



It's time to redefine focus on microenterprises

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How are microenterprises defined in your country? Simply put, a microenterprise is the smallest venture which involves production of goods and/or services to obtain profit. In India, for example, microenterprise in manufacturing sector is one where investment in plant and machinery doesn't exceed INR 2.5 million and for service sector investment in equipment doesn't exceed INR 1.0 million. It excludes investment in the land. Similarly, in Bhutan, microenterprise is one having an investment of less than Nu 1 million, and employing four or less people. Theoretically, this definition includes all forms of economic activities but in practice, predominant activities falling at the lower end of microenterprise continuum are not even recognised. They are not defined explicitly and are clubbed with bigger enterprises. These are informal in nature and face higher risks and vulnerabilities. Different government ministries and agencies use different definitions to suit their organisation mandate. Consequently, these remain outside the ambit of any business promotion policy of the government. The reason behind it may not be ulterior but a deliberate attempt to avoid an exclusive focus on them in absence of any reliable and in-depth information and proper targeting strategy to support them.

The lowest end of microenterprise continuum, also known by various other names such as cottage industries, home-based enterprises, food and service stalls, and vendors and own account enterprises, implicitly mean activities of poor and not worthy enough of business development ser-

VICES but deserving social security benefits only.

The agriculture, though meeting enterprise definition, and providing the highest employment, is kept out of microenterprise gamut. Agriculture does get government patronage through various subsidies but doesn't get investments and policy support similar to bigger enterprises. The net result is its declining contribution to national economy but over employing rural mass till such time it renders itself uneconomical and forces them to migrate to cities in search of better livelihoods options.

An economic activity, irrespective of its size and investment, is an enterprise. All enterprises face similar challenges like attracting and retaining consumers, marketing effectively, and remaining competitive and sustainable. Therefore, definition of microenterprise should be applied in terms of characteristics of enterprise rather than the classification based on the characteristics of a sector or an industry. This would ensure inclusion of all new emerging economic activities and also many existing ones which at present remain excluded.

Microenterprises thrive on their own surviving recessions and changing consumer tastes and lifestyles. Microenterprises are characterised by low capital investment, initiated and managed mostly by an individual, family or few individuals, self employment, use of traditional and simple technology, utilisation of local resources, cash and informal transactions, and the ease of an entry and an exit. Many micro-entrepreneurs may operate microenterprises not by choice, but out of necessity. It is equally true that no decent formal or in-

formal job would fetch them sufficient earning matching their low education and skill level as would do a microenterprise.

Most microenterprises start with minimum market research and almost instantly. These require small working capital which is accessed through family and friends at no or low interest, and where it is not available, through local money lenders at exorbitant rate of interest. Microenterprises lack collateral and are unable to get funds from formal financial institutions. Micro-entrepreneurs learn management and marketing skills on-the-job while actually dealing directly with consumers. Microenterprises operate from residential places, encroached public places or remain mobile as these can't afford a permanent or an authorised place in expensive commercial city and town markets.

Micro-entrepreneurs are not welcomed anywhere, face restrictive entry, and even harassment by local authorities. They are neither aware of any supportive government schemes nor they present a united voice to demand them. They are not even acknowledged and defined properly leave alone getting any government support. They are small, scattered and voiceless and can hardly come together on their own to represent their business issues and interests at the national level. There are few organisations that raise their social security concerns. Unlike formal enterprises, micro-entrepreneurs are unable to influence and reach out to policy makers in absence of any trade unions, industry associations and even united public demonstrations.

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Any new microenterprise offers three types of direct employment opportunities to a national economy; self employment, informal employment, and formal employment. A single micro-entrepreneur can generate a much higher number of informal and formal employments. In a developing country where an overwhelming

In order to bring exclusive focus on microenterprises following things could be done at the earliest.

Map microenterprises: The first step is to study informal set of new microenterprises, emerged out in last few years, as result of economic reforms and also those that remained excluded so far. There is need to prepare a database and profile microenterprises.

stop their harassment by local authorities, make them eligible for social security benefits and seek business development services to remain competitive and contribute towards entrepreneurship and employment generation.

Establish mechanism to promote microenterprises: Like any bigger enterprise, microenterprises also need access to finance,

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majority is engaged in private and informal economy it is critical to support micro-entrepreneurs through favourable business policy support.

Microenterprises serve local demand through convenient, cost-effective and efficient transactions and provide cushion to an economy from global recession. Microenterprises deserve lot of respect and support from government and development agencies as they survive on their own without any direct support to their business. Considering a huge demand for jobs just to keep pace with the growing working-age population, macroeconomic reform agenda may not alone be sufficient and there is an urgent need of microeconomic support to microenterprises to generate large employment opportunities for many with low education and skill sets.

Measurement issues should be sorted out to develop uniform and consistent definition of microenterprises based on characteristics of an enterprise. An annual microenterprise survey could be carried out to capture trends and designing appropriate policies.

Redefine microenterprises: The existing definition of microenterprise should be redefined and a new category should be carved out by significantly lowering the investment limits suitably based on the result of mapping of microenterprises. The term 'microenterprise' should be reserved for the lowest end of enterprise continuum. This would ensure that lowest form of business ventures are treated as 'microenterprises' and become entitled to all government support and benefits. Legal recognition of microenterprises will

technical support, tax benefits and other policy support to remain competitive and growth oriented. There is a need to create single-window infrastructure systems in cities and towns which, micro-entrepreneurs can approach easily for accessing innovative financial products suiting their specific business needs, and also to get technical support for marketing, training in basic management skills, and accessing appropriate technologies.

Views expressed here are writer's own.

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