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1. *'Structures backing micro firms to enable them to employ more, enhance contribution to economy imperative'; Often the process of formalisation seems too cumbersome and daunting especially among those entrepreneurs who are uneducated or poorly educated and live in rural or fringes of urban India. The micro entrepreneur thus prefers to keep it informal and som...*

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**'Structures backing micro firms to enable them to employ more, enhance contribution to economy imperative'; Often the process of formalisation seems too cumbersome and daunting especially among those entrepreneurs who are uneducated or poorly educated and live in rural or fringes of urban India. The micro entrepreneur thus prefers to keep it informal and som...**

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**Length:** 1098 words

**Byline:** Neharika Vohra

## **Body**

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Often the process of formalisation seems too cumbersome and daunting especially among those entrepreneurs who are uneducated or poorly educated and live in rural or fringes of urban India. The **micro** entrepreneur thus prefers to keep it informal and sometimes even, without intention, may be illegal.

Ease of Doing Business for MSMEs: As per the most recent annual MSME report (2021-2021) **micro**, small, and medium enterprises **contribute** to a third of the country's GDP and Gross Value Added (GVA) of which the **micro** sector contributes to 99 per cent of the MSME sector. The **micro** enterprises are spread equally in urban versus rural India and 66.42 per cent of enterprises are owned by socially backward groups. In the small and medium sector, on the other hand, only a third are owned by the socially backward groups. The **micro**-sector also provides 97 per cent of the employment provided by the MSME sector. In Delhi itself, 9.25 lakh **micro** enterprises **employ** 23 lakh people. The average number of employees in **micro** enterprises is three. While a large number of **micro** enterprises continue to be in the informal sector, they form the backbone of the Indian **economy**. Thus, it is **imperative** that there are **structures** to not only support the **micro** enterprises to **enable** them to **employ** a few **more** people on average and **enhance** their **contribution** to the **economy**.

Based on some of my work spanning 25 years of working with startups, small and entrepreneurial ventures, I have realized that among the **micro** entrepreneurs the motivation is primarily to make a living, be independent, and use their skill to create wealth for themselves. Very often the traditional entrepreneurship definition of responding to an opportunity to create a solution is not the reason for various **micro** entrepreneurs. Given that very often the **micro** entrepreneur is going to the market to either tide over a bad time or to use their skill to create a livelihood or to be able to pay for their own hobby the enterprise is limited by design in its growth potential. Thus, the thinking that tiny enterprises will grow once they have **more** resources is faulty. This would be akin to thinking that a chikoo tree will grow to be a mango tree if given enough water and resources.

The **micro** entrepreneurs need mentoring for formalising their business. Often the process of formalisation seems too cumbersome and daunting especially among those entrepreneurs who are uneducated or poorly educated and live in rural or fringes of urban India. The **micro**-entrepreneur thus prefers to keep it informal and sometimes even, without intention, may be illegal.

While there is a cost to formalization there are also advantages of formalization such as providing the business an identity and a face that helps them overcome the liability of distrust that comes with being unknown and new for any business. Also, formalization would help the entrepreneur by taking better care of themselves and their employees by relying on the existing schemes for long-term benefits around health and pension, etc. Simplifying the process of

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formalization, making formalization beneficial, and help in formalization would go a long way to support the business. Some of these mentoring solutions can be tech-based. The policymakers need to pay attention to the coverage of more and more people in the micro-enterprise sector under social support mechanisms such as health and pension.

Mentoring is required by micro entrepreneurs to tide over difficult experiences in the beginning. At the start of the business many tricky situations arise and no one individual is prepared to deal with all of them. Thus, it is necessary to have mentors to talk through some of these situations. For example, one entrepreneur who was selling unique indoor pots designed by him agreed to deliver 50 such pots to a customer. The customer had bargained hard and the entrepreneur had agreed at a price that was just a little above the cost of manufacturing excluding the cost for the time of the entrepreneur. When the entrepreneur started to prepare the pots for delivery, he realised that the customer expected him to pay for delivery. Given that his item was fragile, it would cost extra to pack and deliver and he would incur 25 percent of the product cost on delivery. Fulfilling the order would mean losing a neat sum of money. Canceling the order would lead to loss of face and hurt his reputation in the market. The discussion with a mentor at that point would help the entrepreneur to handle such and many more tricky problems that businesses face especially as they are being set up.

The third and most important support that is required for the micro entrepreneur is access to the market. While there is an acknowledgment of the need for marketing support for micro entrepreneurs, I believe much of it is still conceptualised in the pre-internet world. Much of it is in the form of creating market places where people display their wares, and/or a middle-entity buying the product and reaching it to central selling units. Marketing support in the 21st century for micro entrepreneurs may include exposure to creating posters and messages for pushing on platforms such as WhatsApp, for taking pictures to upload on online marketplaces, creating attractive bundling of products and services, help in packaging and delivering, learning to deal with customs declarations, becoming comfortable with accepting digital payments, etc.

I have deliberately kept financing support for micro entrepreneurs out of this piece because my assumption is that many micro entrepreneurs start with capital or borrow some and then with their hard work and diligence grow it to be able to sustain themselves and the average three people they employ. However, the financial crunch starts to show when there is a natural or family crisis. I think cheap, sensible, and easy insurance may be the way out for meeting difficult situations. Again tech-based intelligent insurance policies may be innovated on for such micro-entrepreneurs.

Micro entrepreneurs are the backbone of our economy and it is a sustainable and inclusive way of growing the economy. Thus, it is time we thought a little out-of-the-box of the MSME and thought intensely within the micro enterprise box to create an environment where the Micro E could thrive and flourish.

Neharika Vohra is the Vice Chancellor at Delhi Skill and Entrepreneurship University. Prior to this, she was a Professor at IIM-Ahmedabad and Chairperson of its Centre for Innovation, Incubation, and Entrepreneurship. Views expressed are the author's own.

## Classification

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