

# The Microenterprise Mela

Size & diversity of the microenterprise sector in India

A knowledge product by M-CRIL using data from a national-level public survey

**Meta-analysis: September 2024**





## M-CRIL and its team for this study

**M-CRIL's administrative head office is based in New Delhi** but its team is spread all over India. Locations include New Delhi, Mumbai, Patna, Goa, Hyderabad, Bengaluru, Bhilwara, Guwahati, Hazaribagh, Indore, Jalpaiguri, Kochi, Mirzapur, Sitamarhi, Siliguri and Villupuram. M-CRIL has a branch office in Phnom Penh, Cambodia.

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# Meta analysis of USE data – *contents*

- 1 **ASUSE data is a valuable public good that covers a diverse canvas**
- 2 **Headline numbers – market size & employment**
  - *Employment in USE is substantial but the sex distribution is heavily skewed towards men*
  - *While employment has grown considerably women's participation is stagnant*
- 3 *The activity range of USE is the diverse mélange of enterprises familiar to all Indians*  
*...and comparison with the employment distribution is informative*  
*...but women's employment is focused on low productivity sectors*
- 4 *Own Account Enterprises (OAEs) are predominant, the rural-urban landscape is split 55:45*
- 5 *Women's enterprises are overwhelmingly OAEs*  
*... with GVA/worker in most major employment sectors below subsistence levels*
- 6 *Education levels of entrepreneurs are better in urban than in rural areas*
- 7 *Registration of USE is around 40%, largely Hired Worker Ent. (HWE) in urban trade & services...*





## **Meta analysis of USE data – contents...continued**

*...and very few registered USE are women owned & operated*

8 *Though registration does not make much difference to the keeping of accounts*

9 *And is there a plethora of inactive (and forgotten) Jan Dhan bank/PO accounts?*

10 *A greater effort is needed to ensure that all HWEs have business accounts*

11 *Digital media have facilitated business and enabled technology leapfrogging from a low base*

11a *...but even some of the more advanced states are lagging in its application*

12 *USE make a significant ~6.3% contribution to the economies of the major states*

13 *Women's ownership of proprietary enterprises is low; as also their share of NSDP*

14 *And women have a limited part in the distribution of cumulative GVA across states*

15 *Loans outstanding are 21% of annual Gross Value Added (GVA) by USE*

*...but RBI norms indicate that up to 50% of income can be financed by debt*





## ***Meta analysis of USE data – contents...continued***

*...but RBI norms indicate that up to 50% of income can be financed by debt*

*...institutional funding of the proposed incremental 19% of GVA can be found.*

### **16 Conclusions – take note of USE and recognise an essential pillar of the economy**

***...support key actions for the growth of the sector and the greater engagement of women***

#### **More focused and detailed analyses to follow as separate documents:**

- USE – state wise – overall numbers and contribution to state economies
- USE – main types and features
- USE – additional gender analysis
- USE – business accounting and financial inclusion
- Overall conclusions, implications for future action



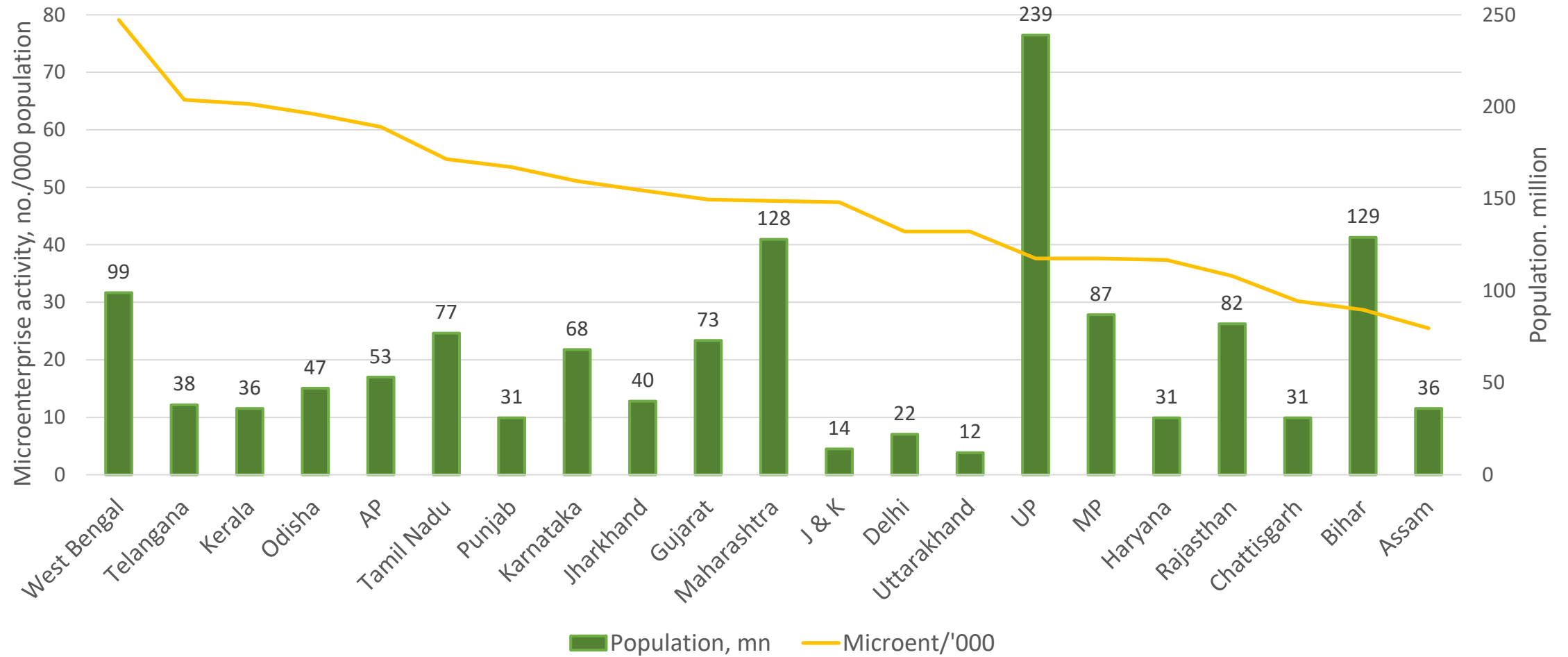


# Map of India





**...though microenterprise intensity is unrelated to the size of states\***



\*with apologies to the 9 smaller states and 6 Union Territories omitted here





## ***Acronyms – not an alphabet soup!***

ASUSE	Annual Survey of Unincorporated Sector Enterprises, MoSPI
GVA	Gross value added
HWE	Hired worker enterprises
mfr	manufacture
mn	million
MoSPI	Ministry of Statistics and Programme Implementation, Government of India
N E W S & C	Regions of India: North, East, West, South & Central (informal classification for convenience)
OAE	Own account enterprises
P'ship	Partnership
SHG	Self help group
svc	services
USE	Unincorporated sector enterprises (as in ASUSE) – otherwise known as microenterprises
WIP	Work in progress
₹/\$	Currency symbols – Indian rupee and US dollar







Photo Credit (from left): M-CRIL, Pixabay *Roadside commerce (left); applying traditional skills to metal craft production (right)*





# 1 ASUSE data is a public good that covers a diverse canvas

This document presents a partial analysis of a wealth of data from the **Annual Survey of Unincorporated Sector Enterprises (ASUSE), 2022-23** undertaken by the National Sample Survey Office of the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. The survey was undertaken during October 2022 to September 2023. It used multi-stage stratified sampling over around 16,500 primary sampling units and nearly **460,000 respondent enterprises** to estimate the status in India of non-agricultural unincorporated sector enterprises (USE) – otherwise known as microenterprises – over a range of parameters. It covered **all 28 States and 8 Union Territories of India**. Some results from the survey published by MoSPI are at [https://mospi.gov.in/downloadreports?main\\_cat=Nzly&cat=All&sub\\_category=All](https://mospi.gov.in/downloadreports?main_cat=Nzly&cat=All&sub_category=All)

ASUSE data has been provided by MoSPI for analysis of the status of microenterprises in India by research institutions and by other users to support understanding of the economy at the “bottom of the pyramid”. **The data is not for commercial use** and cannot, therefore, form the basis for paid research or consultancies.



