

Coconut Based Small Enterprises for Rural Development: A Case Study of Virgin Coconut Oil in Karnataka

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Abstract

Small enterprises play a significant role in economic development by contributing to employment, personal income, and the standard of living. The growing demand for coconut-based value-added products is encouraging entrepreneurs to start small businesses in coconut farming areas, both rural and semi-urban. This study, using a descriptive case study methodology, explored three small businesses producing virgin coconut oil in the state of Karnataka, India. Both qualitative and quantitative perspectives from the three cases provide evidence of the significant contribution of small enterprises to the socio-economic transformation of rural lives. Small enterprises located in rural areas have helped reduce gender inequality, lower unemployment, alleviate poverty, ensure regular income, and curb migration from rural to urban areas. Enterprises located in urban areas contribute to addressing unemployment and providing regular income to employees, while indirectly benefiting farmers through sustained demand for inputs. Therefore, the study finds that small enterprises situated in rural areas are more effective in facilitating socio-economic transformation for farmers and the rural workforce compared to those located in urban areas. This paper also recommends that policymakers formulate appropriate policies to attract entrepreneurs to establish coconut-based small enterprises in rural areas, to stabilise and accelerate economic growth.

Keywords: Coconut, Farmers, Rural Economy, Small Enterprise, Socio-Economic

JEL Classification: Q13

Introduction

The Indian rural economy is primarily based on agriculture, which forms the backbone of agri-processing

industries and supports human survival. Traditionally, agriculture and allied activities have been the primary source of income for the rural population. Despite the rise of commercialisation, a majority of the rural population has migrated to urban areas in search of better amenities to enhance their living standards (Gautam, 2017). To reduce unplanned migration from rural to urban areas and improve the socio-economic conditions of the majority of the population in the country, there is a need to create employment opportunities in rural regions. Hence, the transition in the composition of output and occupations from agriculture to more productive non-farm sectors is considered a crucial source of economic growth and transformation in the rural economy (Chand et al., 2017).

Industrialisation of rural and backward areas accelerates socio-economic development by creating employment, promoting health, increasing the quality of life, supporting local services, upgrading infrastructure, and fostering economic welfare (Sudha Venkatesh, 2012; Steiner & Atterton, 2014; Kulkarni & Narkhede, 2016). Globalisation and technological advancements have provided Small and Medium Enterprises (SMEs) with new opportunities, contributing to the country's overall production networks and economic growth. These enterprises, after agriculture, are the second-largest employment generator in India, employing nearly 106 million people and making up about 50% of the workforce, contributing substantially to income generation, GDP growth, and exports (Mukherjee, 2018). SMEs serve as a source of entrepreneurial abilities, job creation, and innovation, promoting balanced economic development across the nation. These enterprises have

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also helped achieve socialistic goals of equitable growth through industrialisation in rural and backward areas, thereby reducing regional imbalances. The nature of business activities in this sector plays a significant role in addressing various challenges such as poverty, unemployment, inequality, economic disparity, and migration (Baporikar, 2018; Tambunan, 2010; Myslimi, 2016; Fiseha, 2017; Neagu, 2016). SMEs are well-suited for the efficient utilisation of local resources and can contribute to self-sufficiency in essential consumer goods such as food, handicrafts, clothing, and agricultural implements. Several factors are crucial for the expansion of SMEs. In this regard, the Government of India has been proactive in fostering SME growth by initiating various measures and schemes such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Export Promotion of Capital Goods (EPCG), Credit Linked Capital Subsidy Scheme (CLCSS), Marketing Development Assistance Scheme (MDA), and the Make in India program. However, the current economic crisis presents a challenge for SMEs in achieving their intended objectives. To support the development of the sector, the government introduced a special economic package—Aatmanirbhar Bharat Abhiyaan—and revised the investment limit for SMEs from ₹5 crores to ₹10 crores, with a total turnover of less than ₹50 crores. This measure aims to attract more capital and entrepreneurs with innovative ideas to boost economic growth in rural and semi-urban areas. These enterprises are expected to bring about significant socio-economic developments in the rural economy.

