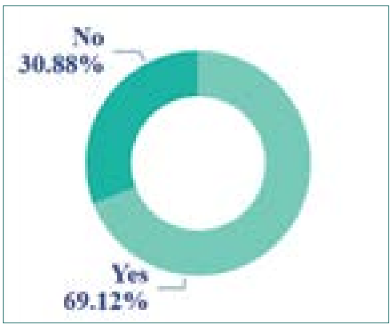


Figure *5.24*

Public Sector Bank	52.56%
State Government Institutions like KFC, KSWDC, KSIDC etc	19.05%
Private sector Bank	17.21%
Others	11.17%

Table 5.3

Reasons for not availing loans	
Sufficient Internal Capital	61.23%
High-interest Rates	11.69%
Alternative Funding Sources	10.77%
Applied but not sanctioned	4.92%
Not Needed	4.00%
Complex procedures or demanding requirements from the bank	2.77%
Limited access to suitable loan options	2.77%
Previous Negative Loan Experience	0.92%
Concerns about timely repayment	0.31%
Funds received as part of public planning	0.31%
No profit	0.31%

Table 5.4

31% of the enterprises surveyed did not take loans to start their enterprises. The reasons for not availing loans were explored, revealing that 61% of these enterprises had sufficient internal capital. Additionally, 11% cited high interest rates as a deterrent to loan utilisation, while 5% applied for loans but did not have them sanctioned.

5.7.2 Credit amount

44% of the enterprises have taken loans ranging from 1 lakh to 5 lakhs rupees, while 30% have taken loans between 5 lakhs and 10 lakhs rupees. Additionally, 10% of enterprises have secured loan amounts exceeding 20 lakh rupees.

Range of loans availed

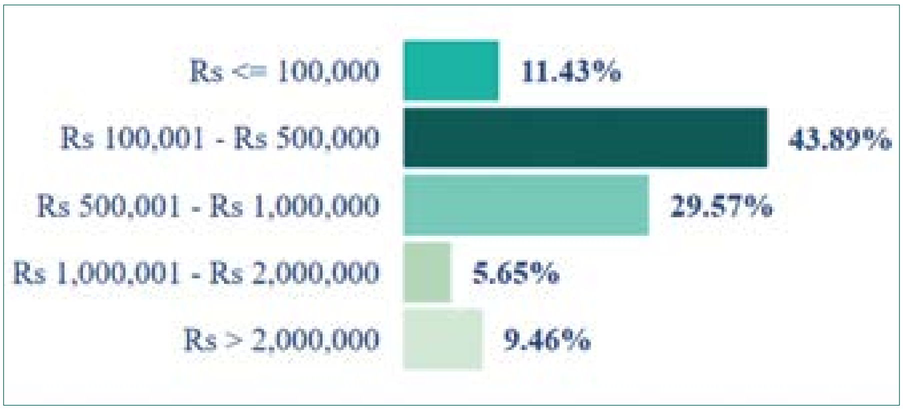


Figure *5.25*

5.7.3 Loan default

Among entrepreneurs, 77% demonstrate regular loan repayment, indicating strong adherence to repayment schedules. However, 23% of enterprises face challenges with loan repayment.

Loan Default Status

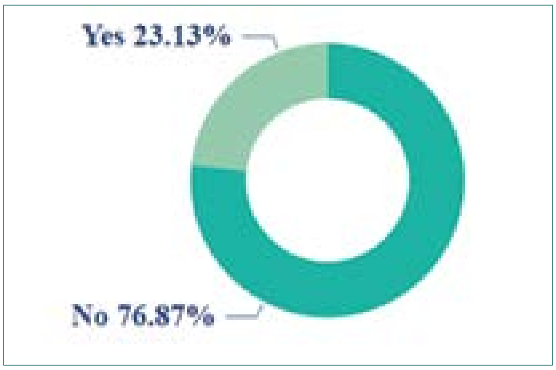


Figure *5.26*

5.8 Market Competitiveness

5.8.1 Promotion

Marketing plays a crucial role in determining the success and visibility of products, with different mediums offering distinct advantages and considerations. Among enterprises established under the Year of Enterprise program, various marketing approaches are observed: half of them opt for marketing through their own or nearby shops, 25% engage in door-to-door or direct selling, 11% prefer distribution channels, while 10% utilise social media platforms. Additionally, a smaller percentage (3.5%) sell products through online market platforms.

Marketing channels

Figure *5.27*

Despite opportunities presented by government-sponsored Marketing Melas or Trade Fairs, the data shows that a significant majority (80%) of enterprises have not participated in such events. Within this group, 20% attribute non-participation to a lack of awareness regarding these government-sponsored opportunities. Conversely, only 21% of enterprises have taken advantage of Marketing Melas or Trade Fairs supported by the government to showcase their products directly to customers.

Digital Marketing Platforms

Figure *5.28*

The data reveals that 29% of enterprises are not utilising any social media or digital marketing platforms for reaching a broader audience. Among those using social media platforms, the majority prefer WhatsApp (29%), followed by Instagram (21%), and Facebook (20%). Notably, only a small fraction (approximately 0.98%) of enterprises are leveraging digital platforms like Amazon to reach a wider audience.

5.8.2 Target Markets

Roughly 24% of entrepreneurs expanded their operations into new markets since inception, while 76% did not. Among those expanded, approximately 40% entered markets in different cities, districts, states, or countries; 28% introduced new products or services; 20% targeted new customer groups or demographics; 7% tailored products/services to meet specific customer demands; and 5% expanded sales through online presence and e-commerce platforms.

Expansion into New Markets

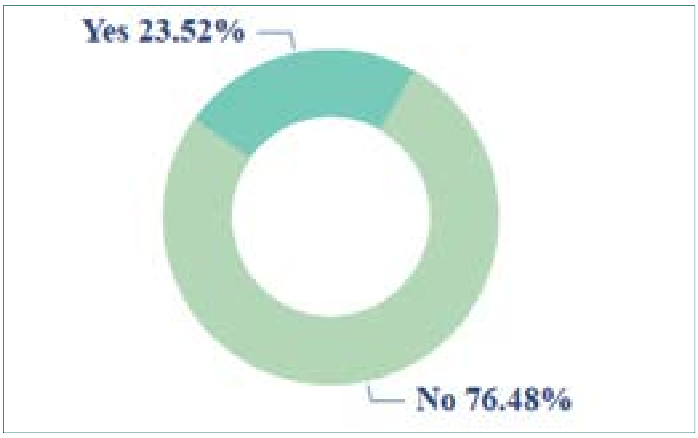


Figure *5.29*

Channels of Market Expansion

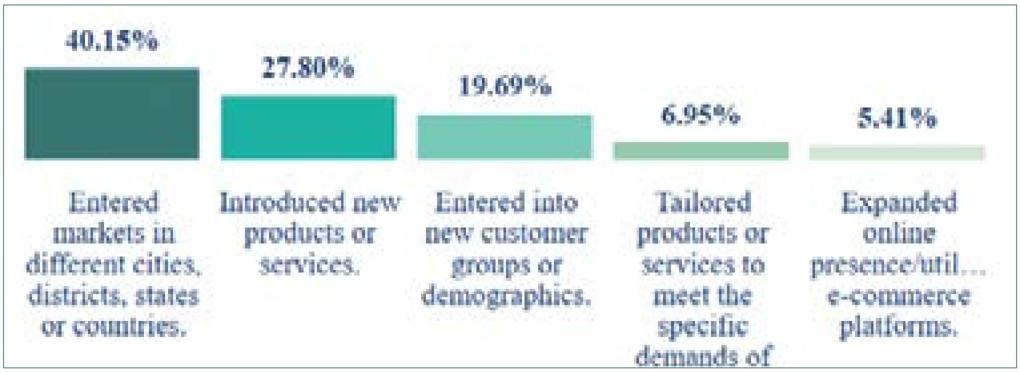


Figure *5.30*

Approximately 10% of respondents indicated that their products were exported to international markets, while 90% did not engage in international exports.

Export Status

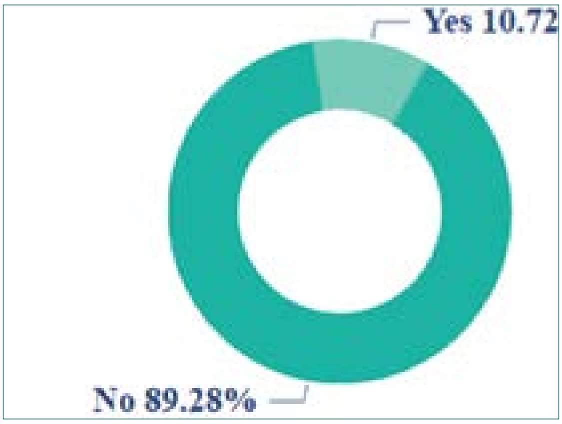


Figure *5.31*

5.8.3 Product Differentiation

The survey findings show a varied perception among respondents regarding the uniqueness of their products/services in the market. A majority (42%) believe there are a significant number of similar products/services available, while 41% acknowledge the presence of similar offerings but in limited quantities. A small percentage (3.5%) expressed uncertainty about this aspect. Interestingly, 13% of respondents are confident that their products/ services have no direct competitors in the market.

Presence of Similar Products

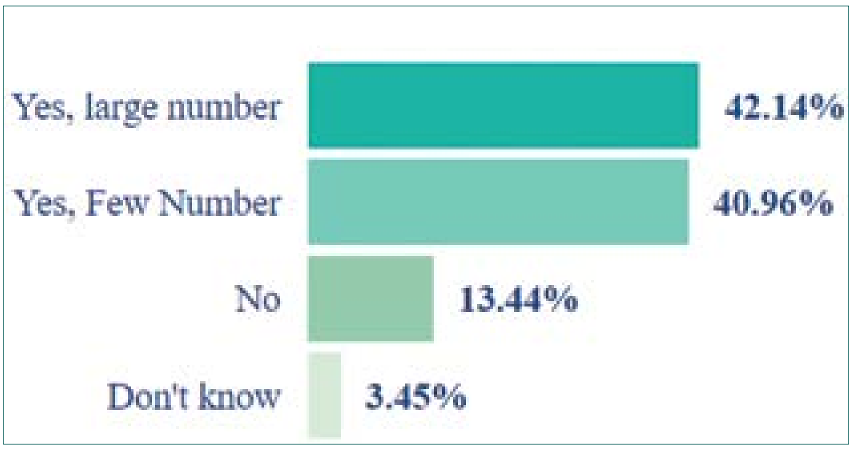


Figure *5.32*

Among the respondents who indicated that there are similar products or services in the market (83% of respondents), it was explored whether their own product/service could be differentiated from others. The findings revealed that a majority (65%) believe it is possible to differentiate their products from similar ones, while 35% believe differentiation is not feasible.

Product Differentiation Capacity

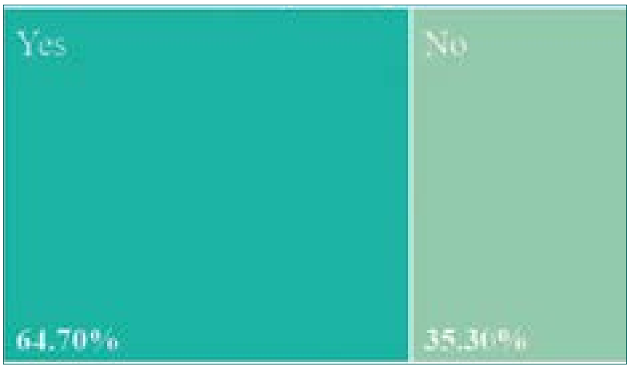


Figure 5.33

Further investigation into product introduction practices among enterprises revealed varied approaches. The majority (58%) indicated that they introduce new products occasionally in response to customer demand. On the other hand, 23% of enterprises reported never introducing new products, while 19% actively introduce new products frequently based on regular customer feedback.

Introduction of New Products

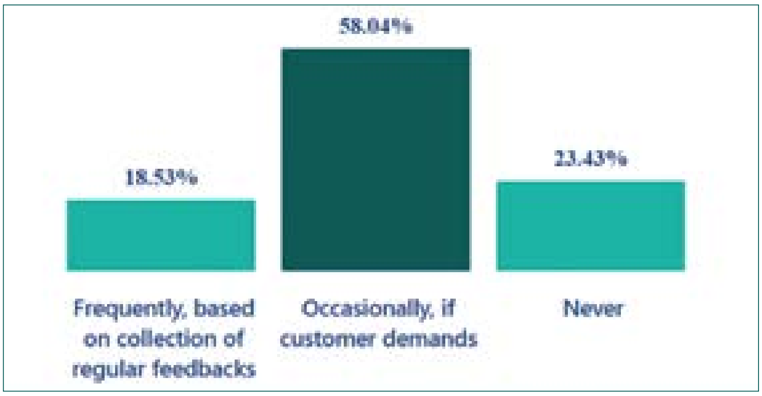


Figure 5.34

Upon exploration, it was found that a significant proportion of respondents have developed new products or services since inception. More than a quarter (25%) introduced more than 5 new products or services, demonstrating a high level of innovation and diversification. Additionally, nearly 20% introduced 3-5 new products or services, indicating ongoing efforts to expand their offerings. The majority (55%) introduced 1-2 new products or services, highlighting a focus on selective innovation to meet market demands.

Development of New Products

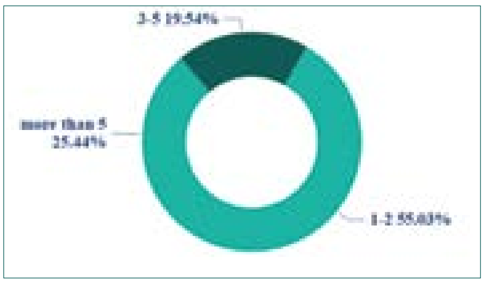


Figure 5.35

5.8.4 Pricing

Inquiring about the pricing of their products compared to similar products in the market, respondents provided varied responses. The majority (58%) indicated that their product's price was similar to competitors. About 18% reported slightly lower prices, while 13.35% mentioned slightly higher prices. Additionally, 6.44% noted significantly lower prices, and 5% described their prices as significantly higher than competitors.

Pricing

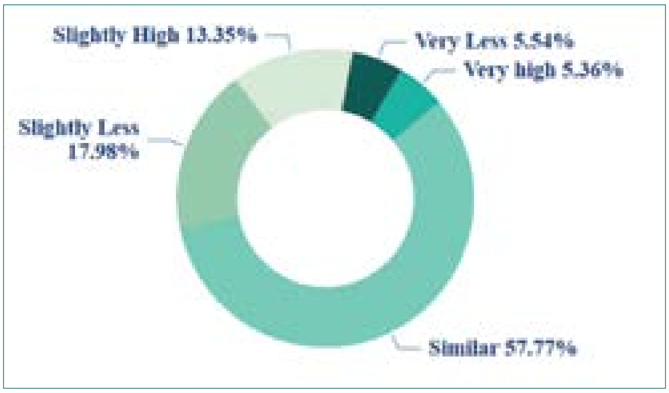


Figure *5.36*

5.8.5 Customer retention

Customer retention is a crucial aspect of business success, as loyal customers serve as effective advocates for products and services. From the provided data, it is evident that a majority (69%) of enterprises are actively making efforts to retain their existing customers.

Customer Retention

Figure *5.37*

Among the enterprises that actively make deliberate efforts to retain their existing customers, various strategies are employed to foster loyalty and satisfaction. The data reveals that 40% of these enterprises prioritise personalised communication and service. 30 % of these enterprises offer exclusive incentives such as special offers and customer loyalty programs.

Customer Retention Efforts

Figure *5.38*

5.8.6 Branding

Branding plays a crucial role in enabling customers to easily identify and differentiate products, particularly in markets with numerous offerings from various enterprises. The data reveals that approximately half of the enterprises are confident that their products are recognized by customers through their brand names. However, a significant portion (31%) of entrepreneurs express concerns that their customers do not associate their products with any specific brand name, potentially hindering market presence and customer recognition. Additionally, 14% of enterprises do not have a distinct brand name, which could further impact their ability to establish a strong identity.

Brand Recognition Status

Brand Recognition Status	
Yes	49.77%
No	30.79%
No specific brand name / Use different names for different products	13.90%
I am unaware	5.54%

Table 5.5

Brand Building Efforts

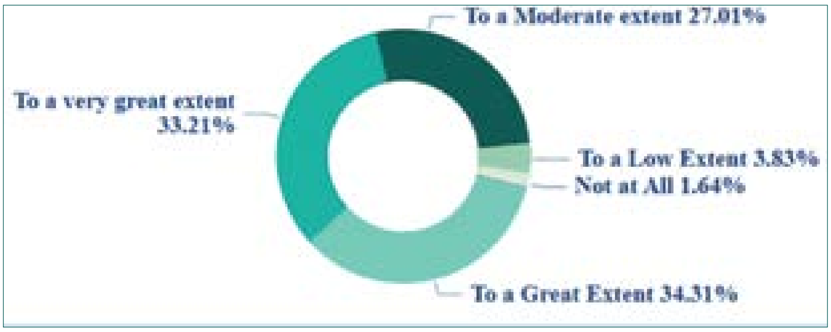


Figure *5.39*

In exploring the deliberate efforts taken by enterprises to establish brand names and awareness, the data reveals a range of commitment levels among respondents. A notable percentage (34%) are making efforts toward branding, with 33% exerting substantial efforts. Additionally, 27% of enterprises are making moderate efforts, while a smaller percentage (4%) are actively working to establish a strong brand presence.

5.8.7 Sales growth

Upon exploring the rate of growth in sales among enterprises, a significant proportion of entrepreneurs (half of the respondents) reported experiencing a slight increase in sales. Additionally, 14.7% noted a significant increase in sales, while 23% indicated sales stagnation. Conversely, 10% of respondents reported a slight decrease in sales, with roughly 4% experiencing a significant decrease.

Sales Growth Rate

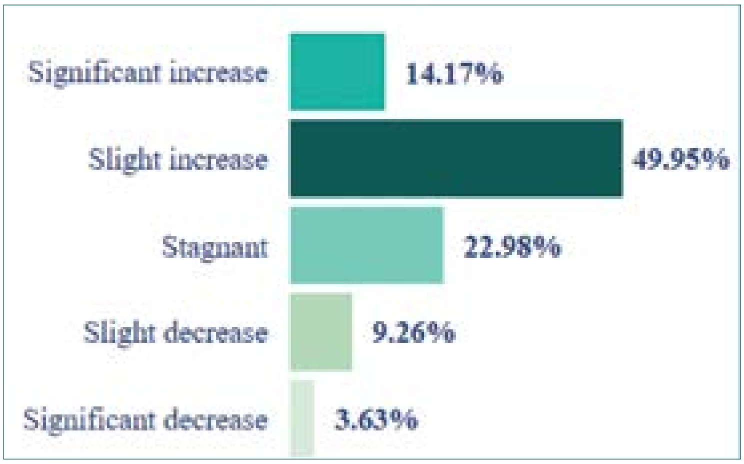


Figure *5.40*

5.8.8 Perceived competitiveness

Enterprises that undertake comprehensive marketing and branding efforts are better positioned to compete with other products and endure in the market. Analysis of the data indicates that a significant portion of entrepreneurs recognize this importance. Specifically, 30% of entrepreneurs strongly agree that they can effectively compete with other products in the market and sustain their presence in the future. Additionally, 33% express agreement with this notion, while another 33% are neutral in their agreement. However, it is notable that a small proportion of entrepreneurs (approximately 4%) express uncertainty or doubt regarding their ability to compete and survive in the market in the future.

Market Competitiveness

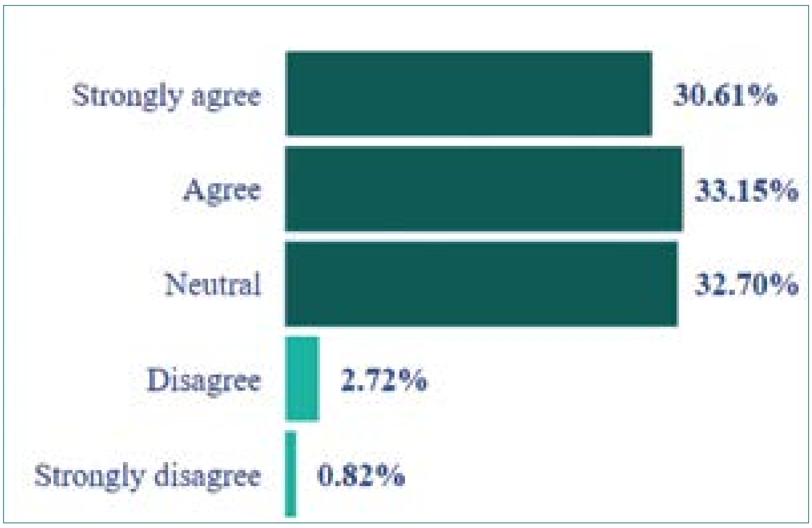


Figure *5.41*

5.9 Operational efficiency

5.9.1 Production and Quality Assurance

Assessment of Resource Wastage

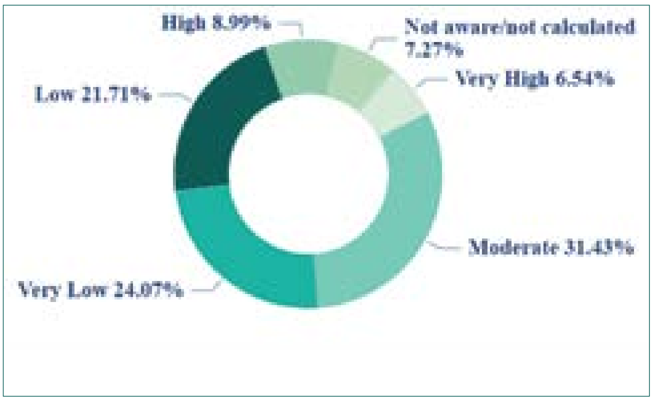


Figure *5.42*

Standard operating Procedures

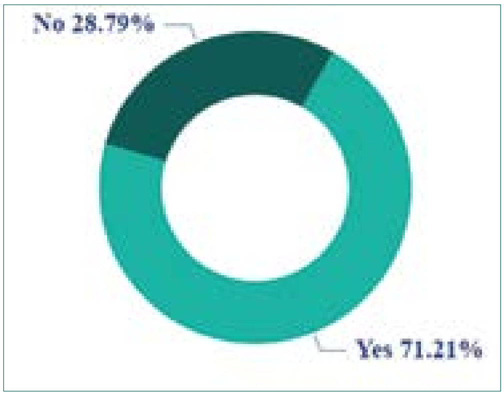


Figure *5.43*

In exploring resource wastage in production or services, approximately half of respondents reported low levels of resource wastage, while 15-16% indicated high levels of wastage. Additionally, about 7% expressed uncertainty or lack of awareness regarding resource wastage in their processes.