## 2 Headline numbers – USE market size

**Total number of USE in India (2022-23)**

**65.0 million**

**Owned & operated by women**

**14.2 million**

(22.9% of 62.1 million proprietary and partnership establishments)

**men, 47.9 million**

(77.1% of 62.1 million proprietary and partnership establishments)

The remaining number are collective enterprises – mainly cooperatives or NGOs

Growth by number of units was **8.9%** (5.8% per annum) over **59.7 million** USE estimated from the 2021-22 survey



## 2a Headline numbers – employment in USE

### Total number of USE workers in India (2022-23)

**109.6 million**

62% in Own Account Enterprises (OAE); 38% in Hired Worker Enterprises (HWE)

### Women workers

**28.1 million**

74% in OAE; 26% HWE

**men, 81.5 million**

58% in OAE; 42% in HWE

Growth of workers in such enterprises was **12.0%** (7.8% per annum) over **97.9 million workers in USE** estimated from the 2021-22 survey





## 2b *Employment in USE is substantial but the sex distribution is heavily skewed*

India's population in 2023 was around 1,420 million with up to 68% in the 15-64 years

**working age segment, 965 million persons**

so 109.6 million USE workers constitute

**11.3%**

of the total potential workforce.

This makes a substantial contribution to employment in the country but the sex distribution in USE employment is skewed nearly 3:1 towards men.

Women in the working age group are estimated to be in the ratio 985/1000 in 2022, so the 28.1 million women employed by USE are

**5.9%**

of the **479 million** potential women workers in the country; the 81.5 million male workers in USE are **16.8%** of the potential male workforce.



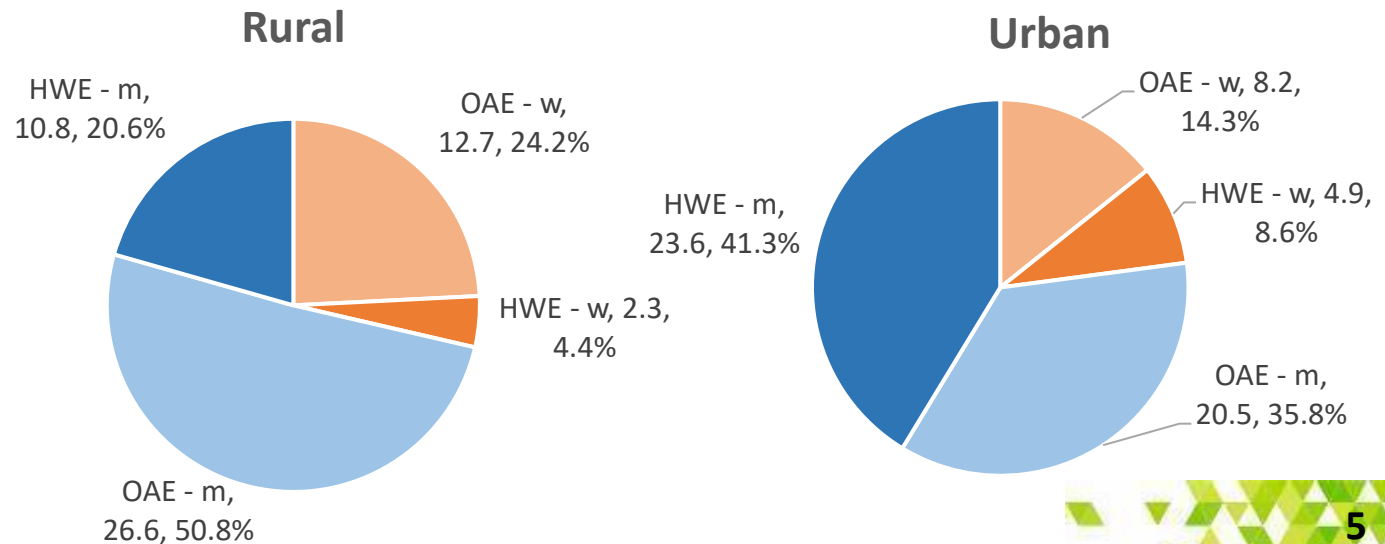
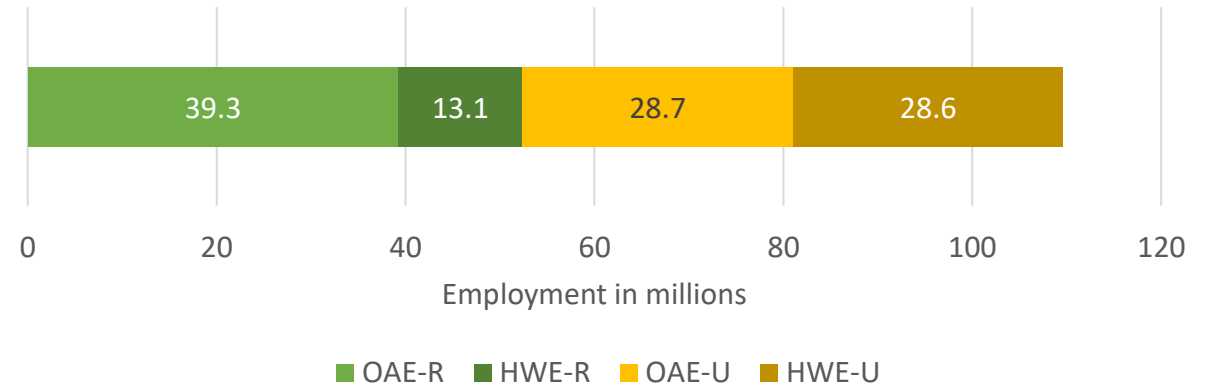
## 2c While employment has grown considerably, women's participation is stagnant

The issue of employment is a hot topic of contemporary debate; the concern that employment is not keeping up with the demand for jobs in India. In this context, it is mildly comforting to see that **employment in USE has grown at an annualized rate of 7.8%** between the two annual surveys – much faster than the 2-3% annual increase in the job seeking population, aged 20-35 years. It is less comforting to find that the proportion of women in the USE workforce has not changed much and continues to hover just above 25%.

USE provide 52.3 million jobs in rural areas and 57.3 million jobs in urban India but just 23% of urban employment goes to women compared to 28% in rural areas.



### Rural-Urban distribution of employment in USE







*...retailing  
Items for  
women's  
indulgence  
contributes  
to  
family  
income...*





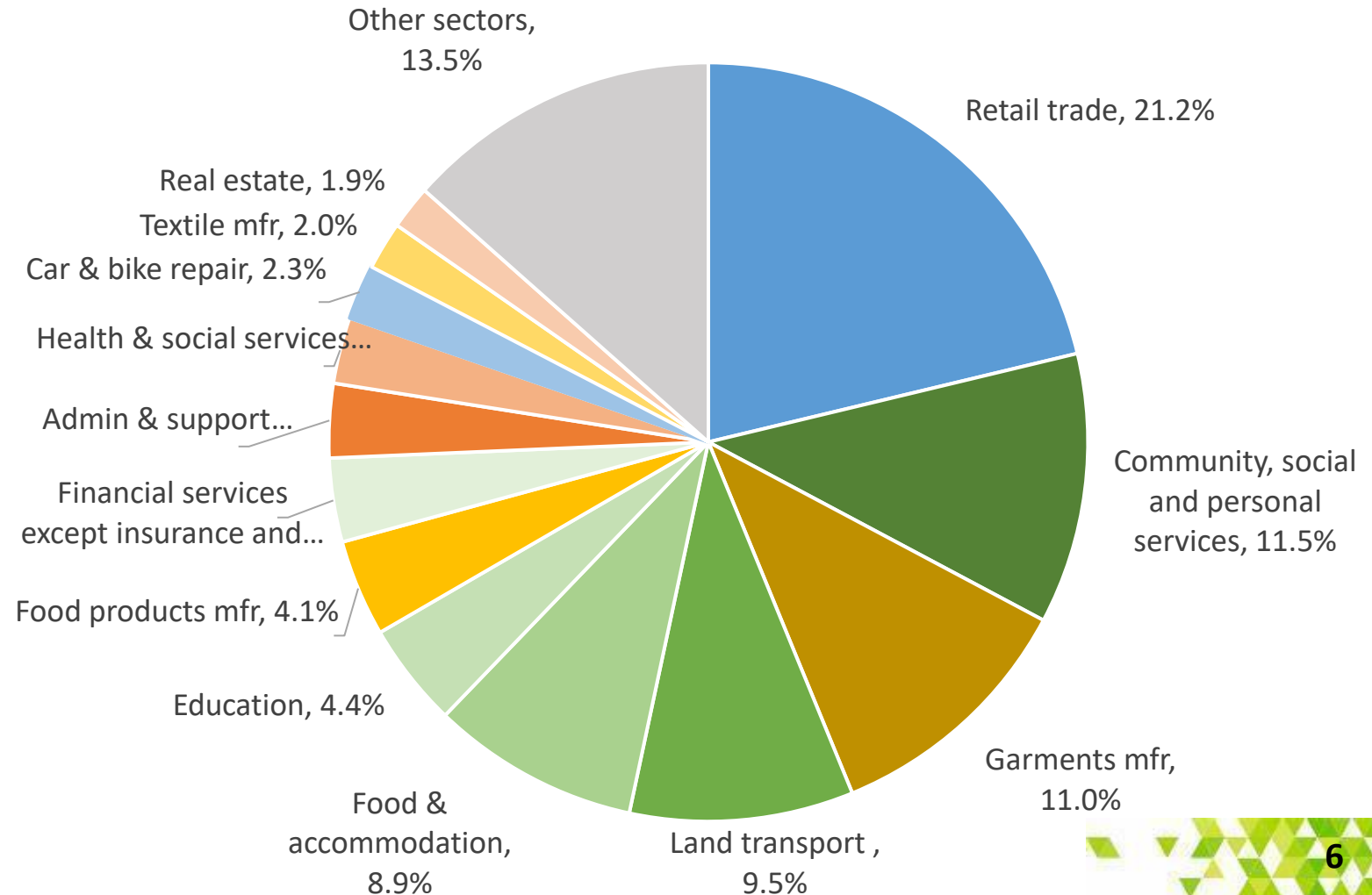
### 3 The activity range of USE is the diverse enterprise mélange familiar to all Indians

