



## Encouraging Micro-Entrepreneurship

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**Bhuwan Bhaskar**

**I**ndia is a country of around 1.5 billion people, and traditionally, more than 60% of the population has been dependent on agriculture. But it is a well-established fact that overdependence on agriculture is producing more problems than solutions from a livelihood point of view. More people are depending on shrinking cultivable areas, which has resulted in smaller holdings. This situation has given rise to a number of structural bottlenecks that are plaguing

Indian agriculture, e.g., limited scope of use of machines and technology in the fields, loss of bargain power due to less production volume, increased production cost, etc. So, it is almost clear to policymakers from decades of experience that rural per capita income couldn't be boosted beyond a point without getting younger generations to look at alternate livelihood sources.

So, now that we are entering the Amrit Kaal, when our Prime Minister Narendra Modi has put forward a vision

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to make India a developed nation, it is not without reason why his government has started promoting micro-entrepreneurship in rural India in a mission mode. Encouraging micro-entrepreneurship may solve most of the problems that rural India is facing. Providing employment to the unemployed rural youth, increasing rural household income, decreasing the rate of migration from rural to urban areas, etc. are some direct benefits that the country can achieve by encouraging micro-entrepreneurship. Indirectly, it is going to benefit the

overall agricultural scenario on almost all fronts, like the use of technology in sowing, harvesting, quality improvement, marketing, etc., for the simple reason that with additional income in the farming household, agriculture attracts more investments. Apart from rural parts, even urban India would witness reverse migration, and this will surely improve the urban environment, decrease air and water pollution, and take pressure off the urban infrastructure. Let's examine in detail why encouraging micro-entrepreneurship could be a game changer for strengthening rural youth and the economy.

**Scope of Micro-Entrepreneurship:** By definition, micro enterprises are those that involve investment in plant and machinery or equipment worth not more than Rs. 1 crore and an annual turnover of not more than Rs. 5 crore. A microenterprise is a small company that caters to the community or a local market by selling products and/or services. Typically, it has less than 10 employees and a limited geographic scope. A micro-business typically begins with some type of funding, such as microcredit or microfinance. Micro-businesses are typically associated with emerging nations and economies and try to fill the void left by the lack of jobs in the official sector. In addition to creating jobs, they also cut production costs, boost purchasing power,

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and offer convenience, all of which benefit the economy. In truth, the Government supports micro-businesses, particularly in areas with low income. It promotes economic and business expansion. Additionally, these businesses offer hope for sustainable development. In developing economies, they aid in filling a crucial need.

**Flexibility:** Micro-business owners are able to quickly adjust to changing conditions and determine their own schedules. People who have other commitments, such as family obligations or part-

time jobs, may find this flexibility to be extremely useful. Micro-entrepreneurs have the flexibility to adapt to changing market conditions quickly. They can make decisions and implement changes without the bureaucratic processes common in larger organisations.

**Low Barriers to Entry:** Since starting a micro-business frequently only demands a small amount of resources and capital up front, more people can pursue entrepreneurship. People can pursue their business goals without taking on a big financial risk because of the low entrance barrier. Micro-entrepreneurs often require minimal initial capital to start their businesses. This low barrier to entry allows individuals with limited financial resources to pursue their entrepreneurial aspirations.

**Job Creation:** Micro-business owners that hire staff members or take on contract work help to create jobs. This, in turn, promotes local economic growth and aids in the reduction of unemployment. Microenterprises collectively contribute to job creation, which can be especially important in regions with high unemployment rates. They can help stimulate economic growth at the grassroots level.

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**Innovation:** New goods, services, and concepts are frequently introduced to the market by small firms. Micro-business owners are more nimble and can test out new ideas more rapidly, which encourages innovation in their specialised market. Micro-entrepreneurs are often more agile and innovative than larger companies. They can quickly experiment with new ideas and adapt to changing market demands.

**Local Economic Growth:** Micro-businesses frequently help the community's economy by utilising area vendors for supplies, services, and labour, as well as by employing citizens as employees. Additionally, they produce tax revenue that can be used to improve the neighborhood. Microenterprises often serve local communities, contributing to the local economy by creating jobs and providing goods and services. They can also help revitalise neighborhoods and contribute to community development.

