

# Micro-entrepreneurship in India

## Exploring opportunities

### Introduction

Micro-entrepreneurship is being increasingly recognized as one of the prominent ways of poverty alleviation and income generation in developing countries. It reduces the burden on job creation and encourages self-sufficiency with the use of minimal resources. A typical marketplace in a developing country comprises majorly of micro-entrepreneurs from fields ranging in agriculture to manufacturing and the service sector. Recognizing the contribution of micro-entrepreneurs towards creating a robust economy, both Central and State governments have launched several schemes to facilitate micro-entrepreneurship. This concept note outlines key areas where governments can collaborate with industry to create opportunities for micro-entrepreneurs.

### Important Definitions and Schemes

#### Who is a Micro-entrepreneur?

As per the Micro, Small and Medium Enterprises (MSME) Development Act, 2006 an enterprise belonging to the manufacturing sector is deemed micro if its investment in plant and machinery does not exceed Rs.25 lakh. Enterprises belonging to the service sector have a limit of Rs. 10 lakh on investment for them to qualify as micro.

#### Relevant Central and State Schemes

- **Prime Minister Employment Generation Programme (PMEGP)**

It is a credit-linked scheme to facilitate the participation of financial institutions for higher credit flow to the micro enterprises sector. It aims to generate sustainable employment opportunities in rural and urban areas of the country through start-ups.

- **ASPIRE (A Scheme for Promoting Innovation, Rural industry and Entrepreneurship)**

It aims to promote innovation & rural entrepreneurship through rural livelihood incubator and fund of funds.

- **SFURTI (Scheme of Fund for Regeneration of Traditional Industries)**

It organizes the traditional industries and artisans into clusters in order to promote productivity and competitiveness.

- **Credit-Linked Capital Subsidy Schemes**

It aims to enable micro and small enterprises to adopt modern technology to improve their productivity.

- **Coir Udyami Yojana**

It offers credit-linked subsidy to enterprises in the coir sector.

- **Credit Guarantee Fund Scheme**

It provides funding assistance to banks and financial institutions so that they can in turn lend collateral free credit to micro-enterprises.

Additionally, the Government of Andhra Pradesh through its **Micro, Small and Medium Enterprises Policy, 2015-20**, aims to further boost micro entrepreneurship in the state by providing tax incentives, subsidies, marketing assistance, skill development and creation of MSME parks for infrastructure facilities.

Some of the key areas for collaboration, innovation and generation of new opportunities for micro-entrepreneurship have been outlined below.

## Transport

Transport is one of the areas where micro-entrepreneurship has flourished, especially due to the growing need for adequate transportation facilities in big cities. The entry of start-ups like Uber and Ola has opened up the field for innovation and promoted self-sufficiency among cab drivers.

### Uber India's *Mi Pan Malak* Scheme

In February 2016, Uber India signed a Memorandum of Understanding with the **Government of Maharashtra's Skill Development and Entrepreneurship Department (SDED)** to create 75,000 new economic opportunities, including a focus on training women and people from marginalized societies. As part of the MoU, Uber India launched the **Mi Pan Malak** scheme, which aims to strengthen its vision of creating economic opportunities and livelihood across Maharashtra and also offering an affordable and convenient transportation solution to citizens. Under this scheme, cab owners can run their own micro-enterprise and take complete possession of the car by availing offers and services through Uber's partnerships against down economical down payments as low as Rs. 25000. Leading financial institutions and car manufacturers have been roped in for the scheme.

In order to operationalize this scheme and provide financial assistance, Uber Technologies have also partnered with the Tata Group. As per this partnership, owners and drivers on the Uber platform will be able to buy Tata cars like Indica and Indigo. The micro-entrepreneurs will also be eligible for flexible and customized financing solutions offered by Tata Capital Financial Services and Tata Motors Finance besides affordable insurance from Tata AIG. The Mi Pan Malak Scheme exemplifies how state governments can partner with leading businesses to create opportunities for micro-entrepreneurs.