The activity distribution of USE enterprises depicted here is for **all enterprises** of this type; the distribution of women's USE is currently being extracted from the source data.

The chart shows the expected distribution, with retail trade, garments/tailoring, food vending & hospitality along with land transport being key activities.

The data is presented as 25 manufacturing sectors, 5 trade and 15 service sectors. Curiously, repair of motor vehicles & bikes is included in trade while retail trade is an amalgam of many types of retail trade.

Activity distribution of USE – by enterprise numbers





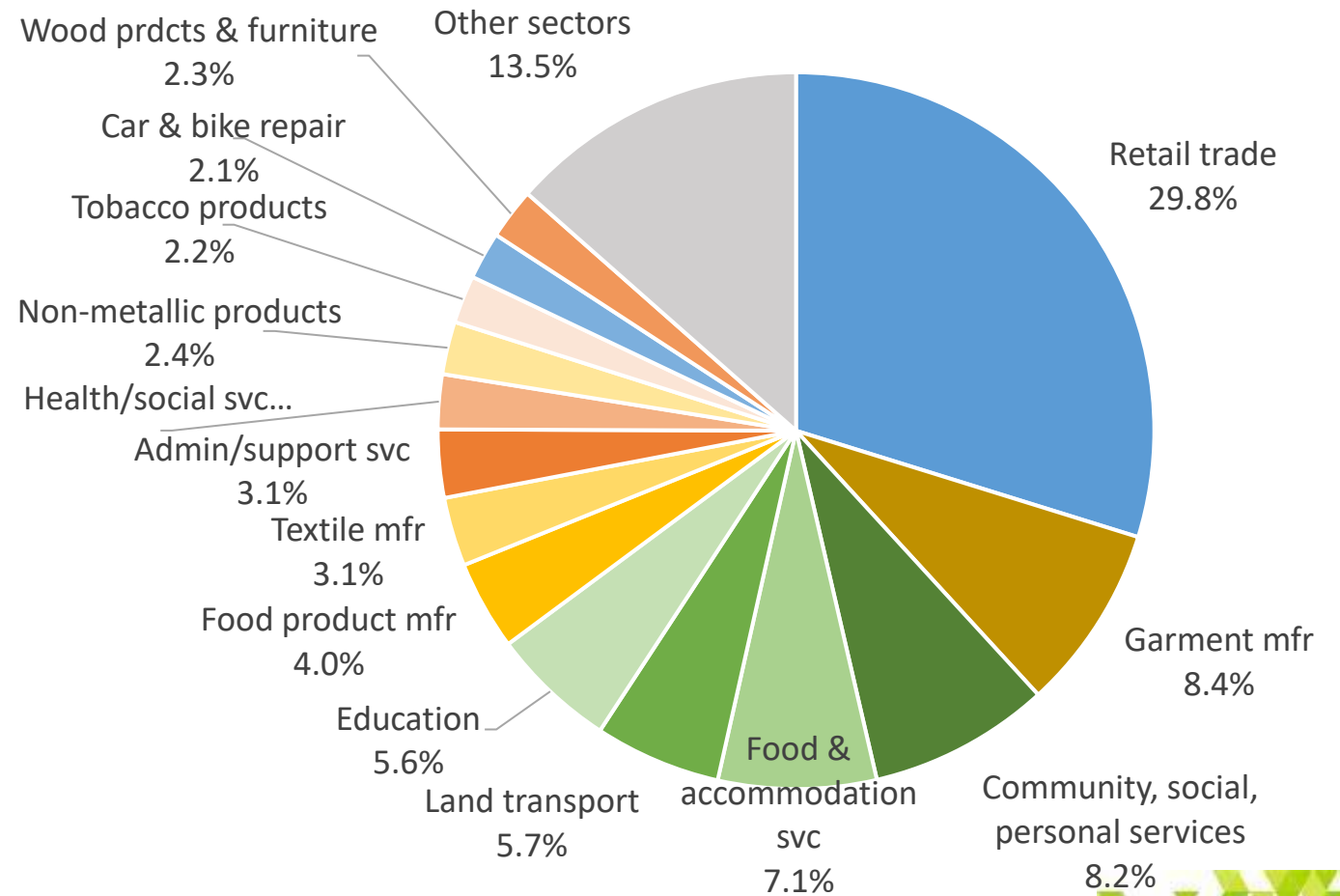
## 3a ...and comparison with the employment distribution is informative

Retail trade is by far the largest sector amongst USE, providing employment to nearly 33 mn people. Garment production, community and social services each employ 9 mn people while food/accommodation services employ 8 mn.

Retail trade is even more prominent as a microenterprise sector in terms of employment than numbers of enterprises. Tobacco products and wood/furniture production also have a higher share of employment than of enterprise numbers.

This is discussed in Slide 5a in terms of productivity.