The coconut tree, popularly known as the “Tree of Heaven,” is cultivated in rural and semi-urban areas and can be consumed raw or used as a raw material for agro-based industries. It is cultivated in 95 countries across an area of 12.30 million hectares, with an annual production of 60.77 million tonnes of coconuts. Indonesia is the leading producer of coconuts, followed by the Philippines, India, Sri Lanka, Brazil, Vietnam, Papua New Guinea, Mexico, Thailand, and Tanzania (FAO, 2018). India is the third-largest producer of coconuts, contributing around 31% to the world’s coconut production and playing a key role in the global coconut trade. In India, the southern states of Kerala, Karnataka, and Tamil Nadu collectively contribute about 84.48% of the country’s total coconut production. Karnataka is the second-largest producer of coconuts, with an annual production of 5,123.23 million

nuts across 615.26 million hectares, after Kerala (CDB, 2019).

Coconuts are versatile products used for household, commercial, and industrial purposes. The coconut sector provides a nutritious and refreshing drink, coconut oil for both edible and non-edible purposes, desiccated coconut powder for confectionery, coir/fibre for commercial uses such as coir pith, geo-textiles, and coconut shells for fuel and other industrial uses (Rethinam, 2019). The production and marketing of diversified coconut-based value-added products from the kernel, husk, wood, shell, water, and leaves provide a sustainable source of income and livelihood for rural communities (Thamban & Jayasekhar, 2012). Coconut oil, the primary commercial product, has been traded worldwide for centuries. The processing methods for coconut oil are classified into two types: dry and wet processing. Dry processing uses copra (dried coconut) as a raw material, while wet processing uses fresh coconut to extract Virgin Coconut Oil (VCO). VCO was introduced to world markets in 2000–01 and is now the fastest-growing coconut product. The Philippines is the largest producer and exporter of VCO, exporting to 42 countries in response to growing demand and its health benefits. In India, both coconut oil and virgin coconut oil are gaining prominence due to their nutritional and medicinal properties. As a result, the demand for coconut-based products as functional foods and drinks has grown significantly in recent years (Jnanadevan, 2020). Thus, the production and processing of coconut-based value-added products are expected to increase demand, facilitate competitive price realisation for farmers, and create more employment opportunities. This, in turn, contributes to the socio-economic transformation of rural lives. The remaining sections of this paper are organised as follows: Part 2 reviews scholarly studies, Part 3 describes the methodology, Part 4 presents analysis and interpretation, and Part 5 concludes the study.

Review of Literature

This paper reviews scholarly evidence on SMEs, coconut-based enterprises, and their contribution to the socio-economic transformation of rural areas, as published in internationally indexed journals such as ABDC, Scopus, and Web of Science. SMEs are crucial for socio-economic development from a global perspective. These enterprises play a key role in transforming

agriculture-based economies into industry-oriented ones, fostering innovative processing techniques and generating sustainable revenue streams, all while driving economic development (Kongolo, 2010). SMEs offer the competitive advantage of lower capital investment, reduced production costs, and the ability to absorb more workers by utilising locally available resources. They also serve as ancillary units to larger industries, producing a wide variety of products (Goel, 2017). SMEs encourage entrepreneurship and private ownership, providing business opportunities that attract entrepreneurial talent and create employment for others (Saini, 2014; Jayasekhar et al., 2019). Hassan & Mohamed (2015) studied the role of SMEs in economic and social development, focusing on factors such as networking, social impact, income improvement, and independence from financing in Argan oil SMEs in the Souss Massa Draa region. Their study found that entrepreneurs prioritise stakeholder networks over social impact or revenue enhancement. Similarly, non-farm enterprises in Papua New Guinea were found to increase household consumption and reduce income risks for rural households, playing an important role in poverty reduction and promoting in-country entrepreneurship (Schmidt et al., 2020). Sweet potato processing in East Java, Indonesia, was identified as a potential agro-enterprise to boost rural income (Peters & Wheatley, 1997). Durham and Littrell (2000) assessed the potential of peace crop enterprises in developing countries and found that such enterprises serve as indicators of income generation and sustainability. By utilising locally available raw materials with simple tools and indigenous technology, these enterprises help address gender-based constraints. Das (2015) highlighted that rural household enterprises in Assam, India, operate based on traditional skills and local resources, facilitating sustainable livelihoods for rural communities. In addition, these enterprises empower rural artisans, increase household income, create assets, build social capital, foster skill development, and improve product development and linkages (Das, 2015). The production activities of the red brick industry in Pedurangan Kidul Village were found to have a positive impact on local community welfare, improving employment opportunities and household income, while also stimulating infrastructural development (Adhitama & Satria, 2018). Abrahm et al. (2015) demonstrated that rural SMEs play a crucial role