**Ola Pink**, a flagship taxi service for women run exclusively by women drivers, promotes gender empowerment through employment generation and exhibits the transformative potential of micro-enterprises

The role of the government in any prospective collaboration with the key players of the industry could range from providing easy access to credit facilities for acquisition of the vehicle to simplifying the norms for regulation of such cabs and taxis. Such a collaboration can also be implemented in smaller cities by extending partnerships with auto-rickshaws as in the case of Ola. Thus, transport serves as one of the key areas for development of micro-entrepreneurship opportunities, simultaneously increasing the connectivity within the state.

### Important Contact Details

#### Uber India

Regus Business Platinum Centre Pvt. Ltd. Level 13, Navi Mumbai - 400705, Maharashtra, India

#### Ola

ANI Technologies Pvt. Ltd., 4th Floor, Sunteck Centre, 37-40 Subhash Road, Vile Parle (East), Mumbai - 400057, Maharashtra  
Phone no: 022- 30947900

#### Mega Cabs

261, Ground Floor, Okhla Phase III  
New Delhi - 110020  
Contact No: 011-41516171

## Service

The service sector is one of the fastest growing sectors for micro-entrepreneurship. The sector allows for use of minimal resources for individuals to start their own businesses with adequate training. Service professionals include electricians, plumbers, tutors, trainers, and beauticians, among others. Various state and central government schemes, which aim to provide skill development and training, boost the availability of skilled professionals, encouraging them to start their own freelancing micro enterprises.

Various technology platforms such as Urban Clap and Urban Pro connect service professionals to their relevant market and simplify the process of consumer acquisition. In this regard, the Government can provide skill development training to the unemployed youth and can further extend its role in providing credit facilities to set up their businesses. The government may also collaborate with leading start-ups in the service sector to create platforms to connect service professionals to their clients in both, rural and urban markets.

### Important Contact Details

#### Urban Clap

Technologies India Pvt. Ltd.,  
Plot 19, Sewa Towers,  
5th floor, Udyog Vihar Phase IV,  
Gurgaon- 122015

#### Urban Pro

2nd floor, Bannerghatta Road,  
3<sup>rd</sup> phase, J.P. Nagar  
Bangalore - 560076

## Technology and Micro-entrepreneurship: The Kerala Example

Technology plays a key role in promoting and sustaining micro-entrepreneurship. The use of technology provides access to information, aids marketing and increases connectivity with the relevant markets. This holds true for both urban and rural areas. In Kerala, technology has been effectively harnessed to boost micro-entrepreneurship in coastal fishing.

In a pioneering study by Robert Jensen on fishermen in the coastal state of Kerala, it was found that within a few months of the availability of mobile network coverage in the fishing communities, about 80 per cent of all fishermen had purchased mobile phones. These fishermen used mobile phones as tools of business to communicate with contacts at each fish market while still at sea and bring their catch in to the markets that offered the best prices. Prices became much more uniform and predictable and fishermen's profits increased by nearly 8%, even as consumer prices declined by 4%. Dumping of unsold fish (which averaged 5-8% of daily catch before mobile phones) was eliminated because buyers and sellers found each other more efficiently. (Source: *The Digital Divide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector*, *The Quarterly Journal of Economics* (2007) 122 (3): 879-924.)

The *Akshaya* project, which is a public-private partnership between the Kerala government and small entrepreneurs, has now spawned thousands of internet-based businesses that offer services ranging from VoIP telephony to computer-based English lessons to online astrology readings. The IT landscape of the Indian state of Kerala is being transformed as a result of access to the internet via thousands of internet kiosks (called *Akshaya* Centres) distributed throughout the state and through a statewide training drive by the IT authorities.

## Fisheries

Large areas of coastal Andhra Pradesh depend primarily on fishing for sustenance and livelihood generation. Thus, fishing serves as one of the major areas for micro-entrepreneurship. The use of technology can rapidly improve the income generated through such enterprises as illustrated in the case of 'Fisher Friend' (mentioned below) mobile application. Moreover, government schemes, which provide micro financing can be utilized to purchase better equipment for fishing and also ensure safety.