Activity distribution of USE by number of workers



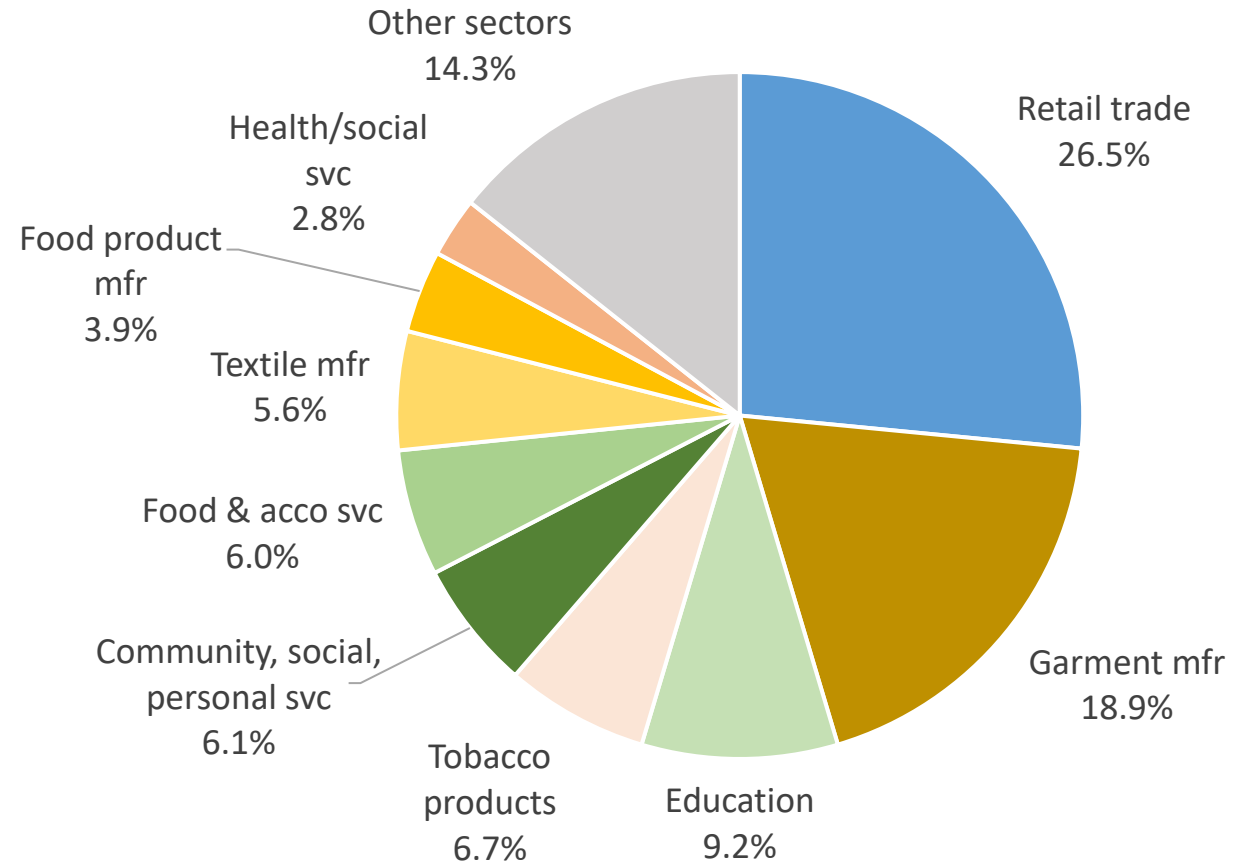


### 3b ...but women's employment is focused on low productivity sectors

The increasingly vexed issue of women's employment in India is reflected in the microenterprise sector. The three largest sectors for women's employment in microenterprises – retail trade, garment production and education – all employ women as low wage labour to undertake basic tasks. Education enterprises engage women as low wage primary teachers in private schools for children from low income families. Similarly in the other major sectors depicted in the pie chart.

The issue of productivity is covered in Slide 5a in terms of gross value added (GVA) per worker in the major employment sectors.

Women's employment by main sectors





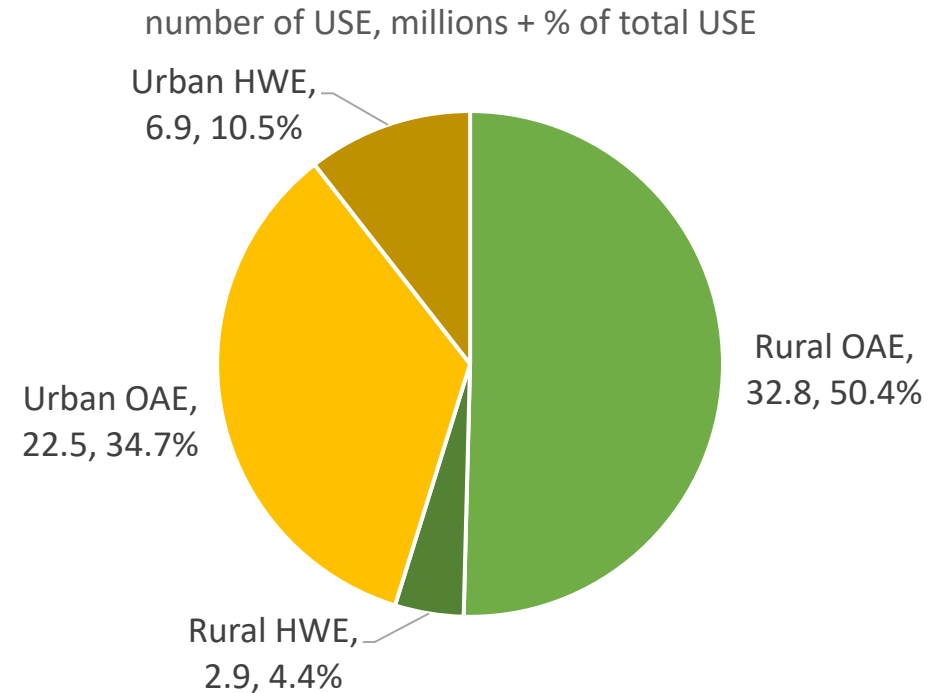


## 4 OAE are predominant, the rural-urban landscape is split 55:45

- Own account enterprises (OAE) have no hired workers; these are the predominant type (55.3 million, 85.1%) of microenterprise in India and are operated entirely by the proprietor.
- There are 9.8 million hired worker enterprises (HWE) of which very few (2.9 million, 4.4% of all USE) are in rural areas.

The distribution of enterprises by sex of the owner/operator between OAE and HWE is presented in the next slide.

### Rural-urban distribution by engagement or otherwise of hired workers





*...refreshing  
cups of  
chai/kaapi  
at the  
roadside...*

Photo Credit: <https://www.istockphoto.com/>







## 5 Women's enterprises are overwhelmingly OAEs

- P = proprietary enterprises, 61.6 mn, 94.7% of USE  
Owned and operated by:
  - women = 14.9 mn, 22.9%
  - men = 46.7 mn, 71.8%

- P'ship = partnership enterprises, 0.46 mn, 0.7%

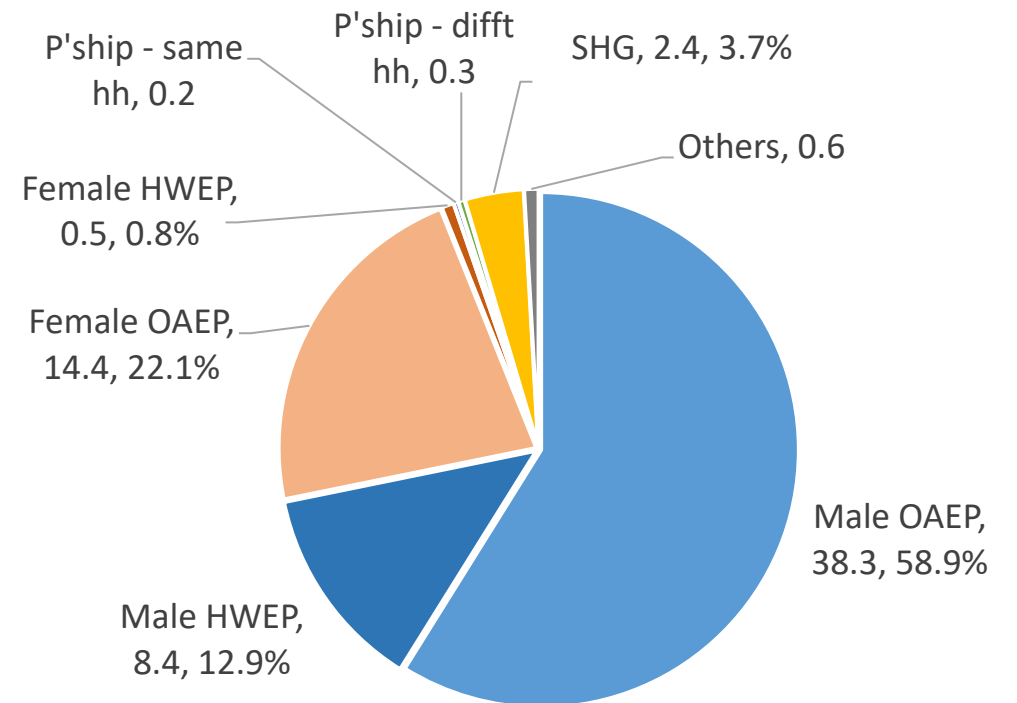
- SHG = self help groups, 2.4 mn, 3.7% of USE

Women's proprietary enterprises are overwhelmingly

- OAE: 14.4 million, 22.1% of USE, while
- HWE: are just 0.5 million, 0.8% of the total.