Regarding standard operating procedures (SOP), less than 72% of enterprises responded that they were following SOPs, while 29% indicated that they were not following any SOPs.

Quality Control Measures

Figure *5.44*

When probed about quality control measures, approximately 58% of respondents indicated that they have some sort of quality control system in place. Less than 13% were unaware of their quality control measures, and 30% reported not having any quality control measures in place.

Out of the 58% of respondents who reported having quality control measures in place, a majority (more than 74%) indicated that they conduct regular quality checks at different stages of production. Additionally, 11.37% ensure there is a dedicated person to oversee quality issues, while 10% follow Agmark, ISI/BIS procedures, and 4.2% opt for third-party quality checks.

Safety Standards Comparison With Other Market Players

Figure 5.45

When analysing the safety standards of each enterprise compared to industry norms, it was found that 44% of enterprises adhere to similar industry standards. Approximately 40-45% of enterprises uphold high industry standards, while only a few enterprises follow lower industry standards. Moreover, 4% of enterprises are unaware of safety standards compared to industry trends.

5.9.2 Supply Chain Management

When assessing the efficiency of supply chain management, a significant portion of entrepreneurs (50%) responded with a neutral opinion. Approximately 14% of enterprises expressed confidence in having highly effective supply chain management, while 15-16% indicated that their supply chain is ineffective.

Rating of supply chain management practices

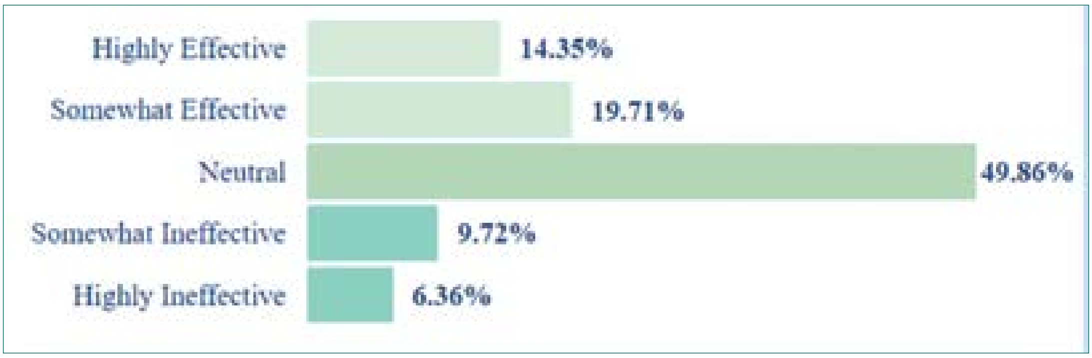


Figure 5.46

Exploring the extent of collaboration with local suppliers and vendors for enterprise operations revealed varying levels of engagement among entrepreneurs. The majority (31.24%) indicated that they never collaborated with local suppliers and vendors. 25% reported rarely using the services of local suppliers, while 19% did so occasionally. A smaller percentage (14%) frequently utilised services from local suppliers, and 11% always sourced supplies from local markets.

Collaboration With Local Suppliers,Vendors and Service Providers

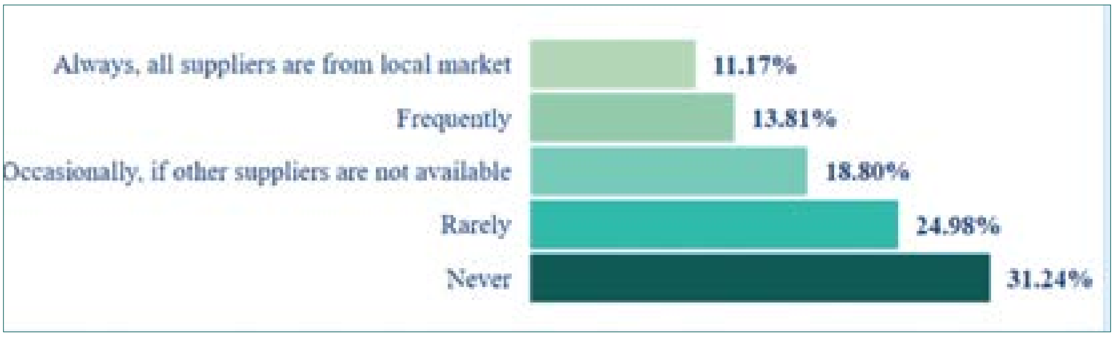


Figure 5.47

5.9.3 Technology Integration

Utilisation of Technology for Business Operations

Figure 5.48

Technology integration is a critical aspect for effective business management and coordination across departments. Analysis of the data reveals varied levels of technology adoption among enterprises. Specifically, 20% of enterprises always use technology for business accounting and communication with suppliers and customers. Additionally, 11% use technology very often for these purposes, while 18% rarely use technology in these areas. A significant portion (29%) of enterprises reported never using technology for business accounting and communication with suppliers and customers.

Integration of Technological Advancements into Operational Processes

Figure 5.49

Approximately 48% of enterprises integrated new technological advancements to enhance production processes or improve service delivery in the past year, while the remainder (52%) did not adopt any new technologies during this period.

Effectiveness of Technology Adoption/ Integration

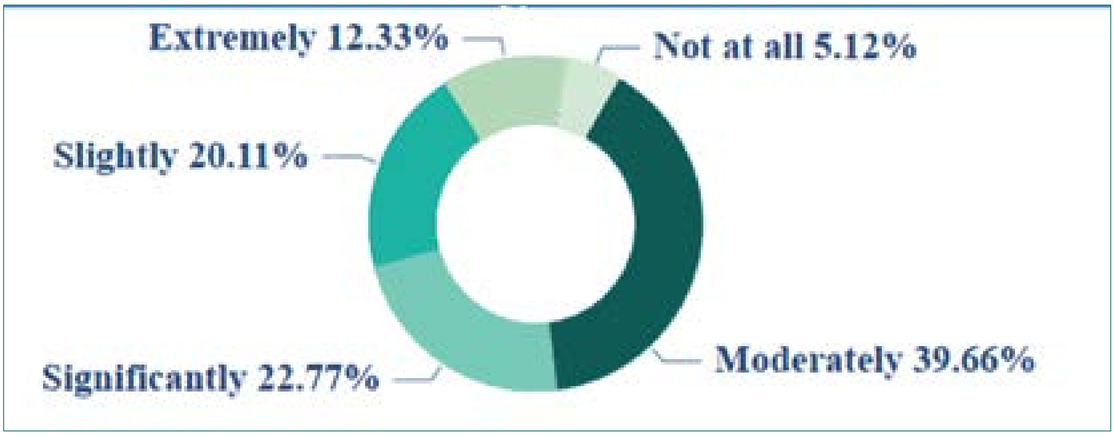


Figure 5.50

Of the enterprises that integrated technology (48% of the total), various degrees of improvement were reported across different business aspects. Specifically, 12% cited significant improvement in production efficiency, service quality, inventory management, customer engagement, cost reduction, data analysis, and decision-making due to technology adoption. Additionally, 22% reported significant improvement, 20% reported slight improvement, and nearly 40% reported moderate improvement in these areas. Only 5% indicated that technology adoption had not contributed to any improvements.

5.9.4 Perceived ability to manage increased demand

When examining the ability of enterprises to manage increased demand and production flexibility, the data reveals varying capacities. Specifically, 25% of enterprises have limited ability to increase production, while 32% possess moderate capacity. Additionally, 23% exhibit good ability to manage increased demand, while approximately 9% are unable to increase production under any circumstances.

Capacity to Meet Increased Demand or Production

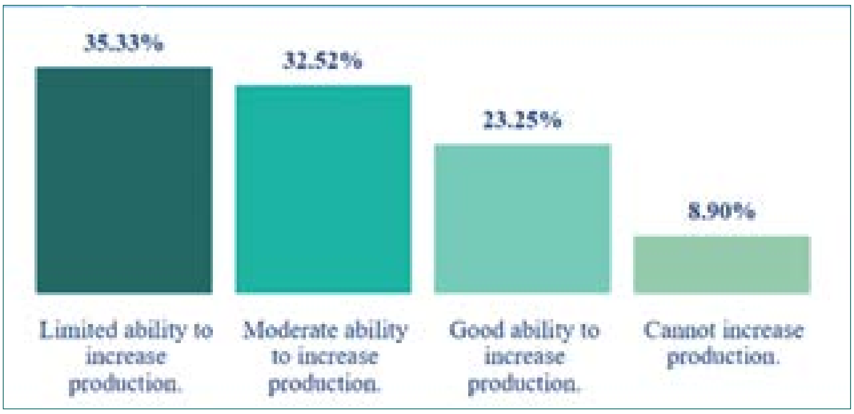


Figure 5.51

5.10 Business Development Plan

Existence of Business Development Plan

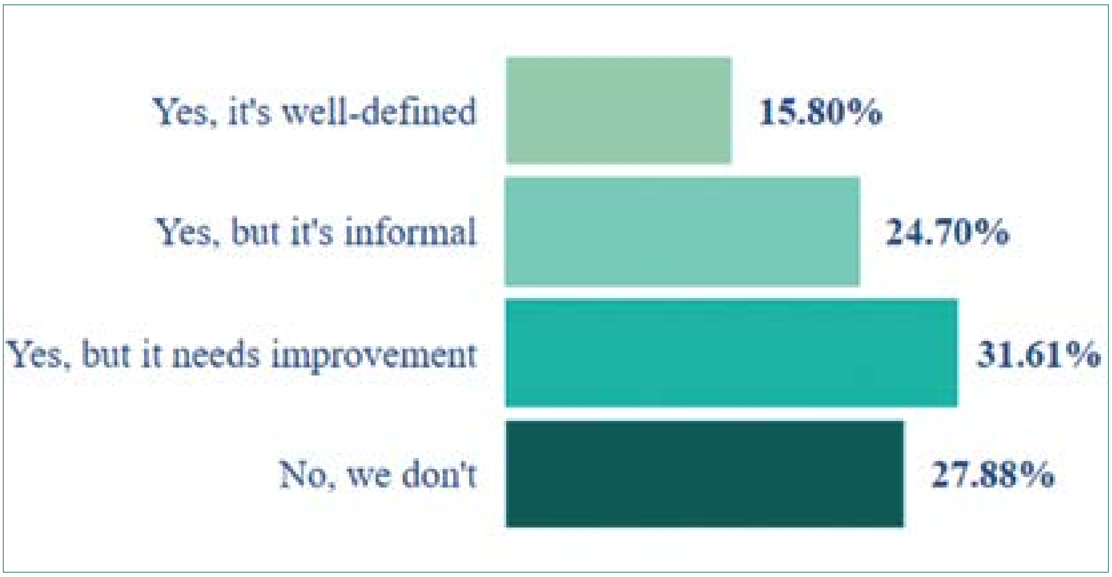


Figure *5.52*

When asked about the presence of a business development plan, the survey revealed diverse responses among entrepreneurs. Specifically, only 16% indicated having a well-defined plan, while a majority (32%) acknowledged having a plan that required improvement. Another 25% reported having informally prepared business development plans, and 28% stated that they did not have any business plan.

When probed about the plans for infrastructure and technology enhancement, it was found that nearly 65 percent of entrepreneurs do have plans to enhance their existing infrastructure and technology utilisation.

Plans for Infrastructure and Technology Enhancement

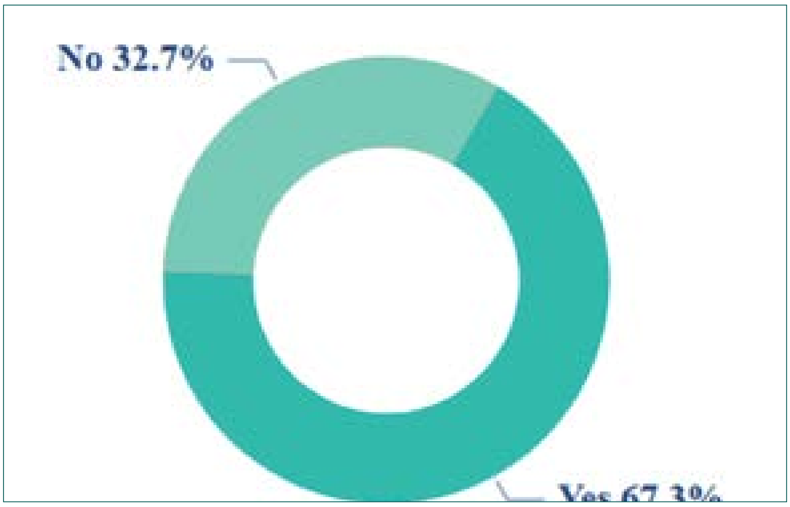


Figure *5.53*

Upon exploring intentions to mobilise external financing or investments to support enterprise growth, a significant majority of respondents (approximately 69%) indicated that they do not have plans to pursue external financing. In contrast, around 31% of respondents expressed intentions to seek external financing or investments to support the growth of their enterprises.

Plans for Mobilisation of External Finance

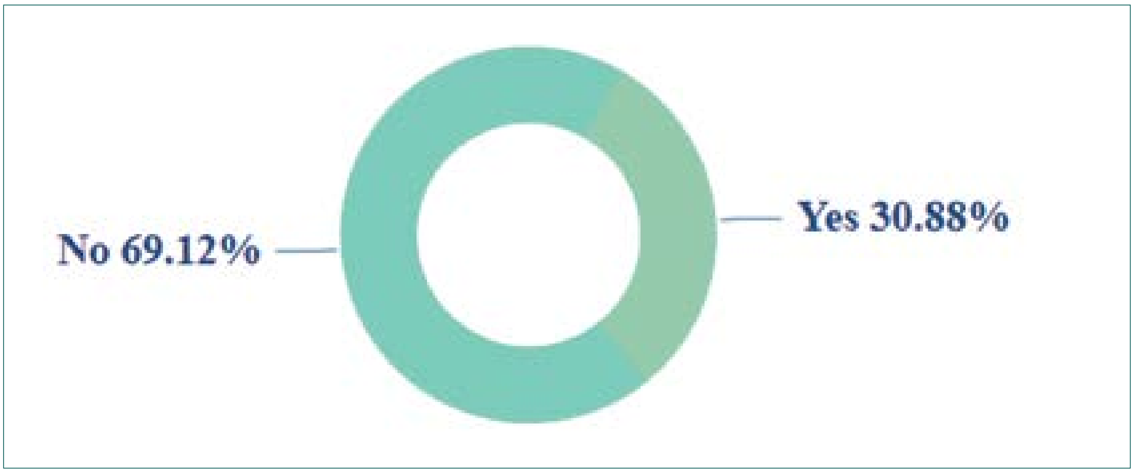


Figure *5.54*

Upon exploring the purposes for which respondents intended to source external investments, more than one-third (35%) cited expansion of their operations as the primary objective. This was followed by 22% seeking investment for product and service development. Other important areas for business growth, such as infrastructure development, marketing and advertising, and technology and innovation, were cited by 9% to 12% of respondents each. A small percentage (2%) indicated debt repayment as their intended use of external funds.

Purpose for External Finance

Figure *5.55*

From the data, it is clear that the majority of respondents (48%) required investments in the range of Rs. 1 lakh to 5 lakhs, which was the most common funding requirement. Additionally, 18.24% needed loan amounts of Rs. 10 lakhs or more, while close to 20% sought investments between Rs. 5 lakhs and 10 lakhs. Interestingly, a notable percentage (roughly 9%) of entrepreneurs required investments exceeding Rs. 20 lakhs, which was higher than those seeking investments between Rs. 10 lakhs and Rs. 20 lakhs (approximately 6%).

External Financing Required

Figure *5.56*

Moreover, more than half of the enterprises (56%) expressed interest in expanding into new geographical markets or customer segments in the future, while the remaining 44% are not considering such expansion.

Market Expansion Plans

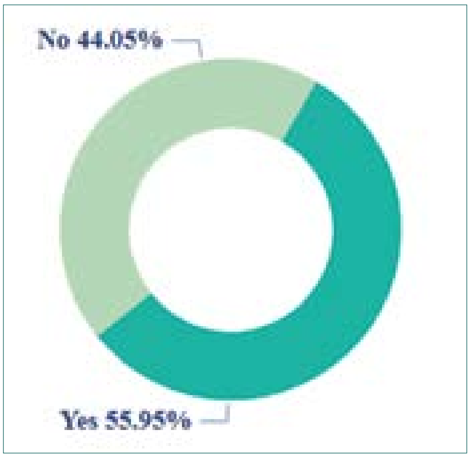


Figure *5.57*

5.11 Social Sustainability

5.11.1 Capacity to create employment

It is evident that more than half of the enterprises (53.7%) have been able to create jobs within their enterprise since its establishment, contributing positively to the creation of livelihood opportunities and potentially reducing unemployment and poverty.

The remaining enterprises did not report job creation within their operations.

Employment Creation

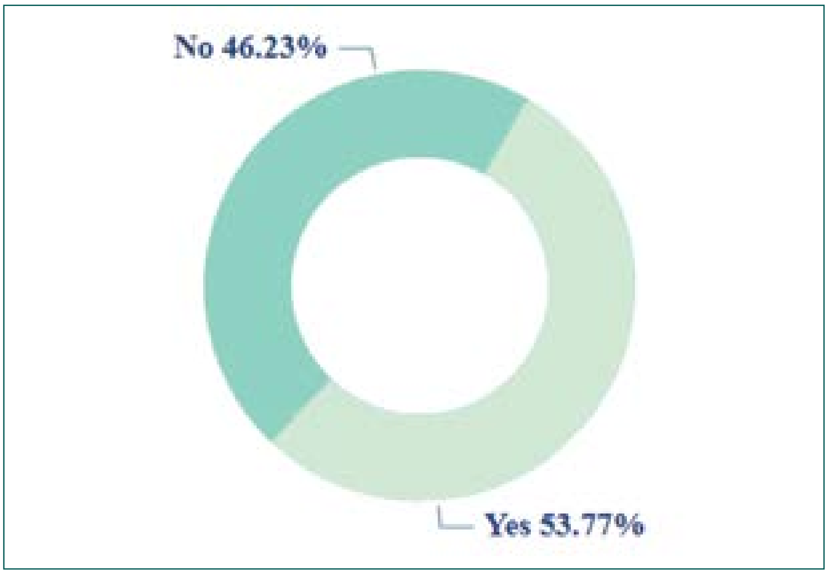


Figure *5.58*

A notable observation from the data is that many enterprises are able to create jobs and provide salaries that are on par with industry standards. Approximately half of the enterprises can create 1-2 jobs per enterprise, while 30% of the enterprises can create about 3-5 jobs. Only a small percentage of enterprises can create 20 or more jobs per enterprise, suggesting that the majority of enterprises are relatively small in size and may have limited capacity to employ larger numbers of workers.

Number of Jobs Created

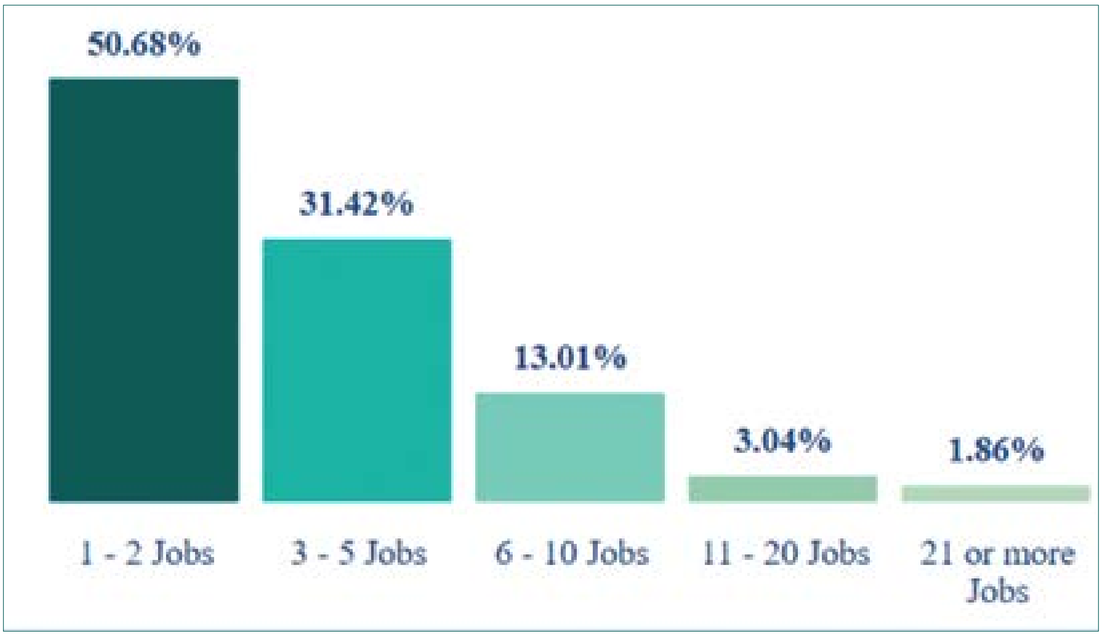


Figure *5.59*

5.11.2 Salary/wages

On average, about 60% of the enterprises formed under the Year of Enterprise program provide salaries or wages according to industry standards. Additionally, over 10% of the enterprises provide salaries higher than industry standards. However, a smaller percentage, around 5%, provide salaries that are less than industry standards. It is notable that approximately a quarter of the enterprises are not aware of the industry standards for wages or salaries.

Adherence to Industry Standards for Salary/Wages

Figure *5.60*

5.11.3 Training and Development

From the data presented, it is evident that many enterprises may not fully appreciate the importance of employee training and development for organisational growth. Only a small percentage, approximately 6%, are investing in comprehensive training and development initiatives, while about 35% are making minimal investments in training. Surprisingly, more than half of the enterprises are not providing any training or development programs at all.

