

## Publication

# Business and Investment Strategies of Micro Enterprises in Disaster Affected Areas of Gujarat, India

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Business and Investment Strategies of Micro Enterprises in Disaster Affected Areas of Gujarat, India A study based on a pilot survey of micro enterprises organized in a Chamber of Commerce for Industry and Small Scale Businesses, as measured against a control group of micro enterprises not organized. Basel Development Studies No 3 , in cooperation with Mihir Bhatt, All India Disaster Mitigation Institute, Ahmedabad The objective of the study was to analyze business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India, as exemplified by micro enterprises registered in the Chamber of Commerce for Industry and Small Scale Businesses (CCISB) set up by All India Disaster Mitigation Institute (AIDMI), a local NGO based in Ahmedabad, India but operating nation-wide. Key questions of this study related to how micro enterprises manage their businesses, handle credit, savings and investment, prioritize their investment, overcome and adapt to disasters/external shocks. The objective was to find out what factors define success or failure of micro enterprises, how organization in a Chamber of Commerce for Industry and Small Scale Businesses influences business, credit, and savings practices, and how this compares with the practices of micro enterprises which are not organized. The pilot survey of the total of 308 micro enterprises (204 organized in CCISB and the control group of 104 micro enterprises not organized) was carried out in 2008 in slum communities of different disaster areas of Gujarat, including earth quake and flood affected areas (Bhuj), drought affected areas (Patan) and community riot (man-made disaster) affected areas (Ahmedabad and Sabar Kantha). Conclusions of the study both regarded behavioural patterns and large scale development work. Regarding behavioural patterns, it was found that (1) social capital goes to the detriment of financial capital and that vulnerability is thus increased through personal financial choices and priorities of investment. (2) Savings and financial literacy are main factors of success, but the key issue remains what savings are used for (social capital or business-related investments). (3) Financial literacy is not necessarily related to levels of education. (4) Empowerment nurtures innovation and development. Women proved to be more innovative as to developing profitable, home-based business ideas improving the overall economic situation of a family by their input. Rural poverty could be linked to the more traditional role of women in this context. (5) As to large-scale development work, systematic evaluations and ratings of NGOs could have a positive impact on donor systems and increase the efficiency of development work. Funded by the Commission for Research Partnerships with Developing Countries of the Swiss Academy of Sciences, research funds from the University of Basel and the Freiwillige Akademische Gesellschaft of

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