

Factors Affecting the Expansion of Micro-enterprises: A SWOT Analysis on Cottage Level Rice Processing

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Abstract

Micro-enterprises are highly beneficial to rural low income community, in many ways. Rice Processing Village program was launched by Institute of Post Harvest Technology (IPHT) to increase the income earned by rural paddy farmers. High quality parboiling techniques were introduced to rural paddy farmers so that they can sell parboiled rice instead of paddy. This study was conducted to identify strengths, weaknesses, opportunities and threats in expanding rice processing activity as a micro-enterprise at rural level. A sample of rice processors of 30 Rice Processing Villages was selected using stratified random sampling technique. Data collection was done using focus group discussions, key informant interviews and from the secondary sources. Of the strengths identified, the participants being paddy farmers were the most important. Existing knowledge on parboiling, which was favourable in adopting the technology and existing social contacts also were strengths. Lack of capital, mainly financial to invest in the enterprise, lack of business management skills, which hampers future planning and laziness to conduct strenuous activities, were identified as weaknesses. Being situated in major paddy producing area, simplicity of the technique introduced and availability of natural resources were identified as main opportunities. Major threats identified were competition with large scale rice millers and being situated in an agricultural area, which limits the marketing opportunities and less flexibility of local banks in obtaining credit. All these factors should be considered in initiating rice processing village programs in future.

Keywords: Expansion, Farmers, Micro-Enterprise, Rice processing, SWOT

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Introduction

Micro-enterprises contribute significantly to economic growth, social stability and equity of a country. The agriculture sector is one of the most important vehicles through which low-income people can escape poverty. With limited skills and education to compete for formal sector jobs, these people find economic opportunities in micro-enterprise as business owners and employees. The Institute of Post Harvest Technology (IPHT) initiated Rice Processing Village (RPV) program in 2005 as a solution to the low income earned by paddy farmers. In rice processing village program, the participants of the program are introduced to a small scale improved parboiling technique. With the use of this technique, farmers are involved in parboiling paddy, processing it into rice and selling it in the open market. This reduces the middlemen involvement in the supply chain of rice while increasing the profits earned by the farmer (Gamawelagedara *et al.*, 2011). Therefore, this creates opportunities to initiate micro-enterprises at cottage level.

With the above main objectives, this program has been conducted in many paddy cultivating districts, such as Anuradhapura, Polonnaruwa, Kurunegala, Ampara, Kandy and Puttalam

(Dissanayake *et al.*, 2013). Although many micro enterprises initiate at cottage level, many factors affect its expansion. A SWOT analysis provides a systematic approach for analyzing options, prioritizing actions, making decisions, and focusing efforts for the greatest impact. Strengths and weaknesses assess the internal and direct factors affecting a community, while opportunities and threats assess the factors that lie outside of the control of the community, which can affect community development efforts. A SWOT analysis determines the strengths on which to build, the weaknesses to avoid or overcome, and the external positive and negative factors that may enable or impede community development efforts.

Therefore, this SWOT analysis was conducted to identify the strengths, weaknesses, opportunities and threats in expansion of rice processing micro-enterprise in order to conduct the program more effectively.

Materials and Methods

Stratified random sampling technique was used. The North Central Province was selected as the study area because RPV program has been conducted widely since its inception in 2005. Both Anuradhapura and Polonnaruwa districts

were taken for the study. Of the Divisional Secretariat Divisions (DSD) where this program has been launched, 50% of the DSDs were taken from each district. These DSDs were selected based on the highest number of RPVs present in each. Thereby, 30 RPVs from these DSDs were taken proportionately. The villages were then selected on random basis.

Data collection was conducted primarily based on focus group discussions. Discussions were held at each sample village in an environment where participants were much comfortable to participate. A group of minimum 05 RPV members from each village was randomly taken into the discussion. Any other members who were willing to participate in discussions were also taken in as a participatory approach. The moderator had been the author himself in all discussions. After explaining objectives, participants of the discussions were asked to list out strengths, weaknesses, opportunities and threats in separate sheets.

Further, key informant interviews were also conducted with a prepared check list. Key informants were the officers of governmental and non-nongovernmental institutions involved in establishing these villages and presidents of the rice processors' associations in these villages. Secondary sources were also taken for data gathering.

