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Sustainable Growth and Labour Challenges in Rural Enterprises: A Case Study on Shreya Enterprises

Shreya S H

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"It is never too late to start, and serve your purpose"

-M R Hanumanthappa

This case study examines the labour challenges in scaling up faced by Shreya Enterprises, a rural areca plate manufacturing unit in Shivamogga, Karnataka. Founded in 2019, the enterprise promotes eco-friendly products and women's employment. Key issues included workforce instability, lack of skilled labour, and low retention, worsened by the COVID-19 pandemic. Through flexible work policies, local engagement, and on-the-job training, the enterprise stabilized operations while maintaining its sustainability goals. The study highlights how small-scale businesses can integrate social and environmental responsibility to overcome labour issues and build resilient models for rural development.

About Shreya Enterprises

Shreya Enterprises is a small-scale manufacturing unit based in Sidlipura, Shivamogga, Karnataka, specializing in the production of eco-friendly areca leaf plates. Founded in 2019 by Mr. Hanumanthappa M R, a former Volkswagen service manager, the enterprise was established with a clear vision to contribute to the reduction of plastic waste and to empower local communities, especially women.

The company produces biodegradable plates, which are used as an alternative to plastic and styrofoam products in various sectors, including food service, events, and packaging. These plates are made using fallen areca palm leaves, a resource that would otherwise be discarded, ensuring that the manufacturing process is both environmentally sustainable and economically viable.

Shreya Enterprises operates with a small but dedicated workforce of five employees. The unit prides itself on being a women-empowered business, focusing on providing job opportunities and training to local women. This empowerment, combined with the company's strong environmental ethics, forms the core of its business model.

Despite the setbacks caused by the COVID-19 pandemic, which led to disruptions in production and workforce stability, Shreya Enterprises demonstrated resilience by focusing on community engagement, local sales, and adaptable business practices. Today, it continues to grow as a socially responsible enterprise that strives for sustainability, innovation, and positive societal impact.

The business emphasizes a people-first approach, providing flexible work hours and fostering a supportive environment to ensure the well-being of its workers. Through its operations, Shreya Enterprises has proven that small-scale businesses can thrive while making significant contributions to the environment and the local economy.

About the Founder

Mr. Hanumanthappa M R, the founder of Shreya Enterprises, is a former Volkswagen service manager who made a bold shift from the automotive industry to rural entrepreneurship. Driven by a passion for sustainability and community development, he established the areca plate manufacturing unit in 2019 in Sidlipura, Shivamogga. His decision to start Shreya Enterprises stemmed from a desire to create an environmentally responsible business while also addressing unemployment in his hometown.

With no prior background in manufacturing, Mr. Hanumanthappa learned the intricacies of areca plate production through self-education, hands-on experimentation, and local engagement. His leadership is marked by a strong belief in women empowerment, ethical employment practices, and sustainable innovation. During the challenges of the COVID-19 pandemic, he remained committed to retaining workers and adapting business practices

to ensure continuity. Today, he is recognized not only as a businessman but also as a community-oriented changemaker who combines eco-consciousness with social responsibility.

Objectives of Shreya Enterprises

1.Our company ensures environmental sustainability through its production of compostable areca plates which act as plastic item alternatives. The establishment helps decrease plastic waste alongside preventing ecologically harmful pollution.

2.The company will establish job programs which particularly target female candidates because this initiative creates both economic self-reliance and local community progress. The company will provide training and workplace development for employees that strengthens their job market performance.

3.High-quality areca plates with numerous design options will be provided to address all customer market specifications. The company should innovate both design and production approaches to maintain market competitiveness and sustainability.

4.The organization should create and maintain an environment that emphasizes employee care which provides employees both value and motivation. The workforce should work together while the company guarantees equal compensation and just working arrangements.

5.The company supports local farmers by obtaining its raw materials from within the same region to build up the local economy. The company should develop sustainable relationships with the community through reliable business operations.

6.The business should reach more consumers to make them understand environmental benefits from green products. Shreya Enterprises should build its position as a respected sustainable products brand throughout the market.

Operations Area and Business

- Shreya Enterprises maintains its business facilities at Sidlipura which is located in Shivamogga. The primary market includes:
- The business maintains distribution operations for environmentally conscious businesses and catering services and event planners who work in Shivamogga and nearby areas.
- The business supplies regional distributors through which it reaches its distribution area.
- The business continues exporting into foreign markets by targeting nations showing high demand for eco-friendly biodegradable products.

Product and Services

Shreya Enterprises manufactures biodegradable areca plates made from naturally fallen areca leaves. The products are:

1. Shapes and Sizes:
    - Round plates: Commonly used for events, parties, and catering. Most demanded in the local market.
    - Square plates: Aesthetic and functional for varied uses. Mostly exported.
2. Customizable Sizes: Products are available in various sizes to meet diverse requirements.
    - Round plates
        - 4 inches
        - 6 inches
        - 8 inches
        - 10 inches
        - 12 inches
    - Square plates
        - 6 inches
        - 7 inches
        - 10 inches

Features of the Products:

- 100% biodegradable and compostable.
- Free from chemicals, making them safe for food contact.
- Sturdy, leak-proof, and suitable for hot and cold foods.

