Spread, Development and Functioning of Micro Enterprises

Amit Kumar Gupta,
Research Scholar, Dr. RMLAU , Faizabad

Dr. R.N.Rai
Dr. RMLAU , Faizabad

Abstract

The creation of money and employment, as well as advancements in science and technology, may all benefit from micro-enterprise. They are crucial in the fight against poverty. The question is how those who lack formal education, financial backing, and other advantages can compete in the commercial world. Micro-enterprise, often known as small business, is a means through which individuals may establish and develop their own means of economic self-sufficiency. Many of these enterprises get their starts as side gigs or are run out of people's homes; they eventually grow to employ others in the neighbourhood. This article attempted to talk about the funding opportunities for small businesses.

Key Words: Small and Medium-Sized Businesses, Manufacturing, Service Industries, .

Introduction

Small businesses, or "microenterprises," play a crucial role in every country's industrial and economic growth since they provide additional job openings, revenue, export possibilities, and resource utilisation. This means they are considered to be homegrown and traditional industries.

Due to strict government control and devotion to socialist ideas, India's economy progressed slowly for more than thirty years after its independence in 1947. After taking power in the late 1970s, the Janata Party launched a number of liberalising economic changes that boosted development and prosperity throughout the following decade. Prior to the troubles that began in the late 1980s and culminated in a major foreign debt crisis in 1991, India's economy developed at a far quicker rate. In spite of mounting pressure to default on its foreign debt,

the Indian government instead ushered in a new age of economic liberalisation, ushering in profound shifts in the country's growth strategy and deeper participation in global markets.

In the early 1990s, small and medium-sized enterprises (SME) became a focal point

The government has been paying special attention to the potential for expansion and economic significance of smaller businesses in this environment. The Small Industries Development Bank of India (SIDBI) was established in 1990 by legislation as the primary financial organisation for the purpose of fostering, financing, and developing small-scale industry in India. SIDBI's annual report states that in the present day, the organisation administers two funds totaling Rs 2,000 crores with an emphasis on "risk capital financing" and improving the MSME sector's capacity for refinancing.

After establishing the Ministry of Small Scale Industries (SSI) in 1991 and providing direct aid to the MSME sector via measures such as granting smaller firms preferential production rights to a curated list of industries, the government has been progressively removing this protection as it shifts towards more market-friendly economic policies. There are only 506 products and services on the list as of March 2005.

Enterprises Large and Small

Micro, Small, and Medium-Sized Enterprises (MSMED) are divided into two categories according to the MSMED Development Act of 2006.

Organisation That Produces Goods

Any industrial venture, commercial concern, or other facility involved in the manufacturing or production of commodities in any form is considered a "Manufacturing Enterprise" for the purposes of the Industries (Development and Regulation) Act, 1951.

- In order to be considered a "Micro Manufacturing Enterprise," a company's capital expenditures on machinery and other equipment must be less than 25 million rupees.
- Manufacturers with a plant and equipment investment of more than Rs. 25 lakhs but less than Rs. 5 crores are classified as micro, small, and medium enterprises (MSMEs).

- A firm that has spent more than 5 crores but less than 10 crores in machinery and other equipment is considered a Medium Manufacturing Enterprise.

Business That Provides a Service "Service Enterprise" means a commercial taking on, company concern, or other company of any kind engaged in providing or rendering any service or services;

1) Service enterprises where the amount invested in devices exceeds Rs. 10 lakhs are considered Micro Service enterprises.
2) Small Service Enterprises (SSEs) are service-based firms whose total capital expenditures on machinery and other fixed assets are more than 10 lakhs but less than 2 crores.
3) Businesses that provide services and have an equipment investment between 2 and 5 crores are classified as medium service enterprises.

Review of Literature

Many microbusiness owners, including those studied by Nurbani Binti Hassan and colleagues (2008)in their article "Financial Constraints and Opportunities of Micro Enterprise Entrepreneurs: A Theoretical Framework," encounter monetary challenges, especially at the outset. Many small businesses are still waiting to use the bank financing that is available to them. So yet, just 13% of those who applied have been approved for this kind of financing.

An paper by Wawire (2008) et al. titled "Factors affecting the management of women groups' micro and small enterprises in Kaka mega District, Kenya" The research concluded that financial, administrative, managerial, technological, political, traditional, and cultural elements all have a role in the administration of MSEs in WGs. The WGs' incompetence in these areas has a negative impact on the MSEs.

This paper, written by Surjit Kumar Kar(2007) and titled "Knowledge process of rural handloom community enterprise: A narrative study of Sambalpuri Bastralaya in India," is a useful resource for learning about and comprehending rural microenterprises, as it details the methods used to collect, organise, and disseminate knowledge in rural weaving communities.

According to Prasad (2006) et al.'s "Micro-enterprise quality" article. According to their research, in the developing world, self-employment and micro-enterprise activities are the primary means of subsistence for the vast majority of people. Most small businesses can't compete with the big guys when it comes to quality or pricing because of the prevalence of industrial giants in their industries.

Objective of the study

1. To identify the financing opportunities available for MSMEs in India.
2. To assess the present situation of MSMEs in India.

Research Methodology

For the current study the researcher collected the data from the MSME report published in the year 2006-07.

Table - 1 Enterprises in operation, broken down by industry share

Nature of Activity	No. of Working Enterprises (Lakhs)	Percentage of Share
Manufacturing	11.61	65.48
Services	3.00	16.92
Repairing & Maintenance	3.12	17.60
Total	**17.73**	**100**

Table No. 1 displays the percentage split of active businesses by industry. Approximately 66.48%, or 11.61L businesses, are engaged in manufacturing; 16.92%, or 3.00L businesses, are engaged in providing services; 17.60%, or 3.12L businesses, are engaged in providing repairs and maintenance. Sixty-nine point ten percent of the micro-businesses are in the manufacturing sector.