in sustainable rural development, particularly in post-transformation processes and the integrated development of both formal and informal rural institutions in the Czech economy.

Sitikarn (2008) emphasised that Small and Medium Tourism Enterprises (SMTes), particularly those focused on ecotourism and community-based tourism, play a vital role in rural and regional transformation, facilitating the shift from primary to tertiary industry-based economies. Tieguhong et al. (2012) found that promoting non-food forest products through small-scale enterprises could be an important strategy for addressing poverty and food security in Central Africa. Ramalingam and Gayatri (2009) stated that innovation could serve as a strategic tool for developing entrepreneurship, concluding that small innovations in rural areas could significantly improve the quality of life for a large portion of the population. Lähdesmäki and Suutari (2020) examined the legitimating strategies of rural SMEs in recruiting immigrant workers. The study showed that recruiting immigrant employees is not only an economic or bureaucratic practice but also involves social empowerment. Diao et al. (2020) found that small businesses in Tanzania contribute substantially to economy-wide labour productivity. The contribution of SMEs to rural households—by creating employment, increasing personal income, improving living standards, and preventing migration to urban areas in search of better amenities—was highlighted by Straka (2015). SMEs also help reduce crime rates and provide livelihood opportunities, as found by Houghton (2017).

The SME sector can support economies by generating taxes and other revenues, contributing to stable growth. The large industrial sector also benefits from the raw materials and inputs provided by SMEs, which are then processed into specialised goods and services (Etuk et al., 2014). The role of SMEs in addressing poverty, unemployment, and local community welfare has been examined by Oyelana and Fiseha (2017) and Cicea et al. (2019). The intensive scholarly review of the aforementioned internationally acclaimed research publications highlights a gap in research focused on coconut-based small enterprises in the rural economy. This study, therefore, aims to review the impact of coconut-based small enterprises on the social and economic development of rural areas. In doing so,

it seeks to fill this research gap and contribute to the existing body of knowledge.

Methodology

The study, which focuses on understanding the impact of coconut-based SMEs on the socio-economic transformation of rural economies, adopted an exploratory descriptive case study methodology. A convenience sampling method was used to select three Virgin Coconut Oil manufacturing enterprises in the state of Karnataka, India. These units were chosen from three different districts: Tumkur, Mysore, and Hassan. The study aimed to assess the contribution of Virgin Coconut Oil small enterprises to social and economic transformation, collecting both primary and secondary data. Primary data was gathered through personal interviews using structured questionnaires. The study employed purposive and convenience sampling techniques, selecting 30 respondents from each enterprise. These respondents included entrepreneurs (Cocopreneurs), employees, farmers, and local authority office-bearers, to better understand the socio-economic transformation in the rural areas under study. In total, 90 responses on socio-economic transformation were collected, and the data were measured using a Likert scale, with ratings ranging from 1 to 5. The collected data were analysed using descriptive statistics with the help of SPSS software. Secondary data were sourced from the Coconut Development Board, Government of India, and other published resources, which also contributed to the study.

Analysis and Interpretation

Coconut-based small enterprises are techno-commercially profitable ventures that create potential income opportunities, improving the quality of life and well-being for rural communities. They also provide a beneficial opportunity for all categories of farmers, despite the higher initial investment and fluctuating coconut prices. This study, based on both primary and secondary data sources, analyses selected small enterprises producing virgin coconut oil, as detailed in the following paragraphs.

