

Quality Employment Generation in Micro and Small Enterprises (MSEs) in India: Strategies and Way Forward

NLI Research Studies Series
No. 130/2018

Dhanya M.B



V.V. Giri National Labour Institute

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ISBN: 978-93-82902-58-4

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No. of Copies : 300

Year of Publication : 2018

This document can be downloaded from the Institute's website at www.vvgnli.gov.in

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Printed and Published by V.V. Giri National Labour Institute, Sector-24,
Noida-201301, U.P.

Printed at: Chandu Press, D-97, Shakarpur, Delhi-110092

Foreword

The discussions on quality employment generation in Micro and small enterprises (MSEs) have gained immense significance in recent years given the phenomenon of demographic dividend along with educated unemployment and increasing labour force. Considering vast majority of young population in the country, the importance of promoting entrepreneurship cannot be ignored since it is the effective alternative opportunity to create employment. Besides employment provisions, various other aspects of social goals can be achieved through promoting entrepreneurship such as poverty alleviation, standard of living, attainment of self reliance etc. The study explores how far quality employment can be generated or formalization of these businesses can occur to achieve equilibrium in the labour market. The study also examines to what extent labour laws in India is facilitating for MSE in India and various socio-economic factors affecting the development of MSEs. Based on evidence collected through various economic reports and through case studies and focus group discussions, the present study attempts a detailed analysis of the growth and development of MSEs in India, the trends regarding employment generation in MSEs and the key challenges that need to be addressed to ensure the continued development of MSEs.

This report summarises the picture of the slew of problems and the enormous potential for developing and providing quality employment to micro and small scale sectors in the economy. Simultaneously, exploration of various issues regarding the growth and development of MSEs in India like the list of labour laws, lack of availability of credit to these enterprises, problems related to lack of skilled labour, etc. are highlighted and elaborated on. While the government has been actively trying to address the problems faced by these enterprises in the country, however the urgency with which the reforms are being applied and the enforceability of the laws related to interests of workers need to be given attention on a priority basis and at a rapid pace.

This report would be of immense interest not only to the policy makers, but also academicians and others working in the field of MSEs in India and there hugely significant role in providing quality employment.



(Dr. H Srinivas)
Director General

Acknowledgement

This study on 'Quality employment generation in Micro and Small Enterprises (MSEs) in India: strategies and way forward' was commissioned as per the decisions taken in the Executive Council Meeting of the V.V. Giri National Labour Institute.

First, I would like to acknowledge Shri (Dr.) H Srinivas, Director General, VVGNNLI, NOIDA, for his valuable inputs on the study and the support extended to me. His meticulous nature motivated me to complete the study within the timeframe.

I am grateful to the tremendous support extended by Executive Council Member, Shri Jitendra Gupta, National Vice President, Laghu Udyog Bharati for sharing his expertise and guidance for the study. He was keen to enquire about the status and I am sure he will find the study interesting and useful.

The hardwork of Mr. Sango Bidani, Research Associate in documenting the case studies and helping me for data collection is sincerely acknowledged. Mr. Amrinder Singh, who was associated in this project, took up all the technical contribution with sincerity and dedication is worthy of acknowledgement. Without both their consistent work, this report would not have materialized with in this short period of time.

I am deeply indebted to those entrepreneurs, workers and officials those who took out time from their work and shared their experiences during the interviews and discussions.

Finally, I would like to thank my family Dr. P Sivakumar for his comments on my final draft and my son Aarjav for patiently watching his mother while working on off days and also my friends and family for all their support and encouragement throughout the period of this research work.

(Dhanya M.B)

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Executive Summary

This report is a summary brief of the research study conducted to examine the strategies and way forward for the quality employment generation in Micro and Small Enterprises (MSEs) in India. Firstly, this report discusses the definition and growth of MSE sector in terms of employment and further about sickness, various government initiatives to promote MSME Sector, legal framework and the challenges etc. Secondly, the report explores the characteristics of women enterprises, their contribution to employment, the economic activities they participate and also major challenges faced by women entrepreneurs through case studies. Thirdly, this report analyses various committees formed to understand the challenges faced by micro and small scale enterprises and also the real problems and challenges of the micro and small enterprises, with each problem being elaborated on and explicated through certain case studies and Focus Group Discussions (FGD) conducted to evaluate the problems to find out the ways of generating quality employment in MSME Sector.

One of the important points emerged in the FGD discussion need to point out that one should not lose track of the significance of ensuring the sustainability of the enterprise since continue to run the enterprise is the biggest and most dangerous growth trap with regards to employment generation. Enterprise sustainability is the key to employment generation. Finally, given the nature of challenges faced by the workers and employers, few observations and policy recommendations drawn from this study are given below:

- There is an urgent need to establish an online platform by connecting all the District Industrial Centres (DICs) at all India level with the sellers, buyers and consumers and also it should ensure that all the micro and small scale industries are covered with their details including products and marketing availabilities etc. If the DICs can moderate between these buyers and sellers, most of the products available in the local level can be easily accessible through online shopping and it may reduce the services of the brokers/ commissioning agents.
- Micro enterprises do not have the required financial capabilities that will allow it to flourish within the GST regime. There need to be special concessions available to micro enterprises which are run by ordinary and mostly illiterate people. They do not know how to operate and fill the GST bills and employing a person specifically for that purpose would lead to financial constraints

that they cannot afford to bear given their very thin working capital resources.

- There is a need to understand that the micro and small enterprises being labour intensive like agriculture and also need to consider keeping interest rates for micro and small entrepreneurs at par with the interest rates allocated to agriculture.
- There is still a great amount of fear among people opening enterprises in urban and rural areas that they will have to go through the cumbersome process of registering their enterprises. Awareness regarding the new methods of registering enterprises should spread through other mediums such as newspapers, radio shows etc. and the costs involved in registering enterprises should be reduced so that entrepreneurs are encouraged to register the enterprise.
- There is a lack of coordination between Research and Development in the MSME sector. The pace at which changes are taking place in the sector, the enterprises and entrepreneurs are not able to cope with these changes as there is no dedicated effort to conduct research and disseminate knowledge at a mass scale. This means that entrepreneurs continue to use outdated modes of technology, driving the cost of production upwards, with productivity remaining stagnant thereby increasing the financial burden.
- To ensure the competitiveness of MSE's and survival due to globalisation, it would be advisable for the exception of GST for micro enterprises and this would definitely facilitate the investment in domestic market and it may also make possible for localization.
- There needs to be a central body like a National Commission for the Welfare of MSE with overarching powers to implement the policies for the betterment of micro and small enterprises, protect them to avail fund from the banking sector and ensure that large number of entrepreneurs with viable business proposals get a chance to create Micro and Small enterprises, create jobs and thereby creating the opportunity for equitable distribution of wealth.

I

Introduction

1.1 Background

Micro and Small Enterprises (MSEs) or small scale industries have been accepted worldwide as the engine of growth of any developing country, wherein most of the population is depending on self-employment. In India, Micro Small and Medium Enterprises (MSMEs) account for 45 percent of our exports, 33 percent of manufacturing and 6 percent of GDP (GoI 2016). Majority of the non-agriculture households depend on the MSEs even though their contribution to the GDP is small compared to the medium & large enterprises and also while economic growth has been progressing at a healthy rate, the same cannot be observed with regard to job creation (The Hindu, 2017). The employment situation in the country is arduous; this may be due to the increased youth population and increased number of people attaining education or due to the number of people exiting labor force contributing to the increased demand for supply of labour. With the change in nature of employment from permanent to contractual, and with still the vast majority of the population being employed in the un-registered sector, the employment generation rate has slowed down and joblessness has increased. The overall unemployment rate increased slightly from 4.9% to 5.0% (GoI, 2016).

By considering the employment provision of different sectors, MSME sector of the economy generates the largest employment after agriculture sector (Agarwal, Parul and Garg, Sonu, 2017). Moreover, their labour intensive production is adding up the employment generation capacity in the economy. However, entrepreneurs who operate in the informal economy are less productive & the workers working in the informal enterprises generally receive lower salaries and also not covered in any of the social security benefits that formal workers usually benefit from. Through various policies and laws tremendous efforts have been made to increase the capacity of the MSEs, still the quality employment generation or formalizing this business is a challenging matter before the policy makers.

Recently, given the importance of job creation the Union Cabinet approved the changes in the MSME definition on the basis of classifying MSME enterprises from 'amount of investment ceiling for plant, machinery or equipment' to 'annual turnover'. Till 2018 MSME enterprises are defined by the investment in plant and machinery/equipment and now it defined in terms of 'annual turnover'. Previous definition of Micro and small

enterprises according to the amount of investment ceiling for plant, machinery or equipment and the changed current definition as per annual turnover explained in the table below:

Table 1.1: Classification of MSEs as per annual turnover and amount of investment ceiling

Classification	<i>According to annual turnover</i>	
Micro enterprise	Micro enterprise will be defined as a unit where the annual turnover does not exceed 5 crore	
Small enterprise	Small enterprise will be defined as a unit where the annual turnover is more than 5 crore but does not exceed 75 crore.	
Classification	<i>According to amount of investment ceiling</i>	
	Manufacturing enterprises	Service enterprises
Micro enterprise	Up to Rs. 25 lakh	Upto Rs. 10 lakhs
Small enterprise	Above Rs. 25 lakhs & upto Rs.5 crore	Up to Rs. 10 lakh upto Rs. 2 crore

There are various kinds of micro and small scale industries in India, for example; cottage industries (also called household industries), retail trade industries, service industries and other manufacturing industries like weaving apparel, food products, beverages etc. Household industries are structured by individuals with private resources or with family resources and are pursued as full-time or only part of the working day job. The capital investment is small and they generally use locally available resources, raw materials and indigenous skills and finally sell in the local market (Pandey vivekanand, 2013).

1.2 Significance of the study

Government of India has initiated various policies and actions to improve the capacity of the MSEs. The responsibility of the Ministry of Micro, Small and Medium Enterprises (MSME) and its coordinating organizations is to support the States to encourage entrepreneurship, employment and livelihood opportunities and also to develop the competitiveness of MSMEs in the period of globalization and competitiveness. They try to assist in the following areas as follows: sufficient financial help from banks; technology upgradation and modernization; infrastructural facilities; quality certification; skill upgradation and entrepreneurship development; support for production and packaging; welfare of artisans and workers;

assistance for better access to domestic and export markets and cluster-wise measures to promote capacity-building and empowerment of the units and their collectives (Government of India, 2016). But still various factors are affecting their growth such as finance, infrastructure, lack of information etc (Sainy princy, 2014).

In the specific context of educated unemployment and increasing labour force, the only effective alternative opportunity is to promote entrepreneurship among those who are unemployed. Besides employment provisions, various other aspects of social welfare goals can be achieved through promoting entrepreneurship such as poverty alleviation, standard of living, attainment of self-reliance etc. Hence, this study is mainly looking into how far quality employment can be generated or formalisation of these businesses can take place to achieve equilibrium in the labour market. It mainly looks into the following questions.

1.3 Objectives

1. To analyse the size, characteristics & structure of Micro and Small enterprises (MSEs) in India.
2. To study the growth of small scale industries in India in recent years and also examine trends and opportunities of MSEs.
3. To examine how far labour laws & business environment in India is facilitating for MSEs and also various socio economic factors affecting the growth and development of MSEs.
4. To identify or suggest strategies to support quality employment generation in MSE sector in India.

1.4 Methodology

Conceptual and theoretical understanding has been developed through an extensive review of secondary literature. The study is based on secondary data collected from many governmental sources like periodicals, official records, published governmental sources etc. Analysis of the various details has been collected from the reports published and also the discussions with the stake holders to draw the final conclusions and findings. Personal interviews, Focus Group Discussions and informant interviews were conducted with entrepreneurs, workers, officials and policy makers etc, to throw their suggestions to identify strategies to support quality employment. The case studies have been used for the purpose of this study.

1.5 Limitations and Period of the Study

There are few limitations that need to be acknowledged regarding this present study. Limitation of secondary data deficiency for analyzing the informal sector especially the small scale industries is one of the major drawbacks. Given the lack of time for conducting the data collection or field level study, the study primarily depended on analysis of secondary data sources and case studies. The period of this study is three months.

II

Size, Characteristics and Legal Frame Work of MSEs in India

This chapter discusses the growth and development of MSEs in India focusing on the evolution of the definition of MSE sector and then analyzing the performance of MSEs in terms of changes in employment and investments. Further, it examines the state wise distribution of establishments and employment, sickness and various government initiatives to promote MSME Sector. Finally, this chapter explores legal framework and the challenges caused by it.

2.1 Growth and Development of MSEs in India

Since 1990s, with liberalization being implemented across all sectors of the economy, there were various changes to the way support was provided to the industries. The insulated nature of the economy before liberalization gave way to an environment where competition among various industries increased both in the domestic and international market (Agarwal, Parul and Garg, Sonu, 2017). With further changes being introduced and a broadening of the scope of this sector through the MSMED Act of 2006, the number of enterprises increased and avenues to improve the employment situation further broadened and the impact of this policy change was immediately visible in the next financial year, 2006-07 (Table 2.2). Simultaneously, with a renewed focus on ways of generating employment through various schemes introduced by the government both in the farm and non-farm sectors, including MGNREGA, the number of people gainfully employed increased (GoI, 2011). However, with the number of people attempting to enter the job market increasing at a far greater pace than the number of enterprises being opened, the gap has increased to the point where the advantage of the demographic dividend that India has in its favour has become its single biggest challenge (GoI, 2017 & The Hindu, 2017).

2.1.1 Phases of Growth and Development

There are two distinct phases in the growth and development of MSEs in India. At each stage, industries and later enterprises were given incentives by the government to expand their contribution to the economy. First phase is till 1990s, where the emphasis on the productivity of industries was limited. The focus was on resurrecting the farm sector in India. The few small scale industries that were present before 1990 faced too many bureaucratic hurdles, thus stifling the scope of growth and development of

industries in India. Second phase is post liberalization, where the protective environment was removed and the emphasis moved to promoting various new avenues for opening of new industries (Rastogi, and Yadava, 2013). With international companies being allowed to enter the economy, the few existing industries had to change their mode of operation to survive and further develop. As a consequence of the changes in the operation of industries, many of the small scale units were declared sick (Sharma, 2014).