**Self-reliance:** Micro-business owners have more influence over their companies' and their financial destinies. They are less reliant on big businesses or conventional job frameworks, which can foster a feeling of empowerment and independence.

**Diverse Offerings:** Micro-firms frequently target specific markets and provide specialised goods or services that may not be provided by larger companies. The increased customer choice and competitiveness that result from this diverse micro-entrepreneurship encompass a wide range of industries and business models. Individuals can explore various niches and markets, finding opportunities that match their skills and interests.

**Economic Resilience** can be facilitated through a varied ecosystem of micro-businesses. Smaller companies can adjust more quickly and contribute to the stabilisation of the economy when larger industries experience downturns. Microenterprises can be more resilient during economic downturns because of their small size and adaptability. They can pivot and adjust their offerings to meet changing customer needs.

While some micro-businesses have the ability to develop and expand over time, most start off modest. Successful micro-business owners can expand their activities and start bigger companies. It is vital to remember that while

micro-entrepreneurship has numerous advantages, it also has drawbacks like financial ambiguity, resource limitations, and the requirement for strong self-discipline. Micro-entrepreneurship, however, may be a rewarding and fruitful career for people with an entrepreneurial spirit and a desire to put in the effort.

Today, India takes pride in having the third-largest startup environment worldwide. There are more than 60,000 companies working in the nation, and there are over



100 unicorns. This achievement can be attributed to the active support given by the Indian Government through its numerous programmes and plans for startups and entrepreneurs. All of the aforementioned initiatives were supported by a number of government initiatives and resources aimed at giving businesses financial support and working capital. For instance, the Startup India Action Plan entitles entrepreneurs to a number of perks, such as tax incentives and exemptions, loans with lower interest rates, skill development programmes, priority in public procurement, etc.



The top ten schemes out of the many that the Indian Government has created are as follows:

**1. ASPIRE:** A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship: This programme was created to create a network of technology centres and incubation centres across India with the

goal of encouraging innovation for unmet social needs in the agri-business sector and speeding entrepreneurship. It provides financial support for the construction of livelihood business incubators and/or technology business incubators by way of a one-time grant of 100% of the cost of equipment and machinery (apart from land and infrastructure), whichever is smaller. A significant portion of the population in India still lives in rural regions and is still heavily dependent on agriculture as a means of subsistence. As a result, this initiative was launched with the goal of developing enterprises and adding jobs to the agricultural industry. It provides entrepreneurs with the knowledge they need to start their own businesses, hire people, and ensure their sustainability. This programme intends to support district-level economic growth from the ground up.

**2. Pradhan Mantri Mudra Yojana:** A non-banking financial institution called Micro Units Development and Refinance Agency Ltd. ('MUDRA') supports the expansion of the micro enterprise market in India through this scheme. For banks and/or microfinance organisations to lend to microunits with loan requirements up to Rs. 10 lakhs, MUDRA offers refinancing assistance. The loans have been divided into the categories of Tarun, Kishore, and Shishu depending on the stage of development, the demand for finance, the age of the company, and the amount of loan that may be received by these enterprises.

These assets do not require collateral security, and small businesses that are neither corporations nor farms are qualified to apply for loans up to Rs. 10 lakh. This loan

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is made available for a variety of jobs and income-producing activities. Most often, service providers, store owners, and street vendors have access to it. There are additional loans available for working capital, automobiles used for trips, and working capital. It is, therefore, a unique programme created to aid Indian business entrepreneurs.

**3. Support for International Patent Protection in Electronics and Information Technology (SIP-EIT):** The SIP-EIT programme was launched by the Department of Electronics and Information Technology ('DeiTY') with the goal of providing government support to Indian micro, small, and medium-sized businesses ('MSME') and technology startups for filing foreign patent applications. As a result, there is a promotion of innovation, an increase in brand recognition, and an understanding of the importance and potential of having global intellectual property protection. Financial assistance is provided to the electronics, communication, and technology sectors. Qualified entities may submit an application at any stage of the international patent submission process. The maximum amount that can be reimbursed for each innovation is Rs. 15 lakh, or 50% of the entire costs associated with filing and processing the application, whichever is less.