### Fisher Friend Mobile Application

Fisher Friend is a mobile application developed by M S Swaminathan Research Foundation in partnership with Qualcomm and is available for the coastal regions of Tamil Nadu, Andhra Pradesh and Kerala. The mobile application provides critical information about weather and ocean conditions up to 100 kilometers from the shore, including disaster alerts, Potential Fishing Zones (PFZs) and current market prices of fish, helping the fishermen improve their catch and income.

## Apiculture

Harvesting of honey from forests has been in practice in Andhra Pradesh since many years and generates huge profits. In the recent past rural communities while diversifying their agricultural practices, have adopted honey harvesting gradually. Production of honey from farmlands can be a secondary activity for farmers as it requires comparatively lesser time than other activities and can be carried out by women in a house. On an average, about 80% of honey is used directly in medicines and 10% in Ayurvedic and pharmaceutical production. Apiculture is a livelihood generating and environmentally responsible micro-enterprise. It has a significant potential market because of the worldwide medicinal and nutritional recognition of honey. Moreover, apiculture requires less investment, is easy-to-learn and also helps in pollination of crops and increases seed setting in many crops.

## Textile and Handloom

Andhra Pradesh is one of the leading states in the handloom industry, with about 2 lakh weavers within the cooperative fold and 1.5 lakh weavers outside the cooperative fold. The Department of Handloom and Textiles, Andhra Pradesh provides subsidies as well as tax exemptions to foster the textile and handloom micro-enterprises. Setting up of textile and handloom parks for sharing infrastructure is also an effective way of encouraging more micro-enterprises in this area.

Collaborations with organizations such as **Fab India** and the **Khadi Board**, which utilize textiles produced by the handloom industry could provide an effective market for the existing industries and encourage new micro-enterprises in this sector. Additionally, collaboration could also lead to promotion of locally produced textiles on a national and international front, simultaneously generating a higher demand.

## Coir Industry

The coir industry utilizes coconut fibre, a natural resource available abundantly in the Godavari districts of Andhra Pradesh. Coconut fibers and ropes are in great demand in international markets, with exports to Sri Lanka and China also growing. They are also supplied on a regular basis to neighboring states of Odisha and West Bengal from Andhra Pradesh. It costs about Rs. 2 to Rs. 5 lakh to set up a coir producing unit with man power of 8 to 12 labourers a day. Partnership with industries that use coir as a raw material such as the mattress industry can further boost the setting up of coir producing micro-enterprises.

## Tourism

Encouraging Self Help Groups (SHGs) or local residents to operate tourism clusters is another area where micro-entrepreneurship can flourish. This would involve operating and maintaining all essential functions of a tourist area, including transportation, hospitality, tour guides and market for local commodities. With assistance from government, the local people can be trained to turn each of these aspects into opportunities for employment and income generation. Websites like **Airbnb**, which facilitate the renting of houses or spare rooms, could be utilized for marketing and reaching out to potential customers. Other websites that list homestays can also be used effectively to promote a particular tourism cluster. This model of micro-entrepreneurship has previously been successfully implemented in Kerala. The tourism sector has immense untapped opportunities for micro-entrepreneurship, especially in Andhra Pradesh.

### Key Takeaways

- Micro-entrepreneurship can be developed as one of the significant ways of strengthening a developing economy, which promises to generate income and employment and alleviates the burden on the government.
- Collaboration between the government and the key players in the industry is essential to facilitate and generate new opportunities for micro-entrepreneurship.
- Several existing central and state schemes can be harnessed to facilitate the availability of financial resources for micro-enterprises, reduce the burden of taxation and provide training and infrastructure for their sustenance.
- Technology plays an important role in making micro-entrepreneurship cost-effective and profitable and governments can focus on the development of sector specific technology to support micro-enterprises
- Transport, service and manufacturing sectors are key areas that show immense scope for collaboration and development of micro-enterprises.
- Agriculture and allied sectors are also potential areas, which can be encouraged by Governments by providing adequate incentives, for micro-entrepreneurship.