Till 2001, the un-registered sector was never considered while analyzing the growth and development of MSEs (GoI, 2001). However, with the acknowledgement of the un-registered sector by the government, the other grave challenges like infrastructure, lack of information etc to these industries became apparent. In 2006, the government introduced the new Micro, Small and Medium Enterprises Act and the emphasis shifted to defining these industries as enterprises and the focus was on the scale of investment in plant and machinery in manufacturing and investment in equipments in the services. Accordingly, three separate enterprises emerged, namely, Micro, Small and Medium Scale enterprises. Further, as per MSME Amendment Bill, 2015 the scale of investment for these enterprises were increased further and the details are as follows.

Table 2.1: Definitions of Micro, Small and Medium Enterprises

Sectors	Definitions	Investment in Plant and Machinery	
		as per MSME Act 2006	as per MSME Amendment Bill, 2015
Manu- facturing Sector	Micro	Less than Rs. 25 lakh	Less than Rs. 50 Lakh
	Small	Rs. 25 Lakh to Rs. 5 crore	Rs. 50 Lakh to Rs. 10 crore
	Medium	Rs. 5 crore to Rs. 10 crore	Rs. 10 crore to Rs. 30 crore
Service Sector	Micro	Less than Rs. 10 Lakh	Less than Rs. 20 lakh
	Small	Rs. 10 Lakh to Rs. 2 crore	Rs. 20 Lakh to Rs. 5 crore
	Medium	Rs. 5 crore to Rs. 10 crore	Rs. 5 crore to Rs. 15 crore

Source: Ministry of Micro, Small and Medium Enterprises, 2007; MSME Amendment Bill, 2015

There has been a further change in definition of micro, small and medium enterprises with the basis changing from investment in plant and machinery for manufacturing and investment in equipment for service

sector enterprises to annual turnover. This change was introduced on 8th February 2018. The new definition increases the threshold limit for microenterprises to less than 5 crore rupees and for small enterprises from 5 crore to 75 crore rupees. The new threshold limit for medium enterprises has been increased to annual turnover which is more than 75 crore but does not exceed 250 crore rupees.

2.2. MSEs in terms of changes in employment and investments-Overview

As discussed above, the definitional changes introduced by the government had an impact on the performance of these industries. But, the effect of these policy changes was not long lasting and there were long periods of stagnation. Data from various government reports, including MSME Annual Reports and All India Census indicate a trend of sporadic jumps and long periods of stagnation in terms of employment in this sector.

During the period from 1991 to 2005, the employment data shows that till 1995-96 the employment generated was indicating an upward trend but in 1994-95 this went down marginally till 2000-01 and again shows a very slow change till 2005-06. However, with the shift in policy, with more emphasis from the government on employment generation schemes and the coming up of new enterprise, the employment figures jump dramatically during the time period of 2006-07. Since then, according to the projections made by the Ministry, the employment generation has again stagnated to a constant rate of increase in employment. The details are shown in Table 2.2.

Table 2.2: Performance of MSME, Employment & Investment

Year	Under Pre MSMED Act 2006			Year	Under Post MSMED Act 2006		
	Total working Enterprises (In Million)	Employment (In Million)	Market Value of Fixed Assets (In Billion)		Total working Enterprises (In Million)	Employment (In Million)	Market Value of Fixed Assets (In Billion)
1990-91	6.79	15.83	935.55	2006-07	36.17 (193.11%)	80.52 (173.04%)	8685.43 (361.71%)
1991-92	7.06 (4.07%)	16.69 (5.46%)	1003.51 (7.26%)	2007-08	37.73 (4.32%)	84.20 (4.56%)	9204.59 (5.97%)
1992-93	7.35 (4.08%)	17.48 (4.70%)	1096.23 (9.23%)	2008-09	39.37 (4.33%)	88.08 (4.61%)	9771.14 (6.15%)
1993-94	7.64 (4.05%)	18.26 (4.46%)	1157.97 (5.63%)	2009-10	41.08 (4.34%)	92.17 (4.64%)	10385.46 (6.28%)

1994-95	7.96 (4.07%)	19.14 (4.80%)	1237.90 (6.90%)	2010-11	42.87 (4.35%)	96.51 (4.70%)	11059.34 (6.48%)
1995-96	8.28 (4.07%)	19.79 (3.41%)	1257.50 (1.58%)	2011-12	44.76 (4.41%)	101.16 (4.82%)	11827.57 (6.94%)
1996-97	8.62 (4.07%)	20.59 (4.01%)	1305.60 (3.82%)	2012-13	46.75 (4.44%)	106.14 (4.91%)	12687.63 (7.27%)
1997-98	8.97 (4.06%)	21.32 (3.55%)	1332.42 (2.05%)	2013-14	48.84 (4.47%)	111.42 (4.98%)	13637.00 (7.48%)
1998-99	9.34 (4.07%)	22.06 (3.47%)	1354.82 (1.68%)	2014-15	51.05 (4.52%)	117.13 (5.11%)	14719.12 (7.93%)
1999-00	9.72 (4.06%)	22.91 (3.88%)	1399.82 (3.32%)	Source: Annual Report 2016-17, GOI, Ministry of MSME Note: Projected distribution of working enterprises & employment (6 th Economic Census) & projected market value of fixed asset (4 th All India of Census MSME)			
2000-01	10.11 (4.07%)	23.87 (4.20%)	1468.45 (4.90%)				
2001-02	10.52 (4.07%)	24.93 (4.44%)	1543.49 (5.11%)				
2002-03	10.95 (4.07%)	26.02 (4.36%)	1623.17 (5.16%)				
2003-04	11.39 (4.07%)	27.14 (4.31%)	1702.19 (4.86%)				
2004-05	11.86 (4.07%)	28.26 (4.11%)	1786.99 (4.98%)				
2005-06	12.34 (4.07%)	29.49 (4.37%)	1881.13 (5.26%)				

The performance of MSME also indicates that from 1990-91 to 2005-06, there is a stagnation in terms of number of enterprises coming up annually, with an average growth rate of approximately 4 percent. However, due to the addition of a new mode of enterprise and acknowledgement of the unregistered sector, the total number of firms increases massively in the next assessment year, 2006-07. Subsequently, the number of enterprises has again gone through a period of stagnation at constant growth rate of about 4% since 2007-08. Altogether, while considering the change in employment generation and growth of enterprises from 1990-91 to 2015-16 the growth rate seems quite encouraging, but if we do an analysis of it on a year-on-year basis, then we realize that the change has been at rather constant rate with one particular assessment year presenting us with an extremely significant change.

2.2.1 State wise distribution of establishments and employment

The current economic data from the annual reports of MSME and the economic census of MSME sector indicate some key challenges that afflict MSEs in India. According to the Sixth Economic Census of the MSME sector (Table 2.3) the distribution of establishments across states is primarily dominated by few states namely Uttar Pradesh, Maharashtra, Gujarat, West

Bengal, Tamil Nadu, and Andhra Pradesh. The contribution of the rest of the states was minimal with certain states and union territories contributing as insignificantly as 0.01 percent to the 5.84 crore total establishments. It is also noted that in rural establishments Uttar Pradesh with 11.95 percent of rural establishments tops the ranking followed by West Bengal (9.85), Maharashtra (9.47), Andhra Pradesh (9.02) and Tamil Nadu (7.72). Among urban establishments Maharashtra was at the top with 12 percent share, followed by Uttar Pradesh (10.65), West Bengal (10.45), Tamil Nadu (9.88) and Gujarat (6.61) (GoI,2013). While the government has been doing enough to promote the MSMEs, the number of establishments being opened in the north eastern states of the country like Mizoram, Nagaland, Manipur, Tripura, and Meghalaya remains meagre.

A similar trend is noticed in state wise percentage distribution of employment by MSME sector. Uttar Pradesh being the largest state in the country contributes the second highest labour force, with Maharashtra contributing the highest. The other notable contributors are: West Bengal, Tamil Nadu, Gujarat, Andhra Pradesh and Kerala. Regarding employment generation, 11.71 percent of total rural employment has been generated in Uttar Pradesh followed by 8.94 percent of west Bengal and 8.93 percent in Maharashtra. In case of urban establishments Maharashtra provided the highest employment with 13.33 percent followed by Uttar Pradesh (9.72), Tamil Nadu (9.63), West Bengal (9.21) and Gujarat (7.10) respectively.

Table 2.3: State-wise percentage distribution of establishment & employment by sector (Percent)

States/UTs	Establishment			Employment		
	Rural	Urban	Combined	Rural	Urban	Combined
01- Jammu & Kashmir	0.85	0.87	0.86	0.88	0.78	0.83
02- Himachal Pradesh	0.96	0.33	0.70	1.10	0.37	0.74
03- Punjab	2.26	3.07	2.59	2.47	3.11	2.78
04- Chandigarh	0.01	0.34	0.14	0.01	0.38	0.19
05- Uttarakhand	0.67	0.68	0.67	0.79	0.81	0.80
06- Haryana	1.86	2.18	1.99	2.16	2.80	2.47
07- Delhi	0.04	3.64	1.50	0.04	4.72	2.30
08- Rajasthan	5.33	4.39	4.95	5.37	4.13	4.77
09- Uttar Pradesh	11.95	10.65	11.43	11.71	9.72	10.75
10- Bihar	3.45	2.14	2.92	3.20	1.69	2.47
11- Sikkim	0.06	0.07	0.06	0.07	0.06	0.07
12- Arunachal Pradesh	0.06	0.07	0.06	0.09	0.08	0.08
13- Nagaland	0.10	0.12	0.10	0.13	0.12	0.12
14- Manipur	0.41	0.36	0.39	0.37	0.25	0.31

15- Mizoram	0.06	0.15	0.10	0.06	0.13	0.09
16- Tripura	0.42	0.39	0.40	0.34	0.27	0.31
17- Meghalaya	0.21	0.14	0.18	0.28	0.16	0.22
18- Assam	4.18	2.42	3.47	4.04	1.90	3.01
19- West Bengal	9.85	10.45	10.10	8.94	9.21	9.07
20- Jharkhand	1.02	1.20	1.09	1.13	1.08	1.11
21- Odisha	4.61	2.04	3.57	4.70	1.77	3.29
22- Chattisgarh	1.49	1.08	1.32	1.71	1.11	1.42
23- Madhya Pradesh	3.27	4.29	3.68	3.13	3.83	3.46
24- Gujarat	6.92	6.61	6.79	7.52	7.10	7.32
25- Daman & Diu	0.01	0.04	0.02	0.02	0.11	0.06
26- D & N Haveli	0.01	0.03	0.02	0.06	0.09	0.07
27- Maharashtra	9.47	12.00	10.49	8.93	13.33	11.05
29- Karnataka	4.93	4.92	4.92	5.22	5.68	5.44
30- Goa	0.09	0.27	0.17	0.13	0.32	0.22
31- Lakshadweep	0.00	0.01	0.01	0.00	0.01	0.01
32- Kerala	5.19	6.54	5.74	4.84	5.73	5.27
33- Tamil Nadu	7.72	9.88	8.60	8.23	9.63	8.91
34- Pondicherry	0.05	0.17	0.10	0.10	0.24	0.17
35- A & N Islands	0.04	0.04	0.04	0.06	0.05	0.05
36- Telangana	3.44	3.76	3.57	3.48	5.01	4.22
37- Andhra Pradesh	9.02	4.66	7.25	8.69	4.24	6.54
Total	100.00	100.00	100.00	100.00	100.00	100.00
All India Aggregate	34795754	23699605	58495359	67895421	63398447	131293868

Source: Sixth Economic Census, 2013 Note: The Stat/UT Number is the same as used in Population Census 2011. Here, after bifurcation of Andhra Pradesh, the no. 28 originally allotted to it has been frozen, as per practice. Now, number 36 has been allotted to Telangana and 37 to Andhra Pradesh.

2.3. Industrial sickness in the MSME sector

Industrial sickness in the MSME sector has been a major issue for the government, especially since liberalization. The government along with RBI has been working on various strategies to help resurrect them. Industrial sickness defined by RBI made changes subsequent to the change in definition that was enacted with the MSME Act of 2006, and as per this definition MSE is considered 'sick' when any of the borrowal account of the enterprise remains NPA for three months or more, or there is erosion in the net worth due to the accumulated losses to the extent of 50% of its net worth (Reserve Bank of India, 2012). As per the Table 2.4, the trends regarding industrial sickness have been fluctuating but still overall it is declining for a period from 1998 to 2011.

Table 2.4: Sickness in MSMEs Sector in India

Year	Total MSME Units in Lakh	Sick Units in Lakh	Percentage
1998	89.71	2.21	2.46
1999	93.96	3.06	3.26
2000	97.15	3.04	3.13
2001	101.1	2.49	2.46
2002	105.21	1.77	1.68
2003	109.49	1.67	1.53
2004	113.95	1.43	1.25
2005	118.59	1.38	1.616
2006	123.42	1.26	1.02
2007	261.01	1.14	0.43
2008	272.79	0.85	0.31
2009	285.16	1.04	0.36
2010	298.08	0.78	0.26
2011	311.52	0.90	0.29

Source: Agarwal, Parul and Garg, Sonu, 2017, extracted from GoI, 2012; RBI 2012

Of course, the small enterprises require financial assistance to begin their operations and financial assistance from banks is a major concern. Because of the past history of loans that enterprises have taken and not repayed therefore the banks are hesitant to extend support to these small scale enterprises (Agarwal, Parul and Garg, Sonu, 2017). Also, banks themselves are going through a crisis because of mounting non- performing assets. While the government has been working at ensuring that these enterprises get adequate financial assistance from the banks but still lot more needs to be done to address the funding crunch.

2.4. Recent Schemes introduced by the government for MSME Sector

Over the last decade, the government has proactively been devising various strategies to help overcome some of the challenges that micro and small enterprises are facing. The government has introduced various schemes for the benefit of enterprises engaged in the MSME sector. The emphasis on ease of doing business has meant that employment generation has consequently become an added emphasis. Recent key initiatives taken by the government are given below.

a) *Performance and Credit Rating Scheme*: This scheme was introduced in 2005 to help provide a trusted third party opinion on the capabilities

and credit worthiness of the micro and small enterprises so as to create awareness among MSEs about the strengths and weaknesses of their existing operations. The scheme aims to subsidize the rating fee payable by the enterprise by upto 75% subject to a ceiling of Rs 25000/-, 30000/- and 40000/- based on the turnover of the unit (upto 50 lakh, 50 lakh to 200 lakh and above 200 lakh) for the first year of rating.