### USE ownership distribution

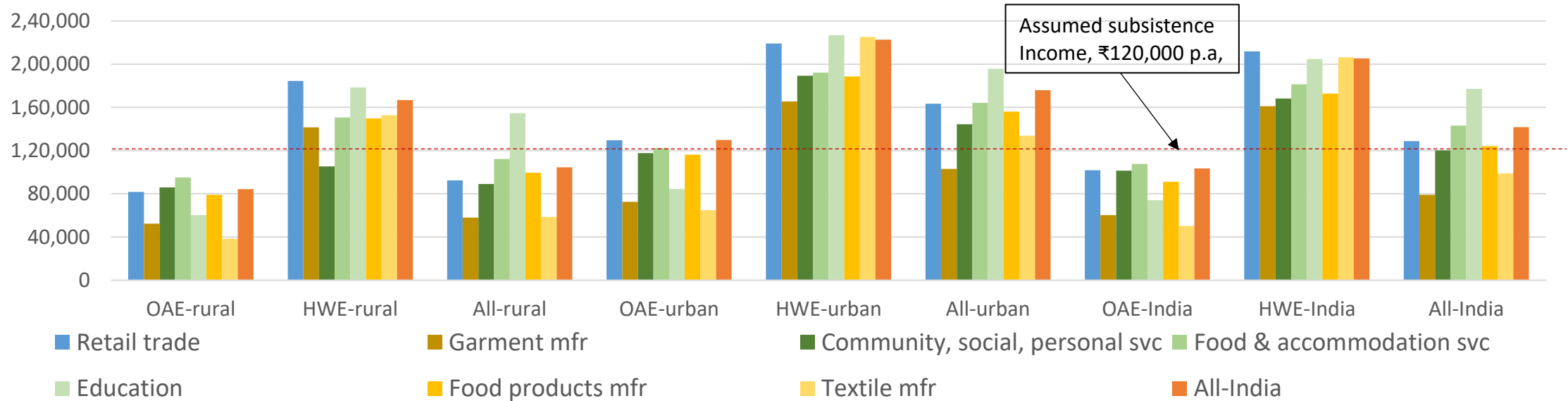
number of USE, millions + % of total USE





## 5a ...with OAE GVA/worker in major employment sectors below subsistence levels

GVA per worker by major employment sectors

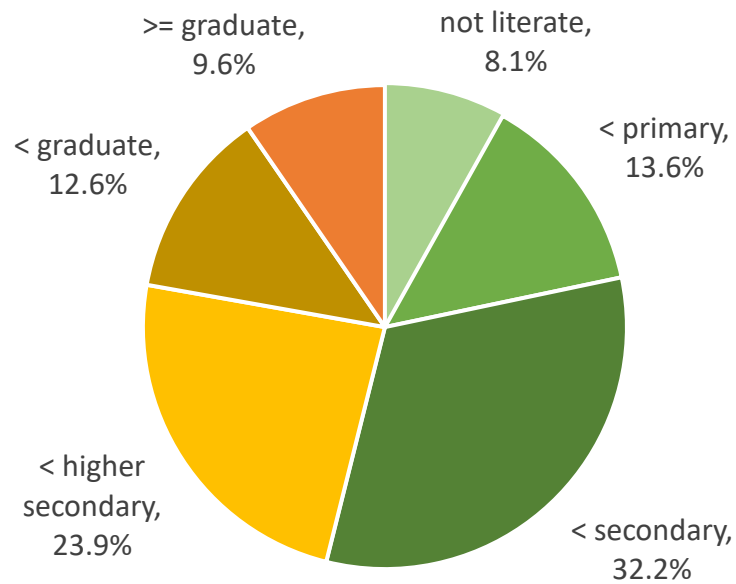


- ₹120,000 per annum is assumed to be the subsistence level for microenterprise workers on a per worker (rather than per family basis); families predominantly have >1 source of income
- OAEs have GVA per worker below subsistence levels in all the major sectors in rural areas
- Even in urban India, GVA of OAEs in the garments, textile and education sectors are well below the assumed subsistence level, so families are dependent on multiple income sources for survival
- A detailed sector & gender analysis of GVA per worker and emoluments per HWE worker will be published shortly as a separate document.

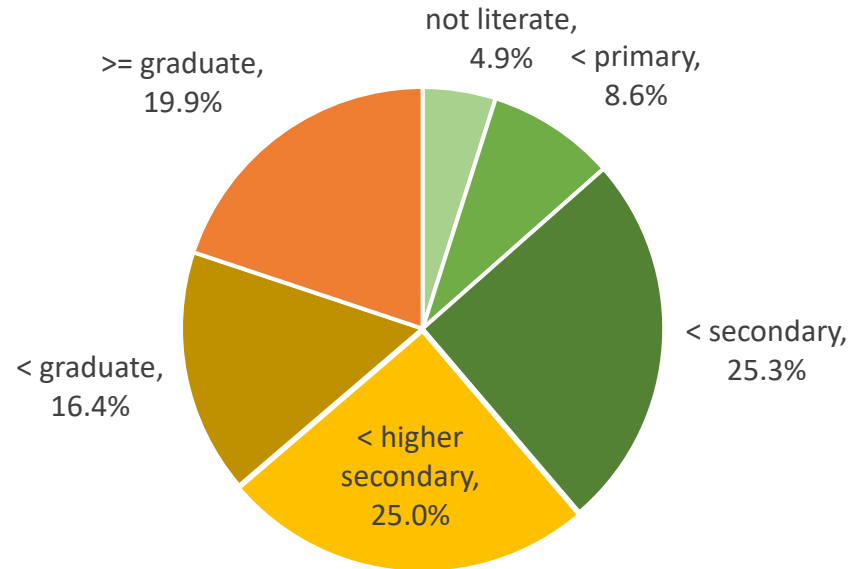


## 6 Education levels of entrepreneurs are better in urban than in rural areas

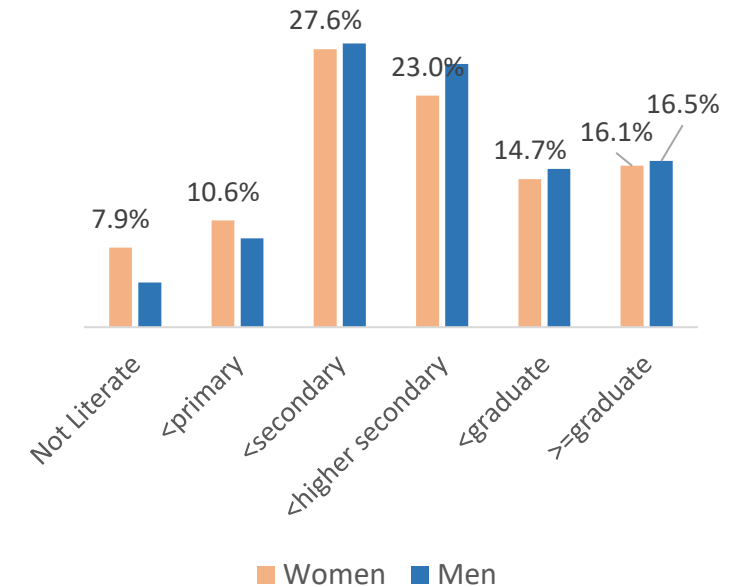
### Rural entrepreneurs



### Urban entrepreneurs



### Education levels of entrepreneurs by sex

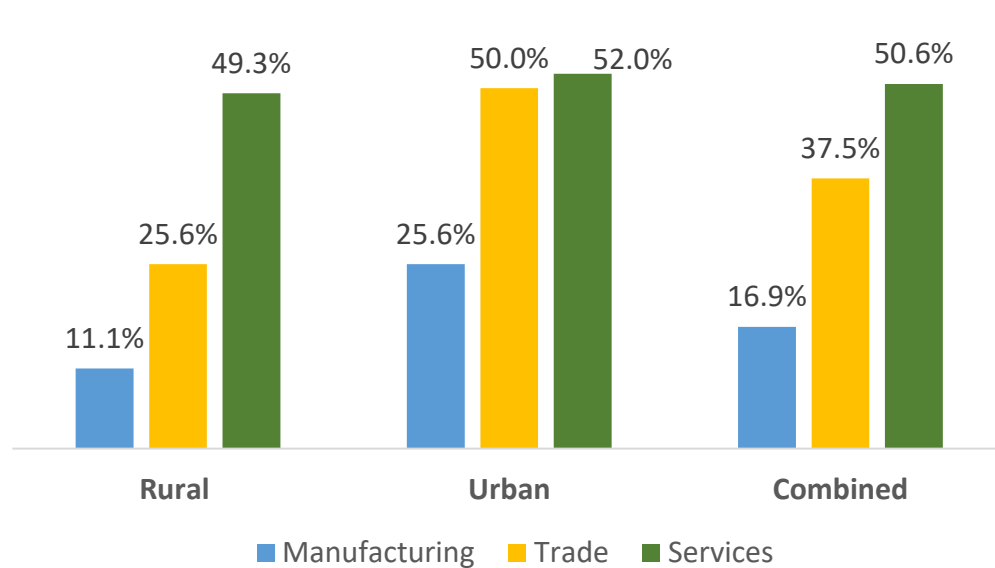


- As expected, urban entrepreneurs are much more educated than rural ones but the difference in education levels between the 13 million women entrepreneurs and 49 million male entrepreneurs is mainly at the lower education levels. There is not much difference between the proportion of women graduates owning USE and male graduates though the sex distribution by numbers of enterprises is substantially different – previous slide.