Table - 2 Distributional statistics for businesses

Area	Proprietary	Partnership	Pvt. Company	Public Ltd. Company	Cooperative	Others
Rural	93.5	1.99	2	0.54	0.22	1.99
Urban	89.32	5.21	4	0.75	0.43	3.54
Total	**91.41**	**3.6**	**3**	**0.65**	**0.325**	**2.77**

Table No. 2 shows the percentage distribution of businesses in rural and urban regions by organisation type. The percentage of businesses in the proprietary sector was 92.40 percent, followed by 2.82 percent in the partnership sector, 1.89 percent in the private company sector, 0.43 percent in the public limited company sector, 0.38 percent in the cooperative sector, and 2.08 percent in the other sectors. Co-operative structures of ownership account for no more than 0.30 percent of micro industries, whereas proprietary structures account for no less than 90.08 percent.

Table 3 - The gender breakdown of business ownership

Area	Female	Male
Rural	16.11	83.89
Urban	11.99	88.01
All	**14.05**	**85.95**

The following table displays the percentage breakdown of businesses by gender of their owners in both rural and urban settings. Male-owned businesses made up an overwhelming majority (85.95%) in rural regions, while female-owned businesses made up just 14.05%. The majority of businesses in metropolitan areas (88.01%) were owned by men, while just 11.99% were owned by women. Micro-businesses are mostly male-owned (83.89 percent).

Table 4 - A breakdown of business ownership by ethnicity

Area	SC	ST	OBC	Others
Rural	9.8	3.99	44.88	41.33
Urban	6.24	2.01	32.56	59.19
Total	**8.02**	**3**	**38.72**	**50.26**

Table No. 4 shows the percentage distribution of businesses in rural and urban locations by social category of owner. In contrast to other demographics, 44.88 percent of rural property owners identified as members of the OBC. The percentage of owners from the Other social group was the highest in urban areas, at 59.19%, compared to 32.56% from the OBC, 6.24% from the SC, and 2.01% from the ST. Micro-businesses may be held by members of the ST community at a rate of no more than 3 percent, with the maximum ownership rate falling in the 50.26 percent range.

Table 5 - Business Ownership Distributions According to Religion

S N	Religion	No. of Working Enterprises (lakhs)	Percentage
1	Hindu	13.4	78.45
2	Muslim	1.62	9.48
3	Sikh	0.62	3.63
4	Christian	0.54	3.16
5	Jain	0.1	0.59
6	Buddhist	0.03	0.18
7	Others	0.77	4.51
Total		**17.08**	**100.00**

Based on the data in Table No. 5, we can see that the majority of businesses (78.45%) are owned by Hindus, followed by 9.48% of Muslim-owned businesses (1.63 businesses), 3.63% of Sikh-owned businesses (0.62 businesses), 3.16% of Christian-owned businesses (0.54), 0.59% of Jain-owned businesses (0.1), 0.18% of Buddhist-owned businesses (0.03), and 4.51% of Others-owned businesses (0.77 businesses).

Table 7 - Businesses with a significant presence in each state

S N	State/UT Name	No. of Working Enterprises (lakhs)	Percentage
1	Tamil Nadu	2.01	11.77
2	Gujarat	1.21	7.08
3	Uttar Pradesh	1.52	8.90
4	Kerala	1.12	6.56
5	Karnataka	0.62	3.63
6	Madhya Pradesh	0.45	2.63
7	Maharashtra	0.68	3.98
8	Rajasthan	0.22	1.29
9	Bihar	0.4	2.34
10	Punjab	0.42	2.46
11	Total of above 10 States	7.88	46.14
12	Others	0.55	3.22
Total		**17.08**	**100.00**

In Table No. 7, we can see that compared to the other ten states, Tamil Nadu has a much higher percentage (11.77%) of active businesses (2.01 lakhs). 7.08 percent of the country's entrepreneurs live in Gujarat, where there are 1.21 million businesses, 8.9 percent in Uttar

Pradesh, where there are 1.52 million, and 6.56 percent in Kerala, where there are 1.12 million. The percentage of businesses in Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Bihar, and Punjab that are less than 8.71% is 1.36 lakhs. Micro-businesses are most prevalent in Tamil Nadu (11.77%), while they are least prevalent in Punjab (2.46%).

Suggestions

1) The development of entrepreneur skills and advances in technology after globalisation have led to growth in the service sector and the repairs and maintenance industry.
2) Small and Medium-Sized Enterprises (SME) with a Proprietary Business Structure excelled because of persistent toil and unwavering commitment to their ventures.
3) Additionally, the traditional and technological bared are very important to the field. As a result, new business owners are gravitating towards that industry.
4) The cross-sectional degree of different socio-economic discrimination among SC and ST-owned MSME in the country is quite bad.
5) Despite several opportunities and encouragement, no Government official has ever succeeded in starting their own business. So, it's important to establish a new ministry whose only purpose is to raise SC/ST people's level of entrepreneurial consciousness.

Conclusion

The agricultural sector and its associated industries, which include the country's many rural, labor-intensive MSMEs, are crucial to India's economy. These sectors have more potential to contribute to the country's long-term prosperity through creating many new jobs. As a result, they need to update their industrial regulations to reflect current thinking and international best practises. The micro, small, and medium-sized enterprise (MSME) sector need more financial and technical support to modernise production capacity and promote quality services to prospective clients.

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