Table 2.5: Performance and credit rating scheme as per turnover

Turnover	Fee to be reimbursed by the Ministry of MSME
Upto Rs 50 Lakh	75% of the fee charged by the rating agency subject to a ceiling of Rs. 25000/-
50 Lakh to 200 Lakh	75% of the fee charged by the rating agency subject to a ceiling of Rs. 30000/-
Above 200 Lakh	75% of the fee charged by the rating agency subject to a ceiling of Rs 40000/-

Source: GoI, 2016

b) *Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE)*: This scheme is introduced in 2008 and it is a jointly established trust set up by the Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India. The corpus of CGTMSE is contributed by the Government of India and SIDBI. 75% of the loan amount to the bank is guaranteed by the Trust Fund. The scheme aims to cover all the existing and new micro, small and medium enterprises and provide collateral free credit upto a limit of Rs.200 lakh. The guarantee cover available under the scheme is to the extent of 50%, 75%, 80% and 85% of the sanctioned amount of credit facility. The extent of guarantee cover for micro enterprises is 85% for credit upto Rs. 5 lakh. The extent of guarantee cover is 80% for Micro and Small enterprises operated and/or owned by women and all credits in the North East region for credit facilities upto Rs 50 Lakh. In case of default, the trust settles the claims upto 75% of the amount in default of credit facility extended by the lending institution for credit facilities upto Rs. 200 lakh (GoI, 2016).

c) *Credit Linked Capital Subsidy for Technology Upgradation*: It is introduced in the year 2000 with the aim of facilitating technological Upgradation by providing 15% upfront capital subsidy upto a maximum cap of Rs. 15 lakh to MSE units including tiny, Khadi, coir, and village industrial units on an institutional finance availed by them for induction of state of the art or near state of the art technology for Upgradation of the present technology level to a substantially higher one involving improved productivity, and/or improvement in quality of product and/or improved environmental condition including working environment. In 2005, with the approval

from the Cabinet Committee on Economic Affairs, the scheme changed the ceiling of credit from Rs. 40 Lakh to Rs. 1 crore and the rate of subsidy was enhanced from 12% to 15%.

d) *Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools (QMS/QTT)*: It is introduced in 2010, with a view to sensitize and encourage MSEs to understand and adopt latest Quality Management Standards and Quality Technology Tools. The scheme aims to provide funding support for introduction of appropriate course modules in the technical institutions through expert organizations. It also provides funding support upto Rs. 79000/- per programme for conducting QMS/QTT awareness campaign for MSEs through expert organizations. It further has a provision for providing funding support upto Rs. 2.5 lakh per unit for implementation of QMS and QTT in selected MSMEs through expert organizations.

e) *Lean Manufacturing Competitiveness for MSMEs*: This is a scheme that has been initiated in the year 2010 with a view to providing assistance to MSMEs to reduce their manufacturing costs, by providing efficient personnel management, scientific inventory management, reducing engineering time and so on with the application of Lean Manufacturing techniques. The scheme aims to provide financial assistance for implementing lean manufacturing techniques (80% provided by Government of India and 20% to be provided by the beneficiaries).

f) *Design Clinic for Design Expertise to MSMEs*: It is a scheme for increasing competitiveness of MSMEs through adoption of design and its learning. Financial assistance is provided to MSMEs for design development.

g) *Technology and Quality Upgradation support to MSMEs*: This scheme is introduced in the year 2010. It supports the use of energy efficient technologies in manufacturing units. It provides funding support upto 75% for awareness programmes subject to a maximum of Rs. 75000 per programme. The scheme also aims to set up carbon credit aggregation centers and also it implemented through various nodal banks.

h) *Marketing Assistance Scheme*: This scheme is introduced in the year 2000. The marketing assistance scheme provides assistance for organization of exhibitions abroad and participation in international trade fairs/exhibitions, co-sponsoring of exhibitions organized by other organizations/industry association/agencies and organizing buyer-seller meets, intensive campaigns and marketing promotion activities. Financial assistance of upto 95% of the air fare and space rent is made available to entrepreneurs on the basis of size and type of the enterprise. The scheme

also provides financial assistance for co-sponsoring an event and this would be limited to 40% of the net expenditure, subject to a maximum of Rs 5 lakh (GoI, 2016).

i) Marketing Assistance and Technology Upgradation: This scheme assists in providing marketing platform to manufacturing MSMEs through participation in state/district level exhibitions/trade fairs organized by State/District Authorities/Associations. There is funding for participation of MSMEs in state/district level exhibitions/ trade fairs with a funding support of maximum Rs 30000/- per exhibition/fair. The scheme provides funding support (in the form of reimbursement) to MSMEs for adopting corporate governance practices with a maximum of Rs 45000/- per MSME unit.

j) Micro and Small Enterprises Cluster Development: This is a scheme that has been introduced by the MSME ministry that focuses on cluster development approach to enhance productivity and competitiveness of MSEs. The scheme provides financial assistance to special purpose vehicles companies set up by cluster units for common facility center, infrastructures, skill training, Quality Upgradation etc. There are various levels of interventions. For diagnostic study, the financial assistance is provided upto a maximum cost of Rs. 2.50 lakh. For soft interventions, the degree of financial assistance is such where the maximum cost of the project is Rs. 25 lakh with Government of India contribution of 75% (90% for special category states and for clusters with more than 50% women/micro/village/SC/ST units).

k) Udyog Aadhaar Scheme: This is a scheme which helps small enterprises register themselves under the Ministry of Micro, Small and Medium Enterprises (MSME) through an easy and simple process of filling a one page user-friendly online registration form. The major benefits of the scheme are that it allows access to easy loan sanction, loan without guarantee and loans with low interest rate. Government subsidies will also be available for such enterprises (Udyog Aadhaar, 2015). This scheme has helped in formalization of the MSME sector.

2.5 Labour Laws and MSEs in India

There are various labour laws in the country for the protection, welfare and development of employees and workers in both the manufacturing and service sector enterprises. Many of the laws have been updated to address the current challenges faced by employees; but still some of the laws are very old and have lost their significance. The government has been extremely active in simplifying the process and the sheer number

of laws regarding labour in a bid to encourage entrepreneurs to engage in increasing the productivity of the enterprises. However, still there are considerable challenges faced by entrepreneurs with regard to compliance to labour laws which need urgent redressal. At the same time, the increasing contractual nature of employment means that the challenges faced by workers is different from the challenges faced previously and hence needs to be addressed thoroughly (Hoda, Anwarul, Durgesh, 2015). The labour laws that have been framed in the country until now mainly focus on the manufacturing sector, thus ignoring the problems faced by the services sector, which accounts for 55 percent of our GDP (FICCI, 2014).

Since labour is a subject in concurrent list, labour laws in the country are divided among the central government and state governments. Many of the central government laws are applied by the state governments. There are 15 central government laws which impact the welfare of the employees and these have undergone significant changes over the years keeping in mind the challenges faced by the employees currently. For MSE entrepreneurs, there are certain labour laws that need to be implemented by these enterprises for them to be able to run their enterprises properly without fear of repetitive inspections. The labour laws are decided on the basis of the number of employees in a particular enterprise and there are three threshold limits that have been considered by the government for this purpose, less than 10 workers, 10-19 workers, 20-49 workers (Kannan KP, 2014). For the purposes of this study, the threshold limits of less than 10 workers and 10-19 workers are extremely important. The following table 2.6 highlights the various labour laws according to the threshold limit.

Table 2.6: Labour laws as per threshold limits

<i>First Threshold (1-9 Workers)</i>	<i>Second Threshold (10-19 Workers)</i>	<i>Third Threshold (20-49 Workers)</i>
Shops and Establishments Acts of State Governments	Labour Laws (Exemption from Furnishing Returns and Monitoring Registers) Act	The Contract Labour (Regulation and Abolition) Act, 1970
Workmen's Compensation Act, 1923	The Payment of Gratuity Act, 1972	The Payment of Bonus Act, 1965
Child Labour (Prohibition and Regulation) Act, 1986	The Factories Act, 1948	The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
Bonded Labour System (Abolition) Act, 1976	The Employees State Insurance Act, 1948	

Equal Remuneration Act, 1976	The Payment of Wages Act, 1936	
The Industrial Disputes Act, 1947 [with the exception of Chapters VA and B applicable to enterprises with 50 and above and 100 and above workers respectively]	Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.	
Minimum Wages Act, 1948	Maternity Benefits Act, 1961	
Trade Union Act, 1926	The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (amended)	
Labour Laws (Exemption from Furnishing Returns and Monitoring Registers) Act (in some states)		

Source: Kannan KP (2014) & updated few acts.

The Equal Remunerations Act 1976 is an act which stipulates equal remunerations to men and women performing the same work so as to prevent discrimination against women is an effective law but in actual practice employers assign women to different work, which enables them to remunerate the female workers less than what is given to male workers (Kannan, 2014 and Equal Remuneration Act, 1976). Shops and Establishments Act of State Governments aims to regulate holidays, hours of work, payment of wages and leave of persons employed in shops and establishments. This law is significant as, being run under financial constraint, the shop owners tend to try to pay wages which are not proportionate to the work they do. This law has been in practice since the 1960s in most states and they are implemented by the state governments (various state’s Shops and Establishments Acts). As per the payment of Minimum Wages Act, 1948, there are large number of minimum wages prescribed by the state government for different trades and regions. State level labour inspectors are empowered to inspect and ensure the payment of wages. This act is significant, especially in enterprises with less than 9 workers, as the owners try to get more work from them and then pay them less than the minimum wages. (GoI, 1948)

Trade Union Act (1926) provides for the formation of unions by groups of seven or more workers, in practice this law is neither enforced properly nor is it practical for micro enterprises employing upto nine workers

(Kannan, 2014 and The Trade Unions Act, 1926). The Factories Act 1948 stipulates that it is mandatory for enterprises with ten workers or more and using power or 20 or more workers without using power to register. Manufacturing enterprises are supposed to specifically pay attention to this law as without this they cannot run their enterprise (Kannan , 2014 and The Factories Act, 1948). The Employees State Insurance Act (1948) is an act that provides for certain benefits to employees in case of sickness, maternity and employment injury and to make provisions for certain other matters related to the same. It is applicable to all factories (including factories belonging to the government) other than seasonal factories. This law is applied both by the Central government and state government (The Employees State Insurance Act, 1948). The Goods and Services Tax (2017) is Introduced by the current government in the hope of reducing the policy of cascading indirect taxation, this law was implemented in the month of July in the year 2017. GST (Goods and Services Tax) is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages (Goods and Services Tax, 2017).

The key laws which have been amended by the government are: The Maternity (Amendment) Benefit Act, 2017. This amendment has increased the duration of paid maternity leave available for women employees from the existing 12 weeks to 26 weeks. Under the Maternity Benefit Amendment Act, this benefit could be availed by women for a period extending upto a maximum of eight weeks before the expected date of delivery and the remaining can be availed post childbirth. If the women's work is of such nature that she can do the work from home then the employer may allow her to do so after availing of the maternity benefit for such period and on such conditions as the employer and the woman may mutually agree. The changes made in this bill will benefit women employees. The Employee's Provident Fund and Miscellaneous Provisions Act, 1952 has been amended in 2017 to expand its coverage for employees in the second threshold limit of 10- 19 workers. This major change in the law will be beneficial for those workers who are engaged in the MSE sector. Another significant change in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 is that for women employees, the contribution has been reduced to 8 percent from the existing rate of 12% or 10% with no change in the employer's contribution.

2.5.1 Labour laws: Challenges

India country report of ILO in a survey regarding payment of minimum wages conducted across three states, namely, Maharashtra, Tamil Nadu

and Odisha, observed that the lack of awareness with regard to payment of minimum wages among employers of the MSEs could be an important factor in the non- payment of minimum wages (Kannan, 2014). The reasons for non compliance varied across the states. Payment of minimum wages being too costly was one of the reasons for non-compliance in Maharashtra with 21 percent of the entrepreneurs reporting that as the reason. The majority of the respondents in Maharashtra (42 percent) pointed out that it was legally required but not enforced. Another 21 percent in Maharashtra said that it is unnecessarily complicated (ibid). Thus, with these range of responses from the state of Maharashtra, it can be observed that payment of minimum wages does present is complicated for MSE entrepreneurs. However, Minimum wage is always protecting workers from exploitation and also it is crucial to ensure decent standard of living and quality employment.

Regarding Employees Provident Fund payments, recently the change in Employees' Provident Fund rules stipulated that those enterprises with the number of workers being in the group of 10-19 are now going to be covered under the provident fund. In India country report of ILO (Kannan,2014), it is highlighted that among those enterprises that were above the threshold limit, in the three states of Maharashtra, Tamil Nadu and Odisha, the percentage of enterprises not paying employees' provident fund was 43 percent in Maharashtra, 36 percent in Tamil Nadu and 70 percent in Odisha. When asked for reasons for non compliance, MSEs in Tamil Nadu provided reasons such as "Employees prefer to receive higher take-home pay" (68 percent), "Workers have not demanded it" (53 percent) and "Unnecessarily complicated (11 percent). Also, those enterprises that were originally below the threshold level were unaware of the provision at all (ibid). Thus, given that many of the MSE enterprises are facing strong competition from large firms and also as a way of keeping the cost of the unit down, the enterprises find paying employees' provident fund is a burden.

Finally, in order to ease the process of entering into and running business ventures, there is a need to club certain labour laws together which are related to a particular area of concern like wages, similarly for employees' provident fund, all the relevant laws can be clubbed together. Also, there needs to be a consideration for exempting certain micro and small firms from certain labour laws so that they can find it easier to run their business. While the government has already started working towards this, the speed at which these reforms are taking place need to increase rapidly to ensure that the demographic dividend of the country does not get lost in these slow moving changes that are desperately needed to revive quality employment generation.

III

Women Entrepreneurship: Trends and Challenges

This chapter aims to explore the characteristics of women enterprises, their contribution to employment, the economic activities they participate in and the sources of finance. It also aims to provide a background into the major challenges faced by women entrepreneurs through case studies.

3.1. Women entrepreneurship: an over view

Women have become important decision makers in Indian society and yet their proportion of participation in the work force of the country is meager. The quest for gender equality cannot be achieved without greater participation of women in economic activities and decisions and control over financial resources (GoI, 2013). There are demographic, educational, social and political information on women but the information regarding women's participation in entrepreneurship at the national level is not available fully and hence the significance of women entrepreneurship was never considered thoroughly. Woman entrepreneur in India is one who starts her own enterprise, innovates and provides employment.