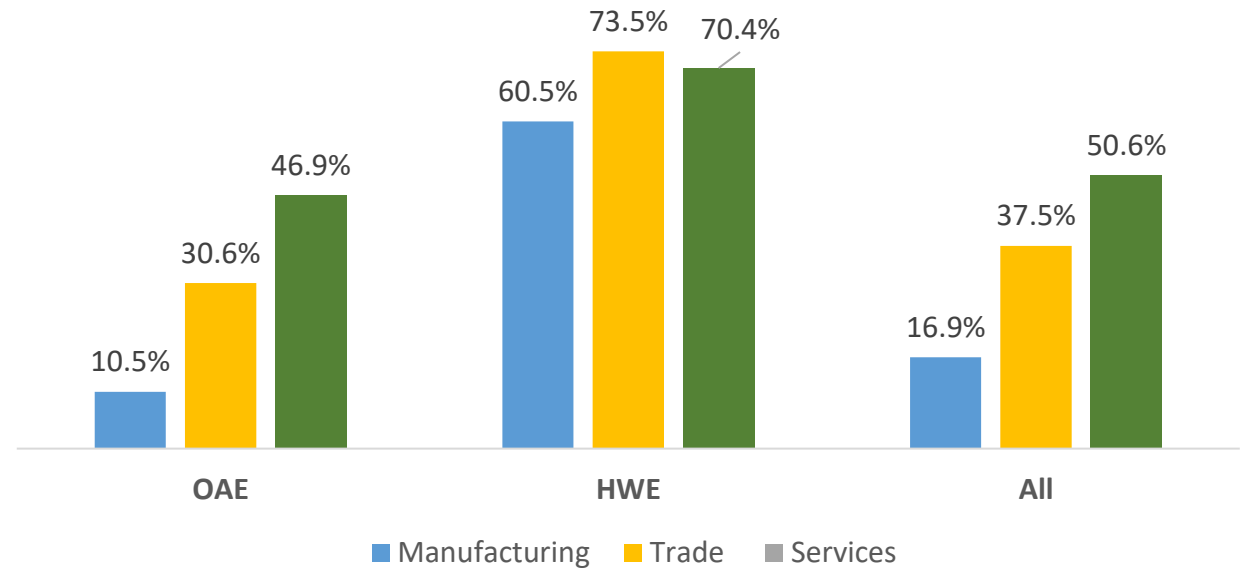


## 7 Registration of USE is around 40%, largely HWE in urban trade & services...

### Registration by location & activity sectors



### Registration by enterprise type and activity sector



- Of the 62.0 million proprietary and partnership establishments, 25.2 million (40.6%) are registered.
- The services sector has by far the most registered enterprises but, in urban areas up to 50% of trade enterprises are also registered.
- It is mainly HWE in urban areas that obtain registration since these have a much larger turnover than OAE
- The proportion of rural registrations is substantially lower than urban in the manufacturing and trade sectors





Photo Credit: Pixabay

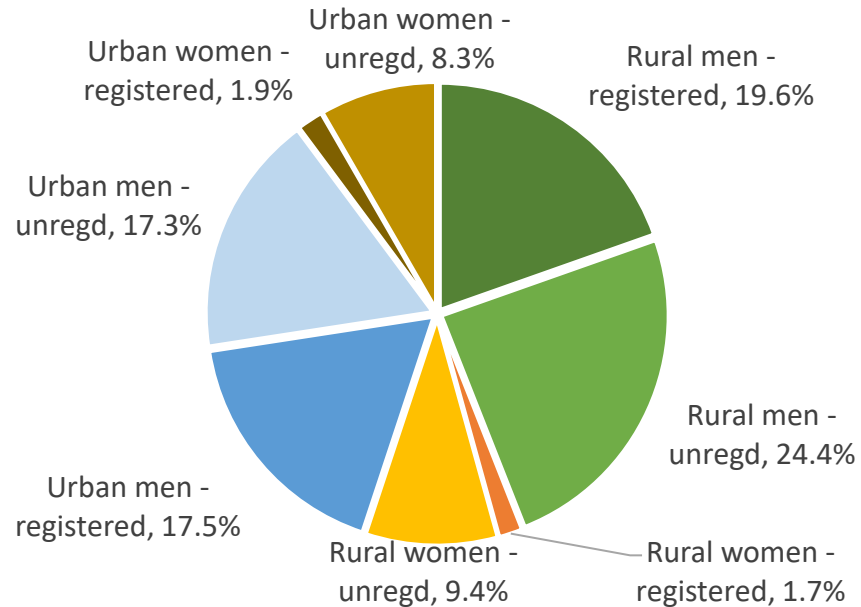
*...a busy market for fresh vegetables (left) and sweet indulgences (right)...*



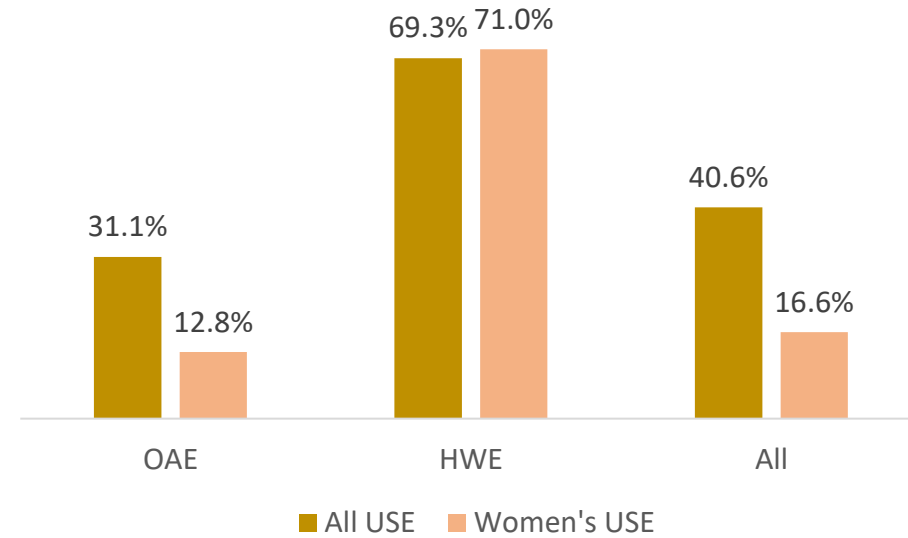


## 7a ...and very few registered USE are women owned & operated

### Registration by gender/rural-urban location



### Registration of Women's USE



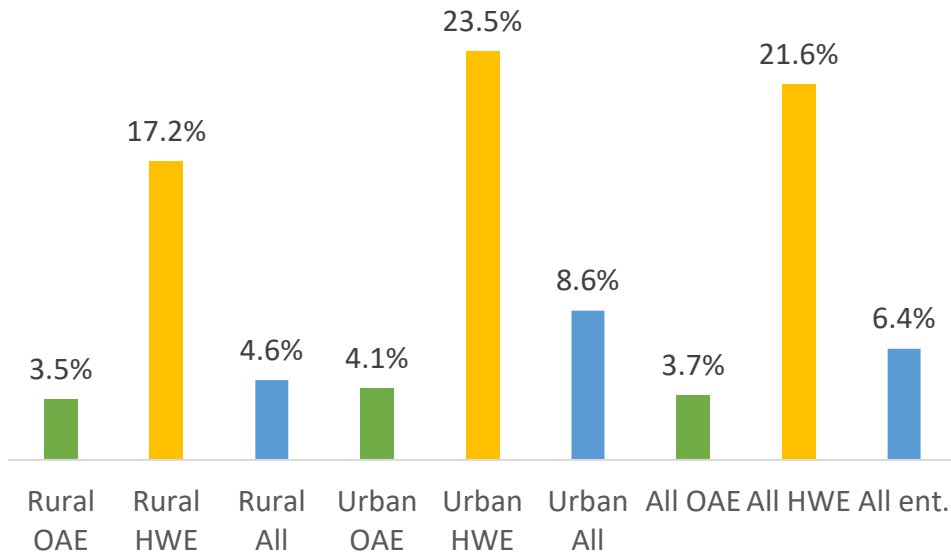
- Just over 40% of all USE are registered but women's USE have <17% registration
- Only 3.6% of the total number of USE are women's registered enterprises
- However, women's USE that are HWE (just 1.9% of all HWE) are as likely to be registered as men's USE