**4. Multiplier Grants Scheme (MGS):** DeitY developed this initiative once more with the goal of encouraging companies to collaborate with leading governmental and academic R&D groups to develop products and packages. As a result, the proof-of-concept to the globalisation gap would be closed, businesses, and academic institutions' relationships would improve, and domestic product creation would be accelerated. In accordance with this strategy, the Government will match industry investment for R&D of items that can be sold up to a maximum of twice as much. The most that can be granted to one industry for one project is Rs. 2 crore, with desired project duration of fewer than 2 years. A group of industries can get up to Rs. 4 crore over the course of three years.



- 5. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** To implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises ('MSE'), the Ministry of MSME, the Government of India, and the Small Industries Development Bank of India ('SIDBI') established the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This programme strengthens the loan delivery system while facilitating credit flow to the MSE sector. It provides loans at considerably discounted rates and without the need for collateral to start-ups, small businesses, and micro-firms. The programme offers fund- and non-fund-based credit facilities up to Rs. 200 lakh for each eligible borrower. Working capital or a term loan may be used to receive the loan; the programme is mostly for manufacturing or service-based businesses.
- 6. Single Point Registration Scheme (SPRS):** The National Small Industries Corporation (NSIC) oversees SPRS, a development programme that supports

MSE. Without a doubt, the Indian Government is the biggest single buyer of a wide range of commodities. This plan was designed to boost the number of purchases made in the small-scale sector. By choosing this programme, NSIC registers qualified MSEs for involvement in government acquisitions without the need for an Earnest Money Deposit (EMD), which is money collected from bidders prior to the submission of a bid as a security deposit to ensure the seriousness of the bidder in the project. In addition, the Government has set a minimum threshold of 25% of the total annual purchases made by central ministries, departments, and public sector undertakings from MSEs only, as well as reserved 358 (three hundred fifty-eight) categories of goods for being purchased exclusively from the MSEs.

- 7. Extra Mural Research or Core Research Grant (CRG):** Earlier known as the Extramural Research Financing System, CRG, even though it was started more than 40 years ago, following the creation

It has been long argued that education in Rural India should be skill oriented as the present education system creates an unmanageable huge pressure on jobs infrastructure. Prime Minister Narendra Modi often stresses upon rural youth becoming employers instead of struggling to get employment. From this point of view, startups provide an excellent opportunity for youth in Rural India to brush up their entrepreneurship skills. These learning opportunities are many as:

**Training and skill-development** initiatives for rural business owners and employees are frequently funded by startups. Startups help to create a more skilled and capable workforce in rural places by improving the local population's skills.

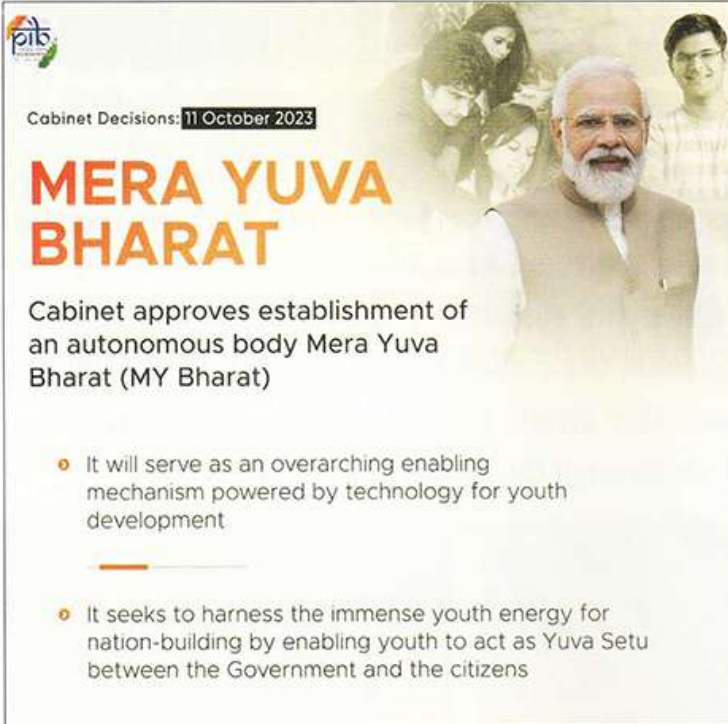
**Adoption of Technology:** Startups offer tech-driven solutions that help rural business owners increase production and efficiency. This can apply to things like medical equipment, financial services, and farming gear. These technologies enable rural business owners to compete on a bigger scale.