There has been a shift in the kind of economic activities that women entrepreneurs undertake. Earlier, in rural areas farm work was the only source of income. With the expansion of industries, especially in the service sector, the avenues to explore entrepreneurship and provide employment to people has increased. Recent research highlights that when we are considering rural areas during the past decade there has been a moving into agriculture and then a move away from it by women. There is a suggestion that the surge in women participation in agricultural employment was linked to the agrarian distress and the subsequent recovery of the agrarian economy has led to the withdrawal of women from agricultural employment (Jayan Jose Thomas, 2012).

It is with the Sixth All India Economic Census that women entrepreneurship got the attention to highlight not only the problems faced by these entrepreneurs but also give a broader picture on the crucial role played by them in the economic development of the country. While agriculture is still the most important activity undertaken by women, other activities like manufacturing, trade, other services and food and accommodation have also emerged as significant avenues for women to present their entrepreneurial capabilities. Table 3.1 below shows agriculture accounts for 34.3 percent of the total women establishments, manufacturing establishments constitute

29.8 percent followed by trade (18.23), Other Services (5.38) and Food and Accommodation (2.77). The significant change that can be observed is that 65.7 percent of the non-agricultural activities are undertaken by women and only 34.3 percent women establishments undertake agriculture as their activity (GoI, 2013). Among women establishments involved in agricultural activities, majority of them were found in livestock, which constitutes 92.20 percent of all agricultural establishments, followed by forestry and logging (4.51). As part of the non agricultural activities, manufacturing establishments run by women constitute 45.36 percent of the total number of women establishments engaged in non-agricultural activities. This is followed by trading (28.57), other services (8.18), accommodation and food services (4.22) and education (4.1). The above data highlights the diversification of the fields in which women entrepreneurs engage themselves.

Table 3.1: Broad Activity wise total number of Establishments under women entrepreneurship by type of establishment

Broad Activity	Without Hired Workers	With At least One Hired Worker	Total	Percentage share in total establishment
01 - Activities relating agriculture other than crop production & plantation	37294	15016	52310	0.65
02 - Livestock	2342134	204211	2546345	31.63
03 - Forestry and Logging	118365	6110	124475	1.55
04- Fishing and aqua culture	33747	4890	38637	0.48
Sub-total : Agricultural Activities	2531540	230227	2761767	34.3
05 - Mining and quarrying	4009	3820	7829	0.1
06 - Manufacturing	2099355	300108	2399463	29.8
07 - Electricity, gas, steam and air conditioning supply	957	2366	3323	0.04
08 - Water supply, sewerage, waste management and remediation activities	5860	4284	10144	0.13
09 - Construction	33261	13764	47025	0.58
10 - Whole sale trade, retail trade & repair of motor vehicles & motor cycles	14000	16237	30237	0.38

11 – Whole sale trade (not covered in item – 10 above)	31581	17067	48648	0.6
12 – Retail trade (not covered in item – 10 above)	1159414	272788	1432202	17.79
13 – Transportation and storage	88623	36084	124707	1.55
14 – Accommodation and Food services activities	148988	74107	223095	2.77
15 – Information and Communication	11142	8711	19853	0.25
16 – Financial and Insurance activities	54578	21693	76271	0.95
17 – Real estate activities	41570	4484	46054	0.57
18 – Professional, scientific & technical activities	15080	15601	30681	0.38
19 – Administrative and support service activities	27018	18246	45264	0.56
20 – Education	113751	103723	217474	2.7
21 – Human health & social work activities	32407	42988	75395	0.94
22 – Arts entertainment, sports & amusement and recreation	9113	9439	18552	0.23
23 – Other services activities not elsewhere classified	275107	157728	432835	5.38
Sub-total : Non-Agricultural Activities	4165814	1123238	5289052	65.7
Total	6697354	1353465	8050819	100.0

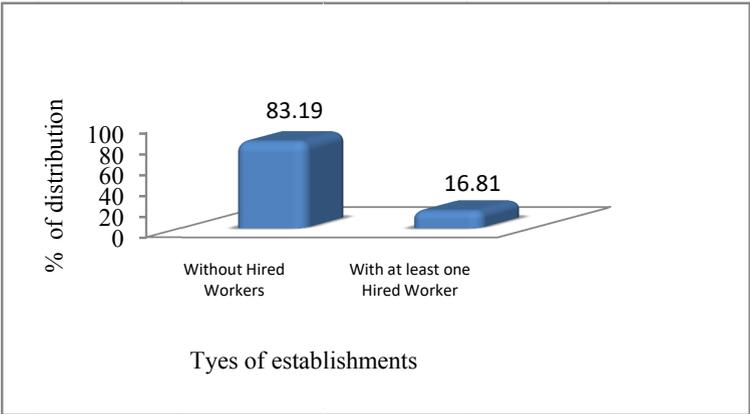
Source: Economic Census, 2013

Out of the total number of female establishments that provide employment in the country, more than three fifths of the people are employed in rural areas (61.46%) and the remaining portion are employed in urban areas (38.54%). This is indicative of the fact that self employment opportunities are greater in rural areas than in urban areas and given that financial support is poor, many women prefer to remain in rural areas, rather than open an enterprise in an urban area. The lack of hired workers could also be an indication that the activity undertaken is run by family members (Salve Prachi, 2016). Also, when the top five economic activities that women entrepreneurs undertake are analyzed, even now agriculture is the predominant economic activity. Thus, it is not surprising that entrepreneurs operate out of and gain employment in rural areas. Also, when the number

of enterprises operating with and without hired workers is looked into, 64.5% persons were working in enterprises without any hired workers, whereas 35.5% were working in enterprises with at least one hired worker. This further strengthens the argument that self employment is the most preferred form of employment among women entrepreneurs.

It is also apparent from the figure 3.1 that more than four fifths of the establishments (83.19%) have no hired workers in their enterprise while the remaining enterprises (16.31%) operate with hired workers. It is in the rural areas that a high percentage of enterprises (86.85%) run without any hired workers, meaning only 13.15 percent of them received a salary/wage on a fairly regular basis. This may be an indication of women workers in the unorganized sectors are engaged in family enterprises and work as unpaid workers (Mondira Dutta, 2010).

Figure 3.1: Percentage of Establishments under women entrepreneurs by type

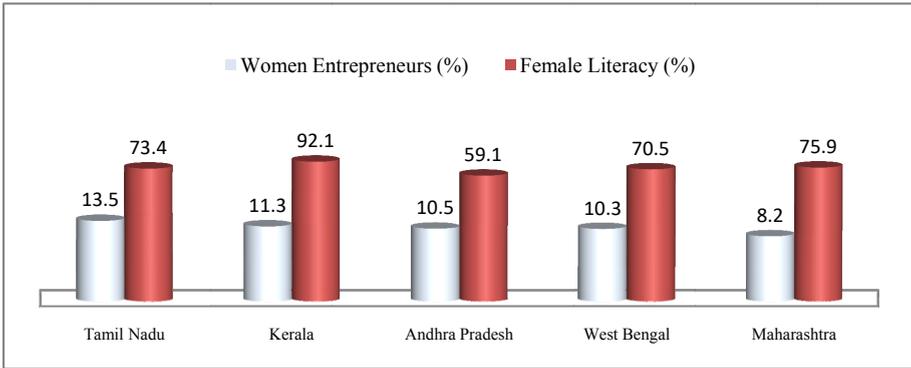


Source: All India Sixth Economic Census, 2013

3.1.2. State wise distribution of women establishments and employment

In terms of States contribution to the total number of establishments, with and without hired workers, the southern states of Tamil Nadu and Kerala lead the way with 13.51% and 11.35% of the overall women establishments being in these two states. They are followed by Andhra Pradesh, Bengal and Maharashtra with these three states contributing 10.56%, 10.33% and 8.25% respectively (See Appendix 3.1). Moreover, in these states literacy rates are higher than national average literacy among women. Hence, while considering the state wise number of establishments owned by women and the literacy rate of these states, it can be concluded that there is a positive relation between the literacy rate and the number of establishments present. This fact can be shown in the following figure 3.2.

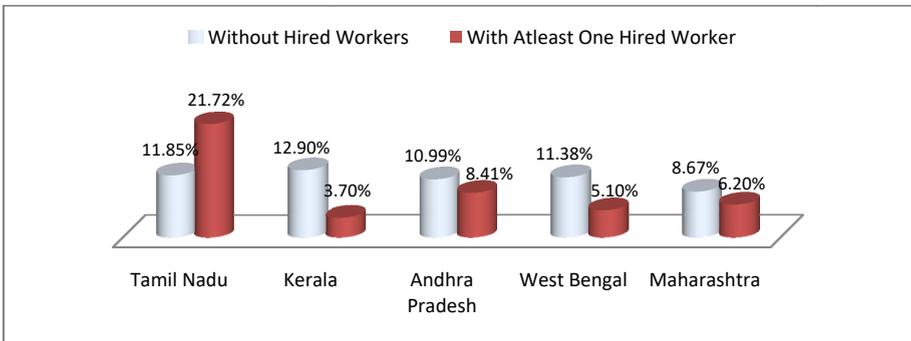
Figure 3.2: Women entrepreneurs and female literacy by lead states



Source: Salve Pranchi 2016, Economic Census 2013, Men and Women 2011

Again, an important observation is that except for Tamil Nadu, the other four states have a very small share of enterprises which employ at least one hired worker. At the same time, Tamil Nadu has 21.72% of their establishments employing more than one hired worker and the rest of the states have less than 10% each of establishments with at least one hired worker (Figure 3.3).

Figure 3.3: Women establishments by lead states (Percent)



Source: All India Economic Census, 2013

The above data indicates that even though the five states contribute significantly in terms of number of establishments, it is only Tamil Nadu which has an economy which can allow the women entrepreneur to hire more than one worker.

The contribution of states in terms of providing employment is led by Tamil Nadu, which contributes 13.81%, followed by West Bengal, Andhra Pradesh, Maharashtra and Gujarat contributing 10.21%, 9.85%, 8.16% and 7.45% respectively (Table 3.2).

Table 3.2: State/UTs wise total number of persons employed in establishments under women entrepreneur by type of establishment and State/UTs percentage share in total employment

States/UTs	Total number of persons employed			
	Without Hired Workers	With at least One Hired Worker	Total	Percentage share in total employment
01- Jammu & Kashmir	28471	40596	69067	0.51
02- Himachal Pradesh	49974	20549	70523	0.52
03- Punjab	102642	113895	216537	1.61
04- Chandigarh	5946	4415	10361	0.08
05- Uttarakhand	33340	32663	66003	0.49
06- Haryana	135616	72739	208355	1.55
07- Delhi	63818	95603	159421	1.19
08- Rajasthan	260517	178818	439335	3.27
09- Uttar Pradesh	554445	374660	929105	6.91
10- Bihar	117045	165477	282522	2.1
11- Sikkim	5439	3627	9066	0.07
12- Arunachal Pradesh	5493	8586	14079	0.1
13- Nagaland	14290	13233	27523	0.2
14- Manipur	96938	13884	110822	0.82
15- Mizoram	15940	10387	26327	0.2
16- Tripura	14951	4929	19880	0.15
17- Meghalaya	28625	30076	58701	0.44
18- Assam	162675	90397	253072	1.88
19- West Bengal	1043926	328804	1372730	10.21
20- Jharkhand	27266	91147	118413	0.88
21- Odisha	331875	113828	445703	3.31
22- Chattisgarh	92589	55008	147597	1.1
23- Madhya Pradesh	213446	185119	398565	2.96
24- Gujarat	610804	390452	1001256	7.45
25- Daman & Diu	657	1266	1923	0.01
26- D & N Haveli	437	3982	4419	0.03
27- Maharastra	704021	393855	1097876	8.16
29- Karnataka	598378	320661	919039	6.83
30- Goa	15551	13188	28739	0.21
31- Lakshadweep	545	404	949	0.01

32- Kerala	962144	184881	1147025	8.53
33- Tamil Nadu	1051776	804910	1856686	13.81
34- Pondicherry	9687	10340	20027	0.15
35- A & N Islands	2928	2053	4981	0.04
36- Telangana	353257	233289	586546	4.36
37- Andhra Pradesh	958505	366504	1325009	9.85
All India	8673957	4774225	13448182	100.00

Source: Sixth Economic Census, 2013

3.3. Major Challenge of women entrepreneurs: issues and concerns

In the process of establishing their own enterprises, women entrepreneurs face more challenges than men not only from the family and society but also in the corporate business world, but still they are contributing their services in this field. Few of these challenges are as follows:

3.3.1 Women entrepreneurship by nature of operations

The nature of activities that women entrepreneurs participate in (Table 3.3) shows that most of them engage in economic activities that are perennial¹ in nature. This is indicative of a shift away from just farming and the diversification of economic activities that are more sustainable in nature. Women, even when they are involved in agricultural activities do not only get involved during the sowing or the harvesting period, they engage in looking after the livestock, ensuring that they remain healthy and remain an asset for the farmer. They also participate in selling fish as a means of earning livelihood. This is not limited to only the coastal areas but can also be undertaken in urban areas where there is a greater demand for fish. Fish being present throughout the year is a good source of employment and income for women. Data from the Sixth Economic Census indicates that 89% of women establishments engage in activities providing perennial employment and income.

Seasonal activity indicates that activity that can be undertaken only when the season for that particular occupation is operational. For example, women are involved in plucking of tea leaves only once they have flowered, for the rest of the year they have to find other means of earning a livelihood. Even fruits like apple and mango are only seasonal, coming during a certain period of the year, so women involved in plucking these fruits also need to find alternative sources of income. Only around 9% of women establishments engage in activities providing seasonal employment and income.

¹ Perennial mean an activity that can be engaged in all round the year.

Casual activity is indicative of an activity that can provide employment for a specific period of time and is lost once the work has been completed. This is especially true in the construction sector which provides casual employment to women when they are required as labor to complete a business project. However, this kind of operation does not provide any stable source of income or employability. Thus, the number of women establishments engaging in casual activity is at a meager 1.97% according to the Sixth Economic Census.