Case 1: Unit A

This unit, which manufactures virgin coconut oil, is located in Tumkur district, Karnataka, and is described in three phases:

Phase 1: Commencement

Phase 2: Growth

Phase 3: Development

Phase I – Commencement

The unit was established during the financial year 2017–18 to add value to raw coconut by processing it and enabling farmers to receive remunerative prices for their produce. The initial investment of ₹36 lakhs for setting up the processing unit was borrowed from the state finance corporation. The unit began its operations by adopting oil processing technology from the Central Plantation Crops Research Institute (CPCRI), Kasaragod, with an installed capacity to process 40 litres of VCO per day. However, during the initial stages, the unit operated at only 50% of its full capacity. The unit employed five contractual workers for the entire processing operation. These workers, who were engaged at irregular intervals, received lower wages. Raw coconuts for processing were sourced from local farmers. This arrangement benefitted both the farmers and the entrepreneur, as it allowed farmers to receive remunerative prices for their coconuts while also reducing transaction costs and securing inputs at an economical price through direct procurement. Additionally, the unit provided indirect employment to three people for transportation and coconut plucking. It also contributed to the local economy by paying municipal taxes and utilising other essential services from the local authorities. The processed VCO oil was sold at nearby shops in various places within the taluk, with free samples offered and competitive pricing strategies used. As a result, customer acceptance of the product gradually increased, leading to growing demand. However, the entrepreneur faced a financial burden due to the interest payments on the loan borrowed from the state finance corporation. Despite the increasing demand, the entrepreneur was unable to generate a surplus due to rising operational costs. The unit is equipped with machinery such as de-huskers, de-

shellers, testa removers, coconut cutters, conveyors, and other related equipment (Fig. 1).



Source: Field visit.

Fig. 1

Phase II – Growth

During this phase, the entrepreneur planned to expand operations by increasing the production capacity of virgin coconut oil to 60 litres per day. To meet the growing demand, the unit borrowed an additional ₹5 lakhs. The small enterprise began procuring larger quantities of raw coconuts from local farmers, which in turn encouraged the farmers to increase their yields and improve their income and livelihood.

Additionally, the unit expanded its workforce to nine employees to handle the increased processing and associated activities. The unit started supplying its products to shops and retail outlets in Tumkur district with the help of delivery staff. The popularity of the unit also attracted others to start their own virgin coconut oil processing businesses in the district. As a result, the unit's revenues grew, surpassing operational costs, supported by the increasing demand.

The unit not only benefitted the entrepreneur but also provided remunerative prices for coconut farmers, fair wages for employees, and addressed issues of unemployment and underemployment within the community.

Phase III – Development

During this stage, new customers, traders, and oil dealers from neighbouring districts of Tumkur began procuring virgin coconut oil directly from the unit due to its high quality and reasonable pricing. This growing demand helped reduce transportation and marketing costs.

Encouraged by this success, the entrepreneur decided to further expand production capacity to 100 litres per day, adding four new staff members. At this point, the entrepreneur had the opportunity to serve a member of a reputed social club in Bangalore, who then introduced the entrepreneur to all the club members. Taking advantage of this opportunity, the entrepreneur distributed 100 ml samples of virgin coconut oil (VCO) and followed up after one week to gather feedback. The club members were satisfied with the quality and nutritional benefits of the VCO and began placing orders through the club.

Furthermore, oil dealers in Bangalore also started ordering directly from the entrepreneur, leading to a continuous and consistent demand for the product. To meet this growing demand, the unit expanded its offerings to include other edible oils such as groundnut, sunflower, sesame, and Niger seed oils.

Through its continuous efforts to maintain quality and reasonable prices, the unit achieved better profit margins while increasing sales volume.

