



Role of Micro Enterprises in Economic Development in India

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Abstract

Micro enterprise play a significant role in the economic development. They are important to boost the economy from the primary position. Though, micro enterprises are small in size but collectively they represent a huge portion in the economy. They help to improve the quality of life of the people in developing countries and serve the local communities. The study showed that microenterprises are more in number than small and medium enterprises in India. It also found that it provides employment opportunities to numerous people. It helps to raise the standard of living of the people, with no formal education as such. There has been an increase in the number of women entrepreneur to initiate and run a micro enterprise. Thus, microenterprises should be promoted and encouraged for the profitable growth of the developing nations. The government should apply more robust plans, schemes and opportunities for the progress and growth of microenterprises.

Keywords: MSME, micro enterprises, economic development, economy, employment

INTRODUCTION

India's Micro, Small and Medium Enterprise (MSME) have a considerable part in the socio-economic development. It helps to induce employment, to correct regional imbalances, reduce inequalities etc. They assist in providing reasonable backing for better access to the domestic and export markets for businesses. They help support product development, design innovation, upgradation of technology, infrastructure. MSME's also assist in furnishing employment opportunities, credit limits and loans. They have played a significant role and have proven to be an important factor in the forecasting of the Indian Economy.

Revised classification of MSME w.e.f 1 July, 2020. There is a composite criteria for of investment in plant and machinery/equipment and turnover. The classification is as follow:

Manufacturing Enterprises and enterprise rendering services:

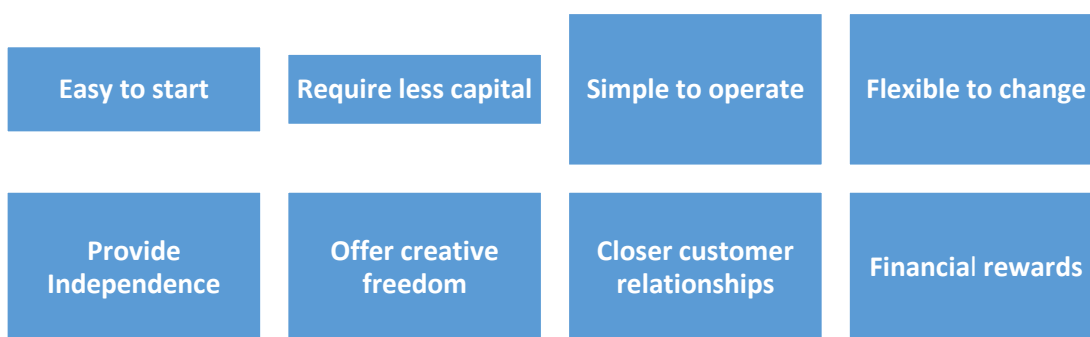
Micro- Investment in plant and machinery/equipment not more than 1 crore and Turnover not more than 5 crore.

Small- Investment in plant and machinery/equipment not more than 10 crore and Turnover not more than 50 crore.

Medium- Investment in plant and machinery/equipment not more than 50 crore and Turnover not more than 250 crore.

Micro enterprises are usually small businesses which are financed by micro credit. They are also known as microbusinesses. It mostly employs few people and specialize in providing goods and services in the local markets and areas. Though micro enterprises are small in size and scale but together they represent a huge portion of the economy. The small size does not have to be permanent. This area of business is not constrained and any business can expand their scale when good openings come their way. Micro entrepreneurs with desire, good strategy and innovation can successfully grow and transform any business. Micro enterprises can thus help innovative entrepreneurs by starting with limited finances and then depending on the success rate can grow consequently.

Micro enterprises are:



Economic development can be defined as an increase in the real per capita income of a person, which results in improvement in the situation of living. Micro enterprises bring about economic development in the local economy. They provide jobs and create profits that bring outside money into the economy. They assist in improving the quality of life for people in developing countries and the serve the local communities. They help the business owners make profit and also add value to the local community. It help generate immediate business opportunities with relatively low capital or investment. It helps promote balanced regional development.