**Business Incubation and Support:** In rural areas, incubators and accelerators, frequently run by young or existing businesses, offer guidance, tools, and infrastructure to aspiring business owners. Local talent and ideas are nurtured through these support structures.

**Innovation and Problem-Solving:** Startups are frequently more imaginative and agile, enabling them to recognise and address particular difficulties in rural areas. They create brand-new products and business strategies that are tailored to the special requirements and conditions of rural communities.

**Networking and Cooperation:** In rural areas, startups frequently promote cooperation and a sense of community among business owners. The sharing of information, resources, and cooperative opportunities may result from this networking.





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Cabinet Decisions: **11 October 2023**

# MERA YUVA BHARAT

Cabinet approves establishment of an autonomous body Mera Yuva Bharat (MY Bharat)

- It will serve as an overarching enabling mechanism powered by technology for youth development
- It seeks to harness the immense youth energy for nation-building by enabling youth to act as Yuva Setu between the Government and the citizens

of the Science and Engineering Research Board ('SERB'), is still one of the most important and practical programmes. The goal of CRG is to assist academic institutions, research labs, and other R&D organisations in conducting research in all cutting-edge areas of science and engineering. As a result, it motivates both established and up-and-coming researchers to use a competitive, individual-centric funding model.

- 8. High Risk and High Reward Research:** This programme aims to encourage and support fresh concepts and initiatives that have the potential to affect many areas of science and technology. It places a focus on bold, daring suggestions that, if they succeed, might have enormous benefits for science. Theories and experiments that are advanced, hypotheses that are contested, scientific discoveries, 'out of the box' solutions to significant problems, and the formulation of new hypotheses that result in the development of new technologies are a few examples of such suggestions. The research grant must cover consumables, unforeseen expenses, equipment, and travel expenses in addition to the overhead funds; there is no set budget cap for these projects. The money is offered for 3 years, but in extraordinary circumstances, it may be extended to 5 years.
- 9. Design Clinic Scheme:** The Indian Government declared that every MSME and startup should

develop a design-centric approach for igniting their startup after realising the significance of innovation and design in the growth of any brand. The Ministry of MSME launched the Design Clinic scheme to create a sustainable design ecosystem through continual training and skill development in order to encourage small firms to experiment with new and inventive designs for their products. For attending design seminars under this programme, the Government will pay up to Rs. 60,000 and up to Rs. 3.75 lakhs, or 75% of the seminar's cost if it is hosted by a startup or MSME. It is anticipated that through this programme, entrepreneurs and leaders will have the chance to learn about the most recent design best practices and trends, network with other innovators and designers, gain knowledge of design theories, and boost the local competitiveness of their products' use of designs.

- 10. Zero Defect Zero Effect (ZED) Scheme:** As the name implies, this aims to inspire manufacturers to produce better goods that are high-quality, defect-free, and reliable. It is a handholding programme that offers MSMEs the chance to adopt cutting-edge production techniques, utilise cutting-edge technology, and continually enhance their goods. To ensure that their products have no faults, the programme offers startups and MSMEs resources, technology, and financial help. Additionally, ZED provides a comprehensive certification, evaluates businesses for ZED, and aids companies in moving along the maturity evaluation model of the programme.

With these and many more schemes, the Government of India's flagship programme, Startup India, aims to actively encourage startups and business owners. The programme's main goal is to build a robust environment in India that supports and fosters innovation and entrepreneurs, ultimately creating a huge number of job opportunities and fostering the nation's sustainable economic growth. The Aatmanirbhar Bharat mission and the 'Make in India' programme were subsequently introduced by the Indian Government with the goal of establishing India as a hub for international manufacturing and design exports. Supporting the efforts with encouraging micro-entrepreneurship, the Government has successfully accelerated the process. □