Table 3.3: State/UT wise total number of establishment under women entrepreneurship by nature of operation

State/UTs	Perennial	Seasonal	Casual	Total
01- Jammu & Kashmir	23264	7030	998	31292
02- Himachal Pradesh	36956	8800	3417	49173
03- Punjab	101598	6944	2379	110921
04- Chandigarh	5460	256	67	5783
05- Uttarakhand	27597	2865	957	31419
06- Haryana	101907	17538	5079	124524
07- Delhi	66544	2864	1026	70434
08- Rajasthan	214987	29224	3781	247992
09- Uttar Pradesh	432631	42374	7374	482379
10- Bihar	141579	10465	1566	153610
11- Sikkim	5071	211	22	5304
12- Arunachal Pradesh	6032	241	140	6413
13- Nagaland	9636	3054	967	13657
14- Manipur	81106	5657	1523	88286
15- Mizoram	15264	259	305	15828
16- Tripura	13586	714	206	14506
17- Meghalaya	27525	1233	772	29530
18- Assam	132924	14285	6949	154158
19- West Bengal	738603	64990	27744	831337
20- Jharkhand	51075	3319	338	54732
21- Odisha	166525	65829	17246	249600
22- Chattisgarh	44829	32501	646	77976
23- Madhya Pradesh	201458	19654	2293	223405
24- Gujarat	433199	88087	7337	528623

25- Daman & Diu	694	95	16	805
26- D & N Haveli	1287	14	3	1304
27- Maharashtra	613038	44616	6646	664300
29- Karnataka	498295	40993	6518	545806
30- Goa	14573	1614	469	16656
31- Lakshadweep	346	90	24	460
32- Kerala	825386	54589	33942	913917
33- Tamil Nadu	1026273	45422	15914	1087609
34- Pondicherry	9736	302	131	10169
35- A & N Islands	2092	347	74	2513
36- Telangana	328637	27643	206	356486
37- Andhra Pradesh	766306	82316	1290	849912
All India	7166019 (89%)	726435 (9.03%)	158365 (1.97%)	8050819 (100%)

Source: Sixth Economic Census, 2013

3.3.2 Source of finance

The most crucial indicator of the growth and development of women entrepreneurship in India is the sources of financing available to women entrepreneurs. There is an inherent gender bias against women which seeps through even when a financial institution is willing to fund for the women entrepreneur. The lack of financial support from banks has been a grave issue which continues to trouble women enterprises. The data from the Sixth Economic Census reveals that more than three fourths (79%) of the women entrepreneurs considered self financing as the most viable source of financing available to them. On the other hand, borrowing from financial institutions stands at a meager 1.08%. This lack of financial support from banks is validated by the fact that recently the chairperson of Integrated Congress of Women Entrepreneurs revealed that the rate of rejection of projects being sent with proper proposals of women entrepreneurs was alarming. It is pointed out that there are at least 34 cases where the women entrepreneur had gone with all the required documents and yet was turned away by the banks (KNN, 2018). The second most popular source of funding for women entrepreneurs was donations/transfers from other agencies which stood at 14.65%, followed by financial assistance from government sources, loan from self help groups, and borrowings from non-financial institutions/money lenders contributing to 3.37%, 1% and 0.84% of the overall responses provided by women entrepreneurs with regard to source of finance.

State wise total number of establishments under Women Entrepreneurs by major source of Finance (table 3.4) shows the difference between the states that have a higher percentage share than the national average and those who have less than the national average. This form of analysis would be helpful to understand what makes the states less dependent or more dependent on self finance. In table 3.4, Twenty three of the thirty seven states have a dependency on self financing, indicating that either they do not have availability of other forms of finances or that there is enough opportunities to engage in financial activities which generates higher income and hence reduces the dependency on other sources of income. For example, states like Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Daman and Diu, Andaman and Nicobar Islands and Goa have very few other sources of generating finances and the outreach of banks has been poor in these areas hence they are totally dependent on self financing as a way of establishing and surviving as an enterprise. On the other hand, states like Tamil Nadu, Kerala, Punjab, Chandigarh, Delhi, Kerala, Karnataka, Maharashtra etc. have enough financial resources which allow entrepreneurs to set up their enterprises without looking for alternative sources of financing.

On the other hand, states like Bihar, West Bengal, Jharkhand, Assam, Andhra Pradesh, Chhattisgarh etc. having faced long periods of economic distress have therefore tried to find other sources of financing other than self financing. For example, in Jharkhand the most popular form of financing is from donations/transfer from other agencies. This indicates that they do not have enough financial reserves within the state and coupled with the poor access to financial institutions, there only way of establishing an enterprise is through dependence on donations.

Table 3.4: State/UT wise Total number of Establishments under Women Entrepreneurs by major source of Finance

State/UTs	Self Finance	Financial assistance from Govt. Sources	Borrowing from financial institutions	Borrowing from Non-institution/ Money lenders	Loan from Self Help Group	Donation/ Transfer from other agencies	Total
01- Jammu & Kashmir	23527	1676	638	933	45	4473	31292
02- Himachal Pradesh	44084	1242	1351	38	131	2327	49173
03- Punjab	94246	1808	577	299	94	13897	110921
04- Chandigarh	5621	117	26	3	1	15	5783
05- Uttarakhand	27193	1046	582	71	122	2405	31419
06- Haryana	116069	1495	577	433	117	5833	124524
07- Delhi	59542	1148	322	239	111	9072	70434
08- Rajasthan	182371	7912	2599	1325	387	53398	247992

09- Uttar Pradesh	365439	14561	2565	2327	983	96504	482379
10- Bihar	77584	7307	1946	1736	520	64517	153610
11- Sikkim	4720	236	123	7	3	215	5304
12- Arunachal Pradesh	5229	262	45	28	24	825	6413
13- Nagaland	12837	107	53	65	25	570	13657
14- Manipur	83621	345	802	673	90	2755	88286
15- Mizoram	14075	562	132	12	15	1032	15828
16- Tripura	12853	458	226	122	46	801	14506
17- Meghalaya	27279	661	223	114	47	1206	29530
18- Assam	139193	3438	1887	1250	1146	7244	154158
19- West Bengal	575628	25398	8000	28454	4532	189325	831337
20- Jharkhand	24408	4577	549	165	264	24769	54732
21- Odisha	188460	12810	3560	2058	2890	39822	249600
22- Chattisgarh	58761	4365	680	267	135	13768	77976
23- Madhya Pradesh	145051	14855	2311	1003	848	59337	223405
24- Gujarat	339799	62511	6464	782	676	118391	528623
25- Daman & Diu	673	14	15	0	1	102	805
26- D & N Haveli	490	10	38	2	2	762	1304
27- Maharastra	551300	19440	10940	2997	3752	75871	664300
29- Karnataka	464768	17513	7363	2956	8994	44212	545806
30- Goa	14939	503	670	25	118	401	16656
31- Lakshadweep	360	15	4	1	4	76	460
32- Kerala	864223	9939	13471	2780	6897	16607	913917
33- Tamil Nadu	881274	26046	4868	4766	4558	166097	1087609
34- Pondicherry	8200	192	182	598	100	897	10169
35- A & N Islands	2110	60	199	5	4	135	2513
36- Telangana	286081	7879	4239	2418	6544	49325	356486
37- Andhra Pradesh	663439	20470	8562	8573	36434	112434	849912
All India	6365447 (79.07%)	270978 (3.37%)	86789 (1.08%)	67525 (0.84%)	80660 (1%)	1179420 (14.65%)	8050819 (100%)

Source: Sixth Economic Census, 2013

3.3.3 Challenges Faced by Women Entrepreneurs from Discouraging Family Members and Entrepreneurship Based on Necessity

While we are always made aware of the difficulties related to availability of credit for women entrepreneurs and the challenges from patronizing and patriarchal government officials, what sometimes gets overlooked is the crucial role that women family members play in discouraging their daughters to step into the world of entrepreneurship. While it is true that

now society's attitude towards the presence of women in the business world has changed for the better in certain respects but that does not mask the fact that women still face serious hurdles from the family, often not only from male members but also female members. It is assumed that female family members always support the cause of a women moving out of the house but that is far from the case. Not many women are able to handle the stress of having to argue with their family members to allow them to take decisions that go against the stereotyped role set out for women. It takes a certain amount of bravery and courage to be able to challenge family members and society to understand the significance of moving away from the house to utilize their education and contribute to the development of the country. Before we get to the question of financial assistance and the patriarchial set up, we need to acknowledge that the reason why there are few women entrepreneurs in the country is because of the familial hurdles faced by women from other female family members. At the same time, it needs to be acknowledged that in the South of India, where literacy is high, the number of women entrepreneurs is higher than in the northern, western or eastern regions of the country where women's education level is less compared to south.

The Case of Sarada Papers

This is an enterprise that is located in the Gol Park area of the town Gariaghat in Kolkata which started its operations in 2003. Run by Anandita Sen, a cheerful middle aged woman of 52 years, she has educational qualifications which include a degree in English Honors along with a degree in Computer Science from Jadavpur University and she has also cleared the TGT exam. This is a micro service sector enterprise which provides not only stationery but also acts as an internet café. This is a registered enterprise which generates an annual income of 5 lakh. This enterprise employs 2 workers on full time and the shop operates between 10 am and 8 pm. This case aims to highlight the challenges faced by a woman entrepreneur from her family members as well as presenting the fact that many women take up entrepreneurship as a necessity rather than out of choice. The entrepreneur reveals that she first considered the idea of starting an enterprise when she realized that funding her daughter's education would become a major problem as just the husband's income was not going to be enough to educate their daughter. She faced extremely tough hurdles from her in laws and her own parents including her mother who never cooperated with her when she wanted to start this enterprise. It was also revealed how with just Rs. 10,000 in hand and an old desktop she began running the shop before slowly and steadily increasing the working capital of the enterprise and now has new computers and earns a decent amount even after paying the workers. Initially, it was challenging to manage running the shop and also running the house but now that she had two workers, it is not necessary for her to present at the shop all the time. She pointed out that now it was far easier to convince parents about allowing daughters to make their own choices than it was ten years ago.

Another important point to consider is that women choose to enter into entrepreneurship out of necessity rather than as a matter of choice. There is a sense that women especially in the poorer sections of society and poorer parts of the country take to entrepreneurship out of necessity, as a means of advancing their ability to support the family and education of their children. The desires to see their children succeed and making sure that the daughters do not feel let down due to financial pressures makes them see entrepreneurship as a way towards achieving that goal.

3.3.4 Impact of GST, Demonetization on Unregistered Micro Service Sector Women Enterprises (The Case of Dzire Collection and Boutique)

This is an enterprise located in the local shopping complex in Mayur Vihar Phase 1 Extension in Delhi which started its operations in 2009, run by Ms. Simi Bakshi, a middle aged woman of 55 years with a degree in fashion designing. This is a micro service enterprise that specializes in selling designer suits, Lucknow Chikan Suits besides stitching raw cloth. This is an unregistered enterprise that has a total of 2 employees who are employed on a full time basis. This case highlights the struggles faced by women entrepreneurs that run micro, unregistered service sector enterprises. The entrepreneur reveals that initially post demonetization, the sales had picked up due to customers wanting to dispose of the demonetized notes of Rs 500 and 1000 respectively and so they had bulk orders being placed. In fact there would be such a rush to buy and place stitching orders at the shop that there would be a long queue outside the shop. However, once the effect of demonetization started diminishing the sales of the enterprise started sliding down before briefly picking up again. With the introduction of Goods and Service Tax, the business again suffered heavily and this time it seems even the wedding season has not done enough to boost the sales at the enterprise. With the enterprise being run on rented accommodation and the rent charge being Rs 30,000 and with sales being limited to at best one order per day, the entrepreneur revealed that the only reason why she was continuing to run the shop was out of consideration for her workers and in the hope that in the coming months sales might pick up. The only silver lining that she revealed was that the shop from where she purchased her raw cloth recently had been kind enough for her to allow returning the unsold raw cloth and taking with her new cloth.

While demonetization and GST were introduced with the aim to remove corruption/ to attack on black money and also ease of doing business in the country, unfortunately the unregistered service sector enterprise operated by women suffered due to the volatile nature of their service. It is also need to keep in mind that GST has some crucial advantages for women entrepreneurs in that it reduces the repetitive taxation that they used to suffer before. However, because of poor working capital and also because of the problems caused by the volatile nature of the service they provide they are not able to cope with the various demands that having a GST registration requires. Even though some of the women entrepreneurs are educated in the field in which they operate their enterprise, there are many women who are not educated and mostly operate out of rented accommodations. When the operational margins are thin and the sales

are not enough to offset the costs of paying rent and paying the workers, then it leads to a situation where the entrepreneur is forced to consider off loading workers to save some money.

Finally, the nature of challenges faced by female entrepreneurs are different from male entrepreneurs in that they have to also deal with societal pressures like discouraging family members, an inherent gender bias, lack of institutional financial support and most crucially, taking to entrepreneurship as a necessity rather than out of a desire to do so. In spite of these challenges, many women now take up entrepreneurship and society's approach towards them is changing for the better. However, the transitional nature of business environment has been posing an additional challenge for women entrepreneurs and the issue of access to sources of finance and socio cultural barriers needs to be addressed urgently to help them continue to develop and provide employment.

IV

Issues and Challenges Faced by Micro and Small Enterprises in India: Case Studies

This chapter starts with the analysis of various committees formed to understand the challenges faced by micro and small scale enterprises. Then, it explains the real problems and challenges of the small and micro enterprises, with each problem being elaborated on and explicated through certain case studies and Focus Group Discussions (FGD) conducted to evaluate the problems to find out the ways of generating quality employment in MSME Sector.

4.1. Introduction

Various government initiatives have been introduced to help boost the production in the small scale industries in India. The National Commission for Enterprises in the Unorganised Sector (2004) was set up to examine the crucial problems of un-registered industries (GoI 2006). Consequently, after the amendment of MSME Act the concept of Micro, small and medium enterprises were introduced, the ceiling of investment was increased and also the medium enterprises were introduced to encourage greater production and provide employment on a larger scale. Apart from this major policy change, the focus shifted towards further increasing the competitiveness of the enterprises by de-reserving certain manufacturing enterprises by providing market support and also by coming up with various schemes to provide financial support for technological upgradation as well as commercial profitability (GoI, 2006). These schemes aimed at providing assistance to manufacturing entities at a low cost so that they became more proactive and establish their presence in a world where everything was becoming market driven. In the period post 2001, there was a change in the focus with the service sector gaining prominence along with the increasingly strong manufacturing sector. While the service sector has been contributing heavily to the GDP growth of the country the situation regarding employment generation has been quite low considering the massive influence this sector has on the condition of the economy (GoI, 2017). The information and technology sector for a long period of time with a lot of private players involved helped to provide high rates of employment. The manufacturing sector has also gone through a period of turbulence and unpredictable performance in terms of contribution to the GDP and employment generation. Coupled with this the change in governmental regulations has meant that the manufacturing sector has been going through a bit of a lean period in terms of how much employment

is being generated by the enterprises in this sector. There have been many initiatives taken by the government to help boost the sentiments of this segment of the economy, which has taken a hard hit due to the sudden introduction of monetary policy and legal measures to counter the growth of black money and also to formalize the economy. While the attempt at formalisation of the economy through Demonetization and Goods and Services Tax is laudable, it is also important to keep in mind that it has led to a temporary damage in GDP growth in the near term and the correction needs to be cautious with appropriate policy measures.