Micro enterprises may be small in size but together collectively they form a significant portion of the economy. Some examples of microenterprises are; Skill based service jobs, beauty salon, tailors, street vendors, small scale farmers, bakeries, food vendors and caterers etc.

It has been observed that Indian Micro entrepreneurs are taking a lead to bring about a change and play an important role in economic development. Earning income is not their sole purpose of running an enterprise but also to harness an opportunity or to find a result to various applicable problems.

Micro enterprises help in the integration of the backward areas into public development plans. It aids in filling the gap in underdeveloped economies and in the mobilization of India's natural

resource. Encouraging the growth of micro enterprises can increase the per capita income of the economy and thus help fuel the profitable growth of the entire nation.

They are important to boost the economy from the grass root level. They usually cater to the near surrounding and provide goods and services to the locals. Running a microenterprise in a community stimulates the inflow of money within that community. It further helps to raise the standard of living of that area. Entrepreneurs are able to improve education and lifestyle of theirs and their future generation. They work as role model for the coming generation. It helps create a positive cycle of development and betterment in the society.

REVIEW OF LITERATURE

Charles (2003) through his paper tried to analyze the potential contribution of one subset of SME's, micro enterprises and the role of micro finance to regional economic recovery and poverty alleviation. The paper studied about the various types of micro enterprises that are in existence in East Asia. It is important to differentiate for formulation of policy.

First type can be described as livelihood enterprises, which represent a significant part of income for the entrepreneurs and poor households. These kind of enterprises do not generate much employment and hardly grow. The economies of East Asia which were adversely affected by regional crisis, focus on these to alleviate poverty. The other type of Micro enterprise is growth oriented. These have the potential to grow into small and medium enterprises. They represent a smaller proportion of micro enterprises but are sustainable in terms of income and employment generation. Their development affects a small population but they do represent a better prospect for the long term development of regional economies. The paper suggested that the recognition of both the types of enterprises is important.

A paper presented by **Dr. S. Maria and Mr. Rajeev (2023)** examined the number of MSME units, production, employment opportunities and export in the pre and post globalization period. It also tried to identify the influencing factors of MSME units. The study was conducted on the micro, small and medium enterprises in the industrial areas of the Bihar state. It concluded that MSME have substantially contributed to the economic development of the nation. It stands to second position next to agriculture in terms of employment generation in the study area. MSME's have greater openings to grow as ancillary industries to alleviate industrial growth. The study found that the most important factor to influence the start of MSME is self-employment which scored the first rank. The other factor is financial assistance and it ranked second.

Kumarjay and Dr. Swati (2021) did a comparative study on the estimated and actual number of MSME's in India. The study found that the estimated number of MSME as per the Census survey of 2015-2016 showed that Uttar Pradesh has the highest number of MSME followed by West Bengal and Tamil Nadu. The total actual number of MSME as per the UDAYAM portal data up to November, 2022 by MSME development department showed that Maharashtra state has the highest number of MSMEs followed by Tamil Nadu and Uttar Pradesh. The study also found the correlation between the estimated and actual number of microenterprises was 66.9%, small enterprise was 78.3% and for medium enterprise it was 15.2%.

Jain and Shanmugan (2022) in their paper evaluated the impact of micro enterprises on women empowerment. The stimulus for women led microenterprise can be found in the form of women immersion, financial access, market sustenance and social gratitude. Also women empowerment can be reflected in terms of financial, political, edifying (social) and family empowerment. The paper suggested that the key factor for creating women immersion in microenterprises is personal financial contribution to the business, active engagement in business affairs, inspiring others to participate in business and thrust for income generation. Micro enterprises assist women entrepreneurs in improving their saving habit, obtaining credit, ensuring regular income and expenses.

In the study by **Jacob Joju (2023)** it was observed that Information and Communication Technology (ICT) and technologies like artificial intelligence can help in the empowerment of poor women. The paper tried to examine how ICT adoption can be used for competitiveness of micro enterprises, especially those run by women. AI enabled technologies help women to retrain, upskill and equip themselves. Women who have digital and financial literacy are more independent than other women. With the ICT enabled tools they can operate their businesses with cost effectiveness.