Approach to Employee Training and Development

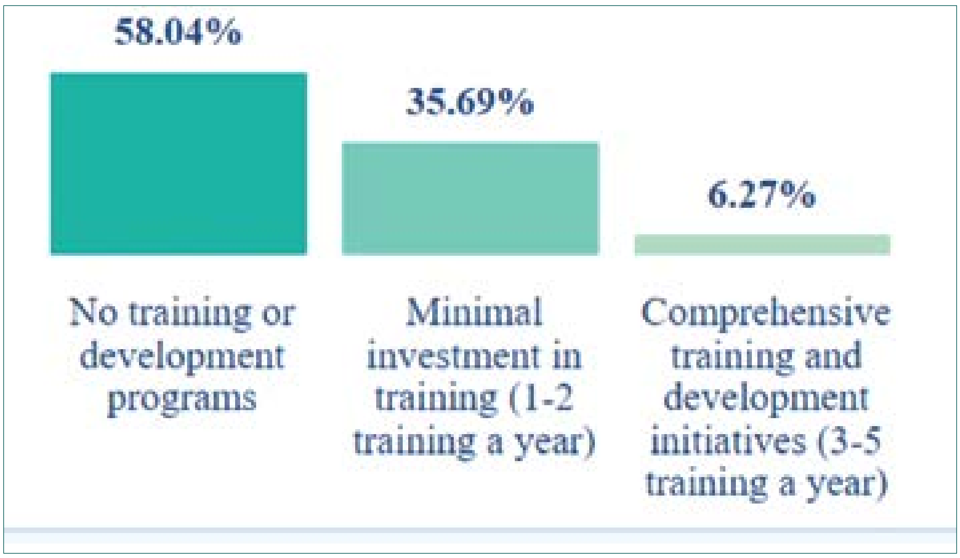


Figure *5.61*

Conversely, a majority of entrepreneurs express confidence in the skills of their workforce, with over half indicating that these skills are sufficient for the sustainability and growth of their enterprises. About one-third of respondents believe these skills are moderately sufficient, while approximately 10% feel that the skills of their workforce are not adequate for sustaining and growing their enterprise.

Workforce Sufficiency

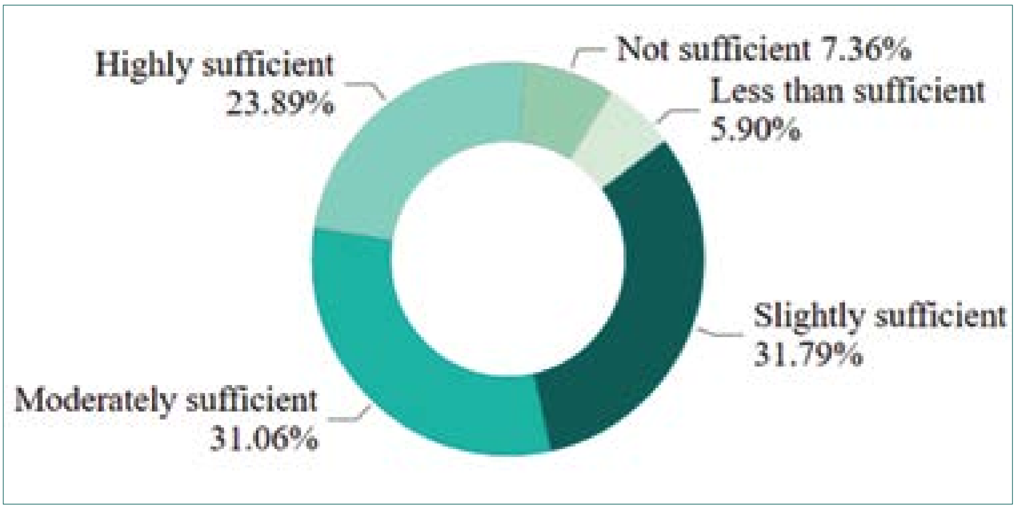


Figure *5.62*

5.11.4 Workforce Diversity

From the data, it is evident that a significant portion of enterprises have not actively considered gender diversity within their workforce, with 33% indicating they have not thought about this aspect. However, 27% of the entrepreneurs deliberately ensure gender diversity, indicating an awareness of its importance. It is concerning that about 19% of entrepreneurs believe that only a certain gender or ethnicity works better, suggesting a potential bias in hiring practices.

Inclusive Workforce

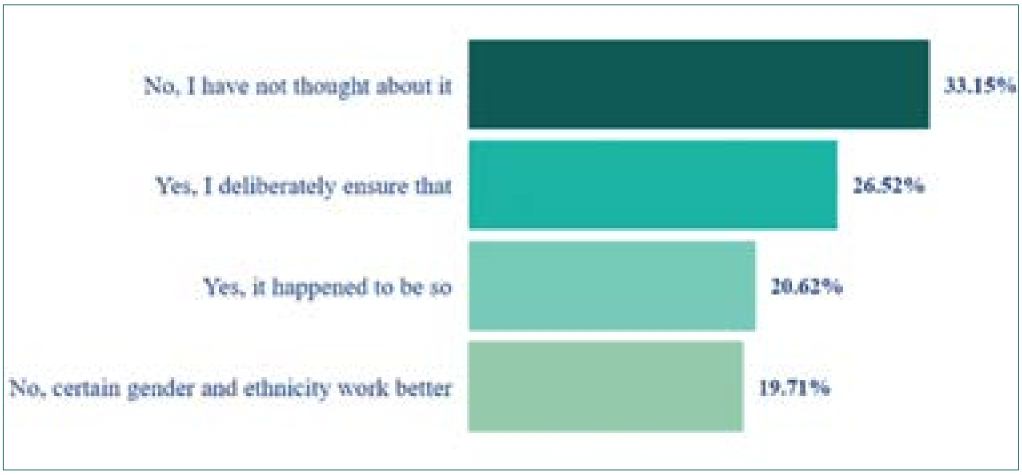


Figure *5.63*

5.11.5 Addressing social and environmental challenges

The survey data indicates that a low percentage (6%) of entrepreneurs responded positively when asked if their product or service addresses social and environmental challenges. Among those who acknowledged addressing such challenges, a significant number reported initiatives such as avoiding plastic use and engaging in social impact activities like skill development and self-defence classes in rural areas.

Addressing Social and Environmental Challenges

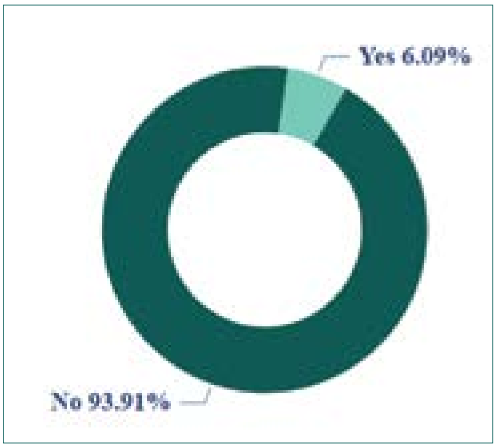


Figure *5.64*

5.11.6 Concern for environment

From the survey data, it is apparent that approximately 50% of entrepreneurs indicated that their enterprise has no discernible environmental impact. Conversely, around 34-35% expressed concerns about the environmental impact, while a smaller percentage of approximately 12% indicated that they were not concerned about the environmental impact of their enterprises.

Environmental Impact Concerns

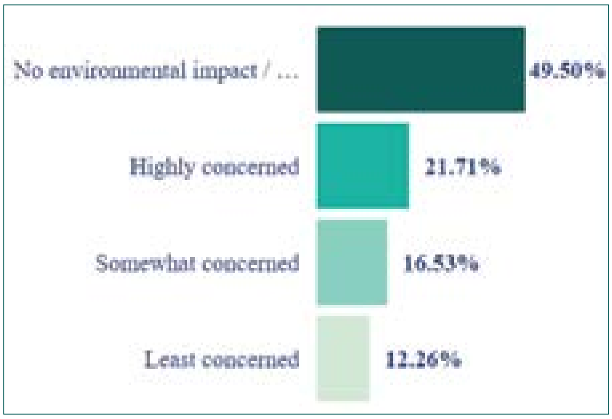


Figure *5.65*

5.11.7 Waste Management

The survey data reveals that a majority of enterprises utilise the services of Haritha Karma Sena for the disposal of solid waste materials, while others rely on unorganised waste collectors. However, concerning is the finding that approximately 3% of respondents admit to burning plastic waste on their premises, highlighting a potential environmental concern regarding waste management practices.

Waste Management

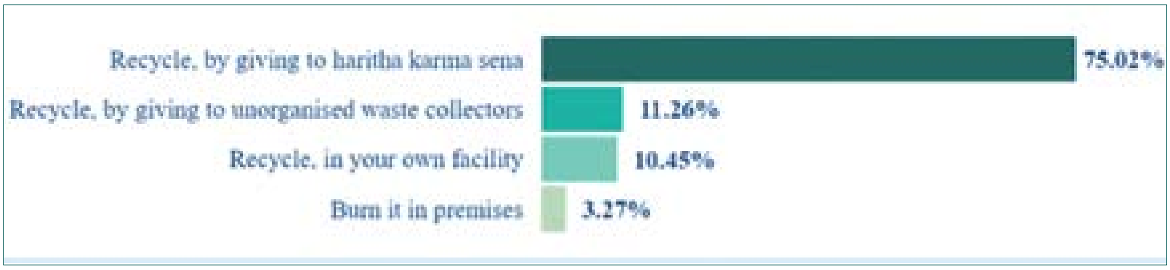


Figure *5.66*

When inquiring about liquid waste disposal among enterprises, a significant majority (75%) reported not generating liquid waste. Among those generating liquid waste, 10% indicated having specific waste treatment plants within their units. However, others without such facilities either released the liquid waste onto their own property or into common drainage systems. Notably, 5% of respondents released liquid waste into common drainage, raising concerns about the type of waste being discharged and its potential environmental impact.

Liquid Waste Management

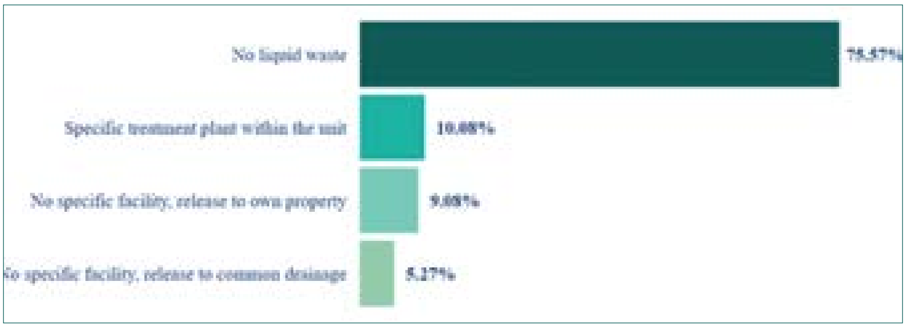


Figure *5.67*

5.11.8 Participation in community development

It's notable that more than half of the entrepreneurs have not participated in any community development projects or initiatives since their establishment. About 34% of entrepreneurs participated 1-10 times per year, while a small percentage (about 1%) participated more than 10 times in a year.

Participation in Community Development Programs

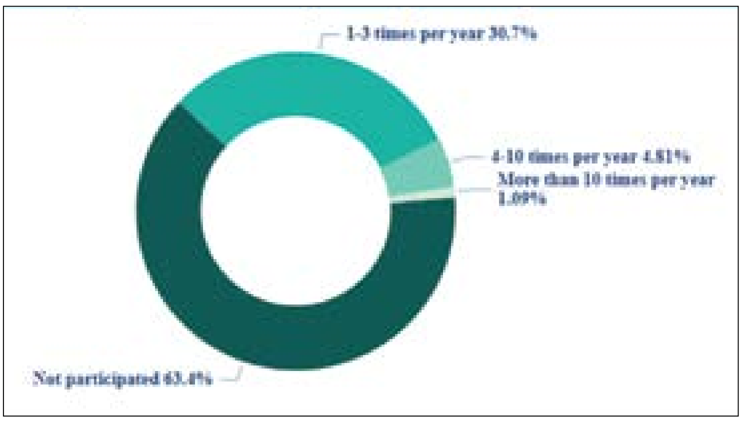


Figure *5.68*

5.12 Personal Outcomes

Descriptive Statistics					
	N	Min	Max	Mean	SD
Quality of life has improved	3000	1	5	3.27	.972
Social status/acceptance has increased	3000	1	5	3.43	.909
Social Skills (eg. leadership, problem solving, networking, negotiation, adaptability and creativity) has developed	3000	1	5	3.45	.964
Overall well-being and life satisfaction have improved	3000	1	5	3.47	.961

Table 5.6

In evaluating the personal outcomes of entrepreneurs participating in the Year of Enterprises program, key variables such as quality of life, social status, social skills development and overall well-being were assessed. These variables provide insights into the holistic impact of entrepreneurship on individuals beyond economic metrics.

The descriptive statistics reveal that, on average, participants reported positive outcomes across all assessed variables. The mean ratings for quality of life improvement, increased social status/acceptance, development of social skills, and overall well-being and life satisfaction ranged from 3.27 to 3.47 on a scale of 1 to 5, indicating moderate to high levels of agreement with positive personal outcomes associated with entrepreneurship. Standard deviations ranged from approximately 0.909 to 0.972, indicating slight variability in responses among participants. Overall, the findings suggest that entrepreneurship has a positive impact on various aspects of individuals' lives, contributing to improvements in quality of life, social status, skills development, and overall well-being among program participants.

5.13 Awareness and benefits availed as part of YOE

Entrepreneurs participating in the Year of Enterprises (YOE) program provided insights into the usefulness of various services and activities offered. Among the most utilised and beneficial services reported were support for the GeM Portal and Udyam Registration, which 56% of respondents found helpful. 53% acknowledged the value of support provided by interns in submitting applications. Furthermore, assistance from Taluk Resource Persons of Enterprise Facilitation Centres in navigating licences, clearances, securing loans, and addressing doubts was considered beneficial by 50% of respondents. These findings underscore the importance of tailored support services in assisting entrepreneurs within the YOE program to navigate administrative processes and access necessary resources for business growth and development.

Please rate your awareness and benefits availed of the following schemes/activities implemented by Industries Department as part of ' Year of Enterprises'

Please rate your awareness and benefits availed of the following schemes/activities implemented by Industries Department as part of 'Year of Enterprises'				
Schemes/ Activities	Utilised the services and helpful	Utilised the services, but not helpful	I am aware, but never utilised the service	I am not aware
Entrepreneur Support Scheme for Manufacturing Startups - Subsidy for capital investment	26.61%	7.99%	26.07%	39.33%
General Orientation Training in entrepreneurship development	37.42%	6.36%	22.52%	33.70%
Help Desk Services - for doubt clearance and providing information on enterprise related matters	38.87%	8.36%	21.80%	30.97%
Loan/License/Subsidy Melas - easy application process and speedy sanctions including Kerala Enterprises Loan Scheme	38.60%	7.72%	25.43%	28.25%
Margin Money Grant to Nano Units - value addition loan	14.64%	5.15%	25.57%	54.65%
Marketing support provided through Marketing Trade Fairs	23.61%	7.27%	28.16%	40.96%
Online Services of 'K-Swift' in applying for licenses/ permits, financial assistance etc	31.43%	6.27%	23.07%	39.24%
Proper response from Grievance Redressal System	10.28%	6.63%	26.76%	56.32%
Scale Up Subsidy - to upgrade to the enterprise from micro to small or small to medium	21.34%	7.63%	26.79%	44.24%
Services of Experts of MSME Clinics	26.70%	7.90%	25.16%	40.24%
Support for export promotion - including subsidies for infrastructure, incentives for attending international fairs, incentives for quality certifications	20.25%	7.63%	30.15%	41.96%
Support for GeM Portal and UDYAM Registrations	55.86%	7.45%	16.71%	19.98%
Support from Taluk Resource Persons of Enterprise Facilitation Centres in applying for licenses or clearances, securing loans, clarification of doubts etc	49.86%	9.90%	18.44%	21.80%
Support provided by Interns/ Enterprise Development Executives in submitting applications for license, loan, subsidies	53.13%	8.81%	16.17%	21.89%
Whatsapp facility to 'Chat with Minister' to resolve the grievances/ enquiries	10.63%	6.36%	24.89%	58.12%

Figure *5.69*

Conversely, services such as the Margin Money Grant to Nano Units, the Whatsapp facility to 'Chat with Minister', and the Grievance Redressal System are less utilised by entrepreneurs participating in the Year of Enterprises program due to low awareness.

Approximately 10% of respondents found the support from Taluk Resource Persons of Enterprise Facilitation Centres to be unhelpful after utilising it. Similarly, other services such as Help Desk Services (8.3%), Support by Interns (8.8%), and the Entrepreneur Support Scheme for Manufacturing Start-ups (8%) were also identified as unuseful by a notable percentage of respondents.

The services that the most number of entrepreneurs were aware of but never utilized include Support for Export Promotion (30%), Marketing support through Trade Fairs (28%), and the Entrepreneur Support Scheme for Manufacturing Start-Ups (26%).

06

Sustainability, Market Competitiveness, Operational Efficiency and Scalability of Enterprises

The Year of Enterprises (YOE) initiative has played a pivotal role in fostering the growth of a diverse range of enterprises, significantly contributing to economic development and promoting entrepreneurship across Kerala. This chapter delves into the sustainability, market competitiveness, operational efficiency, and scalability of enterprises established under the YOE program, with a focus on their long-term viability and potential for expansion. Drawing on comprehensive survey findings, the chapter provides an in-depth analysis of the factors influencing the sustainability and scalability of the enterprises formed under the Year of Enterprises (YOE) initiative.

6.1 Sustainability of enterprises

Sustainability of an enterprise refers to its ability to operate in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs. It encompasses three dimensions, namely economic sustainability, environmental sustainability, and social sustainability (Lozano, R., 2008). Economic sustainability pertains to the enterprise's ability to generate long-term value while maintaining profitability and financial stability. Environmental Sustainability focuses on minimising the negative impact of the enterprise's operations on the environment. Social sustainability involves the enterprise's commitment to supporting the well-being of its employees, communities, and society at large.

6.1.1 Economic sustainability

Economic sustainability pertains to the enterprise's ability to generate long-term value while maintaining profitability and financial stability.

Economic Sustainability status	Number	Percent
Highly Sustainable	324	10.81%
Moderately Sustainable	1867	62.22%
Vulnerable	744	24.80%
Unsustainable	65	2.18%
Grand Total	3000	100.00%

Table 6.1

The results of the economic sustainability assessment of micro-enterprises show a varied distribution of sustainability levels.

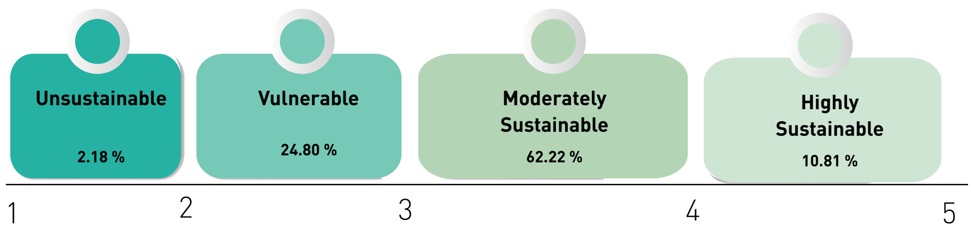


Figure 6.1

A substantial majority, 62.22%, are classified as 'Moderately Sustainable', indicating that while these enterprises are performing reasonably well, they still need improvements to ensure long-term stability and growth. Only 10.81% of the enterprises are categorised as 'Sustainable', suggesting that a relatively small portion has achieved high economic performance and stability. This highlights the challenges faced by many micro-enterprises in reaching a robust level of sustainability. Additionally, 24.80% of enterprises are deemed 'Vulnerable', showing some signs of sustainability but requiring significant improvements to avoid potential failure. Without adequate support, these vulnerable enterprises could move into the unsustainable category. The 'unsustainable' category accounts for just 2.18% of the enterprises, which is consistent with expectations from a self-reported assessment, though this small percentage still represents a critical concern. Overall, the data underscores that while many enterprises manage to maintain some level of economic performance, a significant portion remains at risk, highlighting the need for targeted support to improve their sustainability and growth prospects.

6.1.2 Environmental Sustainability

Environmental Sustainability focuses on minimising the negative impact of the enterprise's operations on the environment. This involves practices such as minimising waste generation, implementing eco-friendly technologies and processes etc.

Environmental sustainability involves assessing the impact of enterprise operations on the environment through indicators such as Effective Solid Waste Management, Effective Liquid Waste Disposal, and Concern Regarding Environmental Impact. Effective Solid Waste Management refers to the ability of enterprises to manage solid waste efficiently, ensuring proper disposal or recycling. Effective Liquid Waste Disposal assesses how enterprises handle liquid waste, either through treatment plants or responsible disposal methods. Concern Regarding Environmental Impact measures the level of awareness and proactive attitudes toward environmental responsibility among enterprises. These indicators collectively reflect the enterprise's commitment to minimising negative environmental impacts and promoting sustainable practices.

Environmental Sustainability Status	Number	Percent
Positive Environmental Impact	2352	78.47%
Limited Environmental Impact	648	21.53%
Grand Total	3000	100.00%

Table 6.2

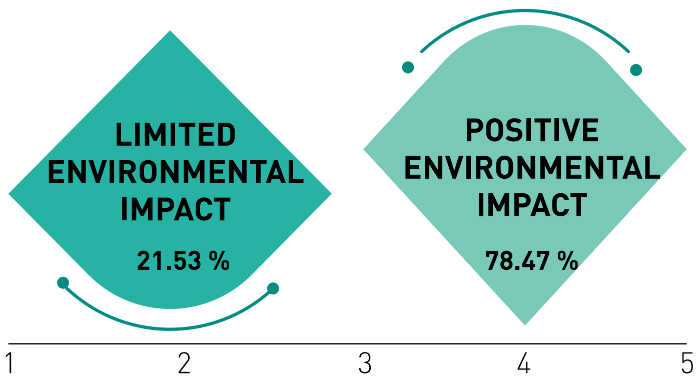


Figure 6.2

The results of the environmental sustainability assessment of 3,000 micro-enterprises show that a substantial majority, 78.47%, are classified as having a 'Positive Environmental Impact'. This indicates that most micro-enterprises are successfully managing their environmental responsibilities, such as effective solid and liquid waste management, and demonstrating a strong concern for their environmental impact. This reflects a positive trend towards environmental sustainability within the sector. However, 21.53% of the enterprises are categorized as having a 'Limited Environmental Impact'. These enterprises need to improve their environmental practices to enhance their sustainability. While the majority are performing well, this significant minority highlights the need for ongoing efforts and targeted interventions to ensure all micro-enterprises adopt effective environmental practices. Overall, the data suggests that most micro-enterprises are contributing positively to environmental sustainability, which is encouraging, but there is still room for improvement.