The small unit of virgin coconut oil created significant demand for locally available coconuts, which benefitted farmers by ensuring consistent and remunerative prices. It provided regular employment for thirteen workers, addressing issues of both unemployment and underemployment. Farmers and employees were able to educate their children, access affordable healthcare, and secure nutritious food, which helped combat malnutrition.

These improvements also resulted in increased personal incomes and purchasing power for both farmers and employees. Furthermore, the unit provided equal opportunities for both men and women, promoting gender equality. The local authorities benefitted from the taxes and fees collected, as they provided essential amenities

to the unit, ensuring smooth operations. The success of the unit also spread the message of rural entrepreneurship, contributing to the socio-economic development of the region.

Case 2: Unit B

This small enterprise, which manufactures virgin coconut oil, is located in Mysore district, Karnataka, and is described in the following three phases:

Phase I – Commencement

The unit was established in 2013 with the goal of producing high-quality value-added coconut products, particularly virgin coconut oil. Initially, the unit received support from the Council of Scientific and Industrial Research – Central Food Technological Research Institute (CSIR-CFTRI), Mysore, and the Coconut Development Board, Government of India, for the extraction of oil from coconut milk using the cold-press method.

The entrepreneur borrowed ₹40 lakhs from a financial institution to begin processing operations. The unit started with a production capacity of 60 litres per day and employed six workers on a contractual basis. The raw coconuts were initially procured from dealers, which led to higher input costs due to the dealer's margin. This resulted in a higher cost of production compared to other virgin coconut oil manufacturing units. The oil was sold among friends, relatives, and the local community to gauge customer perception.

Favourable word-of-mouth and local demand from traders motivated the entrepreneur to continue with the business. The entrepreneur explored various strategies to sustain the enterprise, reduce production costs, and increase sales volume.

Phase II – Growth

During this phase, the entrepreneur focused on reducing production costs and increasing sales by exploring new opportunities. The procurement policy was changed, and the unit started sourcing raw coconuts directly from local farmers at competitive prices, cutting out the middleman and reducing procurement costs. This also encouraged farmers to supply quality coconuts in anticipation of better prices than those offered by village agents.

Additionally, the unit hired employees from rural areas, which helped reduce labour costs. The reduction in production costs allowed the unit to price its products competitively in the market, leading to increased demand from local traders in and around Mysore district, who began placing bulk orders. To meet the growing demand, the entrepreneur expanded the production capacity to 120 litres per day. The entrepreneur also formed partnerships with oil marketing companies, leveraging business networks through national trade shows and exhibitions to scale up sales. The unit stabilised and began generating better revenue thanks to the increasing demand for its high-quality virgin coconut oil (Fig. 2).



Source: Field visit.

Fig. 2

Phase III – Development

Once the unit stabilised its operations, it began supplying virgin coconut oil to retail outlets and major marketing agencies in the cities of Mysore and Bangalore. Seeing the positive growth in demand for his coconut oil, the entrepreneur launched his own brand of virgin coconut oil (VCO). This small enterprise was able to reach a wider customer base by offering natural and fresh virgin coconut oil.

The enterprise also diversified its product line, introducing coconut-based products such as non-fried coconut chips, coconut pickles, coconut vinegar, desiccated coconut powder, flavoured coconut milk, herbal hair oil, Ayurvedic herbal powders, and handmade soaps, all on a small scale. This diversification created additional employment opportunities for the local workforce, enabling them to

manage various processing activities and improving their standard of living through regular earnings.

The procurement of raw coconuts from rural farmers also increased, providing greater returns for the farmers. As the business grew, it had a positive impact on both the enterprise and the community, bringing significant changes to the lives of rural farmers and workers. While the virgin coconut oil processing unit located in the urban areas of Mysore facilitated farmers and workers by offering remunerative prices and personal income, it did not directly contribute to the socio-economic transformation of the rural area itself.

The unit provided consistent employment for the rural workforce, offering regular income, whereas many had previously worked in agriculture with irregular earnings. It also helped rural farmers realise better prices for their coconuts due to the growing demand for raw materials for value-added products. These changes allowed farmers and employees to generate steady incomes, address unemployment, alleviate poverty, and gain access to better healthcare, education, and an improved standard of living.