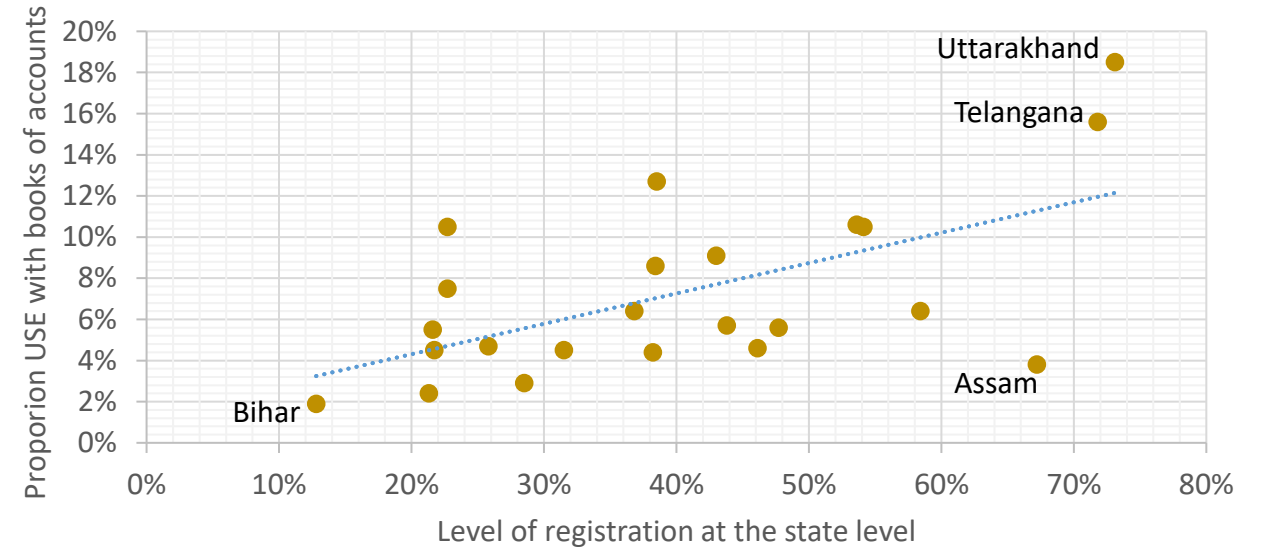


## 8 *Though registration does not make much difference to the keeping of accounts*

### Maintenance of books of accounts



### State-wise maintenance of books of accounts

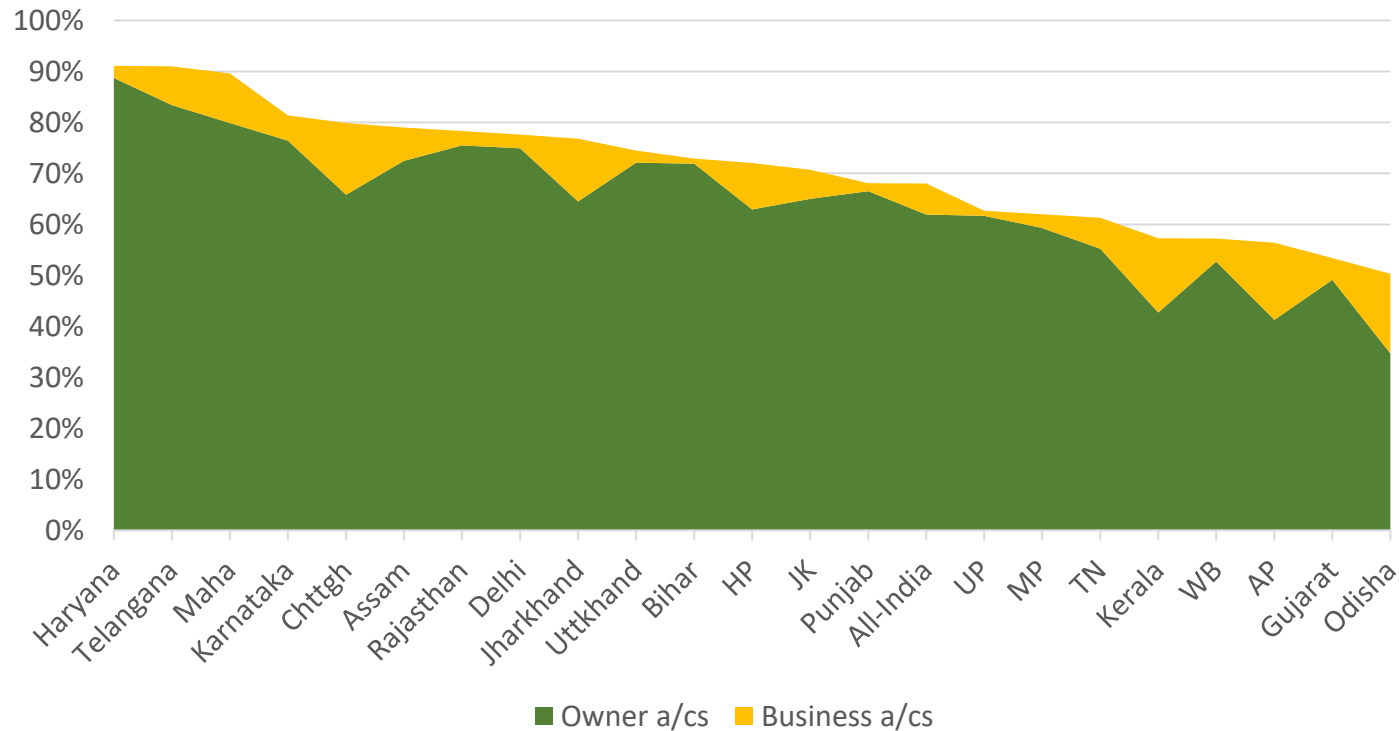


- The maintenance of books of accounts is very limited; <4% of OAEs and around 22% of HWEs maintain account books; this is just 6.4% of all USE.
- Maintenance of audited books of accounts is a requirement for registration but the correlation of the proportion of registered enterprises at state level with those maintaining books of accounts is just 60% – it should be 100% to comply with regulation. Even the best performing states in terms of books of accounts – Uttarakhand and Telangana – are at the 16-18% level compared with over 70% registration of USE there. This is confirmation of the well-known governance lacunae affecting the registration system at the state level.