OBJECTIVE OF THE STUDY

- To analyze the contribution and growth of Micro enterprises as compared to Small and Medium Enterprises.
- Schemes provided by government to micro enterprises.

RESEARCH METHODOLOGY

The study is based on secondary data. The data was collected from published and unpublished sources such as MSME annual report (2022-2023), Government of India and through relevant journals, newspapers and websites.

Data Analysis

Distribution of MSME category wise:

Activity Category	Estimated number of enterprises (in lakhs)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	00.01	00.03	.004	00
All	324.88	309.00	633.88	100

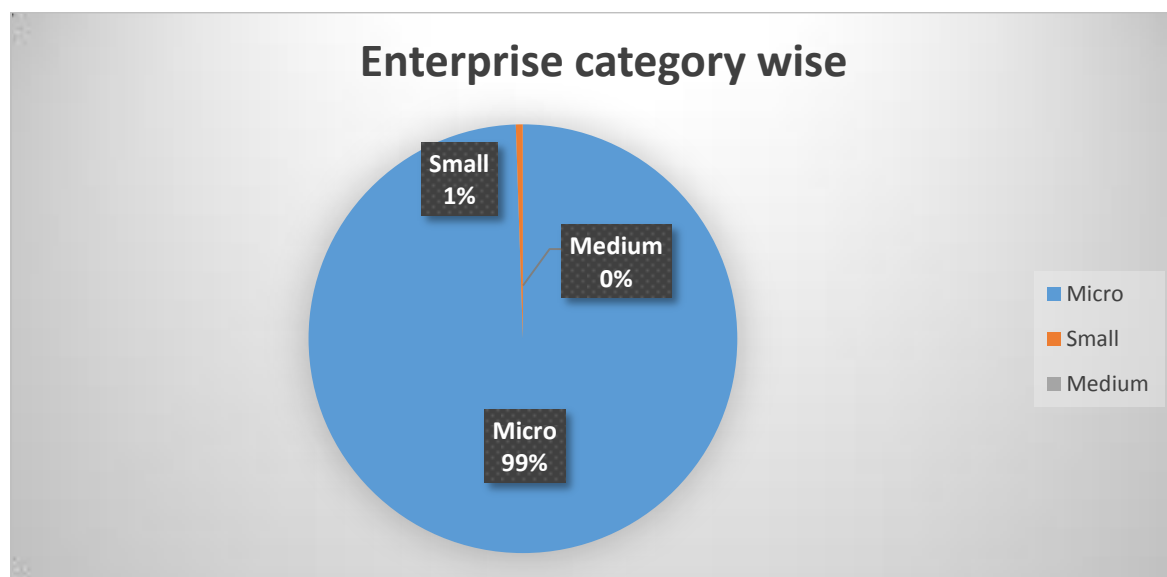
*Data as per MSME Annual Report 2022-2023 (NSS 73rd round, 2015-2016)

Distribution of Enterprise Category Wise:

Sector	Micro	Small	Medium	Total (in lakhs)	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
Total	630.52	3.31	0.05	633.88	100

*Data as per MSME Annual Report 2022-2023(NSS 73rd round, 2015-2016)

It can be observed from the table given above that the number of micro enterprises are more in number than small and medium enterprises. It demonstrates that though micro enterprises are small in size but collectively they form a significant portion.



The same is depicted through a pie chart. The significance of Micro enterprises in India.