Case 3: Unit C

The commencement, growth, and development of the virgin coconut oil processing unit located in Hassan district, Karnataka, are outlined below:

Phase I – Commencement

This coconut-based processing unit was established to generate employment opportunities for coconut farmers and rural women, as well as reducing migration from rural to urban areas through the production of coconut-based value-added products. The Bangalore-based startup began operations in the rural area of Hassan district in 2017, using the entrepreneur's capital.

The processing unit employed a small workforce of both women and men, who were considered the driving force behind the production of virgin coconut oil. This not only helped address gender inequality but also provided opportunities to reduce underemployment in rural areas. Using the cold-press method, the unit processes virgin coconut oil from locally sourced coconuts, with a production capacity of 50 litres per day.

The procurement of raw coconuts directly from local farmers allowed them to receive better prices than they had previously. Initially, the enterprise sold its products to peers and acquaintances, promoting its unique selling proposition of quality at affordable prices. However, the unit struggled to become profitable due to low sales volume, a lack of awareness about the benefits of VCO, and mounting operational costs.

Despite these challenges, the enterprise provided significant benefits to rural women and men by guaranteeing regular wages, which contributed to their economic empowerment and helped stabilise their livelihoods (Fig. 3).



Source: Field visit.

Fig. 3

Phase II – Growth

Faced with struggling sales, the enterprise adopted innovative marketing strategies, emphasising the uniqueness and benefits of virgin coconut oil. It developed its own brand name and created more awareness among the local community and beyond, aiming to increase demand for its products. The unit began supplying its products, with a rural touch, to 20 outlets in Bangalore and 3 outlets in Mysore. This expansion helped the unit increase its sales volume.

Encouraged by the growing demand, the enterprise decided to increase its production capacity to 100 litres per day. In line with its commitment to the socio-economic development of the farming community, the unit began procuring raw coconuts directly from coconut farmers

to meet the growing demand for value-added coconut products. Additionally, it hired a rural workforce for its processing activities, offering them regular income.

Phase III – Development

Gradually, the unit diversified its product range, adding coconut-based value-added products such as dehydrated coconut chips, coconut sugar, vegan wax candles, shell bowls, soap, coir dish scrubbers, and coir pith pots. The unit now offers approximately ten different coconut-based products, with prices ranging from ₹100 to ₹850.

As a result, the unit provided part-time employees with regular employment and income through various coconut-based processing activities. It also expanded its market presence by listing its products on e-commerce platforms such as Amazon, Community Farm, and Farmizen, which helped the business reach a wider customer base as online shopping became increasingly popular. The venture has recently started exporting its products to Singapore as well. What began as a small initiative aimed at the socio-economic development of coconut farmers has grown with the support of committed employees and partners. The business now looks forward to expanding its operations and activities. Moreover, the unit has earned a reputation in the local community, where local leaders have recognised its entrepreneurial talent and its ability to help small-scale farmers realise remunerative prices. It has also provided regular salaries and employment to the rural workforce.

Socio-Economic Contribution

The respondents' perceptions of the socio-economic contributions made by the three small and medium enterprises (SMEs) producing virgin coconut oil are summarised in Table 1. According to the data, Unit A, located in the rural area of Tumkur, has made a significant contribution to social transformation, especially in terms of reducing gender inequality (mean value: 4.83) and unemployment (mean value: 4.77). Additionally, it has helped alleviate poverty, ensured regular income, and reduced migration from rural to urban areas (ranks 3, 4, and 5, respectively).

In contrast, Unit B, located in the urban area of Mysore, has had a more limited impact on the social transformation of rural areas. Although it has significantly contributed to reducing unemployment (mean value: 4.63) and ensuring regular income (mean value: 4.60), its contribution to poverty alleviation, reducing gender inequality, and curbing migration is moderate. Additionally, its impact on reducing crime rates and improving access to health and education is minimal.