Environmental sustainability often receives less attention in the context of industrial development in the state. It is frequently considered in isolation, whereas it should be integrated as a core component of industrial planning and development. The majority of surveyed enterprises demonstrate effective solid waste management practices, indicating a significant level of proficiency in this area. A considerable portion of enterprises also excel in liquid waste disposal management or produce no liquid waste at all, showcasing efforts toward reducing environmental impact. Interestingly, the overall concern regarding environmental impact among enterprises drops drastically, revealing a potential disparity between practical environmental actions and perceived environmental responsibility.

There is a need for enhanced communication and awareness campaigns to bridge the gap between environmental actions and perceptions.As Kerala is a state prone to natural and environmental hazards, the state as well as the enterprises should be mindful of the potential harm to the environment out of enterprise activities and take measures to address the same.

In summary, while many enterprises exhibit commendable efforts in environmental sustainability through waste management practices, addressing the disconnect between actions and perceptions can drive broader adoption of environmentally responsible practices across the business landscape. There is a need for enhanced communication and awareness campaigns to bridge the gap between environmental actions and perceptions. As Kerala is a state prone to natural and environmental hazards, the state as well as the enterprises should be mindful of the potential harm to the environment out of enterprise activities and take measures to address the same.

6.1.3 Social Sustainability

Social sustainability is a fundamental aspect of enterprise development that encompasses the commitment to enhance the well-being of employees, communities, and society at large. This concept is evaluated through a range of key indicators that reflect the enterprise's impact on social factors and its engagement in community development. First, the capacity for employment generation assesses the enterprise's ability to create job opportunities and contribute to reducing unemployment. Second, salary and wages according to industry standards demonstrate the enterprise's fairness in compensating employees and adherence to industry norms. Third, investment in employee training and development highlights the enterprise's commitment to enhancing employee skills and capabilities through training initiatives. Fourth, workforce diversity evaluates inclusivity and diversity efforts, ensuring fair representation across genders, ethnicities, and backgrounds. Fifth, participation in community projects reflects the enterprise's involvement in community development initiatives. Lastly, personal aspects such as quality of life, social status, social skills development, and overall well-being measure the impact of enterprise activities on improving individual well-being and social conditions. These indicators collectively gauge the enterprise's contribution to social sustainability by promoting employment, fair compensation, skill development, diversity, community engagement, and overall enhancement of personal and social well-being.

Social sustainability was assessed on a five-point scale to evaluate the impact of a micro-enterprise on its workforce and community. Enterprises scoring between 1-3 were considered to have 'Limited Social Impact and enterprises scoring between 3-5 were considered to have ' positive Social Impact ' The social sustainability assessment reveals a balanced distribution of impacts among micro-enterprises involved in the Year of Enterprises initiative. Out of a total of 3,000 enterprises evaluated, 1,502 (50.09%) demonstrated a Positive Social Impact, indicating effective employment practices, adherence to industry wage standards, and active community engagement. Conversely, 1,498 enterprises (49.82%) were classified as having a Limited Social Impact, indicating deficiencies in aspects such as employment generation, wage standards, and personal well-being. This group reflects a need for significant improvements in areas such as fair compensation, employee training, and community involvement.

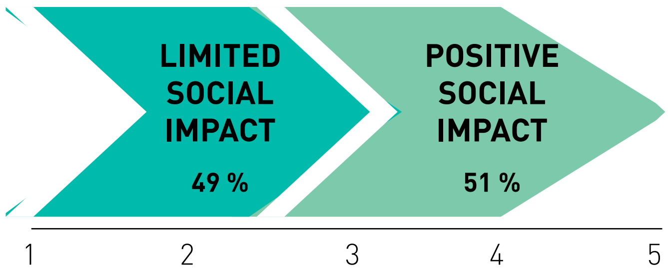


Figure 6.3

Social Sustainability Status	Number	Percent
Positive Social Impact	1502	50.09%
Limited Social Impact	1498	49.82%
Grand Total	**1102**	**100.00%**

Table 6.3

6.1.4 Integrated Sustainability Framework

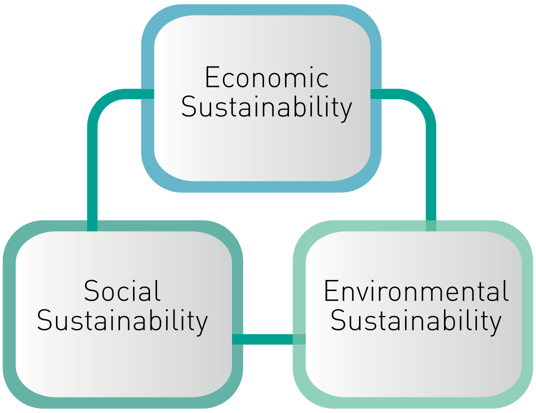


Figure 6.4

6.1.4 Integrated Sustainability Framework

The Integrated Sustainability Framework provides a comprehensive approach to sustainability by incorporating social, economic, and environmental considerations into enterprise operations.

Overall Sustainability status	Number	Percent
Highly Sustainable	125	4.16%
Moderately Sustainable	2064	68.8%
Vulnerable	775	25.8%
Unsustainable	36	1.2%
Grand Total	**3000**	**100.00%**

Table 6.4

The overall sustainability assessment reveals that 68.8% of enterprises are classified as 'Moderately Sustainable.' These enterprises are performing reasonably well across economic, social, and environmental dimensions but require further improvements to ensure long-term stability and growth. Only 4.16% of enterprises are categorised as 'Highly Sustainable,' indicating that only a small portion has achieved high performance and stability across all dimensions. This highlights the challenges many micro-enterprises face in reaching exemplary levels of sustainability.

With 25.8% of enterprises classified as 'Vulnerable,' a significant portion of the micro-enterprises is at risk. These enterprises show some signs of sustainability but need substantial improvements to stabilise their operations and avoid potential failure. Without adequate support, these vulnerable enterprises may fall into the 'Unsustainable' category.

The 1.2% of enterprises classified as 'Unsustainable' are performing poorly across all dimensions and are on the verge of closure. While this is a small percentage, it remains a critical concern.

Overall, the data suggests that while many enterprises maintain some level of sustainability, a significant portion remains at risk, and only a small fraction achieves high sustainability. This indicates that a relatively small percentage of enterprises meet the comprehensive criteria of sustainability, encompassing social, economic, and environmental dimensions simultaneously. However, the true narrative is not about the specific percentage of sustainable enterprises; it is about recognizing that sustainability is the essential path forward for enterprises aiming to thrive under the Year of Enterprises

Sustainability is not merely a goal but a transformative vision that requires enterprises to integrate responsible business practices that balance profitability with purpose, environmental preservation with community well-being, and long-term viability with societal impact. In the face of a rapidly changing economic and environmental landscape, sustainability emerges as the guiding principle that aligns businesses with the needs of our time.

The call to action is clear: enterprises must recognize sustainability as an imperative for their survival and success. By committing to sustainability, enterprises dedicate themselves to:

- **Balancing Prosperity with Purpose:** Integrating economic success with social responsibility to foster equitable growth that benefits all stakeholders.
- **Minimising Environmental Impact:** Adopting practices that reduce carbon footprints, conserve natural resources, and promote ecological resilience.
- **Prioritising Social Welfare:** Investing in workforce development, diversity, inclusion, and community engagement to create positive societal impacts.
- **Ensuring Long-term Viability:** Aligning business strategies with sustainable practices to safeguard the ability of future generations to thrive.

In conclusion, sustainability represents a fundamental shift in mindset and action that is key to enterprise resilience and relevance in an interconnected world. By embracing sustainability, enterprises can drive meaningful change, contribute to sustainable development goals, and shape a future where business success aligns with positive societal and environmental impact. Sustainability is not just a trend; it is a strategic imperative for enterprises to thrive and harmonise economic progress with social and environmental well-being.

6.2 Market Competitiveness and Operational Efficiency of micro enterprises

The success of micro enterprises is largely influenced by two critical dimensions: market competitiveness and operational efficiency. Market competitiveness refers to how well enterprises can position themselves within the market, distinguishing their products or services from those of competitors while adapting to evolving market conditions. This capability is crucial for sustaining growth and ensuring long-term viability. Key factors that determine market competitiveness include the ability to differentiate products or services, the development of new offerings, strategic efforts to retain customers, and deliberate brand-building initiatives.

Operational efficiency, on the other hand, focuses on how effectively enterprises manage their internal processes to optimise performance and productivity. Efficient operations are fundamental to reducing costs, improving product quality, and enhancing customer satisfaction, all of which are vital for maintaining a competitive edge. Key variables in evaluating operational efficiency include the presence of robust quality control measures, adherence to standard operating procedures (SOPs), the ability to scale operations to meet increased demand, maintaining high safety standards, minimising resource wastage, integrating technology effectively, ensuring efficient supply chain management, and fostering workforce skill adequacy.

This section explores the current landscape of market competitiveness and operational efficiency among micro enterprises, examining how these factors interact to influence overall business performance. By understanding and improving these dimensions, micro enterprises can better position themselves for success in an increasingly challenging market environment.

6.2.1 Market Competitiveness and Adaptability

Out of the enterprises surveyed, 67.21% identified the ability to differentiate products or services as crucial for maintaining market relevance. Among these enterprises, 55.49% were involved in new product development. Additionally, 40.6% of those with differentiation capabilities employed deliberate customer retention strategies. However, only 23% were actively investing in brand-building efforts. Overall, approximately 23% of the surveyed enterprises exhibited positive indicators related to market competitiveness and adaptability.

Dimension/s	Indicators	Percentage of enterprises
Market Competitiveness and Adaptability	Product/Service Differentiation (67.21%)	22.61 %
	New product development (55.49%)	
	Deliberate customer retention efforts (40.6%)	
	Deliberate Brand building Efforts (23%)	
	Perceived market competitiveness (22.61%)	

Table 6.5

The data reveals that while a significant portion of surveyed enterprises perceive themselves as having a competitive edge in terms of product/service differentiation, fewer are successful in retaining customers, and even fewer effectively implement branding efforts. This suggests that while many businesses can offer unique products or services, they struggle to maintain customer loyalty and effectively communicate their brand identity.

Marketing challenges are evident among these enterprises, hindering efforts to effectively promote offerings and maintain a competitive edge. Successful product differentiation is undermined by difficulties in customer retention and brand building. These marketing obstacles pose barriers to sustained competitiveness and adaptability in dynamic market environments.

Investment in targeted marketing strategies and customer relationship management is crucial for improving customer retention and enhancing brand visibility. Enterprises should prioritise enhancing adaptability to evolving market conditions through innovation and strategic brand positioning. By addressing these marketing challenges and focusing on customer-centric strategies, enterprises can strengthen their market presence and competitiveness over the long term.

6.2.2 Operational Efficiency

While a significant portion, 57.49%, of the surveyed enterprises reported having quality control measures in place, only 48.31% of those had documented and adhered to SOPs. Among these, only 43.14% demonstrated the capacity to manage increased demand and maintain comparable safety standards. Furthermore, merely one-third of these enterprises (30.69%) reported minimal resource wastage. When considering technology integration, only 17.4% of enterprises had integrated technology into their production processes within the last year. Among these, only a small %age (8.44%) reported efficient supply chain management and demonstrated workforce skill adequacy (8.17%).

Many enterprises have established quality control measures and documented standard operating procedures (SOPs), yet they encounter challenges in managing increased demand and minimising resource wastage. Low adoption rates of technology and workforce skill inadequacies further underscore operational inefficiencies within these organisations. These operational challenges contribute to resource wastage and pose obstacles to scalability and competitiveness. To address these issues, technology adoption and workforce development are critical for enhancing operational effectiveness and efficiency. The adoption of technology and automation can optimise operational processes and improve efficiency across the supply chain. Meanwhile, investment in workforce training and development is essential to bridge skill gaps and elevate operational performance.

This analysis highlights the significant opportunities for improving operational efficiency across various aspects of business operations. By focusing on technology integration and workforce skill enhancement, enterprises can unlock greater efficiency and competitiveness in today's evolving business landscape

Dimension/s	Indicators	Percentage of enterprises
Operational Efficiency	Presence of quality control measures (57.49%)	22.61 %
	Documentation and adherence to SOPs (48.31%)	
	Capacity to Manage Increased Demand (44.15%)	
	Comparable Safety Standards(43.14%)	
	Minimal Resource Wastage (30.69%)	
	Technology Integration (17.4%)	
	Efficient supply chain management (8.44%)	
	Workforce Skill Adequacy (8.17%)	

Table 6.6

6.3 Scalability of enterprises

Scalability in enterprises refers to the ability of a business to efficiently manage and sustain growth, particularly in terms of employment or revenue expansion. This concept is vital for "scalers," businesses that experience rapid growth by adopting new technologies, business models, or strategies. Scalability is assessed across four key dimensions: customer value proposition (CVP), business attribute analysis, change capacity, and market analysis. CVP focuses on adding value for customers and building loyalty, while business attribute analysis examines the organizational structure and resource management essential for growth. Change capacity evaluates how well a business adapts to market trends, technology, and increased demand, and market analysis looks at strategies for expansion and competitiveness. Together, these dimensions help determine an enterprise's potential for significant growth and guide strategic decisions to overcome scalability challenges.

6.3.1 Customer Value Proposition

Customer Value Proposition (CVP) refers to the unique combination of benefits and value that a company offers to its customers, distinguishing it from competitors and meeting the needs and preferences of its target market. As businesses seek to expand and grow, their ability to effectively communicate and deliver a compelling CVP becomes instrumental in driving customer acquisition, retention, and loyalty. Collection and evaluation of customer feedback, Market Understanding and Customer loyalty building initiatives are the indicators used to measure this dimension. As per these indicators, 53.5 % of enterprises have proved to have the potential for scalability in terms of CPV.

Dimension	Indicator	Percentage
Customer Value Proposition	Collection and evaluation of customer feedbacks	76.5
	Market Understanding	65.6
	Customer loyalty building initiatives	53.5

Table 6.7

Actively collecting and analysing customer feedback is an important aspect of CVP. Around 77% of the YOE enterprises engage in collection and evaluation of customer feedback in some form or the other. This indicates a strong commitment to understanding customer preferences and needs, which is fundamental for refining and enhancing the customer value proposition (CVP).

Market understanding serves as the cornerstone of developing and updating Customer Value Proposition (CVP). Though a majority of enterprises engage in collection and evaluation of feedback, only 65% have a comprehensive market understanding. This suggests that while data is being gathered, there may be opportunities to improve the analysis and interpretation of this information to drive strategic decisions related to the CVP.

Increasing the customer base and loyalty are critical components of the customer value proposition (CVP). Despite engaging in feedback collection and evaluation and having a market understanding, only 53.5% of the enterprise make deliberate efforts to retain existing customers. This implies that a substantial proportion of enterprises recognize the importance of retaining existing customers, which is crucial for sustaining business growth and profitability.

Overall, as per these indicators, 53.5 % of enterprises have proved to have the potential for scalability in terms of CVP.

The high percentage of enterprises collecting and evaluating customer feedback indicates a proactive approach to refining the CVP. However, despite this effort, the slightly lower percentage with comprehensive market understanding suggests that there may be gaps in how this feedback is used to inform strategic decisions. The fact that only 53.5% of enterprises focus on customer loyalty initiatives, despite strong feedback collection and market understanding, points to a potential area for improvement in sustaining long-term customer relationships.

The substantial engagement in feedback collection reflects a positive attitude towards enhancing the CVP, which is crucial for acquiring and retaining customers. The gap between feedback collection and market understanding suggests that enterprises may benefit from improving their ability to analyse and apply feedback to refine their CVP effectively. The relatively lower percentage of enterprises focused on customer loyalty indicates a need for more deliberate strategies to enhance customer retention, which is vital for long-term business growth and scalability.

Overall, about 53.5% of enterprises exhibit strong potential for scalability in terms of CVP, indicating a significant opportunity for improvement in customer retention and loyalty-building practices.

6.3.2 Business Attributes

Business attribute analysis includes specific qualities, characteristics, or metrics that define various aspects of a business and its operational framework. When analysing the scalability of an enterprise, certain business attributes play crucial roles. It is measured using indicators like financial leveraging capacity, asset

Financial leveraging capacity capacity, which refers to an enterprise's ability to utilise borrowed funds for investment, shows that 53% of enterprises are effectively managing loans and ensuring repayments without defaulting. This demonstrates their proficiency in handling debt and accessing capital for growth.

In terms of asset acquisition, only 29.70% of enterprises with financial leveraging capacity successfully acquired assets. This indicates that despite having access to financing, a lower proportion of enterprises effectively utilise these funds for acquiring essential assets crucial for operational expansion and market reach.

Furthermore, only 22.70% of enterprises that have both financial leveraging capacity and asset acquisition were able to increase their net worth. This reflects a challenge in translating financial resources and asset acquisition into tangible improvements in overall business value and financial health.

Dimension	Indicator	Percentage
Business Attributes	Financial Leveraging Capacity	53.13
	Asset Acquisition	29.70
	Increase in net worth	22.70

Table 6.8

The analysis of financial leveraging capacity reveals that 53% of enterprises effectively manage loans and ensure repayment, highlighting their adeptness at utilising borrowed funds for business investment. This indicates that these enterprises are proficient in handling debt and have access to necessary financing, which is crucial for supporting their growth initiatives.

However, the data also shows a significant gap in asset acquisition. Despite having financial leveraging capacity, only 29.7% of these enterprises successfully acquire assets. This suggests that many enterprises struggle to fully leverage their financial resources for acquiring essential assets, which are critical for scaling operations, expanding market reach, and enhancing production capabilities.

Furthermore, among enterprises with both financial leveraging capacity and successful asset acquisition, only 22.7% were able to increase their net worth. This low percentage underscores the challenges businesses face in converting financial resources and asset acquisition into tangible improvements in overall financial health and value creation. It indicates that while enterprises may have the means to invest, translating these investments into substantial increases in net worth remains a significant challenge.

Overall, these findings emphasise the need for enterprises to enhance strategic planning and align their financial leveraging capacity with targeted asset acquisition and value creation efforts. Investing in financial management and capacity-building initiatives can help bridge the gap between accessing funds and effectively deploying them for growth. Additionally, exploring external financing options and fostering partnerships with financial institutions can support business expansion and scalability.

In summary, addressing the critical link between financial leveraging capacity, asset acquisition, and value creation is essential for improving scalability and long-term sustainability. Enterprises should focus on strategic planning, operational efficiency, and leveraging external financing to achieve their growth ambitions and ensure long-term success.

6.3.3 Change Capacity

Change capacity is pivotal for enterprise scalability, enabling adaptability to changes in market dynamics, enhancing innovation, and facilitating seamless expansion into new opportunities and markets. The key indicators of change capacity involve perception of ability to compete, technology utilisation, plans to improve infrastructure and technology and skill updation of workforce.

63.7% of enterprises believe they possess the capability to compete effectively in the market. This perception is crucial as it influences strategic decisions, driving growth and investment in innovation.

Despite the high perception of market competitiveness, only 35.5% of enterprises actively integrate technology into their operations. Effective technology utilisation is critical for automation, efficiency, and scalability, but there is a notable gap between perceived competitiveness and actual technology adoption.

Only 33.2% of enterprises report having the capacity to manage increased demand. This indicates that, while many enterprises perceive themselves as competitive, they face challenges in scaling up operations efficiently in response to higher demand.

Dimension	Indicator	Percentage
Change Capacity	Perception of ability to compete	63.7
	Technology Utilisation for business	35.5
	Capacity to Manage Increased Demand.	33.2

Table 6.9

The findings reveal a gap between enterprises' perceptions of their competitive abilities and their actual capabilities in technology adoption and managing growth. Although a majority of enterprises view themselves as competitive, only a fraction effectively integrates technology into their operations. This disconnect suggests that perception alone may not translate into practical scalability without corresponding investments in technology.

Moreover, the limited capacity to manage increased demand highlights a significant area for improvement. Even with a strong perception of competitiveness, many enterprises lack the necessary infrastructure, processes, or resources to scale efficiently in response to market opportunities.

To enhance scalability, enterprises should align their perception of competitiveness with actionable strategies that include broader technology adoption, infrastructure investments, and workforce skill development. Strategic investments in technology and infrastructure are vital for supporting scalable growth and operational efficiency.

In summary, addressing the gaps in technology adoption, workforce skill development, and infrastructure investment is crucial for improving change capacity. Enterprises need to bridge the disconnect between perception and reality by implementing actionable initiatives to enhance scalability, competitiveness, and adaptability in dynamic market environments.

6.3.4 Market Analysis

In the context of understanding the potential for scalability of enterprises, the dimension of Market Analysis focuses on evaluating the organisation's market expansion strategies and future growth plans. The indicators within the dimensions are current market expansion status, existence of business development plan and future market expansion plans.

Approximately 23.5% of enterprises have developed formal business development plans. These plans are crucial as they provide a strategic roadmap for market expansion, guiding decision-making and resource allocation to achieve growth objectives. 19.7% of enterprises have successfully expanded their market base since their establishment. Effective market expansion initiatives are vital for increasing revenue, broadening the customer base, and enhancing overall market presence. Only 18.5% of enterprises with business development plans and market expansion efforts have articulated specific future plans for further market expansion. This indicates that while some enterprises have established strategies for growth, fewer have clear, formalised plans for ongoing market expansion.

Dimension	Indicator	Percentage
Market Analysis	Existence of a business development plan	23.5
	Market Expansion	19.7
	Future Market Expansion Plans	18.5

Table 6.10

The findings indicate a nuanced scenario in enterprise market analysis. While a significant number of enterprises have established formal business development plans and achieved some level of market expansion, the proportion with clear, future-oriented market expansion plans is relatively low. This disparity reveals several critical insights. The low percentage of enterprises with well-defined future market expansion plans points to a deficiency in proactive strategic planning. While some businesses have formal growth strategies, many are not extending their planning to future opportunities, potentially impeding long-term growth and competitive positioning. The absence of comprehensive future market expansion plans underscores a broader need for more forward-thinking and strategic planning. While formal business development plans provide foundational direction, their effectiveness is diminished without specific, actionable plans for future growth, which are essential for adapting to evolving market conditions. The findings highlight the crucial role of ongoing market analysis and strategic planning. Enterprises that continuously evaluate market opportunities and formulate actionable strategies are better equipped to seize growth opportunities and maintain competitiveness.