In the study, mainly qualitative data were gathered to identify strengths, weaknesses, opportunities and threats in the growth and expansion of the enterprise. Quantitative data were also gathered to support the qualitative data taken. Therefore, descriptive statistics were also used in the study.

Results and discussion

The main strengths, weaknesses, opportunities and threats which were identified by participants and which were common to majority of villages are discussed below under each topic.

Strengths

In all villages, the main strength identified was that majority (90%) of the RPV members are paddy farmers. Therefore, they were having their own paddy; which is the basic raw material required for the rice processing activity. Being farmers further enabled them to cultivate different varieties such as long/short grains, red/white rice, keeri samba, etc. to meet market demands and higher profits.

Being aware of paddy parboiling even before joining the RPV program was identified as strength by all the participants. Previous experience motivated them to use the newly introduced technology. Rather than adopting a totally new technology it would be easier to adopt something already known.

Existing social contacts were also identified as strengths. All participants claimed that they are constantly in contact with relevant organizations such as Department of Agriculture and IPHT, which enabled them to obtain technical support for cultivation practices and rice processing. Contacts with local banks and other supporting institutions helped to solve financial problems. All who participated in the study agreed to the fact that local banks are more willing to provide assistance to functioning ventures than new ones and to known customers than new customers. These social contacts had benefited 71% of the participants in these study villages in obtaining subsidies for rice processing.

Weaknesses

A major weakness identified was the lack of capital. Most participants were able to initiate with less capital but when expanding, financial capital becomes a major problem. Among the participants, 65% didn't have deeds for their lands. Further, they were lacking other assets such as vehicles, etc. to present as security for bank loans. This had been aggravated by the factor that habit of savings was not regularly practiced.

The participants stated that they lack business management abilities. None had received training on business management. Poor or no record keeping made it difficult to plan and expand the rice processing activity. Only 10% of the participants kept records, but had hardly used them for future planning.

Another main weakness identified was laziness and unwillingness to do strenuous activities, especially the youth. They would prefer other job opportunities for recognition and status. Only 15% of participants preferred their children to carry out rice processing as an income generating activity. Anyhow, both parents and children accepted the fact that they can earn better with this rice processing.

Opportunities

The main opportunity identified was that all these villages were established in major paddy cultivating areas. This situational benefit

enabled them to purchase paddy easily when required and even to low prices at harvesting season.

Furthermore, these participants stated that the technology introduced was simple, easy to do and give high quality rice compared to traditional methods practiced. In expanding the enterprise, same technology can be used without needing much finance. For example to increase the amount parboiled, can either increase the number of batches parboiled per day or number of parboiling equipment.

Further, participants identified many resources available in the environment. For example, well water for washing and soaking paddy, plenty of sunlight for drying, firewood and paddy husk as fuel for the stove, etc. With these natural resources cost of production can be minimized, increasing the profit margins of the rice processing activity.

Threats

The main threat stated was the competition with large scale rice millers. The commission given to traders by large scale rice millers is comparatively high than of the RPV members which limits the marketing opportunities. Further traders prefer payments being made at end of month or end of selling rice which is acceptable to large scale millers but not attractive to RPV entrepreneurs because it makes them financially unstable.

Living in an agricultural area was identified as a threat as well because it limits the rice market in the locality. Therefore, expansion will need reaching external markets which require more facilities such as transport, bags, machinery, ability to sell on credit, etc. Less flexibility of local banks in obtaining credit with regards to small scale businessmen with no fixed assets to be presented as security was also identified as a threat for the participants in expanding.

Conclusions

According to the study the major strengths identified were, the participants being paddy farmers, the existing knowledge on paddy parboiling and the existing social contacts. The major weaknesses identified were lack of capital, lack of business management abilities and laziness. The major opportunities were the RPVs being established in agricultural area, easiness and other advantages of technology introduced and the existing natural resources. The main threats identified were competition with large scale rice millers, less marketing opportunities in the locality and less flexibility of banks in obtaining credit. All these factors should be considered in initiating rice processing village programs in future and remedies should be taken for weaknesses and threats identified.

References

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