Services:

The timely distribution of distributor needs along with their orders stands as one of their primary services.

The company creates customized bulk orders as part of its services and provides production for weddings and events and businesses.

The company provides personalized sizes as well as quantity options based on requirements for the local market.

Production Process at Shreya Enterprises

Shreya Enterprises follows a sustainable, efficient, and eco-friendly process to manufacture areca leaf plates. The entire workflow is thoughtfully designed to maintain product quality, ensure hygiene, and minimize environmental impact. The process can be broken down into five key stages:

1. Collection of Raw Material

The process begins with the collection of naturally fallen areca palm leaves, primarily sourced from local plantations. Since these leaves are naturally shed by the tree, their use involves no deforestation or environmental damage. Shreya Enterprises collaborates with nearby farmers to collect these leaves, thereby supporting local livelihoods and ensuring a steady supply of raw material. The leaves are sorted manually to remove any that are too damaged or unsuitable for production.

2. Drying

Once collected, the leaves are spread out in open, sunlit areas or under drying sheds, depending on the weather conditions. This drying process is crucial to remove moisture from the leaves, which helps prevent mold growth and enhances the strength and shelf life of the final product. Proper drying also ensures that the leaves retain their natural texture and quality before being shaped.

3. Cleaning

After drying, the leaves undergo a thorough cleaning process. They are washed using clean water to remove dirt, dust, and any organic debris like insects or sap. This step is essential for maintaining hygiene, especially since the end products are used in food service. The cleaned leaves are then left to dry again briefly to remove any remaining surface moisture.

4. Molding and Shaping

This is the core step of the manufacturing process. The dried, clean leaves are placed into hydraulic or manually operated heat-pressing machines. These machines use customized metal molds to shape the leaves into various forms, including round, square, rectangular, and compartmentalized plates. Under high temperature and pressure, the leaves are pressed for a few seconds, which gives them a sturdy, durable shape without the need for chemicals or adhesives. The heating also sterilizes the plates, making them safe for food contact.

5. Trimming and Quality Check

After molding, the edges of the plates may have uneven parts. These are trimmed manually or mechanically to give the product a clean, finished look. Each plate is inspected for defects such as cracks, discoloration, or improper molding. Only plates that pass the quality check proceed to the next step.

6. Packaging

The final stage is packaging. The plates are bundled and wrapped using eco-friendly or recyclable materials to maintain the sustainability ethos of the enterprise. Proper labeling and quantity verification are carried out, especially for bulk or export orders. The packaged plates are then stored in clean, dry conditions until they are dispatched for local sale, institutional supply, or export.

Overview of the industry

The manufacturing sector of areca plates expanded rapidly throughout the past years because the public grew more conscious about environmental sustainability while facing an urgent requirement to cut down plastic waste. Arecaceous plates made from recycled palm leaves present an environmentally sustainable option as they degrade naturally along with offering eco-friendly replacement for plastic and paper disposable goods. Manufacturing of these plates starts by natural leaf collection and follows steps to clean the leaves after which they receive moisture removal treatment before molding takes

place in custom-designed structures. The sustainable manufacturing process now fits international environmental policies which prohibit single-use plastics throughout different nations.

India leads the industry producing areca plates since many of its areca nut plantations exist in southern regions such as Karnataka, Kerala and Tamil Nadu. This territory contributes intensely to the rural economic prosperity by supporting small business owners alongside women business leaders because it demands minimal investment yet heavy participation of human labor. Domestic and international markets accept these plates because they have an attractive design and durable quality along with being nontoxic. The market expansion for sustainable exports has soared particularly in essential regions like USA and Europe along with Australia because these regions demonstrate rapid interest in environmentally friendly products.

A Trade-Off

At Shreya Enterprises, a key trade-off emerged between maintaining sustainable, eco-friendly practices and ensuring financial viability while addressing labour welfare. As a small rural enterprise committed to using only natural, fallen areca leaves and avoiding chemical treatments, the production costs remained relatively high compared to mass-produced plastic or paper alternatives. Simultaneously, the business's limited profit margins restricted its ability to offer competitive wages and formal employee benefits, which contributed to challenges in retaining skilled labour. Efforts to support women through flexible work hours and on-the-job training improved social impact but occasionally slowed production efficiency. Thus, the enterprise had to carefully balance ethical employment, environmental sustainability, and economic survival. Instead of maximizing profits, Shreya Enterprises chose to prioritize community empowerment and eco-consciousness, accepting slower scalability and higher operational pressure. This trade-off highlights a common dilemma faced by grassroots sustainable businesses, doing what is right versus doing what is profitable, and underscores the need for policy support, subsidies, or incentives to help such enterprises grow without compromising their core values.