The gaps identified in strategic planning and future market expansion planning suggest that enterprises need to enhance their scalability and resilience. A focus on developing clear, forward-looking market expansion plans and fostering a culture of strategic planning and market analysis is vital for navigating market complexities and achieving sustained growth.Enterprises that invest in detailed future market expansion plans and continuous market assessment are likely to improve their scalability and adaptability in dynamic market environments.Emphasising the importance of formal business development plans and proactive market expansion strategies can enhance enterprises' scalability and resilience in evolving market landscapes.

6.3.5 Comprehensive Scalability Analysis

The study examined scalability across four critical dimensions: business attribute analysis, customer value proposition, change capacity, and market analysis. The findings reveal the challenges and opportunities enterprises face in achieving comprehensive scalability.

1 Business Attribute Analysis

Around 23% of enterprises exhibit strong business attribute analysis, indicating challenges in leveraging financial leveraging capacity, asset acquisition, net worth increase, and external financing.

2 Customer Value Proposition

Approximately 54% of enterprises demonstrate potential for scalability in terms of offering unique value propositions to customers, although improvements in customer feedback evaluation and loyalty initiatives are needed.

3 Change Capacity

Merely 33% of enterprises exhibit strong change capacity, encompassing competitiveness perception, technology utilisation, workforce skill updation, demand management, and infrastructure/technology enhancement.

4 Market Analysis

Around 19% of enterprises show strong market analysis capabilities, including market expansion, business development planning, and future growth strategies.

5 Overall Scalability

Ultimately, only 5.08 % of surveyed enterprises demonstrate scalability across all four dimensions, reflecting the stringent criteria applied to evaluate comprehensive scalability.

Dimension	Percentage
Business Attribute Analysis	22.7
Customer Value Proposition	53.5
Change Capacity	33.2
Market Analysis	18.5
Scalability	5.08

Table 6.11

The findings underscore critical areas where enterprises need improvement to enhance scalability, including financial leveraging, customer feedback analysis, technology utilisation, and market expansion. Achieving comprehensive scalability requires addressing multiple dimensions simultaneously, highlighting the complexity of operational transformation.

Enterprises should prioritise enhancing business attribute analysis, customer value proposition, change capacity, and market analysis to foster scalable business models. Investing in workforce skills, technology integration, and strategic market planning is essential for enhancing scalability and growth potential. Encouraging knowledge sharing and innovation can help enterprises address scalability challenges and capitalise on growth opportunities.

In conclusion, the study underscores the imperative for enterprises to enhance scalability across critical dimensions to achieve sustainable growth and competitiveness. Addressing gaps in business operations, customer engagement, innovation capacity, and market strategy is essential for building resilient and scalable business models in dynamic market environments.

07

Study Highlights and Actionable Insights

This chapter presents the key findings of the study on enterprise sustainability and scalability, delivering a comprehensive analysis across various dimensions. The findings offer valuable insights into the current landscape of enterprise capabilities for achieving sustainable and scalable growth.

7.1 General Findings on Entreprise Landscape

7.1.1 Profile of Enterprises

- **Gender:** Under Year of Enterprises, 68% of enterprises formed were male-owned, while 32% were female-owned. This outpaces the national trend, where only 20.44% of MSMEs were owned by women according to the MSME Annual Report 2023. However, while female representation in business ownership appears better in Kerala, there's still room for improvement to ensure more equitable opportunities for women entrepreneurs.
- **Ownership Type:** In the YOE campaign, 80% of participating enterprises were proprietary concerns, mirroring the national trend where proprietary concerns constitute 95.98% of all MSMEs according to the MSME Annual Report 2023. This highlights the widespread prevalence of small-scale businesses owned and managed by individuals nationwide.
- **Social Category:** In Kerala, 58% of enterprises are owned by individuals belonging to the Other Backward Classes (OBC), while Scheduled Caste (SC) members own only 8.6%, and Scheduled Tribe (ST) members own just 0.38%. Despite Scheduled Tribes comprising 1.45% of Kerala's total population, their representation in enterprise ownership remains significantly lower than their population proportion. While the representation of OBC and SC members in enterprise ownership is somewhat closer to their population proportions, there is a notable disparity for Scheduled Tribes (ST), indicating a substantial gap in business ownership demographics in Kerala. National statistics from the MSME Annual Report 2023 reveal that OBCs own the majority of MSMEs in India at 49.72 %, while SC and ST owners account for 12.45 % and 4.10 %, respectively.
- **Geographical spread:** Number of enterprises is highest in Thiruvananthapuram, closely followed by Ernakulam, and Thrissur. In contrast, districts like Idukki and Wayanad have relatively lower participation rates.
- **Prominent Sectors:** The Year of Enterprises (YOE) campaign primarily saw businesses emerging in traditional trade sectors such as Agro Food, Beverage, Meat/Fish product processing, Garments, Textiles, Tailoring, Electrical & Electronics, and IT-related services/products. Conversely, sectors like Biotechnology, Glass Products, Energy/Renewable Energy, and Recycling and Waste Management had fewer enterprises established. The Kerala State Government's Industrial Policy 2023 highlights 22 focus sectors, which include innovative areas like Aerospace and Defence, Recycling and Waste Management, Renewable Energy, and Biotechnology, alongside traditional sectors like Ayurveda and Food technologies. However, the MSMEs promoted under YOE predominantly gravitate toward established sectors, revealing a notable gap in representation in innovative fields like Renewable Energy and Biotechnology, suggesting a disconnect between state-identified focus areas and entrepreneurial sectoral preferences.

7.2 Registations and Certifications

- **Udyam Registration :** The government's initiative to streamline MSME registration through 'Udyam Registration' comes with no associated costs, aiming to facilitate business operations and align with updated MSME definitions. This registration offers MSMEs access to a range of benefits, including participation in government schemes like the Credit Guarantee Scheme and the Public Procurement Policy. Moreover, registered MSMEs gain advantages such as eligibility for priority sector lending and enhanced competitiveness in government tenders. However, despite these incentives, only a mere 13% of enterprises have embraced Udyam Registration, suggesting that a significant portion of MSMEs are yet to seize this opportunity. Around 1% reported previous registration as MSME or SME. The primary reasons for not opting for Udyam registration include lack of awareness among respondents, followed by time constraints and complexity of the registration process. Other notable factors cited include concerns about online registration process, insufficient technical expertise, absence of incentives and the perception that Udyam registration is unnecessary.
- **GST Certification :** 70% of the enterprises do not have GST registration. It is noteworthy that 4466 enterprises have registered for GST, surpassing the 3752 enterprises that actually require it. However, there remains a substantial number of businesses without GST registration, which restricts their ability to engage in online selling on platforms like Amazon and Flipkart, where GST registration is mandatory for participation. Investigating the reasons for the absence of GST registration reveals that almost three-quarters of enterprises considered it unnecessary based on their turnover. Additionally, a smaller percentage were exempt from GST requirements. Some enterprises refrained from registration due to the perceived complexity of the process, while others were simply unaware of the necessity for GST registration.

7.3 Enterprise initiation

- **Motivation for starting business:** Enterprise initiation is primarily motivated by the pursuit of a stable source of income and financial independence. Another significant factor driving entrepreneurship is the desire to turn personal hobbies or interests into viable career options. Additionally, a notable portion of entrepreneurs are motivated by a sense of social responsibility, seeking to contribute to their community or address social and environmental challenges. Some entrepreneurs are also driven by the desire for more autonomy in their work choice. Surprisingly, government initiatives are cited as a motivating factor by only a small portion of respondents, suggesting that while appreciated, they are not the primary drivers of entrepreneurship under the Year of Enterprises campaign.
- **Initial Product Selection:**The majority of the products or services, 64%, were initiated based on personal intuition or gut feeling. Meanwhile, 29% relied on study or field reports, with 7% being influenced by the opinions of others. The distribution of how products or services are initiated highlights the importance of knowledge and information in entrepreneurial decision-making. While personal intuition plays a significant role for a majority of entrepreneurs, relying solely on intuition may overlook valuable insights

from research, data, and the experiences of others. Accessing and analysing relevant information from studies, market research, and feedback from peers or experts can provide valuable insights that complement and refine personal intuition, enhancing the overall decision-making process for entrepreneurs.

7.4 Contextual Factors

The entrepreneurs' perceptions regarding the contextual factors influencing business sustainability and growth in Kerala were thoroughly investigated in this study. The survey reveals that several contextual factors play critical roles in shaping entrepreneurial experiences in Kerala:

- **Financial Resources and Government Policies:** Entrepreneurs highlighted the moderate availability of financial resources and government policies as influential factors. However, there are significant variations in perceptions. This variance in responses with regard to financial resources suggests that while some entrepreneurs perceive a minimum level of financial support, others view the situation more favourably. This disparity underscores potential challenges in equitable access to financial resources among businesses, with certain entities possibly facing more significant hurdles than others. The response towards government policies and incentives reflects a nuanced perception among entrepreneurs. While some respondents view these measures positively and may benefit from supportive policies and incentives, others may perceive them less favourably due to regulatory complexities or perceived limitations. Despite this variability, it is noteworthy that government support and subsidies emerge as positive factors in the business environment of Kerala.

- **Market Opportunities and Infrastructure:** Kerala's physical infrastructure and technological resources are perceived as moderately supportive for entrepreneurial activities. Notably, the availability of technology and machinery and robust physical infrastructure received the highest ratings among surveyed factors. This suggests that adequate infrastructure and technological support are perceived as relatively favourable by entrepreneurs.

- **Skilled Workforce and Support Services:** While skilled workforce availability is acknowledged, certain services like professional support and access to affordable professional services received lower ratings, indicating areas for improvement.

- **Professional Services:** Entrepreneurs perceive the availability of professional services (e.g., tax consultants, accountants, lawyers) and access to affordable services for new product development and intellectual property protection as not very conducive. This indicates potential challenges in accessing essential expertise and support for business operations and innovation.

- **Local Business Associations and Networking:** The level of support from local business associations, chambers of commerce, and networking opportunities in Kerala is rated comparatively lower. This suggests a need for stronger engagement and collaboration within the business community to foster networking and collective growth.

- **Technological Support and Mentorship:** The availability of technological support from universities, research centres, and government R&D institutions is perceived as lacking, which could impact innovation and technology adoption in enterprises. Additionally, the availability of mentors for guidance is considered not very supportive, highlighting potential gaps in mentorship opportunities for aspiring entrepreneurs.

The variability in responses of entrepreneurs with regard to various contextual factors underscores disparities in perceptions among entrepreneurs. It is crucial to recognize and address these disparities through targeted interventions tailored to specific needs and challenges faced by entrepreneurs in Kerala's business landscapes. By implementing targeted strategies and policy reforms, stakeholders can cultivate a more supportive and inclusive ecosystem conducive to sustained entrepreneurship, ultimately driving broader economic growth and prosperity.

7.5 Economic Aspects and Credit Sourcing

- **Investment:** The initial capital investment rates among enterprises in Kerala depict a diverse landscape, highlighting distinct levels of financial commitment across businesses. A significant portion (38%) invested between 3 lakhs and 10 lakhs rupees, suggesting a moderate scale of operations and a moderate level of financial investment. Additionally, 25% invested more than 10 lakhs rupees, indicating a substantial financial commitment, possibly indicative of larger-scale operations or ventures with higher capital intensity. In the fiscal year 2022-23, MSMEs (Micro, Small, and Medium Enterprises) in Kerala collectively invested a significant amount totaling 8407.856 crores. This substantial investment indicates a strong economic activity and growth potential within the MSME sector in Kerala during the period. Such investments are crucial for driving employment, fostering innovation, and contributing to the overall economic development of the region.
- **Credit Sources :** In our study, we found that 69% of enterprises obtained loans for their formation, with a notable preference for financing from public sector banks (52%) and state government institutions like KFC, KSWDC, and KSIDC (19%). This trend underscores a strong inclination towards government-linked credit sources among enterprises.

- **Rationale for non availing loans:** In examining the financing behaviours of enterprises, our study uncovered noteworthy insights. The primary reason cited by those who did not seek investment loans was sufficient internal capital, while other factors included limited access to alternate finance, concerns about high interest rates, rejection of loan applications due to CIBIL scores or banking complexities. Additionally, a significant portion of entrepreneurs who bypassed MSME loans financed their ventures independently, with some opting for gold loans (20%) to meet financial needs. Only a minimal percentage (2%) encountered loan denials due to low CIBIL scores or infeasibility concerns. These findings highlight the critical need to address financing barriers and improve loan accessibility for aspiring entrepreneurs. Enhancing access to diverse financing options and streamlining lending processes can empower economic growth and support small business development. It's essential to tackle challenges like interest rates, loan rejections, and banking procedures, while also addressing factors such as CIBIL scores and feasibility concerns to facilitate entrepreneurial success. Taking out loans at the outset enables businesses to secure additional funds for growth and expansion, accelerating opportunities and preserving cash flow for daily operations. Successful loan repayment builds a positive credit history, enhancing creditworthiness for future financing. Diversifying sources of capital through loans reduces reliance on a single funding source, bolstering resilience in the face of economic challenges.

- **Loan repayment:** It is noteworthy that a significant 77% of entrepreneurs maintain regularity in their loan repayments, indicating a strong repayment culture within the majority of enterprises that have utilised loans. This positive trend underscores the financial discipline and viability of these businesses. However, it's essential to address the remaining 23% of enterprises who face challenges in meeting their loan repayment obligations. Understanding the reasons behind their difficulties and providing targeted support and resources could help improve their financial stability and mitigate potential risks to their businesses.

- **Subsidies:** 12% of entrepreneurs accessed benefits from government agencies, amounting to a substantial disbursement of 313 crore rupees through various channels under the 'Year of Enterprises' initiative. This indicates a significant government investment in industrial development. However, the majority of enterprises did not avail any subsidies, suggesting potential underutilization of government support schemes.

- **Government departments and schemes:** Among the 24 selected departments/agencies offering support, Industries & Commerce, Kudumbashree, local bodies, commercial banks, and Khadi & Village Industries were the main contributors, while Small Industries Development, Kerala Startup Mission, and National Small Industries Corporation offered comparatively less support. Analysing the subsidies/financial benefits accessed by 'Year of Enterprises' beneficiaries, key departments providing benefits included Industries and Commerce, Kudumbashree Mission, Local Bodies, Khadi board, NORKA, Kerala State Backward Development Board, and SC/ST Development Board. These entrepreneurs explored a range of enterprise promotion schemes under the State/CEntral Government, with schemes like 'PMEGP', 'Rebuild Kerala Initiative', and 'Mudra Loan' being most suitable. PMEGP loans were particularly prominent, with 4516 beneficiaries, followed by other schemes that provided project assistance for Rural Micro Enterprises scheme. However, some schemes, such as the 'WE Mission Scheme' by KSIDC and 'Startup India scheme', were less suitable for enterprises under the program. Notably, Kudumbashree remained a major agency providing support to SC/ST owned enterprises, while the Industries and Commerce department's support to vulnerable social categories, especially ST-owned enterprises, was minimal. This underscores potential areas for improvement in ensuring equitable access to government support across all social categories.

7.6 Performance of enterprises

- **Financial Performance and reinvestment:** Only 14% generate regular and stable income from their enterprise, reflecting a degree of financial stability. Another 36% are profitable, yet they reinvest a significant portion of their earnings back into the business, resulting in irregular income. 37% enterprises operate at a break-even point, neither making profit nor incurring losses, and 12% of enterprises are incurring losses. Among enterprises that choose to reinvest, approximately 42% allocate more than 10% of their profits back into the business. Notably, around 20% either haven't calculated their reinvestment rate or are unsure about it, indicating a potential focus on day-to-day operations rather than expansion efforts. Findings indicate that a significant portion of enterprises (36%) prioritise reinvestment over immediate profit, potentially impacting income stability. The break-even status of 37% of enterprises suggests a need for strategies to enhance profitability and sustainability. Enterprises that prioritise reinvestment demonstrate a commitment to growth and expansion, albeit at the cost of stable income. The findings highlight the financial diversity and challenges faced by enterprises in achieving profitability and stability. Strategies focusing on income stability, profit maximisation, and efficient reinvestment could benefit a majority of enterprises. Providing financial literacy and planning support to enterprises can facilitate informed decision-making about reinvestment and profitability. Developing tailored financial products and support mechanisms can assist enterprises in managing and optimising their financial performance.

- **Income Generation:** 29% of entrepreneurs are earning an average monthly income below Rs. 10,000/-, while 32% fall within the range of Rs. 10,000/- to Rs.. 25,000/-. Only 15% of enterprises manage to achieve a monthly income exceeding Rs. 50,000/-.Around 5% of enterprises aren't generating any income at all. Meanwhile, this distribution indicates that a portion of entrepreneurs face significant financial challenges, unable to generate substantial income from their enterprises. The majority (61%) of enterprises earn below Rs. 25,000 per month, highlighting widespread challenges in achieving substantial income levels among entrepreneurs and underscoring the financial constraints faced by a significant portion of this group. This distribution necessitates additional support or strategies to bolster income-generating capabilities. The data indicates a clear need for targeted interventions to address income disparities and enhance the financial sustainability of enterprises, particularly those earning below Rs. 25,000 per month. Specific support measures aimed at improving income levels and business viability are essential. Moreover, the limited proportion of enterprises achieving higher income levels signals challenges in scaling businesses effectively, requiring implementation of income augmentation strategies tailored to smaller businesses. These findings underscore the urgent need to address income disparities and financial challenges among entrepreneurs, with a focus on strengthening income-generating capabilities to drive overall sustainability, economic empowerment, and job creation within this sector. Targeted interventions and support mechanisms are crucial for enabling entrepreneurs to overcome financial barriers and achieve sustainable business success.

- **Change in income :** Examining income changes post-establishment of enterprises, it's notable that 48% experienced a slight increase, indicating modest improvements in income levels. This prevalent trend suggests that many enterprises struggle to achieve significant income growth. Additionally, 10% reported a significant increase in income, highlighting notable successes for a minority of enterprises. Conversely, around 35% reported no change or a slight decrease in income, signifying challenges in maintaining or growing income levels. Moreover, 7% reported a significant decrease in income, indicating heightened concern over their financial situation. The findings suggest a mixed scenario of income changes among enterprises, with a substantial portion experiencing modest improvements but a notable percentage facing stagnation or decline in income. These findings underscore the importance of implementing measures to support income growth and stability among entrepreneurs, ensuring the sustainability of their enterprises. The data underscores the need for targeted interventions to support income growth and sustainability, particularly for enterprises experiencing challenges in maintaining or increasing their income levels. Enterprises reporting significant decreases in income require urgent attention and support to address financial distress and stabilise their operations.the business. Notably, around 20% either haven't calculated their reinvestment rate or are unsure about it, indicating a potential focus on day-to-day operations rather than expansion efforts. Findings indicate that a significant portion of enterprises (36%) prioritise reinvestment over immediate profit, potentially impacting income stability. The break-even status of 37% of enterprises suggests a need for strategies to enhance profitability and sustainability. Enterprises that prioritise reinvestment demonstrate a commitment to growth and expansion, albeit at the cost of stable income. The findings highlight the financial diversity and challenges faced by enterprises in achieving profitability and stability. Strategies focusing on income stability, profit maximisation, and efficient reinvestment could benefit a majority of enterprises. Providing financial literacy and planning support to enterprises can facilitate informed decision-making about reinvestment and profitability. Developing tailored financial products and support mechanisms can assist enterprises in managing and optimising their financial performance.

- **Cash flow challenges:** Around one third of enterprises (35%) rarely or never experience cash flow crunches. Another 37% occasionally face such challenges, indicating periodic difficulties in managing cash flow. However, 25% of enterprises experience cash flow challenges daily, suggesting ongoing struggles in sustaining their day-to-day operations. This subset likely faces significant hurdles in managing expenses and maintaining liquidity, which could impact their ability to operate effectively and achieve financial stability. The high proportion of enterprises facing daily cash flow challenges underscores the urgent need for interventions to address financial constraints. Daily struggles with cash flow can severely impact businesses, hindering their ability to function effectively and meet financial obligations. Addressing cash flow challenges is crucial for enhancing the overall financial health and stability of enterprises. Targeted support in financial management can contribute to the resilience and growth of enterprises within the entrepreneurial ecosystem.

7.7 Marketing

- **Selling:** Approximately half of enterprises opt to market their products through their own shops or nearby outlets, leveraging the convenience and accessibility of physical storefronts. 25% prefer door-to-door or direct selling, emphasising personal interaction with customers. A smaller proportion, around 11%, choose to sell their products through distributors, tapping into existing distribution networks. Surprisingly, only 10% utilise social media platforms for marketing, despite the potential for wider reach and audience engagement offered by digital channels. Additionally, a mere 3.5% of enterprises sell their products through online market platforms, suggesting limited adoption of e-commerce. The predominant use of physical storefronts and direct selling underscores the significance of traditional marketing channels in the entrepreneurial landscape. Despite the potential benefits of digital marketing, adoption rates for online platforms remain relatively low, with only a fraction of enterprises utilising social media (10%) or online market platforms (3.5%) for product promotion. Encouraging greater adoption of digital marketing tools, providing e-commerce training, and fostering collaboration with online marketplaces can empower enterprises to diversify their selling strategies, reach new markets, and enhance overall competitiveness in the entrepreneurial landscape.

- **Sales Growth:** Majority of entrepreneurs, comprising half of the respondents, reported experiencing slight growth. Additionally, 14.7% noted a significant increase in sales, indicating notable successes for a subset of enterprises. However, 23% noted stagnation in sales, suggesting a plateau in growth for a significant portion of respondents. On the other hand, 10% reported a slight decrease in sales, while roughly 4% reported a significant decrease. These findings highlight the diverse sales performance among enterprises, with some experiencing growth, others facing stagnation, and a minority encountering declines in sales. The prevalence of slight sales growth among a majority of entrepreneurs suggests overall positive momentum in business performance. However, the significant percentage experiencing stagnation or decline underscores challenges in sustaining growth and achieving consistent sales performance.