Unit C, located in the rural area of Hassan, has had a significant positive impact on ensuring regular income (mean value: 4.83) and reducing unemployment (mean value: 4.70). The unit also contributed to reducing gender inequality (rank 3), alleviating poverty (rank 4), and suppressing migration from rural to urban areas (rank 5).

Table 1: Socio-Economic Transformation by Coconut Based Small Enterprises

Sr. No.	Criteria	Unit A	Unit B	Unit C
A	Social			
1	Poverty alleviation	3 (4.70)	3 (3.57)	4 (4.17)
2	Reduction of Unemployment	2 (4.77)	1 (4.63)	2 (4.70)
3	Regular Income	4 (4.63)	2 (4.60)	1 (4.83)
4	Gender inequality	1 (4.83)	5 (3.43)	3 (4.20)
5	Suppressing Migration from rural to urban	5 (4.62)	6 (2.43)	5 (3.70)
6	Reduction in Crime rates	6 (3.67)	7 (2.33)	7 (2.53)
7	Access to health and education	7 (3.63)	4 (3.47)	6 (3.63)
B	Economic			
1	Increase in personal income	1 (4.80)	1 (4.53)	1 (4.70)
2	Removes regional- economic disparity	4 (4.73)	6 (2.70)	3 (4.50)
3	Promotes rural entrepreneurship	3 (4.73)	7 (2.67)	4 (4.47)

Sr. No.	Criteria	Unit A	Unit B	Unit C
4	Enhancement of purchasing power and consumption capacity	2 (4.77)	2 (4.50)	2 (4.63)
5	Increase in Standard of living	5 (3.73)	4 (3.40)	5 (4.46)
6	Contributing to industrial production	7 (1.43)	3 (3.43)	6 (3.90)
7	Utilisation of local resources for effective sustainability	6 (2.73)	5 (2.93)	7 (3.00)

Source: Authors' calculation based on primary data.

Note: The values in parenthesis represents mean value of corresponding factors.

Findings and Recommendations

The study, based on the analysis of three virgin coconut oil enterprises, found that Unit A and Unit C, located in rural areas, provided regular employment that increased the personal income and purchasing capacity of farmers and employees associated with the company. These units also played a crucial role in encouraging rural entrepreneurship and significantly contributing to socio-economic development.

On the other hand, Unit B, located in an urban area, contributed significantly to improving the living standards of farmers and employees through employment generation and regular income. However, it did not play a major role in the social development of rural communities. The study reveals that establishing and promoting SMEs in rural areas can significantly improve the economic status of rural communities. These coconut-based small enterprises can further enhance their competitiveness by expanding their product offerings, exploring emerging e-commerce platforms, setting up kiosks in IT parks, and participating in networking events, exhibitions, and trade fairs to expand their customer base and foster business growth. Moreover, the study suggests formulating suitable policies to attract and promote coconut-based small enterprises in rural areas, which could accelerate economic growth. These policies should focus on providing access to finance, and developing the managerial, marketing, and technical skills needed to sustain coconut-based businesses.

Conclusion

Small enterprises are considered key drivers of economic growth and national development. Coconut-based small enterprises operating in rural and semi-urban areas contribute to socio-economic development by creating employment, generating income, alleviating poverty, reducing migration, addressing economic and regional

disparities, and fostering economic welfare. Karnataka, being the second-largest producer of coconuts, faces challenges as coconut farmers struggle to obtain remunerative prices for their produce due to their early exit in the trade value chain. Therefore, the processing of coconut-based value-added products is essential for supporting farmers, workers, and rural development. Establishing coconut-based SMEs with limited capital can promote rural entrepreneurship, leading to the socio-economic transformation of rural areas. This transformation has been observed in the three cases of virgin coconut oil processing units in the study. Units A and C, located in the rural districts of Tumkur and Hassan, have significantly contributed to the transformation of rural lives, while Unit B, located in Mysore, has facilitated farmers and rural workers in obtaining better prices and creating employment opportunities. The location of small enterprises plays a critical role in rural economic development, offering valuable opportunities for scholars to undertake studies on financial feasibility, product development, entrepreneurial challenges, and more.

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