Challenges in scaling up

While the company operates three machines to mold areca leaves into plates, its production process ranging from raw material sorting to quality checks remains highly manual. This manual approach, although precise, creates several operational bottlenecks.

A key issue is the company's inability to scale up production efficiently. The small workforce, spread thin across two shifts, is heavily overburdened during peak demand such as festival seasons or large corporate orders. This leads to fatigue, absenteeism, and ultimately a drop in productivity. Cross-training employees has helped to a degree, but the lack of backup workers makes it difficult to maintain continuity, resulting in delays, lost revenue, and unhappy customers.

Even with three machines, the facility operates below optimal efficiency machines run at only 75% capacity due to manual-intensive tasks like material handling and shaping. These inefficiencies underline the need for workforce expansion or automation to enhance output.

Although running a lean team may save costs initially, it puts the company at risk during high-demand periods or unplanned absences. The overworked staff, combined with inconsistent output, raises concerns about long-term sustainability and product quality. The current cross-training system adds flexibility but does not solve the core problem of labor dependency. These limitations are especially felt during peak seasons, when the inability to scale leads to unmet demand and potential revenue losses.

To improve operational efficiency, Shreya Enterprises must consider two main options: expanding the workforce or partially automating production.

Option 1: Expanding the Workforce

Increasing the number of employees is the most direct solution. More staff would improve shift rotations, reduce employee fatigue, and ensure production runs smoothly even with occasional absences. This approach would also allow for better utilization of existing machines and a boost in daily output. However, hiring more workers would increase financial and managerial burdens. Unless there is consistent growth in demand, higher payroll costs may strain profitability.

Financial Impact: Hiring three more workers at ₹10,000/month each would raise operational costs by ₹30,000 per month (₹3.6 lakh annually). This expansion would allow for an additional 1,500 plates per day. The financial viability of this approach depends on sustained demand growth to offset the added labor expense.

Option 2: Partial Automation

Introducing semi-automated machines for repetitive tasks such as cutting and shaping offers a more scalable long-term solution. Automation can reduce the reliance on manual labor, enhance output speed, and improve consistency in product quality. However, the upfront investment may be a barrier for a small enterprise like Shreya Enterprises

Financial Impact: A semi-automated machine costs around ₹3.5 lakh, with ₹5,000 monthly maintenance. This could increase production efficiency by about 30%, potentially leading to higher monthly revenues, making it a viable long-term investment.

Operational Impact:

- Reduced workload and employee fatigue.
- Enhanced efficiency and product consistency.

- Need for employee training to operate new machinery.
- Possible resistance to technology adoption from current staff.

Cost-Volume-Profit (CVP) Analysis

A comparative financial analysis highlights the following:

- **Workforce Expansion**: ₹30,000 additional monthly cost.
- **Automation**: ₹3.5 lakh one-time investment + ₹5,000/month maintenance; estimated 20% efficiency boost.

Decision Point for Shreya Enterprises

Despite a 38.83% increase in sales and growing profitability, Shreya Enterprises struggles with production bottlenecks due to labor shortages and manual operations. With five workers and three machines running across two shifts, the company produces about 14,400 plates daily. However, demand surges—especially from bulk buyers and export clients—strain operations, particularly during peak seasons with a 20% spike in demand. Compounding the problem are issues with raw material supply, rising labor costs, and supply chain disruptions.

The Founder now faces a strategic decision:

1. **Invest in Automation** – Purchase semi-automated equipment to improve production efficiency, reduce labor dependency, and ensure product consistency. While costly upfront, it offers scalable growth and long-term savings.
2. **Expand Workforce** – Hire more workers to increase capacity, reduce shift stress, and stay true to the company's community-focused model. This aligns with the company's values but carries ongoing payroll costs and may not fully solve production inefficiencies during peak demand.

Future Prospects

Shreya Enterprises has strong potential to emerge with rising demand for sustainable products and supportive government policies, the market outlook is favorable.

Investing in automation could help the company scale efficiently, reduce costs, and break into larger and international markets. However, managing upfront investments and training will be essential. Alternatively, expanding the workforce promotes job creation and preserves the traditional manufacturing model, but long-term growth may be hampered by inefficiencies and rising labor costs.

For continued success, Shreya Enterprises should also consider product diversification, enhanced marketing, and forging strategic partnerships with distributors and retailers. Ultimately, striking the right balance between labor and technology will be key to ensuring sustainable growth and industry competitiveness.

Questions for discussion

1. What are the risks and rewards of each proposed solution (automation vs. workforce expansion)?
2. Should Shreya Enterprises invest in automation or expand its workforce? Justify your answer using the provided cost-benefit data.
3. What labor-related issues has Shreya Enterprises encountered, and what strategies have they used to address them?
4. How does Shreya Enterprises' business model contribute to rural development, and can it be replicated in other regions?
5. How can public policies and subsidies be leveraged to support eco-friendly small-scale manufacturing businesses?