- **Market Expansion :** A quarter of entrepreneurs have expanded their operations into new markets since inception, while the remaining 75% have not. Various reasons emerged when exploring how they expanded their business. The majority of respondents (about 40%) entered markets in different cities, districts or states, aiming to broaden their geographical reach. For 28% of respondents, the expansion was driven by the introduction of new products or services, indicating a focus on diversification. Another 20% entered into new customer groups or demographics, demonstrating a strategic shift in targeting. Additionally, 7% of entrepreneurs tailored their products/services to meet specific customer demands, showing an adaptive approach to market needs. Furthermore, 5.41% expanded their sales by establishing an online presence and utilizing e-commerce platforms, leveraging digital channels for growth. When asked about exporting products to international markets, roughly 10% responded affirmatively, while the majority, 90%, did not engage in international trade.

  The findings indicate a mixed landscape of market expansion strategies among entrepreneurs. While a significant portion (40%) focused on geographical expansion to different cities, districts, or states to broaden their reach, others prioritised product diversification (28%) and targeted new customer groups or demographics (20%). Additionally, a smaller percentage (7%) adopted an adaptive approach by tailoring products or services to meet specific customer demands. The data also highlights a growing interest in digital transformation, with approximately 5.41% leveraging e-commerce platforms to expand their sales. Implementing effective expansion strategies can unlock new opportunities, enhance market reach, and diversify revenue streams for entrepreneurs. Targeted interventions and support mechanisms are essential to empower entrepreneurs in navigating market complexities and seizing growth opportunities.

- **Social Media marketing :** 29% of enterprises are not leveraging any social media or digital marketing platforms to extend their reach to a wider audience. Among those that do utilise digital channels, the majority prefer social media platforms such as WhatsApp (29%), Instagram (21%), and Facebook (20%). However, it's worth noting that only a small fraction, approximately 0.98%, are tapping into digital platforms like Amazon and Flipkart to access a broader customer base. While platforms like Amazon offer unparalleled access to a vast customer pool and streamlined e-commerce infrastructure, their utilisation may necessitate additional resources and expertise to navigate effectively. The data underscores a gap in the adoption of advanced digital marketing strategies among enterprises. The data suggests a hesitation or lack of readiness among enterprises to explore more advanced digital marketing avenues, such as e-commerce platforms. While social media channels like WhatsApp, Instagram, and Facebook offer effective communication tools, tapping into e-commerce platforms like Amazon and Flipkart requires additional resources and expertise. The findings highlight the importance of advancing digital marketing strategies among enterprises to capitalise on the evolving digital landscape.

- **Participation in Trade Fairs/Exhibitions :** Trade Fairs/Exhibitions are widely recognized for their role in product promotion, yet the data presents a stark reality: only a mere 5% of enterprises have participated in such events, leaving a significant majority (95%) who have not taken part in Trade Fairs organised by the Industries and Commerce Department. The data highlights a significant gap in leveraging trade fairs and exhibitions as a marketing strategy among enterprises. The low participation rate in trade fairs may indicate several factors, including lack of awareness about opportunities, perceived barriers to participation such as costs or logistical challenges, or competing priorities for resource allocation.

- **Customer Retention :** Majority (69%) of enterprises actively undertake deliberate efforts to retain their existing customers, recognizing the value of customer loyalty. Among these enterprises, various strategies are employed to foster loyalty and satisfaction. Notably, 40% of the enterprises prioritise personalised communication and service, aiming to build strong relationships with their customer base. Additionally, 30% of the enterprises offer exclusive incentives such as special offers and customer loyalty programs, providing added value to their loyal customers and incentivizing repeat purchases. These strategies underscore a proactive approach to customer retention, reflecting a commitment to delivering exceptional experiences and nurturing long-term relationships with customers.

- **Brand presence :** Branding plays a critical role in enabling customers to easily identify and differentiate products, especially in a competitive market landscape. Approximately half of the enterprises are confident that their products are being recognized by customers through their brand names. However, a significant portion, comprising 31% of entrepreneurs, express concerns that their customers do not associate their products with any specific brand name. Moreover, the data indicates that 14% of enterprises do not have a distinct brand name, which could potentially hinder their ability to establish a strong market presence and foster customer recognition. It's noteworthy that only a few enterprises are not aware of their brand recognition status. The significant number of enterprises that perceive a lack of customer association with their brand names, suggesting opportunities to strengthen brand visibility and recognition strategies. The presence of enterprises without distinct brand names indicates a need for focused efforts to develop and promote unique brand identities.

- **Brand building :** When exploring deliberate efforts taken by enterprises to establish a brand name and brand awareness for their products/services, a substantial portion, comprising 67% is making efforts to a great extent. The high percentage of enterprises prioritising brand building signifies a proactive approach to establishing market identity and fostering customer engagement. Additionally, 27% of enterprises are taking moderate efforts, indicating a varied approach to brand building. However, only a small percentage is actively engaged in deliberate efforts to establish a brand name. These findings underscore the importance of proactive branding strategies in establishing a strong market presence and enhancing customer recognition.

- **Pricing :** The data on product pricing reveals that the majority of enterprises (55%) price their products or services similarly to others in the market. This suggests a competitive pricing strategy aimed at aligning with industry standards and customer expectations. Approximately 20% of enterprises price their offerings slightly lower, indicating an effort to enhance accessibility and broaden their customer base by offering more affordable options. However, a smaller proportion (8%) prices their products higher than similar offerings, potentially driven by higher production costs or a lack of awareness about market rates. Competitive pricing strategies are essential for maintaining market relevance and appealing to target customers. Enterprises that adopt lower pricing strategies are likely aiming to capture market share and drive sales volume. However, enterprises with higher pricing may need to reassess their pricing strategies to optimise competitiveness and market acceptance.

- **Product Differentiation:** The data on product differentiation indicates that a substantial proportion of respondents (42%) perceive a high level of competition with numerous similar products or services in the market. Additionally, 41% acknowledge the presence of similar offerings. A notable finding is that 13.44% of respondents believe their products or services have no direct competitors in the market. The prevalence of perceived competition highlights the challenges enterprises face in distinguishing their offerings within crowded markets. Acknowledgment of similar offerings by respondents also suggests awareness of market dynamics and competitor landscapes. The recognition of market saturation by a significant proportion of respondents necessitates strategic approaches to product positioning and value proposition development. The belief among a minority that their products or services lack direct competitors underscores niche market opportunities or unique value propositions. Among respondents who acknowledged the presence of similar products or services (83%), a majority (65%) expressed confidence in their ability to differentiate their offerings. This confidence suggests a perceived advantage in unique selling propositions (USPs) or strategic positioning within competitive markets. Conversely, 35% of respondents identified product differentiation as a challenge, highlighting potential barriers to establishing distinctive market positions. Challenges expressed by this significant minority highlight the need for tailored support and strategic guidance to overcome barriers to differentiation.

- **New product development :** The data on new product development reveals varying levels of innovation and responsiveness to customer feedback among enterprises. A significant portion (58%) introduces new products occasionally, indicating a proactive approach to product evolution and market adaptation. Additionally, 19% of enterprises demonstrate a high degree of responsiveness by frequently introducing new products based on regular customer feedback. However, 23% of enterprises report never introducing new products, suggesting potential stagnation or limited innovation within this subset. The findings highlight a spectrum of innovation behaviours among enterprises, ranging from proactive adaptation to infrequent or stagnant product development. Enterprises that introduce new products occasionally show a willingness to evolve and meet changing market demands. Conversely, the absence of new product introductions by 23% of enterprises may indicate missed opportunities for growth and competitive advantage. Enterprises demonstrating frequent or occasional new product introductions exhibit strategic flexibility and responsiveness to customer needs, enhancing market relevance and competitiveness. Conversely, enterprises that never introduce new products may face challenges in meeting evolving customer expectations and sustaining business growth.

7.8 Employment

- **Employment generation :** The data on employment generation under the Year of Enterprise program reveals significant job creation impact, with approximately 3 lakh employment opportunities generated. However, there is a notable gender disparity in the distribution of these opportunities, with a higher proportion (62%) of male employees compared to female employees (38%). This disparity underscores existing gender gaps in employment outcomes within the Year of Enterprise campaign. The observed gender gap in employment highlights persistent challenges related to gender equality and inclusion in economic opportunities. The majority of employment opportunities created by the YOE program are filled by male workers, reflecting imbalances in workforce participation and access to entrepreneurial initiatives. The disproportionate representation of male employees suggests systemic barriers and disparities that limit women's participation in entrepreneurship and job creation initiatives. Addressing gender disparities in employment generated by the Year of Enterprise program is essential for fostering inclusive economic growth and social development.

- **Gender preference of employment :** The employment data from male-owned and female-owned enterprises reveals a notable gender preference in hiring practices. Among jobs generated by male-owned enterprises, approximately 78% of positions were filled by male employees. Similarly, within female-owned enterprises, about 73% of jobs were occupied by female employees. This disparity suggests a gender bias in employment patterns within the entrepreneurial landscape. The observed gender preferences in employment highlight persistent challenges related to gender equality and representation in the workforce. Male-owned enterprises tend to hire predominantly male workers, while female-owned enterprises exhibit a similar trend with female employees. This phenomenon reflects underlying gender biases and preferences in hiring practices.

- **Workforce diversity :** The data reveals notable trends in gender diversity considerations within enterprises, indicating varying levels of awareness and preferences regarding workforce composition. A majority of enterprises (27%) reported not considering gender diversity in their workforce, reflecting a potential oversight or lack of deliberate inclusion strategies. Additionally, 19% of enterprises expressed a preference for specific genders in certain job roles, highlighting a gender-based approach to staffing within the MSME sector. The observed lack of consideration for gender diversity and the preference for specific genders in job roles underscore persistent challenges related to inclusivity and equal opportunity in employment. The data suggests a need for increased awareness and proactive measures to promote gender diversity and inclusivity within enterprises. The preference for specific genders in certain job roles may perpetuate gender stereotypes and limit opportunities for individuals based on their gender identity.

7.9 Operational Efficiency

- **Resource utilisation and SOP :** The data on resource utilisation and Standard Operating Procedures (SOPs) sheds light on varying levels of resource management practices within enterprises. Half of the respondents indicated low levels of resource wastage, while approximately 15-16% reported high levels of wastage. Surprisingly, about 7% were unaware of the extent of resource wastage in their processes. The relatively high percentage (72%) of enterprises following Standard Operating Procedures (SOPs) suggests a correlation with perceived lower levels of resource wastage. The findings highlight a significant proportion of enterprises actively implementing SOPs, which may contribute to more efficient resource utilisation and reduced wastage. However, the presence of respondents unaware of their resource wastage levels underscores potential gaps in monitoring and evaluation practices.

- **Quality Control :** Quality control is a crucial aspect of ensuring the reliability and consistency of products or services. The data on quality control practices among enterprises reveals both positive trends and areas for improvement. Approximately 58% of enterprises have implemented some form of quality control system, indicating a significant proportion actively monitoring product/service quality. Among those with quality control measures, the majority (74%) conduct regular quality checks at various production stages, demonstrating a proactive approach to maintaining quality standards. However, only a small percentage (11.37%) ensure quality through dedicated personnel or adherence to recognized quality standards like Agmark or ISI/BIS procedures. Despite these efforts, formal quality certification is obtained by only 15% of MSMEs, suggesting that while internal quality control measures are prevalent, formal certification remains limited. The findings highlight a considerable gap in formal quality certification among MSMEs, despite a notable proportion implementing internal quality control measures. Additionally, around 40% of enterprises do not have any quality control measures in place, with some citing unawareness as a reason. This underscores varying levels of quality management practices and awareness within the MSME sector.

- **Collaboration with local suppliers and vendors:** Approximately 50% of enterprises have either never collaborated with local suppliers and vendors or rarely utilised their services. However, a notable proportion, comprising 25% of enterprises, relied on supplies sourced from local markets.

- **Technology Integration :** The study emphasises the critical role of technology integration in optimising business operations and fostering efficiency across departments. However, concerning trends emerge regarding the adoption of basic technology tools among enterprises in Kerala. Approximately 40% of enterprises either never or rarely utilise basic technology such as computers, the internet, or email for essential business tasks like accounting and communication with stakeholders. This indicates a significant gap in leveraging digital tools to enhance productivity and competitiveness. In an era where technology is ubiquitous and transformative, this lack of adoption represents a significant missed opportunity for businesses to leverage digital tools for improved productivity and competitiveness. On a more positive note, nearly half of the enterprises (48%) have taken steps to integrate new technological advancements within the past year to enhance their production processes or improve service delivery. Among these adopters, a notable proportion reported significant improvements across various aspects of their business, including production efficiency, service quality, inventory management, customer engagement, cost reduction, data analysis, and decision-making.

7.10 Personal Outcomes in Entrepreneurship

The evaluation of personal outcomes among entrepreneurs participating in the Year of Enterprises (YOE) program provides valuable insights into the holistic impact of entrepreneurship on individuals, extending beyond economic measures. Participants reported generally positive outcomes across key variables, including quality of life improvement, increased social status/acceptance, development of social skills, and overall well-being and life satisfaction. These findings underscore the transformative impact of entrepreneurship on various aspects of individuals' lives. Specifically, the YOE program has contributed to improvements in quality of life, heightened social status and acceptance, development of essential social skills, and overall well-being and life satisfaction among participants. To further maximise the positive impact of entrepreneurship programs like YOE, continued holistic support, tailored skill development initiatives, and ongoing monitoring and evaluation processes are recommended. By fostering positive changes in individuals' lives, entrepreneurship programs contribute to inclusive economic growth and societal well-being, empowering entrepreneurs and communities alike. Efforts to enhance and optimise such programs will continue to yield significant positive outcomes for participants and contribute to a thriving entrepreneurial ecosystem.

7.11 Effectiveness of Year of Enterprises

Entrepreneurs participating in the Year of Enterprises (YOE) program provided valuable insights into the usefulness and awareness of various services and activities offered. These findings shed light on the effectiveness and areas for improvement within the program.

Among the most utilised and beneficial services reported were support for the GeM Portal and Udyam Registration, with 56% of respondents finding them helpful. Additionally, support provided by interns in submitting applications (53%) and assistance from Taluk Resource Persons of Enterprise Facilitation Centres (50%) were acknowledged as valuable for navigating administrative processes and accessing necessary resources. Conversely, certain services such as the Margin Money Grant to Nano Units, Whatsapp facility to 'Chat with Minister', and Grievance Redressal System are less utilised due to low awareness among entrepreneurs. This highlights the importance of improving outreach and communication to enhance service uptake.

A notable percentage of respondents (10%) found the support from Taluk Resource Persons of Enterprise Facilitation Centres to be unhelpful after utilising it. Similarly, Help Desk Services (8.3%), Support by Interns (8.8%), and the Entrepreneur Support Scheme for Manufacturing Start-ups (8%) were identified as not useful by some participants, suggesting areas for service improvement and feedback incorporation.

The study reveals notable awareness among entrepreneurs regarding specific services offered by the Year of Enterprises (YOE) program, despite a low utilisation rate. Understanding the reasons behind this discrepancy is crucial for optimising service delivery and enhancing program effectiveness. A significant percentage of entrepreneurs (30% for Support for Export Promotion, 28% for Marketing support through Trade Fairs, and 26% for Entrepreneur Support Scheme for Manufacturing Start-Ups) are aware of these services but have not utilised them. This suggests a gap between awareness and actual engagement, highlighting potential barriers or challenges faced by entrepreneurs in accessing these services. Addressing the gap between awareness and utilisation of services within the Year of Enterprises program is essential for maximising its impact on entrepreneurial development in Kerala.

7.12 Market Competitiveness and Adaptability

While the initial indicators of product/service differentiation are promising, the overall market competitiveness of enterprises is undermined by weak customer retention and brand-building efforts. Approximately 67% of surveyed enterprises reported a positive perception of their ability to differentiate their products or services in the market. Out of which, 55.49% of enterprises actively engaged in developing new products or services to meet market demands. Among these, only 40.6% of enterprises implemented deliberate efforts to retain customers, reflecting a decline from the initial perception of product/service differentiation. A mere 22.61% of enterprises engaged in deliberate brand-building efforts, indicating a significant gap in brand identity and market positioning. Overall, only 22.61% of enterprises perceived themselves as competitive in the market, a marked reduction from the earlier positive indicators.

While many enterprises believe they have successfully differentiated their products or services, their efforts to retain customers and build a strong brand are considerably weaker. This indicates a potential disconnect between product innovation and the broader market strategy, particularly in customer engagement and brand development. The lower percentages in customer retention and brand-building efforts highlight significant areas where enterprises are struggling, which could undermine their long-term market competitiveness and adaptability.

The gap between product/service differentiation and customer retention suggests that while enterprises may offer unique products or services, they are not effectively maintaining customer loyalty. This could lead to challenges in sustaining their market position over time. The low level of brand-building efforts indicates that many enterprises are not investing adequately in establishing a strong market identity. Without a clear and recognizable brand, even differentiated products or services may fail to attract and retain customers consistently.

- **Marketing Challenges :** The findings suggest that enterprises face significant marketing challenges, particularly in retaining customers and building a brand. These challenges could be due to a lack of strategic marketing initiatives or limited resources dedicated to customer relationship management and brand positioning.

- **Need for Strategic Focus :** To enhance market competitiveness and adaptability, enterprises must adopt a more strategic focus on customer retention and brand-building. This could involve investing in targeted marketing strategies, developing a strong brand identity, and fostering customer loyalty through personalised engagement and consistent communication.

- **Long-Term Competitiveness:** For sustained competitiveness, enterprises need to move beyond just differentiating their products or services. They must build and maintain strong customer relationships and invest in brand development. By doing so, they can create a more resilient market position and better adapt to changing market conditions.

7.13 Operational Efficiency

The findings reveal significant gaps in operational efficiency across many enterprises, driven by inadequate process management, limited technology use, and workforce skill deficiencies. A significant portion, 57.49%, of enterprises reported having quality control measures in place, but only 48.31% had documented and adhered to Standard Operating Procedures (SOPs). Among the enterprises, 43.14% showed the capacity to manage increased demand while maintaining comparable safety standards. Minimal resource wastage was reported by 30.69% of the enterprises, indicating inefficiencies in resource management. Out of which, only 17.4% of enterprises integrated technology into their production processes within the last year. Eventually, a small percentage, 8.44%, reported efficient supply chain management, and 8.17% demonstrated workforce skill adequacy.

The low percentage of enterprises displaying positive operational efficiency indicates widespread inefficiencies in managing internal processes, resources, and technology adoption. While a significant number of enterprises have quality control measures, the lack of adherence to SOPs suggests inconsistencies in maintaining operational standards, which can lead to inefficiencies and safety risks. The limited capacity to manage increased demand and maintain safety standards highlights potential vulnerabilities in scaling operations without compromising quality or safety.

The findings suggest that many enterprises may be operating with outdated processes, limited technological integration, and inadequate workforce skills, all of which contribute to operational inefficiencies. The disconnect between having quality control measures and effectively adhering to SOPs implies a gap in process management, where enterprises might have the necessary protocols but lack the discipline or resources to implement them consistently. The low adoption of technology and automation points to a significant barrier to achieving operational efficiency, as modern tools and systems that could streamline operations and reduce costs are not being utilised effectively.

- **Operational Challenges:** The results indicate that many enterprises face substantial operational challenges, particularly in areas like process standardisation, resource management, and technology integration. These challenges hinder their ability to operate efficiently and scale effectively.
- **Need for Technology Adoption:** The low rate of technology integration underscores the need for enterprises to invest in modern technologies that can automate and optimise various aspects of their operations, from production to supply chain management.
- **Workforce Development:** The findings highlight the importance of workforce development in improving operational efficiency. Enterprises must invest in training and upskilling their employees to ensure that they have the competencies required to manage advanced technologies and adhere to operational standards.
- **Scalability Concerns:** The limited capacity to manage increased demand without compromising safety or quality suggests that many enterprises are not prepared for growth. Enhancing operational efficiency is critical to ensuring that these enterprises can scale successfully without facing operational bottlenecks or quality issues.

7.14 Sustainability of Enterprises

The assessment of sustainability among micro-enterprises reveals significant areas for improvement across economic, environmental, and social dimensions. While there are positive trends, particularly in environmental sustainability, the overall picture suggests that many enterprises are still at risk.

7.14.1 Economic Sustainability

The economic sustainability assessment of micro-enterprises reveals that 62.22% of them are categorised as 'Moderately Sustainable.' This indicates that while these enterprises are relatively stable, they still require improvements to achieve long-term economic viability. Only 10.81% are classified as 'Highly Sustainable,' highlighting the challenges in achieving high economic performance. A significant portion, 24.80%, are deemed 'Vulnerable,' showing that they are at risk of economic instability, and 2.18% are categorised as 'Unsustainable,' indicating critical financial concerns.

The majority of micro-enterprises exhibit moderate economic sustainability, indicating a need for targeted support to enhance their financial stability and long-term viability. The low percentage of highly sustainable enterprises underscores the difficulty in achieving robust economic performance in this sector. However, the large number of enterprises classified as vulnerable indicates that many businesses are operating on the edge of financial sustainability. Without intervention, these enterprises risk falling into unsustainability, which could lead to closures and economic downturns in their communities.

The data suggests that economic sustainability remains a significant challenge for many micro-enterprises. Enhancing financial literacy, access to capital, and strategic planning are critical for moving enterprises from moderate to high sustainability levels. Targeted support is essential to prevent vulnerable enterprises from becoming unsustainable.

7.14.2 Environmental Sustainability

Environmental sustainability is strong among the surveyed enterprises, with 78.47% having a 'Positive Environmental Impact.' This suggests effective management of solid and liquid waste and a strong concern for environmental responsibilities. However, 21.53% have a 'Limited Environmental Impact,' indicating a need for improvement in their environmental practices.

The high percentage of enterprises with positive environmental impact suggests a growing awareness and implementation of eco-friendly practices. However, the existence of enterprises with limited environmental impact indicates that not all businesses have fully integrated sustainability into their operations. Despite positive environmental trends, the gap between action and perception suggests that some enterprises may not fully recognize the importance of environmental responsibility. This disconnect could hinder further progress in environmental sustainability unless addressed through education and policy initiatives.

While many enterprises have embraced environmentally sustainable practices, there is a need for continued education and incentives to bridge the gap between awareness and action. Integrating environmental considerations into core business strategies can help enterprises improve their sustainability impact.