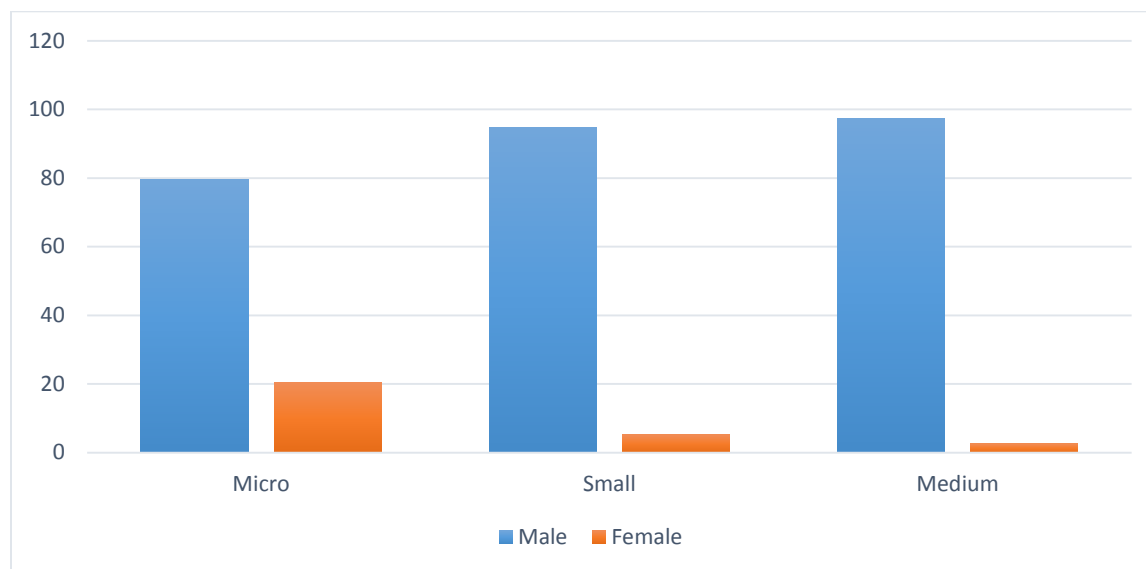
- **Percentage distribution of enterprises owned by male and female entrepreneurs wise:**

Category	Male	Female	All
Micro	79.56	20.44	100

Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

*Data as per MSME Annual Report 2022-2023(NSS 73rd round, 2015-2016)

The data shows that still it is a male dominated domain. Majority of the population running or operating an enterprise are men. But it can be observed that the share of women participation is high in micro enterprise than in small and medium enterprise.



The same has been explained with the help of a bar graph. It can be observed that there is a considerable difference between men and women operating a small or medium enterprise. On the other hand the gap between men and women running a micro enterprise is filling and showing a positive trend.

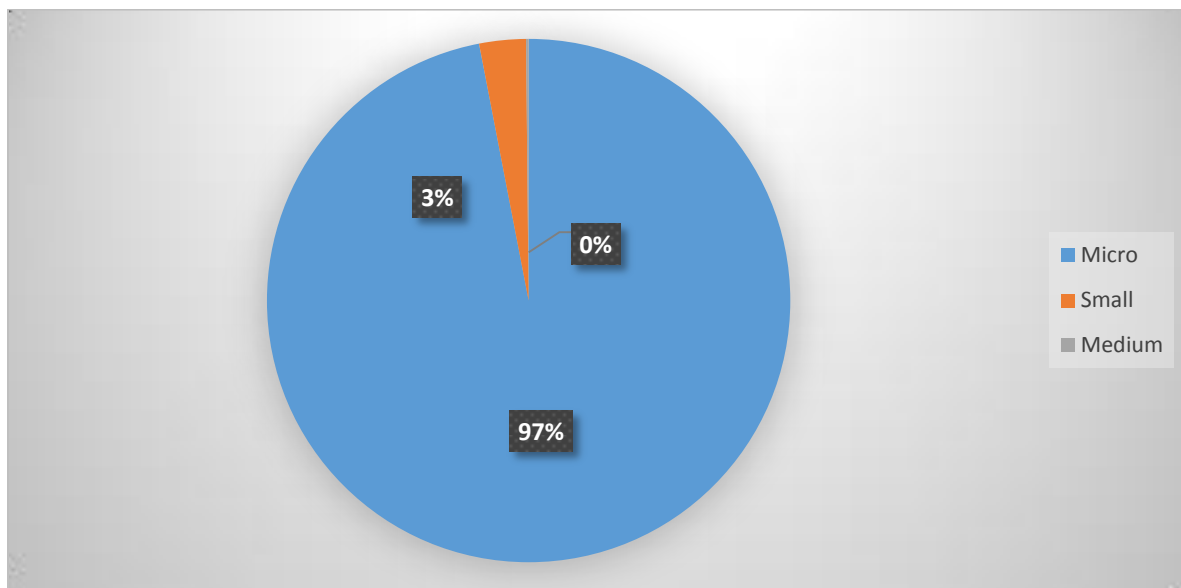
Distribution of Employment by type of enterprises in Rural and Urban areas:

Sector	Micro	Small	Medium	Total(in lakhs)	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

*Data as per MSME Annual Report 2022-2023(NSS 73rd round, 2015-2016)

It can be inferred with the help of the above data that a large number of people are employed in micro sector. It gives a source of income and a living to many people. The numbers are high in both urban and rural areas.

- **Employment by type of Enterprise**



The employment status has been shown by a pie chart. The figure exhibits that the micro sector employs and gives a living to the maximum number of people as compared to small and medium sector.

SCHEMES PROVIDED BY THE GOVERNMENT

- **Pradhan Mantri Mudra Yojana** – It is a refinancing scheme for advancing to micro and small enterprises in the manufacturing, trading and service sector. The loans provided through this scheme are also called MUDRA loans.
- **Micro Finance Program** – This program was started to enhance and improve the reach of micro credit programs and reduce the fiscal burden on micro finance institutions and non-governmental organizations. The Government of India offers funds for micro finance program to SIDBI called the Portfolio Risk Fund.
- **Credit Guarantee Fund Scheme for Micro and Small Enterprises** – The government of India launched the CGS scheme to provide credit guarantees on collateral free term loans.
- **Prime Minister Rozgar Yojana** – This scheme relates to setting up of self-employment ventures through industry services and business routes. It assists in furnishing employment to educated persons who are jobless.
- **Micro and Small enterprises cluster development programme** – It assists and helps to create infrastructural facilities for existing clusters in MSE's and industrial area. It focuses at the growth of MSE's by addressing advancements in sustainable and green

manufacturing technology, market access, skills and quality etc. and setting up common facility centers.

FINDINGS

- Micro enterprises hold a significant portion of the MSME sector in India.
- In India, majority of the MSME are still owned and operated by men. The share of women as compared to men in the MSME sector is less.
- It was observed that the gap between men and women operating a small and medium enterprise is huge whereas the difference between men and women running a micro enterprise is bridging and also showed a positive trend.
- Women participation is more in micro enterprise than in small and medium enterprise.
- The micro sector employs the maximum number of people as compared to the small and medium enterprise.

CONCLUSION

The study exhibited that micro enterprises play a crucial role in India's economy. The difference between established micro and small/medium enterprise is significant and hence, micro enterprises outnumber the SME's. It proves that due to various features such as independence, less capital, easy to start, profits etc. people are opting to run and operate a micro enterprise.

Women are showing interest, bringing in new ideas and initiating businesses. They are also taking up initiative to run an enterprise as it provides them with independence, flexibility, social prestige along with the monetary rewards. The number of women engaged in micro enterprise is more than that in small and medium enterprise.

Micro enterprises are not only convenient or easy to start but it also provides employment opportunities to many people. It assists in providing means of living even to those who may or may not have the education to enter the formal job market. Thus, it is essential to provide micro entrepreneurs with proper training and the required resources to succeed. They usually use the local resources and skill. If there is any kind of art form or service specific to that region, it helps to keep it alive by engaging and promoting it.

It has been observed that micro and small scale enterprises have shown phenomenal growth over the years. Micro units can not only help provide employment but also create jobs for people with varied levels of skill and education. They can prove to be of tremendous usage to the developing nation like India. Thus, with the right support and investment micro entrepreneurs can boost the economy.

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