4.2 Various committees and recommendations

Over the past two decades various committees have been set up by the government to understand the challenges faced by the Micro, Small and Medium enterprises and try to provide solutions to these issues. Each of the committees has tried to look at certain key issues like credit availability, exports, suggestions for the manufacturing sector etc. The report of Prime ministers Task Force on Micro and small and medium enterprise (2010) discussed about various committees as follows. The first committee was set up by the Reserve Bank of India under the chairmanship of Mr. P.R Nayak to examine the financing of Small Scale Industries (SSI) sector. This committee was set up in 1991 and submitted its report in 1992. While all its recommendations including standardize loan application forms, action on sick SSIs to put them on nursing programmes, opening specialized SSI bank branches etc. were accepted by the government, a few recommendations regarding credit disbursement were not accepted. One of the key recommendations of the Nayak committee was to ensure that there was not any delay in sanctioning and disbursement of credit and in case of rejection or curtailment of credit amount of loan proposal the matter should be referred to higher authorities. This problem of quick disbursement of credit still is a major concern for MSME entrepreneurs.

In 1997, an Expert Committee under the chairmanship of Abid Hussain was set up to come up with a comprehensive policy to bring about necessary changes in the policies about small scale enterprises so that they can develop into viable and efficient enterprises. This policy was introduced keeping in mind the changed economic situation and to widen the scope of the small scale enterprises. They also aimed to include service enterprises. They recommended that the policy of protection be replaced by the policy of promotion as the only way the small scale enterprises could flourish is by promoting rather than protection. The committee recommended setting up a single business law called the 'Basic Law for Small Enterprises'.

In 1999, a 'Study Group under the chairmanship of Dr. S.P Gupta was set up to examine the existing policies for SSI development, review the definitions and legal framework, analyze the impact of various regulatory laws and also to examine the necessity of a reservation policy. One of the key recommendations of this committee was to provide a three tier system for definition of enterprises according to scale of investment. This recommendation has been carried forward by the government subsequently while expanding and evolving the definition of enterprises. They also recommended the need for a single comprehensive law for SSI sector. This recommendation could be extremely useful in the current economic scenario as there is a lot of fear and frustration that the entrepreneur faces to get their registrations done and there are too many regulations that they have to follow.

In the year 2000, a Comprehensive Policy Package for Small Industries and Tiny Sector was set up on the instruction of the then Prime Minister to scrutinize the various policy initiatives that are needed to ensure the continued development and progress of what are now micro, small and medium enterprises. This was the first national package for small and tiny enterprises which utilized the recommendations of the SP Gupta committee that submitted its report in 1999. The Group of Ministers who laid out the Comprehensive Policy Package was working under the chairmanship of Shri L.K Advani. This package continues to guide policy interventions in the sector. Some of the key recommendations of the committee were increasing the competitiveness of Small Scale sector by raising the exemption from excise duty from Rs. 50 lakh to 1 crore. To improve credit support to the industry, the composite loan limit for these industries was raised from Rs. 10 lakh to Rs. 25 lakh. The eligibility limit for coverage under the Credit Guarantee Scheme was raised from Rs. 10 lakh to Rs. 25 lakh. The integrated Infrastructure Development scheme would gradually cover all areas of the country with 50 percent reservation for rural areas. A Fresh census of Small Scale industries was instituted to understand the reasons for and incidence of sickness. This was a significant step as it for the first time also highlighted the presence of the un-registered segment of small scale industries which were hitherto never considered (GoI,2018).

In 2003, a high level committee was set up to analyze the credit to SSI sector. The Governor of RBI appointed a one man committee under the chairmanship of Shri S.L Kapur to examine various problems, germane to credit flow to SSI sector and suggest appropriate measures for their redressal. The committee recommended simplification of application forms, opening of more specialized SSI branches, banks to pay more

attention to backward states, enhancement in the limit of composite loans to Rs. 5 lakh and framing a separate law for small enterprises.

In 2004, A Working Group on Flow of Credit to SSI Sector was constituted under the chairmanship of Dr. A.S Ganguly. This was in continuation of the earlier committee set by the RBI to look into credit flow to SSI. The committee recommended adoption of cluster based approach for financing MSME sector, exploring new instruments by banks for promoting rural industry and to improve the flow of credit to rural artisans, rural industries and rural entrepreneurs.

In 2010, The Prime Minister's Task Force on Micro, Small and Medium Enterprises was constituted under the chairmanship of T.K.A Nair. The committee was formed after the Prime Minister had a meeting with MSME Associations and during the meeting the critical problems highlighted included shortage of credit, need for a focused procurement policy, prompt payment of MSME dues, simplification of labor laws and formulation of a one-time settlement policy (GoI,2016). The task force focused on issues related to credit, marketing, labour, exit policy, infrastructure/technology/skill development and taxation. This committee was formed to remove the bottlenecks surrounding MSME sector and enhance productivity. Access to adequate and timely credit is a major problem that was faced by most of the MSME entrepreneurs and enterprises.

In 2013, an Inter-Ministerial Committee for Boosting Exports from MSME sector was constituted under the chairmanship of Shri R.K Gujral. The committee aimed to examine the gaps which may be obstructing the growth of exports from the MSMEs in India. The exports from MSME sector are crucial for the economic growth and development of the country. The committee recommended various relaxations to export sensitive enterprises like an additional 2% interest subvention may be provided to MSME exporters who repay on a timely basis. A separate sub-limit of say 8% for credit to MSME exporters, within the overall priority sector limit may also be stipulated. The Committee recommended that banks should aim for 40% of export credit earmarked by banks for MSMEs (GoI, 2013).

In 2013, an Inter-Ministerial Committee for Accelerating Manufacturing in the MSME sector was constituted under the chairmanship of Shri Madhav Lal. The committee aimed to examine how to boost the stagnation that was being experienced in the manufacturing sector during that period of time. The committee made certain recommendations regarding land allocation which said that state governments need to give priority to start ups with good business plans and allot over 30000 vacant plots in established

industrial estates. The committee also recommended that manufacturing entities in the organized segment may be encouraged by offering lower corporate tax rates. This policy of lowering corporate tax rates has been carried forward to the policies of the present government. Exemptions and concessions in direct taxes may be considered in the first three years of operations (GoI, 2013).

In 2014, a committee was set up to examine the financial architecture of the MSME sector under the chairmanship of Mr. K.V Kamnath to facilitate greater registration of enterprises and an increasing distribution and reach to cover large number of micro, small and medium enterprises in the country through a wider base of financial intermediaries. The committee envisaged having an apex body that will look after all the needs of the MSME sector and through technology increase the coverage of those enterprises who have not been registered and who do not have access to credit. Inclusion of NBFCs and micro finance institutions should be encouraged to make financial inclusivity possible (GoI, 2015).

Finally, after careful analysis of all these committees and their recommendations, certain key aspects have repeatedly been addressed at the cost of other important problems that need urgent redressal. The key repetitive aspects are access to credit, banks lending on a priority basis to MSMEs, increasing the limit of investment for micro, small and medium enterprises to ensure that more enterprises can be included in the ambit of micro, small and medium enterprises and certain measures to ease registration of business enterprises. However, as the Prabhat Kumar Committee rightly points out, the emphasis that should have been there on the problems faced by service sector enterprises have been neglected. Another important issue alluded to by the Prabhat Kumar Committee report is that while the policy formulated in 2000 by the then Prime Minister, Atal Bihari Vajpayee has played a commendable role in promoting and developing the MSME sector, it has not been able to keep pace with the changes that technology and innovation has brought about in this sector. Therefore there is a need to have a new, comprehensive policy, similar to the one envisioned by the K.V Kamnath report for the further development of MSME sector. It is also important to address the question of labor laws and business laws which are too many and hence discourage enterprises from registering. There needs to be specific emphasis on micro enterprises as they operate in traditional manners and the funding is less and the nature of activity undertaken is labor intensive. Another important suggestion of the Prabhat Kumar Committee report is that the threshold limit for medium scale enterprises needs to rise and this is crucial as they are less labor intensive and the scale of production is higher than micro and small enterprises.

4.3. Key issues and challenges of micro and small enterprises

Broadly, there are both internal and external problems; internal includes organizational structure, production, distribution, management, training etc and external problems are due to the external factors like availability of power, communication and other infrastructure facilities etc. In addition to these commonly cited challenges, other key issues explored includes lack of financial support, effectiveness of the MUDRA Loan schemes, lack of skilled labour, the impact of Demonetization and GST, need of work ethics etc. Here, lack of financial support for raw material procurement and an analysis of the effectiveness of the MUDRA Loan schemes for Small Scale enterprises in the manufacturing sector are demonstrated by the cases of Tirupati Industries and Shagun Enterprises Private Limited. Lack of skilled labour and the need for change in training provided at the grass roots level for quality employment generation in the service sector is explicated through the case of Pardasani and Associates. The impact of Demonetization and GST on registered small trading companies is illustrated through the case of Punjani Scientific Industries and also impact of GST on un-registered micro service enterprises is highlighted through the case studies of R.K School Uniform and M.K Communication. Lastly, inculcating a strong work ethic in the workers to enhance worker's credibility, enhance productivity and also generate quality employment is presented through the case of Enn Kay Glass Enterprises.

4.3.1 Lack of Financial Support for Raw Material Procurement and Effectiveness of the Mudra Loan Schemes for Small Scale Enterprises in the Manufacturing Sector:

Financial support from banks and small scale industries schemes has been an increasing problem for the majority of the small scale enterprises. The government has been trying to ensure that small scale industries get the financial support that they need. However, the ground reality is that when the enterprises and their entrepreneurs go to get the financial support, the problems in securing the loans is extremely high. While there are many schemes for the betterment and upliftment of struggling small scale enterprises and also the rules and regulations have been simplified but still a lot more needs to be done and at much faster pace to alleviate the concerns of these enterprises.

According to the case of Shagun Enterprise narrated below, National Small Industries Corporation (NSIC) has not been able to do much to help small entrepreneurs secure subsidies like raw material subsidy. The entrepreneur goes to this organization aiming to get raw material subsidy.

Initially, they seem eager to help the entrepreneur but because of the high amount of paperwork and also because banks do not give raw material subsidy without a guarantee, the entrepreneur eventually gets frustrated and feels let down and finally does not avail the subsidy. The entrepreneur feels that instead of getting a raw material subsidy, it would be more useful to take a loan from the bank. This issue of bank guarantee has become a crucial hindrance in an entrepreneur thinking of availing raw material subsidy offered by NSIC (NSIC website). With the number of bank frauds going up every day and a general liquidity crunch being faced by public sector banks, it has become even more complicated and problematic to avail any subsidy.

The Case of Shagun Enterprise Private Limited:

The story of how Mr. Sandeep Jain, director of Shagun Enterprise Private Limited, went about establishing his manufacturing enterprise and the hurdles he faced while trying to avail raw material subsidy from NSIC was eye opening and helped to understand the reality about raw material subsidy availability for small scale enterprises. The information also provided regarding the disbursal of MUDRA loans was useful in understanding how much work still needs to be done to help small entrepreneurs get the benefits they need and deserve. Beginning in 1988 on rented premises before moving to the current location of Sector 10, Noida in 1993, the entrepreneur narrates about an instance when the enterprise tried to avail NSIC raw material subsidy and the hurdles he faced while availing the same. It is learnt that initially when he approached NSIC they seemed to be keen to help him avail the subsidy but soon it became clear that getting this subsidy would be extremely difficult and challenging. After completing all the documentation process, when he approached the bank they said that the subsidy can be given to him only when he provides a bank guarantee of like amount. This made him give up the opportunity to avail the raw material subsidy. The entrepreneur also revealed that there were some illegal dealings by bank managers while disbursing MUDRA loans and highlighted how a token amount is demanded before the loan is given to the enterprise or entrepreneur who wants to avail it. However, very cleverly, the banks in their book keeping records show that the full amount has been disbursed to the entrepreneur.

About several government schemes for Micro and Small Enterprises, there is a communication gap between the banks and those who want to avail these schemes. For example, regarding the Credit linked Capital subsidy scheme, the banks claim that they have no clear information about whether

the scheme is still operational or not, creating major hassles for the small entrepreneurs when they go to banks to avail the scheme (KNN, 2018).

Similarly, about MUDRA loans, while the scheme is very much operational and is for the benefit of the small scale enterprises, when the entrepreneur reaches the banks to avail the loan then he is told that the banks don't have the authority to issue these loans. MUDRA loan which was introduced under Prime Minister MUDRA Yojana (PMMY), aims at providing loans in three categories: namely, Shishu, Kishore and Tarun, where the scale of assistance is upto Rs. 50,000, upto Rs 5 lakh and upto 10 Lakh respectively (MUDRA Loans, Salient Features). Another massive issue in availing MUDRA loans is that the bank managers demand that they be paid some part of the amount to get the loan sanctioned. However, in their accounts books they will show that they have provided the full amount of the loan to be sanctioned to the entrepreneur.

The Case of Tirupati Enterprises:

This is an enterprise located in Sector 6, Noida and started its operations in 2017. Run by Chander Bhan Tiwari, a young, educated gentleman, aged 25 years with a B.Com degree and Jay Prakash Tiwari, a middle aged person at age 45 years with a 12th pass degree, this micro scale enterprise specializes in manufacturing all kinds of tapes. This case presents a picture of the problems facing micro scale enterprises while trying to avail MUDRA loans and raw material procurement. The enterprise alluded to the fact that when they went to the bank to avail MUDRA loan, they were told that they (the banks) had no jurisdiction to disburse MUDRA loans. Awareness of schemes is also a major problem for small entrepreneurs and enterprises like them. Raw material procurement has become a major hurdle in running the enterprise because of high cost transportation and GST being introduced.