7.14.3 Social Sustainability

Social sustainability assessment shows a balanced distribution, with 50.09% of enterprises demonstrating a 'Positive Social Impact,' which includes effective employment practices, fair compensation, and active community engagement. Conversely, 49.82% are classified as having a 'Limited Social Impact,' indicating deficiencies in areas such as employment generation, wage standards, and community involvement.

The nearly even split between enterprises with positive and limited social impact suggests a disparity in how businesses contribute to social well-being. While many enterprises are making strides in social sustainability, a significant portion still needs to improve their practices related to employment, fair wages, and community engagement. The close division between positive and limited social impact enterprises reflects the challenges in achieving broad-based social sustainability. Enterprises that do not prioritise social impact may struggle to build a loyal workforce or community support, which are crucial for long-term success.

The mixed results in social sustainability indicate that while some enterprises are making positive contributions, others are lagging. This suggests a need for policies and programs that encourage fair labour practices, workforce development, and community engagement as part of the broader sustainability agenda.

7.14.4 Comprehensive Sustainability Assessment:

The overall sustainability assessment highlights that 68.8% of enterprises are 'Moderately Sustainable,' performing reasonably well across economic, social, and environmental dimensions. However, only 4.16% are 'Highly Sustainable,' and 25.8% are 'Vulnerable,' requiring significant improvements to avoid failure. A small percentage, 1.2%, are 'Unsustainable,' facing severe challenges across all sustainability dimensions. The relatively small percentage of highly sustainable enterprises underscores the need for integrated strategies that address all aspects of sustainability, ensuring that businesses not only survive but thrive in the long term.

7.15 Scalability of Enterprises

7.15.1 Customer Value Proposition (CVP):

The analysis reveals that 53.5% of enterprises demonstrate potential for scalability in terms of offering a strong customer value proposition. While 76.5% of these enterprises engage in the collection and evaluation of customer feedback, only 65.6% have a comprehensive understanding of the market, and an even smaller percentage (53.5%) make deliberate efforts to retain existing customers.

While a majority of enterprises are actively collecting customer feedback, there is a notable gap in market understanding and customer retention efforts. This indicates that many businesses may be gathering data without fully leveraging it to enhance their customer value proposition, which is critical for scalability.

7.15.2 Business Attributes:

Among the surveyed enterprises, 53.13% exhibited a robust capacity for financial leveraging, suggesting their ability to manage debt and secure funding. However, only 29.7% successfully acquired assets, and a mere 22.7% reported an increase in net worth, indicating challenges in converting financial resources into tangible growth and value creation.

The low percentage of enterprises that have successfully acquired assets and increased their net worth suggests that many businesses struggle to translate financial capabilities into tangible growth. This gap highlights the need for better strategic planning and resource allocation to enhance business attributes essential for scalability.

7.15.3 Change Capacity:

The perception of competitiveness is relatively high, with 63.7% of enterprises believing they can compete effectively in the market. Despite this, only 35.5% have integrated technology into their operations, and just 33.2% believe they can manage increased demand, highlighting a disconnect between perceived competitiveness and actual capacity for growth.

The discrepancy between perceived competitiveness and actual technology adoption and capacity to manage demand suggests that enterprises may overestimate their readiness for growth. This insight points to the need for more realistic assessments and targeted investments in technology and infrastructure to support scalable operations.

7.15.4 Market Analysis:

A minority of enterprises have developed formal business development plans (23.5%), expanded their market base (19.7%), or articulated future market expansion strategies (18.5%). This suggests that most enterprises lack proactive strategic planning, which is crucial for sustained growth and competitiveness.

The lack of formal business development plans and market expansion strategies among most enterprises underscores a significant gap in strategic planning. Without clear direction and proactive strategies, enterprises are less likely to capitalise on growth opportunities and sustain long-term success.

7.15.5 Overall Scalability:

Ultimately, only 5.08% of the surveyed enterprises demonstrate scalability across all four dimensions (business attribute analysis, customer value proposition, change capacity, and market analysis). This indicates that comprehensive scalability is rare and difficult to achieve among the enterprises studied.

The findings suggest that scalability is a complex and multifaceted challenge for micro-enterprises. While many businesses show potential in specific areas, such as customer value proposition or financial leveraging, few can effectively combine these strengths across all dimensions needed for scalable growth. The low prevalence of formal business plans and market expansion strategies indicates that many enterprises operate without a clear roadmap for growth.

This lack of strategic foresight likely contributes to the low overall scalability observed, as businesses may miss opportunities or fail to adapt to changing market conditions. The disconnect between perceived competitiveness and actual readiness for growth highlights the importance of aligning business perceptions with reality. Investments in technology, workforce development, and infrastructure are crucial for bridging this gap and enabling scalable operations.

The study emphasises the necessity of a holistic approach to scalability, integrating strong business attributes, a compelling customer value proposition, effective change management, and proactive market analysis. Scalability requires excellence across these dimensions, rather than success in isolated areas. Scalability should be considered a strategic imperative for long-term success and competitive advantage. This requires improving internal operations and customer engagement while also focusing on external market expansion and innovation. In conclusion, while some micro-enterprises show potential in specific areas, the overall low rate of comprehensive scalability highlights the need for a more strategic and integrated approach to growth.

08

Strategic Recommendations for Enterprise Development

The Year of Enterprises (YOE) initiative, a significant catalyst for entrepreneurship and economic development in Kerala, has led to the establishment of a diverse range of enterprises. This chapter outlines recommendations aimed at enhancing the sustainability and scalability of enterprises within Kerala's entrepreneurial landscape. The key recommendations focus on addressing critical areas of MSMEs in the State identified in the study .

8.1 Strategic Programmes for Targeted Enterprise Sustainability and Scalability

8.1.1 Support for 'Highly Sustainable Enterprises'

Recommendation: Implement a comprehensive program to enhance innovation, market expansion, leadership, technology adoption, and sustainability benchmarking.

- **Sustainable Growth and Expansion Programme:** Launch a Sustainable Growth and Expansion Program with grants, subsidies, and low-interest loans to drive innovation and entry into emerging industries.
- **Export Readiness Program:** Implement an Export Readiness Program offering tailored training on international trade standards and marketing strategies for global market entry.
- **International Market Expansion:** Offer International Market Expansion Grants to support participation in trade fairs and developing new market connections.
- **Technology Adoption Hubs:** Create Technology Adoption Hubs in key regions for advanced technologies such as AI, automation, and eco-friendly solutions, with Technological Innovation Subsidies.
- **Sustainability Innovation R&D Hubs:** Set up Sustainability Innovation R&D Hubs with universities and industry experts to develop sustainable technologies and business models. Provide R&D Grants for sustainability-driven research projects.
- **Sustainability Benchmarking Initiative:** Launch a Sustainability Benchmarking Initiative with annual reporting and a Sustainability Performance Index to reward top performers and share best practices.

8.1.2 Enhance Sustainability of 'Moderately Sustainable Enterprises'

Recommendation: Launch a program to improve financial literacy, business development, access to capital, and sector-specific training for moderately sustainable enterprises.

- **Financial Literacy and Strategic Planning:** Implement financial literacy and strategic planning workshops to help enterprises manage cash flows and reinvest profits.
- **Targeted Business Development:** Provide one-on-one business advisory services to identify growth opportunities and improve operational efficiency.
- **Affordable Credit Access:** Establish a credit access scheme offering working capital loans and debt restructuring for stability and long-term viability.
- **Sector-Specific Training:** Deliver industry-specific training in key sectors like agribusiness, eco-tourism, and services to enhance resilience and competitiveness.

8.1.3 Stabilize 'Vulnerable Enterprises' and Recover 'Unsustainable Enterprises'

Recommendation: Initiate a Stabilization and Growth Programme focused on financial stabilization, environmental practices, social impact, and operational improvements to support vulnerable enterprises and move them toward sustainability.

- **Financial Stabilisation:** Provide financial support through debt relief, working capital loans, and micro-grants to stabilize operations. Implement financial restructuring schemes to reduce debt and improve cash flow management.
- **Operational Efficiency and Business Improvement:** Offer business advisory services to streamline operations, optimize resources, and adopt best practices for sustainability.
- **Targeted Mentorship and Incubation:** Create a mentorship network where experienced business leaders guide vulnerable enterprises, with access to dedicated incubators for ongoing support.
- **Social Impact Improvement:** Launch employee training programs to improve workforce development and encourage fair wage policies and social responsibility projects.
- **Environmental Sustainability Enhancement:** Introduce a green practices initiative to help vulnerable enterprises adopt eco-friendly technologies and improve waste management.

Recommendation: Launch a Recovery Programme with critical interventions to prevent closures and promote long-term sustainability for unsustainable micro-enterprises.

- **Operational Restructuring and Financial Management Support/Dedicated Recovery Fund/ Mentorship and Guidance Program:** Provide one-on-one consulting services to assist in restructuring business operations and improving financial management practices. Focus on optimizing resource allocation, cutting unnecessary costs, and rebuilding financial stability.Establish a support fund offering emergency financial assistance, including grants, working capital loans, and debt relief, to prevent immediate closures and foster recovery. Create a specialized mentorship program where experienced business leaders guide unsustainable enterprises through recovery, providing expertise in operational efficiency, financial planning, and market adaptation.

8.1.4 Scaling-Up Programme for 'Scalable Enterprises'

Recommendation: Launch a Scaling-Up Program to support scalable enterprises, focusing on customer value, financial leverage, technology integration, and market expansion.

- **Enhance Customer Value Proposition (CVP):** Provide access to advanced market research tools for enhanced customer feedback analysis and product offerings.
- **Support Financial Leverage and Asset Acquisition:** Launch a Financial Leverage Expansion Fund with low-interest loans for capital investments, and a Business Asset Acquisition Grant for expanding operations.
- **Strengthen Change Capacity and Technological Integration:** Establish Technology Innovation Hubs for advanced technology adoption and offer infrastructure development incentives to help enterprises scale efficiently.
- **Facilitate Market Expansion and Strategic Growth Planning:** Offer Business Development Grants for creating growth strategies and an International Market Expansion Program to support global market participation.

8.1.5 Comprehensive Programme for Inclusive Entrepreneurship Development

Recommendation: Launch an Inclusive Entrepreneurship Development Program promoting entrepreneurship among women, SC/ST communities, and districts with lower participation, while encouraging skill development.

- Launch targeted initiatives for women entrepreneurs with financial incentives, mentorship, and skill development.
- Develop tailored financial assistance and networking platforms for SC/ST entrepreneurs, offering grants, subsidies, and loans.
- Establish enterprise zones in districts with lower participation and provide targeted training and mentorship programs.
- Launch outreach campaigns for Udyam and GST registration, offering step-by-step guidance and digital support.
- Implement specialized workshops and collaboration with educational institutions for aspiring entrepreneurs, fostering a culture of innovation.

8.1.6 Sector-Specific Incentives and Support Programs

Recommendation: Implement Sector-specific interventions and targeted incentives. Support programs to foster enterprise development in innovative sectors like Biotechnology, Renewable Energy, and Recycling and Waste Management, and promote import substitution through domestic production initiatives.

- **Sector-Specific Incubators:** Develop sector-specific incubators and accelerators providing specialised support, including funding, mentorship, and access to state-of-the-art facilities. Encourage the adoption of import substitution strategies in these sectors to reduce dependency on imports and promote self-reliance.
- **Industry Collaboration:** Facilitate collaboration between MSMEs and large industries to drive innovation. Organise workshops and seminars to educate potential entrepreneurs about opportunities in innovative sectors.
- **Distribution System for MSMEs:** Strengthen the distribution systems for MSMEs by establishing strategic partnerships with distribution networks, providing logistical support, and promoting e-commerce platform adoption to enhance market reach.

8.1.7 Promote Data-Driven Decision-Making in product/service selection

Recommendation: Facilitate entrepreneurs to incorporate data, research, and market insights into their product/service selection process.

- Provide workshops and resources that educate entrepreneurs on the importance of market research and data analysis in making informed business decisions.
- District/Taluk Industrial Centres shall provide dedicated support and personalised consultation services to entrepreneurs through experienced business analysts and market researchers who can provide tailored guidance on selection of right products/ service.

8.1.8 Promote Digital Marketing and E-Commerce Adoption and foster Collaboration with Online Marketplaces

Recommendation: Launch a Digital Marketing and E-Commerce Training Program and establish partnerships with major e-commerce platforms to promote MSME products.

- **Digital Literacy Workshops:** Conduct workshops and training sessions focused on the basics of digital marketing, including social media management, online advertising, and content creation. These workshops should aim to increase awareness and proficiency in utilising digital tools for business growth. . Conduct regular workshops focused on the basics of digital marketing, including the effective use of platforms like WhatsApp, Instagram, and Facebook. Emphasise content creation, engagement strategies, and analytics to help entrepreneurs understand and maximise the benefits of these tools.
- **E-Commerce Platform Training:** Provide specialised training on how to set up and manage online stores on popular e-commerce platforms such as Amazon, Flipkart, and local e-commerce websites. This training should cover everything from product listing and pricing to logistics and customer service. Offer advanced courses that cover topics such as SEO, Google Ads, and email marketing. Provide practical, hands-on training to ensure entrepreneurs can apply these strategies effectively.
- **Collaborative Programs with E-Commerce Giants:** DIC shall partner Partner with major e-commerce platforms like Amazon, Flipkart, Snapdeal, Meesho, Myntra etc to create dedicated programs for Kerala-based enterprises. These programs could include features like priority listing, promotional discounts, and tailored support services to help local businesses thrive online.
- **Local Online Marketplace Development:** Encourage the development of regional online marketplaces that cater specifically to Kerala's products. This can include platforms that highlight local artisans, agricultural products, and traditional crafts, creating a niche market that appeals to a broader audience.
- **Marketing and Promotional Campaigns:** Work with online marketplaces to run marketing campaigns that spotlight Kerala-based businesses. This can involve collaborative advertising, feature sections on platforms, and social media promotions to increase visibility and sales.
- **Technical Support and Consultancy:** Establish a technical support team or consultancy service within YOE initiative to assist enterprises in digital marketing and e-commerce.

8.1.9 Market Competitiveness support

Recommendation: Conduct Competitiveness Strategy Workshops and Consultations

- Conduct workshops to educate entrepreneurs on effective market competitiveness strategies, including competitive analysis, value proposition development, and dynamic market positioning
- Consultation Services: Offer one-on-one consultations with experts to help enterprises assess their current pricing strategies, identify opportunities for optimization, and align pricing with market dynamics and customer preferences.
- Provide access to market research data and insights to assist enterprises in understanding market trends, competitive benchmarks, and customer perceptions.
- Conduct workshops to educate entrepreneurs on effective pricing strategies, including competitive analysis, value-based pricing, and dynamic pricing models.

8.1.10 Improving Access to Skilled Workforce and Support Services

Recommendation: Address gaps in availability of professional services and improve access to affordable professional services.

- Collaborate with educational institutions (Engineering Colleges, Poly Techniques, ITIs etc) to align curriculum with industry demands and foster skill development.
- Develop programs to increase the availability and affordability of professional services.

8.2 Enhancing Financial Access and Support for MSMEs

8.2.1 Promote Awareness and Access to Financial Resources

Recommendation: Increase awareness about existing credit schemes and incentives available for MSMEs, and introduce sector-specific financial support mechanisms to encourage entrepreneurship in strategic areas.

- Conduct outreach programs and workshops to educate MSMEs with financial literacy and government-backed credit schemes and subsidy programs.
- Offer workshops and training sessions on financial management, including credit management and loan eligibility.
- Collaborate with industry associations and chambers of commerce to disseminate information about credit sources and eligibility criteria.
- Expand financial support programs tailored to diverse business needs, particularly focusing on micro and small enterprises.

- Offer Sector-Specific Incentives: Offer Sector-Specific financial and non-financial Incentives, and organise workshops and training sessions on sector-specific interventions and sector-focused financial products.
- Financial Literacy and Sector-Specific Incentives: Offer workshops and training sessions on financial management, credit management, and sector-specific incentives. Collaborate with industry associations and chambers of commerce to disseminate information about credit sources and sector-focused financial products.
- Entrepreneurship Index: Develop an Entrepreneurship Index suitable for Kerala to assess and rank MSMEs regularly based on financial health, innovation, market competitiveness, and growth potential. Use the index to guide financial institutions in providing tailored credit solutions to high-potential enterprises.

8.2.2 Diversify Credit Options and Strengthen Credit Guarantee Mechanisms

Recommendations: Expand access to diverse credit sources beyond traditional MSME loans, public sector banks, and government institutions.

Recommendations: Strengthen credit guarantee mechanisms to mitigate risk for lenders and encourage MSME lending.

- Encourage private sector banks and non-banking financial institutions (NBFCs) to offer tailored financing solutions for MSMEs.
- Facilitate partnerships between MSMEs and fintech companies to provide innovative credit options.
- Expand coverage and accessibility of credit guarantee schemes to incentivize banks and financial institutions to extend loans to MSMEs.
- Enhance collaboration between government agencies and credit guarantee funds to support MSMEs with limited collateral or credit history.

8.2.3 Streamline Loan Application and Approval Processes

Recommendations: Simplify loan application processes and enhance transparency in loan approval criteria.

- Organise discussions with the State Level Bankers Committee (SLBC) to simplify the MSME loan application process.
- Develop user-friendly online platforms for loan applications and status tracking.
- Standardise loan approval criteria and provide clear guidelines to minimise rejections based on credit scores or feasibility concerns.

8.2.4 Develop and Promote Short-Term Credit Facilities, Customised Financial Products and Emergency Financial Assistance Fund

Recommendations: Develop and promote short-term credit facilities and collaborate with financial institutions to develop customised financial products.

- **Short-Term Credit Facilities:**
  - Collaborate with financial institutions to create revolving credit lines and microloans specifically designed for MSMEs.
  - Streamline the application and approval processes for short-term credit, including online platforms and reduced documentation requirements.
- **Customised Financial Products:**
  - Work with banks and non-banking financial institutions to design loan products with flexible repayment terms and competitive interest rates for reinvestment purposes.
  - Explore grant and subsidy programs that incentivize enterprises to reinvest profits into innovation and expansion.

Recommendation: Establish an Emergency Financial Assistance Fund

- **Emergency Grants and Subsidies:** Create an emergency financial assistance fund that provides grants or subsidies to businesses experiencing significant income decline to stabilise operations and prevent closures during critical periods.
- **Financial Counseling and Support:** Offer financial counselling services to enterprises facing financial distress. Expert advisors can help businesses restructure their finances, negotiate with creditors, and develop recovery plans.

8.3 Recommendations for Sustainability and Scalability of enterprises

8.3.1 Financial Health and Stability Enhancement

Recommendation: Promote a culture of financial planning among enterprises and introduce health check-ups for MSMEs, including an index/scorecard to monitor their financial stability and operational efficiency.

- MSME Health Check-Up: Implement regular financial health check-ups for MSMEs, offering diagnostic services and consultations to identify areas of improvement. Develop a scorecard system to monitor their financial stability, operational efficiency, and growth potential.
- Financial Planning Workshops: Conduct workshops on financial planning, budgeting, and resource management. Encourage enterprises to use simplified cash flow tools and financial management practices to enhance their stability and growth.

- Collaborate with local business associations and financial institutions to conduct workshops on financial management and budgeting.
- Encourage enterprises to create financial goals and budgets to allocate resources effectively.
- Provide mentorship and peer support networks where successful entrepreneurs can share best practices and insights on financial management.

Recommendation: Improve Financial Management Practices among enterprises

- Simplified Cash Flow Tools: Develop and distribute user-friendly cash flow forecasting tools tailored for micro and small enterprises. These tools should help in monitoring liquidity and predicting financial risks.
- Financial Literacy Programs: Implement comprehensive financial literacy programs focused on practical aspects of financial management, such as cash flow management, profit reinvestment, and budgeting.
- Strengthen financial management practices to support scalable business growth by implementing rigorous financial planning processes to support asset acquisition, net worth increase, and external financing.
- Advisory Services: Establish accessible advisory services providing one-on-one financial planning and risk management guidance, particularly for nano and micro enterprises.

8.3.2 Profitability and Income Growth Initiatives

Recommendation: Enhance Profitability and Move Enterprises to Profit-Making Status, and Implement Income Augmentation Programs

- Business Advisory Services: Offer business advisory services to help enterprises identify cost-saving opportunities and revenue-generating strategies.
- Innovation and Differentiation: Encourage innovation and product/service differentiation to capture new market segments and increase profitability.

Recommendation: Implement Income Augmentation Programs

- Customised Business Development Services: Provide tailored business advisory/development services, including strategic planning, market research, growth strategy, cost-saving opportunities and revenue-generating strategies. Focus on helping enterprises identify new market opportunities and optimise their business models for increased revenue.
- Revenue Diversification Support: Encourage and facilitate diversification of revenue streams through training on product innovation, service diversification, and accessing new customer segments.
- Innovation and Differentiation: Encourage innovation and product/service differentiation to capture new market segments and increase profitability.

- Continuous Learning and Development: Establish continuous learning platforms that offer entrepreneurs access to updated market trends, business techniques, and technological advancements.
- Mentorship Programs: Connect entrepreneurs with experienced business leaders and advisors who can provide guidance on strategic planning, scaling operations, and navigating financial challenges.

8.3.4 Support Innovation and Product Diversification

Recommendation: Launch an Innovation and Product Diversification Initiative

- Innovation Grants and Funding: Provide grants or low-interest loans specifically for product development and innovation. Encouraging enterprises to innovate and diversify their product lines can lead to new revenue streams and increased sales.
- Product Development Workshops: Conduct product development clinics/ workshops focused on new product development, innovation techniques, market trends and market adaptation. These workshops can equip entrepreneurs with the skills and knowledge to create and market new products effectively.
- Collaboration with Research Institutions: Facilitate partnerships between enterprises and research institutions including nearby Engineering Colleges to foster innovation. Collaborative projects can lead to the development of cutting-edge products and solutions that meet market demands and drive sales growth. Facilitate partnerships with professional associations to provide affordable services for new product development, intellectual property protection, and business operations.

8.3.5 Enhancing Technology Adoption and Workforce Development

Recommendation: Promote Technology Adoption

- Technology Awareness Campaigns: Conduct awareness campaigns to showcase successful case studies and demonstrate the impact of technology on business growth and competitiveness.
- Technology Adoption Assistance: Provide guidance and resources for leveraging technology in product development, such as prototyping tools, digital design software, and manufacturing technologies.
- Access to Technology Resources: Facilitate access to technology resources through partnerships with IT providers, offering affordable solutions tailored to MSMEs' needs.
- Incentives for Technology Adoption: Introduce incentive schemes to encourage MSMEs to adopt technology, such as subsidies for purchasing hardware/software or grants for implementing digital solutions.

Recommendation: Enhance Workforce Development and Digital Literacy

- Workforce Development: Provide ongoing training and development to empower employees with skills needed for innovation and adaptability
- Skill Development Workshops: Offer skill development workshops focused on technology integration, covering essential tools like computers, internet usage, email communication, and accounting software.
- Digital Literacy Programs: Launch digital literacy programs to educate entrepreneurs and employees about the benefits of technology adoption and basic digital tools.

Recommendation: Foster Collaborative Ecosystems for Innovation

- Collaboration with Universities/Engineering Colleges and Research Institutions: Collaborate with universities/Engineering Colleges and research institutions to offer mentorship programs tailored to entrepreneurs' needs and aspirations.
- Innovation Hubs and Accelerators: Establish innovation hubs and accelerators that provide access to technology, research facilities, and mentorship for entrepreneurs.
- Mentorship Programs: Facilitate access to mentorship from experienced professionals in technology and innovation sectors to guide MSMEs through the adoption and integration of new technologies.

8.3.6 Enhancing Customer Relationship Management

Recommendation: Strengthen Customer Relationship Management and Feedback Analysis

- Customer Feedback Analysis: Invest in systems to gather and analyse customer feedback, improving offerings based on insights.
- Personalised CRM Systems: Facilitate the adoption of simplified CRM systems that allow enterprises to track and personalise customer interactions. Offer training to improve customer relationship-building skills.
- Loyalty Programs: Develop personalised loyalty initiatives to enhance customer retention and satisfaction.
- Consumer Preference Understanding: Continuously assess consumer preferences and behaviour to tailor offerings and marketing strategies.

Recommendation: Develop Strategic Brand Identity and Market Positioning

- Brand Development Workshops: Organize workshops and seminars to educate entrepreneurs on the importance of branding and guide them through the process of developing a distinct brand identity.
- Brand Awareness Campaigns: Launch targeted campaigns to raise awareness about the significance of branding among enterprises. This can include webinars, social media promotions, and success stories of businesses that have successfully built strong brand identities.

- Brand Identity Support: Provide support to enterprises in developing and refining their brand identities, including assistance with logo design, packaging, and overall brand messaging.
- Brand Identity and Messaging: Assist enterprises in refining brand identity and messaging to communicate unique selling points effectively.
- Value Proposition Development: Provide guidance on creating compelling value propositions that highlight unique features, benefits, and customer value. Continuously refine these propositions based on customer insights and market dynamics.

8.3.7 Fostering Market Expansion and Innovation

Recommendation: Develop Strategic Business Expansion Plans

- Targeted Expansion Strategies: Create strategic business development plans based on market insights and growth potential.
- Geographical Expansion Assistance: Provide grants or low-interest loans for enterprises expanding to new locations. Offer logistical support and market entry strategies to help businesses navigate new geographic markets efficiently.
- Targeted Customer Group Programs: Develop training and resources to help businesses identify and reach new customer demographics through market research, demographic analysis, and customer segmentation strategies.
- Export Readiness Programs: Implement programs providing guidance on international trade regulations, export documentation, and market entry strategies for global markets. Offer financial incentives or grants to offset initial exporting costs.
- Market Research and Analysis Services: Offer detailed market research and analysis services to identify new market opportunities and trends, aiding businesses in making informed decisions and tailoring their strategies for sales growth.

Recommendation: Support Product Innovation and Market Competitiveness

- Product Innovation Support: Offer resources and connections to foster product innovation, encouraging the development of distinctive offerings.
- Export Readiness Programs: Implement programs providing guidance on international trade regulations, export documentation, and market entry strategies for global markets. Offer financial incentives or grants to offset initial exporting costs.
- Value Proposition Development: Provide guidance on creating compelling value propositions that highlight unique features, benefits, and customer value. Continuously refine these propositions based on customer insights and market dynamics.

Recommendation: Enhance Market Research and Consumer Understanding

- Consumer Preference Understanding: Continuously assess consumer preferences and behaviour to tailor offerings and marketing strategies.
- Market Research and Analysis Services: Offer detailed market research and analysis services to identify new market opportunities and trends, aiding businesses in making informed decisions and tailoring their strategies for sales growth.

8.3.8 Operational Efficiency Improvement

Recommendation: Optimise operational processes through technology integration and resource management.

- Improving Operational Efficiencies: Encourage the adoption of technology solutions, including automation and cloud computing, by providing grants or subsidies for improving operational efficiencies. Offer training programs on how to integrate these technologies effectively.
- Lean and Sustainable Practices: Promote simple ways to cut down waste and use resources wisely, while considering environmental impacts such as reducing emissions through energy-efficient processes. Conduct workshops on improving efficiency by optimising resource use, to save costs. Encourage continuous improvement in both operations and sustainability efforts, and integrate eco-friendly practices into product design, manufacturing, and distribution processes.
- Workforce Development Programs: Invest in continuous workforce development through regular training and upskilling initiatives. Foster a culture of innovation and continuous improvement.

8.3.9 Enhancing Quality Control Practices and Certification, and enhancing Resource Efficiency and SOP Adoption

Recommendation: Implement capacity building programs and provide assistance to MSMEs to obtain quality certifications.

- Awareness Campaigns: Launch awareness campaigns to educate entrepreneurs about the importance of quality control and the benefits of formal certification. Conduct targeted awareness campaigns through seminars, industry forums, and online platforms to highlight the importance of quality certifications for business competitiveness. Offer incentives such as preferential access to government contracts, market recognition, and branding support for certified MSMEs.

- Capacity Building: Develop training programs and workshops focused on quality management systems and certification requirements. Offer financial assistance or subsidies to MSMEs for obtaining quality certifications. Establish partnerships with quality certification agencies to streamline the certification process and reduce barriers for MSME. Provide training programs and workshops on quality management practices, internal quality control, and certification processes.
- Consultancy Services: Offer consultancy services to assist enterprises in implementing effective quality control systems and preparing for formal certification. Establish support programs to guide enterprises through the certification process, including documentation preparation and compliance.
- Incentive Schemes: Introduce incentives or subsidies to encourage enterprises to invest in quality control measures and obtain formal certification.
- Training and Capacity Building: Provide training sessions and capacity-building programs to educate entrepreneurs on effective resource management techniques and SOP development.
- SOP Development Support: Offer guidance and assistance to enterprises in developing tailored Standard Operating Procedures (SOPs) that streamline processes and minimise resource wastage.
- Best Practices Sharing: Facilitate platforms for enterprises to share best practices and success stories related to resource efficiency and SOP implementation.

8.3.10 Establishing Micro Clusters for Sustainable Development

Recommendation: Transform the independent MSMEs in the current setup to Micro Clusters consisting of approximately 50-75 enterprises closely located and having businesses of similar interests.

- Encourage similar enterprises spread across a region (within a district or a Taluk/ Block) to join micro clusters to share resources such as production facilities, equipment, and logistical support.
- Facilitate collective procurement and bulk purchasing to achieve cost savings and improve supply chain efficiency.
- Create platforms for knowledge sharing, skills development, and collaborative learning among micro cluster members towards value addition and professionalising operations.
- Develop joint marketing strategies, branding initiatives, and market penetration activities to enhance market access and reach new customer segments.

8.3.11 Establishing Micro Enterprise Parks

Recommendation: Establish Micro Enterprise Parks (MEPs) inspired by the successful models of Techno Parks and Info Parks, which will serve as specialised hubs to provide infrastructure, resources, and support services tailored to the needs of micro entrepreneurs Develop dedicated Micro Enterprise Parks equipped with modern infrastructure, shared workspaces, production facilities, and common amenities to accommodate micro enterprises.

- Develop dedicated Taluk/Block level Micro Enterprise Parks equipped with modern infrastructure, shared workspaces, production facilities, and common amenities to accommodate micro enterprises.
- Provide specialised facilities for various sectors, allowing micro entrepreneurs to access industry-specific equipment, tools, and technologies.
- Offer comprehensive business incubation services within MEPs, including mentorship, coaching, and training programs to support micro entrepreneurs in launching and growing their businesses.

8.3.12 Enhance Sustainable Procurement Practices

Recommendation: Promote responsible resource management across the supply chain.

- Supplier Engagement: Develop guidelines and support programs encouraging enterprises to partner with suppliers committed to sustainability and ethical practices.
- Life Cycle Analysis: Offer training and resources for conducting life cycle assessments to identify environmental hotspots and optimise procurement decisions.
- Sustainable Materials: Promote the adoption of eco-friendly materials and packaging through incentives and awareness campaigns.

8.3.13 Implement Waste Reduction and Recycling Initiatives

Recommendation: Minimise waste generation and promote efficient use of resources.

- Waste Audits: Provide support for conducting waste audits within enterprises to identify opportunities for waste reduction and recycling.
- Circular Economy Initiatives: Launch programs that encourage businesses to Adopt circular economy principles, such as repurposing waste materials and extending product life cycles.
- Employee Training: Develop training programs focused on waste management best practices to increase employee engagement and participation.

8.3.14 Facilitate Transition to Renewable Energy

Recommendation: Reduce carbon emissions and increase ecological resilience.

- Energy Audits: Assist enterprises in conducting energy audits to identify areas for energy efficiency improvements.
- Renewable Energy Investments: Create financial incentives and grants to encourage investment in renewable energy technologies. Tap CSR funds targeting promotion of Solar Power.
- Policy Advocacy: Advocate for state level policies that support the transition to renewable energy sources, including subsidies and tax incentives.

8.3.15 Promote Investment in Green Technologies

Recommendation: Enhance operational efficiency and reduce environmental impact.

- Technology Adoption: Encourage the adoption of energy-efficient technologies through subsidies, tax breaks, and technical assistance.
- Green Infrastructure: Support investments in green building designs and sustainable infrastructure projects.
- Capacity Building: Offer training and support for implementing green technologies and sustainable practices within enterprises.

8.3.16 Promote MSME Insurance

Recommendation: Raise awareness about the benefits of MSME insurance and the specific risks it covers, including environmental risks.

Recommendation: Provide incentives or subsidies for MSMEs to opt for insurance coverage, particularly for those operating in high-risk sectors or regions.

- Awareness Campaigns: Conduct targeted outreach programs to inform MSMEs about insurance options and how they can protect their businesses against potential risks. Educate MSMEs about the benefits and specific risks covered by insurance, focusing on areas previously affected by environmental catastrophes like landslides and floods.
- Incentives and Subsidies: Offer financial incentives or subsidies to encourage MSMEs to obtain insurance coverage, especially for those in high-risk sectors or disaster prone regions.
- Targeted Outreach: Conduct targeted outreach programs to inform MSMEs about insurance options and how they can protect their businesses against potential risks.

8.3.17 Enhance Fair Compensation Practices

Recommendation: Ensure fair and equitable compensation to foster employee satisfaction and retention.

- Transparent Salary Policies: Implement salary and wage policies aligned with industry standards to ensure fairness and transparency.
- Employee Benefits: Offer comprehensive benefits packages that prioritise employee well-being and financial security.
- Performance-based Incentives: Introduce performance-based incentives to reward employee contributions and achievements.

8.3.18 Invest in Employee Training and Development

Recommendation: Bridge skill gaps and drive excellence through continuous learning and development.

- Comprehensive Training Programs: Develop tailored training programs to address specific skill deficiencies and promote ongoing education.
- Skill Enhancement Workshops: Conduct workshops and seminars to empower employees with new skills and competencies.
- Leadership Development: Invest in leadership development initiatives to cultivate talent from within the organisation.

8.3.19 Strengthen Community Engagement

Recommendation: Demonstrate corporate citizenship through active participation in community development.

- Community Partnerships: Forge partnerships with local organisations and stakeholders to identify community needs and priorities.
- Sustainable Development Projects: Invest in sustainable development projects that align with community interests and values.

8.3.20 Promote Gender-Neutral Hiring Practices and Workforce Diversity and Inclusivity

Recommendation: Promote Gender Diversity and Equal Opportunity Initiatives, and create inclusive organisational cultures that value differences and promote equal opportunities.

- Gender Sensitization for Employers: Offer workshops and training sessions to entrepreneurs on the importance of diverse hiring practices, and educate enterprises about the benefits of gender diversity and inclusion in the workforce.
- Promoting Diversity in Recruitment: Encourage male-owned enterprises to actively recruit female employees and vice versa in female-owned enterprises, emphasising the benefits of diverse teams.
- Inclusive Policies: Encourage enterprises to adopt inclusive hiring practices that prioritise skills and qualifications, promoting equal opportunity for all individuals.

8.4 Recommendations to Enhance Effectiveness of Year of Enterprises (YOE) Program based on entrepreneurs' perspectives

8.4.1 Improve Outreach and Communication

- Enhance communication channels to ensure entrepreneurs are well-informed about the full range of available services and benefits under the YOE program.
- Increase awareness of available incentives and subsidies through targeted outreach programs.
- Develop targeted outreach strategies to increase awareness of less-utilised services.
- Implement localised interventions based on regional needs assessments.
- Provide additional support to underrepresented areas to foster inclusive growth.

8.4.2 Enhance Service Delivery and Accessibility

- Conduct feedback sessions with entrepreneurs to identify areas of improvement for services that were perceived as unhelpful or less effective, such as support from Taluk Resource Persons, Help Desk Services, Chat with Minister, Dreamvestor etc.
- Implement training and capacity-building programs for Taluk Resource Persons and EDEs to enhance their effectiveness in supporting entrepreneurs.

8.4.3 Bridge the Gap between Awareness and Utilisation

- Address barriers or challenges hindering entrepreneurs from utilising specific services by providing targeted support and guidance.
- Develop user-friendly resources and guidelines to facilitate easier access and utilisation of key services like Export Promotion, Marketing support through Trade Fairs, and Entrepreneur Support Scheme for Manufacturing Start-Ups.

8.4.4 Enhance Collaboration and Partnership

- Foster collaboration with industry associations, trade bodies, and local chambers of commerce to promote YOE services and encourage participation in relevant programs.
- Establish partnerships with educational institutions and research centres to leverage their networks and resources for increasing awareness and utilisation of YOE services.
- Organise regular networking events, workshops, and training sessions.
- Encourage active participation in local business associations to build a cohesive entrepreneurial community.

8.4.5 Continuous Monitoring and Evaluation

- Implement regular monitoring and evaluation mechanisms to assess the impact and effectiveness of YOE services.
- Use feedback and data analytics to drive continuous improvement and adaptation of services based on entrepreneurs' needs and preferences.

8.4.6 Enhancing the Sustainability Campaign

Recommendation: Implement a scientific assessment of sustainability and scalability to ensure long-term viability of enterprises.

- Develop a comprehensive Sustainability and Scalability Index to evaluate various factors such as financial health, market position, innovation capacity, and operational efficiency.
- Use the Sustainability and Scalability Index to identify potential issues early and provide targeted support.

8.5 Strengthening the Role of EDEs in Entrepreneur and Enterprise Development

Recommendation: Shift the role of EDEs from enterprise formation facilitation to higher responsibilities in entrepreneur and enterprise development.

- Provide domain-specific training in financial management, market strategies, and technological adaptation.
- Develop a mentorship program where experienced EDEs guide newcomers and entrepreneurs.
- Include technical support mechanisms and advanced business development strategies in the training modules.
- Ensure continuous professional development through workshops and training sessions.

8.6 Establishing a State-Level Project Management Unit (PMU)

Recommendation: Establish a State-level Project Management Unit (PMU) to oversee and drive the follow-up initiatives of the Year of Enterprises programme.

Recommendation: Development of Grama Panchayat-level grievance redressal mechanisms and enhancing the involvement of Local Self Government Department in enterprise development.

Roles and responsibilities of the proposed PMU includes:

Coordination and Monitoring:

- Develop a system for continuous monitoring of EDEs' activities and performance.
- Facilitate regular check-ins and progress reviews with EDEs.

Support and Training:

- Provide ongoing training and professional development opportunities for EDEs.
- Develop a comprehensive induction and branding strategy for EDEs.
- Offer recognition programs to enhance retention.
- Provide resources and support to female EDEs to help them build connections and address business inquiries.

Institutionalizing Systems and Processes

- Handholding and Support:Provide support in institutionalising systems and processes.
- Templates and Procedures: Design templates, formats, and procedures for MSME development activities.
- PR, Social Media Support: Provide inputs on social media and PR strategies, Assist in preparing standardised marketing collateral and their promotion on social media.

- Ongoing Campaigns: Create campaigns to showcase MSMEs nationally, publishing reports, pamphlets, and brochures.
- Engagement Framework: Develop a framework for active engagement with industry associations, MSMEs, and promotion bodies for data-backed policy making.
- Information Collection: Collect information to support MSMEs on various matters and use surveys for insights.
- Opportunity Scouting: Identify opportunities globally and in India for MSMEs and present them on DIC's portal.
- Government e-Marketplace Campaign: Study gaps and challenges and create a campaign to onboard MSMEs to the Government e-Marketplace.
- Hub and Online Platform:Function as a hub to connect MSMEs with service providers through an online platform.
- District and Sector Profiles: Develop detailed profiles of MSMEs by district and sector for informed decision-making.

Market Expansion and Technological Support:

- Develop initiatives to help MSMEs overcome marketing challenges, such as onboarding onto major e-commerce platforms with reduced commission fees.
- Provide training and resources for digital marketing and online sales strategies.
- Establish a dedicated research and development wing and facilitate access to new technologies and innovative solutions to enhance competitiveness and productivity.

Build Strategic Partnerships:

- Collaborate with industry leaders, financial institutions, and academic organisations to provide comprehensive support to enterprises.
- Create a network of partners who can offer mentorship, funding, and market access.
- Strategy Study: Study strategies and institutional mechanisms from other states or countries supporting MSMEs. Recommend a strategy for supporting MSMEs in Kerala, considering types of MSMEs, models, sectors, and expected support.
- Grama Panchayat Grievance Redressal: Create a grievance redressal mechanism at the Grama Panchayat level to address and resolve issues faced by MSMEs. This system should be integrated into the PMU's broader monitoring and support framework.
- Local Self Government Department Engagement: Collaborate with the Local Self Government Department to host platforms for enterprise development, such as local business forums, mentorship programs, and networking events that align with regional development goals.

09

Conclusion

This Chapter provides a brief conclusion to the report, summarising key insights and reflections from the analysis of enterprises formed under YOE initiative. The report highlights the opportunities and challanges faced by enterprises in achieving sustainbility and scalability. These findings underscore the importance of adopting targeted interventions ans support mechaisms to enhance the long-term viability of these enterprises. Moving forward, a concerted effort is essential to foster Sustainability and Scalability within Kerala's Enterprenerial ecosystem.

This report provides a comprehensive analysis of the entrepreneurial landscape in Kerala, focusing on the sustainability and scalability of micro, small, and medium enterprises (MSMEs) established under the Year of Enterprises (YOE) initiative. The findings reveal a diverse range of insights, highlighting both opportunities and challenges faced by enterprises in the state.

The Integrated Sustainability Framework highlights the importance of a holistic approach that incorporates social, economic, and environmental considerations into business practices. The overall assessment indicates that 68.8% of enterprises are classified as 'Moderately Sustainable,' demonstrating a certain level of stability across all dimensions. However, only 4.16% of enterprises have achieved 'high sustainability', high sustainability, reflecting robust performance in all areas. Meanwhile, a significant 25.8% of enterprises are categorised as 'Vulnerable,' meaning they are at risk of failure without substantial improvements, and 1.2% are considered 'Unsustainable,' facing severe challenges across all dimensions.

These findings underscore the critical need for targeted support and interventions to enhance the sustainability and growth prospects of micro-enterprises. Sustainability is not just about ensuring the survival of businesses; it represents a broader, transformative vision where enterprises integrate responsible practices that balance profitability with purpose, environmental preservation, and community well-being, while also ensuring long-term viability.

In a rapidly evolving business landscape, sustainability must be recognized as a core business imperative. Enterprises must commit to balancing economic success with social responsibility, minimising their environmental impact, and ensuring their long-term viability through sustainable practices. Achieving this requires collaboration among businesses, governments, civil society, and consumers, along with innovative approaches and collective responsibility. By fully embracing sustainability, enterprises can drive meaningful change, contribute to sustainable development goals, and shape a future where economic success is harmonised with positive societal and environmental impacts. Sustainability is not just a passing trend but a strategic necessity for enterprises aiming to thrive and align economic progress with social and environmental well-being.

Scalability remains a critical challenge, with only 5.08% of enterprises demonstrating comprehensive scalability across all four dimensions of analysis. This low percentage underscores the difficulties enterprises face in growing their operations sustainably, adapting to market changes, and expanding their market presence effectively. The challenges in scalability highlight the need for a more strategic and integrated approach to growth, focusing on enhancing business attributes, customer value propositions, change capacity, and market analysis.

Kerala's entrepreneurial landscape, catalyzed by the Year of Enterprises (YOE) initiative, has demonstrated both successes and challenges. The positive strides in sustainability and the moderate levels of scalability achieved by a majority of enterprises are promising indicators of progress. The findings reveal that the journey toward sustainability and scalability is well underway, with a significant number of enterprises already embracing sustainable practices and showing prospects of scalability. This report also underscores the need for sustained focus on innovation, collaboration, and responsible business practices, which will allow enterprises to turn these challenges into opportunities for growth. By adopting targeted strategies that enhance operational efficiencies, market competitiveness, and financial stability, Kerala's micro, small, and medium enterprises (MSMEs) can unlock new opportunities for sustainable growth. These efforts will also contribute meaningfully to the state's broader sustainable development goals, ensuring the long-term success of its entrepreneurial ecosystem.

Looking forward, the strategic recommendations provided in this report offer a clear path for building a resilient and inclusive MSME sector. By focusing on financial access, innovation, market competitiveness, operational efficiency, sustainability and scalability, Kerala's enterprises are well-positioned to thrive in an increasingly competitive global market. With a concerted effort from businesses, government, and civil society, these enterprises can become drivers of meaningful social and economic change, balancing profitability with purpose, while fostering long-term resilience and growth across the state.

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