4.3.2 Lack of Skilled Labour and the Need for a Change in the Training Provided at the Grass Roots Level for Quality Employment Generation in the Service Sector

Availability of skilled labor is an area of concern, especially in the service sector (Hajela, Ruchi, 2012). The service sector enterprises depend on the skilled laborers they employ to provide services in an efficient manner. The government is doing quite a lot to improve the scenario regarding skilled development by having a dedicated skill training programme. However, the awareness of the scheme at the ground level is extremely poor and is causing a major hurdle for small enterprises and entrepreneurs to first train the un-skilled workers and then generate enough opportunities for

the newly educated skilled labour to gain meaningful employment quickly enough before there is a further change. In an ever evolving sector it is critical that the training provided at the grass roots level is strong enough for the skilled laborer to cope with the changes that take place in the sector. This is a massive problem especially in the information and technology sector, where there are some changes happening every few months. The lack of hands on training and the lack of desire to go through the rigors of attending training programs on the part of laborer have created a problem for the small scale enterprises and their entrepreneurs. In addition to this, because the knowledge provided about information and technology at the level of school education, for example, is outdated therefore, when an employee tries to gain employment then he realizes that he will have to learn a lot. This means that these workers always face a lag of a few years, making it very difficult for them to gain meaningful employment.

The Case of Pardasani and Associates:

This is an enterprise located in Lajpat Nagar Part II, Delhi which started its operations in 2002. Run by Mohinder Pardasani and Vasudev Pardasani, two middle aged gentlemen aged 47 and 51 years respectively, having a degree in Accounts and Graduation in Information Technology respectively, this is a small scale service sector enterprise with an annual turnover of Rs.1.5 crore that provides software and hardware solutions to various defects that affect our computers and laptops. This case presents a picture of the problems about lack of skilled labor and how changes at the grass root level can help in quality employment generation. The enterprise highlighted that although they were not facing a major crisis in terms of lack of skilled workers, but pointed out that even the employees that they had employed needed to be taught the ways to address certain hardware and software problems. Some of the repairs have been outsourced to the parent company of the laptop manufacturer as their employees don't have the requisite training to eradicate the problem. The entrepreneur opined that the only way to enhance quality employment generation was through changing the kind and level of education being provided at the grass roots level. This can be done by providing the latest information available at school level in computer science courses and also by providing plenty of internship opportunities to the young people emerging from completing graduation.

4.3.3 Impact of Demonetization and GST on Registered Small Trading Companies:

Demonetization and Goods and Services Tax are two key policy interventions introduced by the government to curb the menace of

black money. The impact of these interventions has not been gauged thoroughly till now but slowly impact assessment has increased and forced the government to consider remedial measures to boost the sentiment of this crucial sector of the economy. The significance of these changes for the labor intensive, un-registered sector has been more glaring to see than on registered small industries. The attempt to bring more people from the un-registered sector of the economy into the formal economy so that workers and employees can gain access to necessary governmental benefits is laudable. The move has significant for the growth and development of the economy as a whole in the long term, provided the implementation is done in a thorough manner. While many enterprises have registered themselves post the introduction of GST, they are facing major hurdles sustaining their operations. The short term impact of this formalization of economy has had quite a severe impact on certain key sectors of the economy which help generate quality employment.

GST helps in removing the multiplicity of taxes that the manufacturers and retailers have to incur which consequently get passed on to the customer. Earlier, there were a number of taxes that were imposed. These included Central Excise Duty, Cess, State VAT, Central Sales Tax, Purchase Tax etc. With the introduction of GST all these taxes have been removed and instead there is Central GST, State GST and Integrated GST. This has helped reduce the cost that the consumer has to pay on purchase of product. For the entrepreneurs it reduces the tax liability.

In the manufacturing sector, the small trading companies, suppliers of various hardware tools etc. have been affected due to the introduction of formalization of these small enterprises (Arun, 2018). With many owners, employees and workers being uneducated it has become a major task for them to attempt formalization of their involvement in the economy. For example, many shop owners who are uneducated face trouble managing accounts and paying salaries properly. Shops which are involved in manufacture of hardware tools and scientific instruments have been hit due to demonetization. With many enterprises barely managing to get back to working capacity, the introduction of goods and service tax plunged these enterprises and their entrepreneurs into further turmoil leading many to offload their workers. The speedy implementation and constant disruptions in the working setup of the GST e-way bill has forced many entrepreneurs to hire professional chartered accounts, further increasing the financial burden. With productivity decreasing post demonetization, some of the enterprises are finding it hard to manage their financial burden.

The Case of Punjani Scientific Industries:

This is an enterprise located near Jawahar Nagar, Delhi which started its operations at the current address from 1996. Run by Narender Punjani, a 60 year old man who is un- educated and inherited this business from his late father, this is a small scale manufacturing trading company that primarily deals with the production of scientific tools and sell it in the retail market. This case presents the problems faced by small trading companies post demonetization and Goods and Service Tax. Despite being a registered small scale enterprise, its productivity has took a hit, with costs doubling and production going down due to demonetization and GST. With the introduction of GST, running the enterprise became even more challenging, with the costs shooting up. Being uneducated, the entrepreneur is forced to employ a chartered account and an employee to maintain the accounts of the enterprise, leading to costs going up and finally forcing him to offload two out of his four workers.

In the service sector, lots of micro enterprises have been badly hit due to demonetization and GST. Through case studies, it may be noted that clothes retailers and mobile retailers etc are severely impacted due to GST. The reason behind this is that since most of these entrepreneurs do not earn huge amounts of money and since most of the entrepreneurs come from a poor educational background with some totally uneducated or educated only till 10th or 12th class, it is difficult for them to understand what the technicalities are and also difficult for them to employ a chartered account since they charge quite a lot. All these factors combine to create a massive hurdle in running the enterprise.

4.3.4 Impact of Goods and Service Tax on Un-Registered Micro Enterprises:

Goods and Services Tax was introduced to eliminate the cascading effect of paying multiple taxes. GST aims at ensuring that the entrepreneur needs to pay a single tax. The idea of not having to pay multiple taxes seems very beneficial for the entrepreneurs as it eases the tangles regarding doing business between states and that is why most of the registered enterprises are not perturbed by the presence of GST. However, even small and micro registered enterprises highlight that there are too many systemic problems with the way e-filing is done on the website.

The real hardship is faced by those enterprises that are un-registered and are micro scale enterprises. Since they earn too less, therefore they are not in a position to maintain proper book of accounts and also because most of the entrepreneurs running the un-registered enterprises

are educated till class 10th and 12th, therefore it is difficult for them to understand the various technicalities of this tax system. Also, employing a chartered account is too costly for them as they charge 2000 per month, far more than they can afford to shell out given that they earn so less and have to feed their families as well. Small shop owners who sell school uniforms and sell mobile phones without giving customers the bill for the purchase are the ones who have been most adversely affected by the implementation of GST.

The Case of R.K School Uniform:

This is an enterprise located near Subzi Mandi, Ghanta Ghar in Delhi which started its operations in 1991 and run by Mr. Rajesh, who is 44 years old and who has educational qualification as 12th class passed. This is a micro scale enterprise that specializes in selling school uniforms at a cheap price locally. The overall turnover of the enterprise is 10 to 12 lakh annually. This case highlights the problems faced by micro scale enterprises that are un-registered. The entrepreneur highlights that making so small a sum of money, having to pay rent and looking after a family, he cannot afford to appoint a chartered accountant who will charge 2000 per month to file his taxes. Besides he would have to pay for another employee who will maintain the books of accounts.

The Case of M.K Communication:

This is an enterprise located near Subzi Mandi, Ghanta Ghar in Delhi which started its operations in the year 2014. Run by Manoj and his brother Gourav, both young men have passed class 10th and Manoj is 32 years old. This is a micro scale enterprise that sells Chinese Mobile Phones and repairs small problems that are found in our mobile phones. They earn approximately 12000 a month but 6000 goes towards paying rent. This case presents the problems faced by micro, un-registered enterprises post the introduction of Goods and Service Tax. The entrepreneur alluded to the fact that till GST was introduced they were earning a decent sum of money from selling Chinese mobile phones and repairing small problems in mobiles. However, post GST the sales of mobile phones has completely stopped because everybody now demands a bill for the purchase they make and also because of GST, the prices have shot up and so, those who come to the shop try to bargain and get good quality products like pen drive at a cheap price and when the entrepreneur wants to sell the product at the market rate then people move away from his shop. The entrepreneur also highlighted that having such a meager earning, it is difficult to maintain proper books of account and employing a chartered accountant is not an option as they charge quite a lot. As a result, their earnings have collapsed and the competition increased making it difficult to run the enterprise.

4.3.4 Inculcating a Strong Work Ethic in the Workers to Enhance The Workers Credibility, Enhance Productivity and Generate Quality Employment:

The motivation levels and the ethics of workers, especially in the service sector but also in the manufacturing sector are not at their peak. There is a certain amount of casualness that is reflected in the way they work and the attitude with which they approach their jobs. This is specially the case with

local workers employed by enterprises. In the service sector, especially those who sell glass finished products, employ workers on a daily wage basis for a minimum wage of Rs 100, essentially for transportation. However, not many people are keen to work for such a low salary and so many times it is difficult to find such laborers.

The Case of Enn Kay Glass Enterprises:

This is an enterprise located in Sector 9, Noida, which started its operations in 1991. Run by Yash Khurana and Narender Malik, with Yash Khurana being an educated man of age 46 years with a Master's degree in Public Administration. This is a small scale, registered enterprise which specializes in designing glass doors, kitchens etc and selling their products to customers. The annual turnover of the enterprise is in the range of 65-70 Lakh. This case presents the problems of lack of skilled labour in service sector enterprises and ways to generate quality employment in the sector. The enterprise highlights how the availability of skilled laborers is a big problem for them as they find it hard to employ people on a daily wage basis.

While conducting the focused group discussion (FGD) many points were emerged. While acknowledging that the government's initiative of skilled development programme was a good step, however they highlighted how the emphasis needs to shift towards creating a responsible working environment. The emphasis needs to move from welfare to productivity, pointing out that MNERGA has only promoted lethargy among workers rather than encouraging productivity. The enterprise believed that the focus should be on improving the delivery of healthcare benefit schemes as that will help create workers who will be healthy and as a result would produce greater output in a particular day than is currently the case. Once a responsible working environment was in place, productivity would increase and also would encourage the laborer to work efficiently. This was the enterprise's suggestion. At the same time most of the workers are concerned about their job security in case the enterprise shut down due to the lack of sustainability of the business venture. While it is important to keep the interests of the worker in mind, one should not lose track of the significance of ensuring that the entrepreneur can continue to run the enterprise as that is the biggest and most dangerous growth trap with regards to employment generation. Enterprise sustainability is the key to employment generation. During interaction with workers one of the major concerns that they highlighted was the lack of adequate salary and non-payment of salary on time. This was especially the case among those workers belonging to the unregistered section of the economy and was not limited to micro enterprises but also was an issue for workers of some

small enterprises as well. During the course of visiting the enterprises and talking to the workers, it emerged that the working conditions in most factories was deplorable and posed serious occupational hazards for the workers. This was the case especially in the manufacturing sector and those involved in construction work. Oral and lung diseases were the major health ailments that workers reported.

In conclusion, while there have been various government initiatives and various committees set up to explore and address these challenges, given that the nature of problems has changed hence newer challenges have emerged in addition to the already existing challenges. Through the case studies and focus group discussions it emerged that access to government schemes and awareness about them, lack of availability of skilled labour, non-payment of wages on time to employees, poor working conditions at factories, the effects of the transitional nature of business environment etc are the important hurdles that micro enterprises face. This sector needs to be protected on priority basis so that employment generation increases and at the same time enterprises can continue to run at their maximum capacity to boost the economy in a phase of transition.

V

Suggestions and Policy Recommendations

Since Indian economy is moving towards transition by various initiatives of the government, whether it is demonetization, adoption of a nationwide sales tax (GST), overhaul of bankruptcy law, labour law reforms etc, these liberalizing reforms would breathe new life in Indian economy. The increase of GDP from 6.4% in 2013 to a high of 7.9% in 2015, and again after demonetization picked up to 7.2 percent in 2017 proved the growth is faster than all other big emerging economies in the world. But still there is need to wait till the measures settle to assess the impact on the economy and for this short duration especially the unregistered enterprise of the MSME sector due to the volatile nature of their services affects much more than any other sectors in the economy. Moreover, given the importance of these enterprises in the process of job creation and to ensure that the advantages of the demographic dividend are utilized, although the government is taking various initiatives, a lot more still needs to be done and at a far greater pace.

In the previous chapters, it is already discussed that there are various challenges that micro and small scale industries face that lead to the prevalence of large scale informality of the sector. Given the nature of challenges faced by the workers and those faced by employers are different, there is a need to formulate suggestions accordingly. The government has been actively trying to push the case of easing entry and running the business. However, in this process, while trying to address the problems faced by workers has also got the attention that they probably deserve but still more to be done. Finally, major observations and policy recommendations drawn from this study are given in this chapter.

5.1 Major observations and policy recommendations:

1. Over the past few years, there is an increased trend to outsource, offload or subcontract in the Indian labour market (Dhanya, 2013). In this globalised regime, small scale industries are facing intense competition and there is a need to facilitate marketing their products and also to facilitate to share their products information in the open market. In these circumstances, there is an urgent need to establish an online platform by connecting all the District Industrial Centres (DICs) at all India level with the sellers, buyers and consumers and also it should ensure that all the micro and small scale industries are covered with their details including products and marketing availabilities. This would definitely reduce the information asymmetry. At the

same time, there is District Industrial Centres (DIC) to promote small scale industries and these DICs also help in channelizing various state and central government schemes and programme between the government and the industries. If the DICs can moderate between these buyers and sellers, most of the products available in the local level can be easily accessible through online shopping and it may reduce the services of the brokers/ commissioning agents. Regarding the delivery of the products through the online platforms, an example can be drawn from the Kudumbashree E Commerce Portal, which has signed a contract between Indian Postal Service and Kudumbashree Mission² regarding the delivery of their products. Hence, this model can create an environment for the entrepreneurs and their business to flourish and ultimately generate quality employment.

2. The concept of social security needs to be considered from the perspective of not only of the workers but also of the entrepreneur. While there are government regulations in place to ensure that employers provide social security benefits to the workers but because of the nature and scale of production being relatively low in micro and small enterprises, the employers consider that as one of the burdens that force them to consider going un-registered (FICCI, 2017). There is a need to enforce the law properly as well ease the cost of compliance to make sure that entrepreneurs disburse social security to their workers. The government has recently launched a scheme for the benefit of poor people called Ayushman scheme as part of a National Health Protection Scheme which provides insurance cover of Rs 5 lakh per family and setting up of over 1,50,000 health and wellness centers throughout the country. While this is a step in the right direction, there are many steps that need to be taken to increase the implementation of social security benefits for the workers. However, there are no such benefits for the entrepreneurs therefore it needs to work on providing entrepreneurs with old age pension benefits/maternity benefit and life/disability insurance.
3. Through GST measures have been introduced by the government to increase formalization and also ease the burden of indirect taxation that the entrepreneurs face. However, there are certain issues that need to be addressed to ensure that the entrepreneurs get the benefits that this tax is capable of providing. Micro enterprises do not have the required financial capabilities that will allow it to flourish within the GST regime. There need to be special concessions available to micro enterprises which are run by ordinary and mostly illiterate

² Kudumbashree is a women empowerment poverty eradication mission to facilitate through microenterprises.

people. They do not know how to operate and fill the GST bills and employing a person specifically for that purpose would lead to financial constraints that they cannot afford to bear given their very thin working capital resources.

4. Availability of support from financial institutions for MSME sector has been an area of concern for a long time. While there have been some steps taken to ensure easier access to credit from financial institutions, there are still many problems that entrepreneurs in this sector face. The interest rates charged by banks while providing loans even with bank guarantees is quite high. These rates of interest create huge problems for micro and small enterprises as they cannot afford to pay the high interest rates demanded by banks. Another concern is that micro and small enterprises which increasingly face competition from medium and large scale enterprises many times fail to sustain their enterprise. The absence of clear rules for exit of micro and small enterprises is hurting these enterprises in a big way (All India Association of Industries, 2016). There needs to be a clear, simple and uncomplicated exit plan for MSME entrepreneurs so that they are not discouraged by banks to pay penalty for not being able to run the enterprise successfully.
5. The differential rates charged by various banks need to be checked and every bank should have a standard rate of interest rate which is uniform regardless of whether it is a public sector bank or a private sector bank. Also, there is a need to remove the aspect of bank guarantee for availing some critical schemes offered by the government for the benefit of micro and small enterprises. There is a need to understand that the micro and small enterprises being labour intensive like agriculture and also need to consider keeping interest rates for micro and small entrepreneurs at par with the interest rates allocated to agriculture. The lack of awareness of various government schemes and how to register their enterprises is another cause for concern. The statistics from the recent government reports (Annual Report 2016-17) indicates that the reason that so many enterprises remain un-registered is because of lack of awareness of the changes made to ease getting registration. There is still a great amount of fear among people opening enterprises in urban and rural areas that they will have to go through the cumbersome process of registering their enterprises. Awareness regarding the new methods of registering enterprises should spread through other mediums such as newspapers, radio shows etc. and the costs involved in registering enterprises should be reduced so that entrepreneurs are encouraged to register the enterprise.

6. Till the aspect of formalization and tax reforms were not there, many small industries used the services of brokers and commissioning agents for selling their products. This allowed micro and small enterprises to have a presence in the market. Also, since these brokers charged less than when they have to directly supply to the end user therefore they found the brokers and commissioning agents to be beneficial. However, with the emphasis on formalization and removing corruption and the introduction of a new tax regime, the service providers have stopped providing the assistance that they provided before the Goods and Service tax was introduced. This has the potential to hamper the sales volume of micro and small enterprises, thereby putting them in danger of experiencing financial constraints that are beyond their control and pushing them to shutdown their enterprises. It would be better if the government can act as the brokers or as a channel to reach the end user.
7. There needs to be a conscious attempt to coordinate the research and development of MSME sector so that the entrepreneurs do not have the burden of educating the employees. There needs to be emphasis not only on skill development of the employees but also a quick and effective way of disseminating information regarding the latest innovations taking place. More emphasis needs to be given on research and development so that not only the employees know the latest innovations but also the entrepreneurs know how to maximize the potential for development that the sector provides. There is a lack of coordination between Research and Development in the MSME sector. The pace at which changes are taking place in the sector, the enterprises and entrepreneurs are not able to cope with these changes as there is no dedicated effort to conduct research and disseminate knowledge at a mass scale. This means that entrepreneurs continue to use outdated modes of technology, driving the cost of production upwards, with productivity remaining stagnant thereby increasing the financial burden.
8. Certain steps need to be taken to ensure ease of doing business. While the government has come up with various policy initiatives to ease the process of registering a business enterprise like for example introducing the Udyog Aadhaar scheme but there is much more that needs to be done to ensure a proactive and healthy environment where business can flourish. The number of clearances that need to be obtained before opening an enterprise and the time consumed to obtain these clearances need to go down significantly for entrepreneurs to feel encouraged to start a business venture. Also, laws regarding labour need to be eased so that the productivity of

the labour force increases and at the same time the entrepreneurs can take decisions to replace workers based on their performance or the lack of it. Also, the number of procedures that an entrepreneur needs to go through to change certain business processes before registering needs to be reduced to produce an enabling environment for business to flourish. In order to complete the formalities for registration of micro and small enterprises in India, there are many ministries that the entrepreneur needs to take permission from and it include the Ministry of Labour, Ministry of Environment and Ministry of Micro, Small and Medium Enterprises. This makes the process time consuming and creates hurdles for the entrepreneur. There is a need to consider having one department which combines the functions of all these ministries together so that it is easy for doing business. This will also encourage the entrepreneur to formalize his or her enterprise and avail the benefits of the various government schemes.

9. The issue regarding reservation for micro and small enterprises both in the manufacturing and the service sector has been the subject of great debate over the years with successive governments slowly and steadily withdrawing the protection to these enterprises. The government has advanced the argument that the removal of these reservations is to enhance the competitiveness of these enterprises. However, as the Prabhat Committee report observes there needs to be an I Care attitude towards micro and small enterprises. Keeping this in mind it would be useful to reconsider the decision to withdraw protection to micro and small enterprises and consider introducing them again for the benefit of these enterprises.
10. Many organisations believe that the earlier tax regime promoted protection of micro and small enterprises through various incentives like central excise duty relief but under the GST tax regime there is no such protection available. As a result of having to pay both Central Goods and Services Tax in addition to the States Goods and Service Tax, the prices of the products have increased. As a result of the increased costs these enterprises tend to lose out on competitiveness with corporate sector enterprises. It would be advisable to ensure the competitiveness of MSE's and survival that a 50% rebate of GST should be given to all those Small enterprises that are having their turnover not more than Rs. 3 crore. Moreover, it would be also advisable for the exception of GST for microenterprises and this would definitely facilitate the investment in domestic market and it may also make possible for localization.

11. Generally, there are various problems include organizational structure, production, distribution, management, training, availability of power, differential power tariffs across the country, communication and other infrastructural facilities like availability of land etc. For solving the problem of differential power tariffs it is suggested that the power supply norms for the MSEs all over the countries should be uniform. They should be charged on the actual consumption of power and should not be charged a fixed charge which increases the cost exponentially in certain cases especially for MSEs which are working on labour job bases. To address the problem of availability of land, it is advised that the state governments should be directed to reserve at least 50% of the industrial land/sheds for Micro and Small industries.
12. There is a lack of clarity about the organization that will look after the overall growth and development and well being of the micro and small enterprises. There are too many regulatory bodies which claim to support these enterprises but they are hardly held accountable in case something untoward happens which leads to closure of the enterprise. There needs to be a central body like a National Commission for the Welfare of MSE with overarching powers to implement the policies for the betterment of micro and small enterprises, protect them to avail fund from the banking sector and ensure that large number of entrepreneurs with viable business proposals get a chance to create Micro and Small enterprises, create jobs and thereby creating the opportunity for equitable distribution of wealth.
13. Regarding access to credit, there are certain aspects of receipt of payment from Tier 1 and Tier 2 companies³ as well as public sector companies that create real trouble for micro and small enterprises. Also, if the credit flow gap is analyzed for the three segments individually, then it becomes apparent that Micro and Small enterprises face the highest inadequacy with 77% and 19% of micro and small enterprises not receiving the requisite credit. There is an extraordinary delay in receipt of due payments to Micro and Small enterprises from the buyers from Tier 1 and Tier 2 companies and public sector companies, more as a rule rather than exception. Therefore, the advances made to MSE's are indirectly utilized by tier 1 and tier 2 companies and public sector companies, without any collateral liability on them. This

³ Tier 1 companies offer the most advanced processes in the supply chain. This is the final step before the product reaches the original equipment manufacturer who may distribute the product to the end user. Tier 2 companies are the suppliers not vital to the supply chain and they are smaller and have less technical advantages comparing Tier 1 companies.

issue was also flagged as an important aspect that needs immediate redressal even in the case studies. This result into heavy interest burden on MSE's and results into potential Non Performing Assets. To overcome this problem, it is recommended that the delayed receivables as classified under "MSME Act 2006" should be automatically treated as enhanced advance limit to the MSE's until they are paid off by the tier 1, tier 2 and public sector companies, without any penal interest (Laghu Udyog Bharati, 2017).

14. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Scheme which has been actively promoting micro and small enterprises by providing loans without collateral security since the past decade has its reach limited to 2 crore rupees at the present moment. To help reach a wider corpus of enterprises and cover all the remaining enterprises, it is suggested that the scheme should be extended to the loans upto Rs. 5 crores. This will ensure that all Micro and Small Enterprise units are covered under this scheme. Hence the entrepreneur need not be rejected for not having collateral security.
15. Another key suggestion that emerged from the case studies is that not enough attention has been given to the working conditions and the health hazards faced by workers that are employed in industries where there are health hazards that need to be dealt with. While the government has introduced various scheme to help the situation to a certain extent, but specific industry wise emphasis needs to be considered so that those involved in hazardous industries and industries which can cause bodily injury have some form of guarantee that in case they get injured, they will not be laid off immediately after and also the compensation has been provided.
16. Earlier, the buyer did not have to pay for acquiring goods from unregistered person as penalty for the supplier not being in a position to pay the taxes for sale of produce. The reverse charge mechanism was applicable in case of service tax only but now it is applicable on all purchases from unregistered person. Hence, registered person not only has to discharge tax liability of unregistered person but also to prepare invoice on behalf of unregistered person to take back the input credit. Further the registered person will have to give details of unregistered person in his return. This is extremely detrimental not only to the person who is acquiring the product from the unregistered person but it is extremely detrimental for the unregistered entrepreneur as well as it is destroying their source of income and livelihood (Laghu Udyog Bharati,2017). Therefore this rule should be reconsidered immediately.

17. Few state government stipulating payment of minimum wages through bank accounts to employees of shops and a few other sectors⁴. There is a need to adopt minimum wage to the employees of the enterprises and also it may enhance the productivity and quality employment of the enterprises.

The condition of micro and small enterprises is of immense significance at a time when the economy is in transition. The role they play in creating opportunities for quality employment and allowing an opportunity for young people to lead the growth and development of the economy is extremely critical. Through the course of the study, it is observed that issues like access to credit, lack of skilled labour, impact of major policy changes, lack of awareness about various government schemes etc. highlight that there are gaps in the communication and implementation of initiatives and apprehension among entrepreneurs about the ability to generate employment in the face of spiraling costs of production. These gaps have been existent for a long time and the longer they remain unresolved, the further we will move towards losing the advantages of our demographic dividend. These entrepreneurs need support in the form of favorable exit policies when the enterprise runs into a crisis, focus on understanding the challenges faced by service sector enterprises, making sure that there is greater transparency in the interest rates charged by banks and lowering of interest rates applicable to micro and small enterprises, rebate and relief from application of Goods and Services Tax to micro enterprises, etc are some of the key suggestions that will help alleviate some of the stress being faced by the micro and small enterprises and also help promote quality employment at a larger scale.

4 employees of shops, private hospitals, star hotels, and a few other sectors.

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Annexure 3.1

State/UT wise distribution of total number of Establishments under women entrepreneurship by type of establishment

States/UTs	Number of Establishment by type			
	Without Hired Workers	With at least One Hired Worker	All	Percentage share of establishments
01- Jammu & Kashmir	23012	8280	31292	0.39
02- Himachal Pradesh	45229	3944	49173	0.61
03- Punjab	83916	27005	110921	1.38
04- Chandigarh	4921	862	5783	0.07
05- Uttarakhand	26828	4591	31419	0.39
06- Haryana	113224	11300	124524	1.55
07- Delhi	50403	20031	70434	0.87
08- Rajasthan	193234	54758	247992	3.08
09- Uttar Pradesh	371730	110649	482379	5.99
10- Bihar	90115	63495	153610	1.91
11- Sikkim	4383	921	5304	0.07
12- Arunachal Pradesh	4438	1975	6413	0.08
13- Nagaland	11840	1817	13657	0.17
14- Manipur	84550	3736	88286	1.1
15- Mizoram	12808	3020	15828	0.2
16- Tripura	13168	1338	14506	0.18
17- Meghalaya	21540	7990	29530	0.37
18- Assam	130338	23820	154158	1.91
19- West Bengal	762247	69090	831337	10.33
20- Jharkhand	19827	34905	54732	0.68
21- Odisha	223875	25725	249600	3.1
22- Chhattisgarh	62328	15648	77976	0.97
23- Madhya Pradesh	155898	67507	223405	2.77
24- Gujarat	403569	125054	528623	6.57
25- Daman & Diu	566	239	805	0.01
26- D & N Haveli	352	952	1304	0.02
27- Maharashtra	580337	83963	664300	8.25
28- Karnataka	492506	53300	545806	6.75
29- Goa	13539	3117	16656	0.21
30- Lakshadweep	329	131	460	0.01
31- Kerala	863797	50120	913917	11.35
32- Tamil Nadu	793646	293963	1087609	13.51
33- Pondicherry	8192	1977	10169	0.13
34- A & N Islands	2011	502	2513	0.03
35- Telangana	292512	63974	356486	4.43
36- Andhra Pradesh	736146	113766	849912	10.56
All India	6697354	1353465	8050819	100.00
	83.19%	16.81%	100.00%	

Source: All India Sixth Economic Census, 2013

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