## 9 And is there a plethora of inactive (and forgotten) Jan Dhan bank/PO accounts?

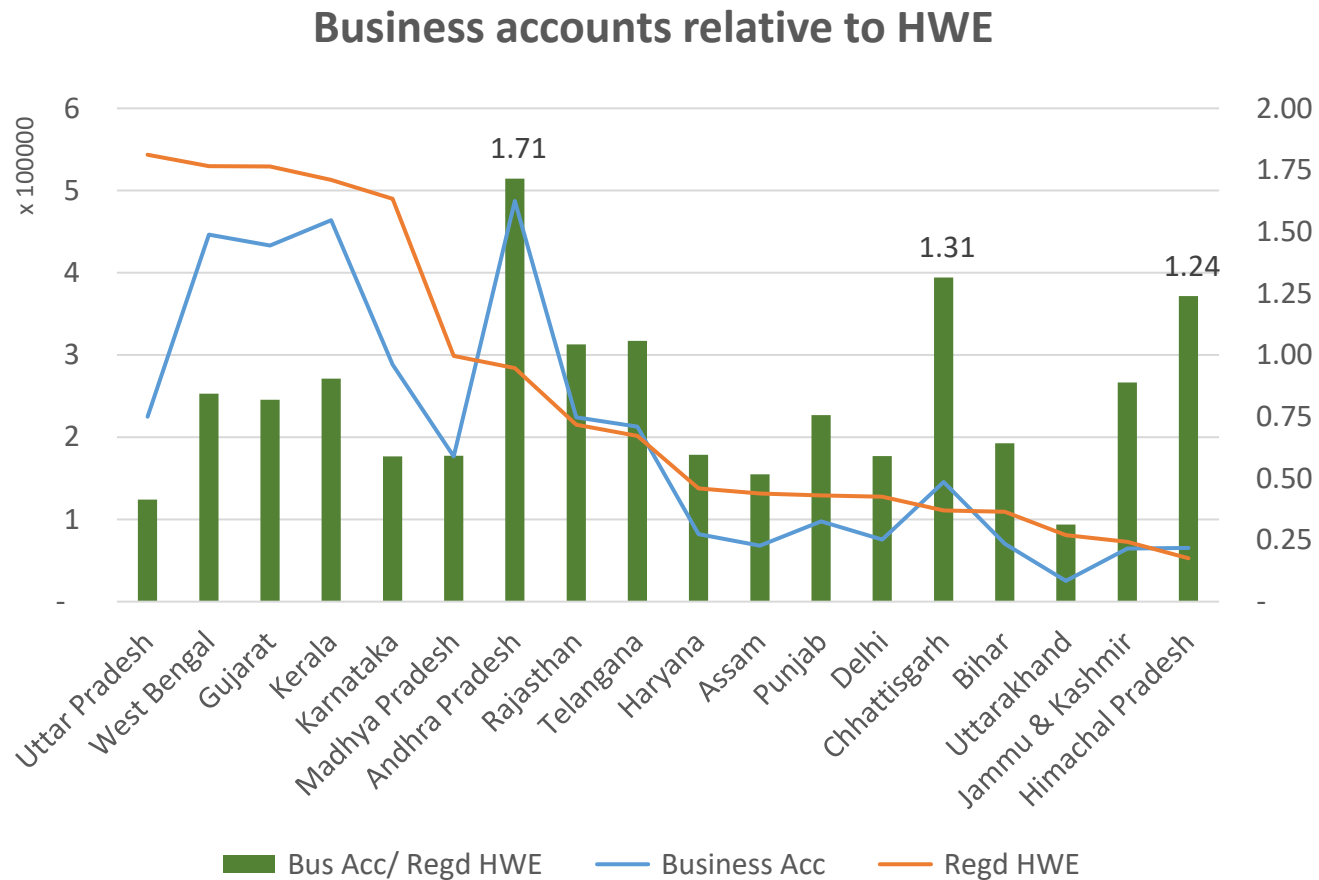
Bank/PO account ownership levels - by state



- Comparing bank/PO account ownership with the total number of USE at state level does not reveal much. The level of account ownership is not particularly interesting except perhaps to show that the Jan Dhan Yojana (JDY) for bank accounts of low-income persons has either not been particularly effective in some states or that Jan Dhan accounts have become inactive to the extent that respondents have all but forgotten about these. In theory JDY accounts should have covered near 100% of USE around the country reporting owner accounts but in some states just 50% of USE report owner accounts.
- The figure shows the substantial variation in numbers of USE with business accounts at the state level. This issue is addressed below.



## 10 A greater effort is needed to ensure that all HWEs have business accounts

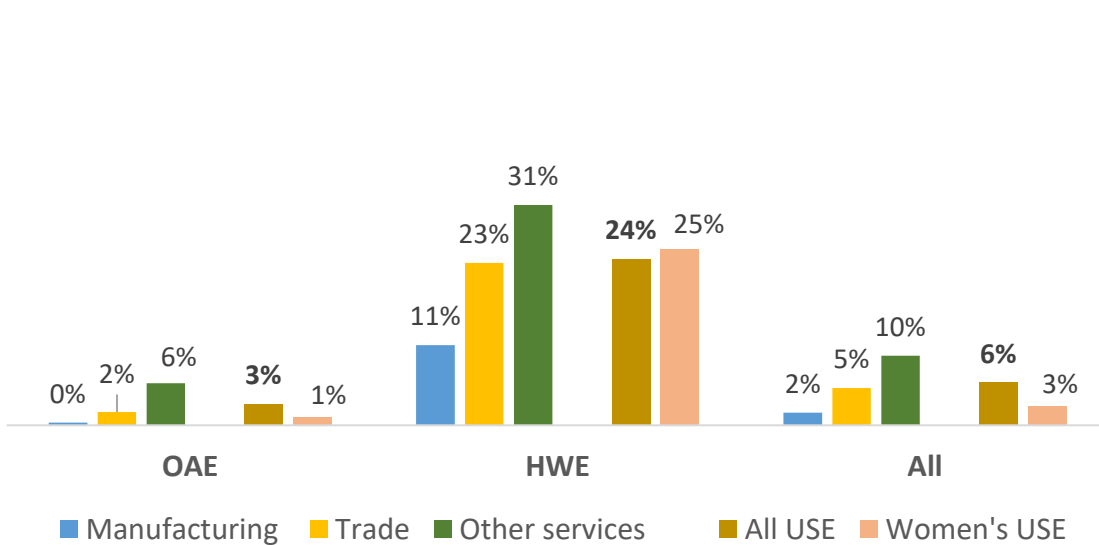


- All HWEs would normally be expected to have business accounts with banks/POs.
- On a state-wide basis, business accounts have a good (90%) correlation with the proportion of HWEs in the states resulting in a national business account coefficient of 0.88 per HWE.
- But some states – Bihar, Karnataka, MP, UP and Uttarakhand – register very low coefficients at 0.5-0.6. This is as expected for Bihar and UP due to their tardy economic performance but it is particularly disappointing for the other states.
- Apparently, despite the efforts of banks to roll out small value financial services in recent years, there is a continuing need for intensive effort by them to engage with USE in some parts of the country.

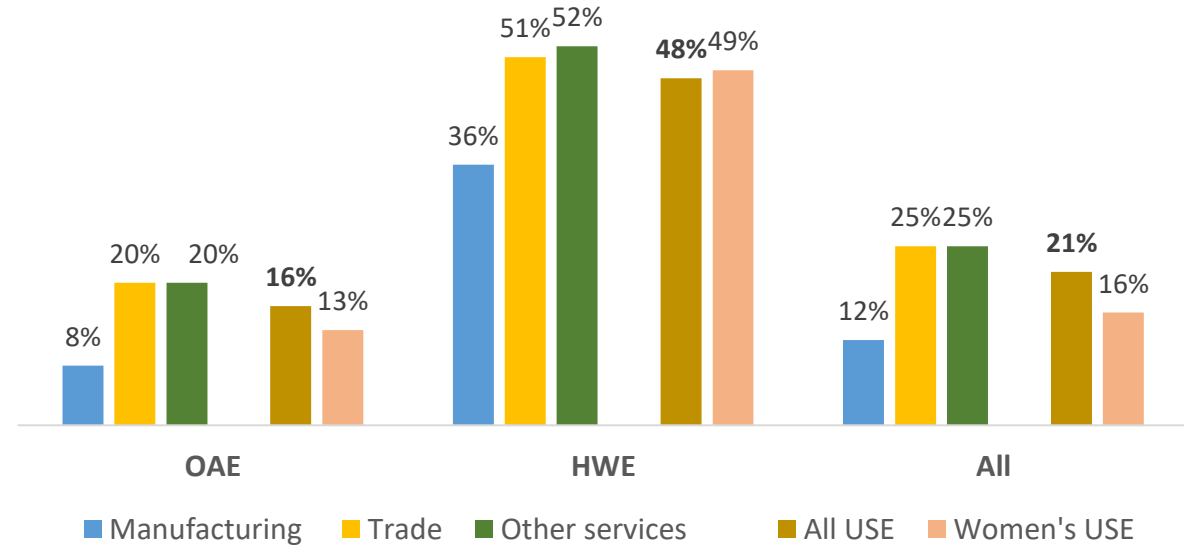


# 11 Digital media have facilitated business and enabled technology leapfrogging

### Use of a computer



### Use of the internet – mainly using smart phones

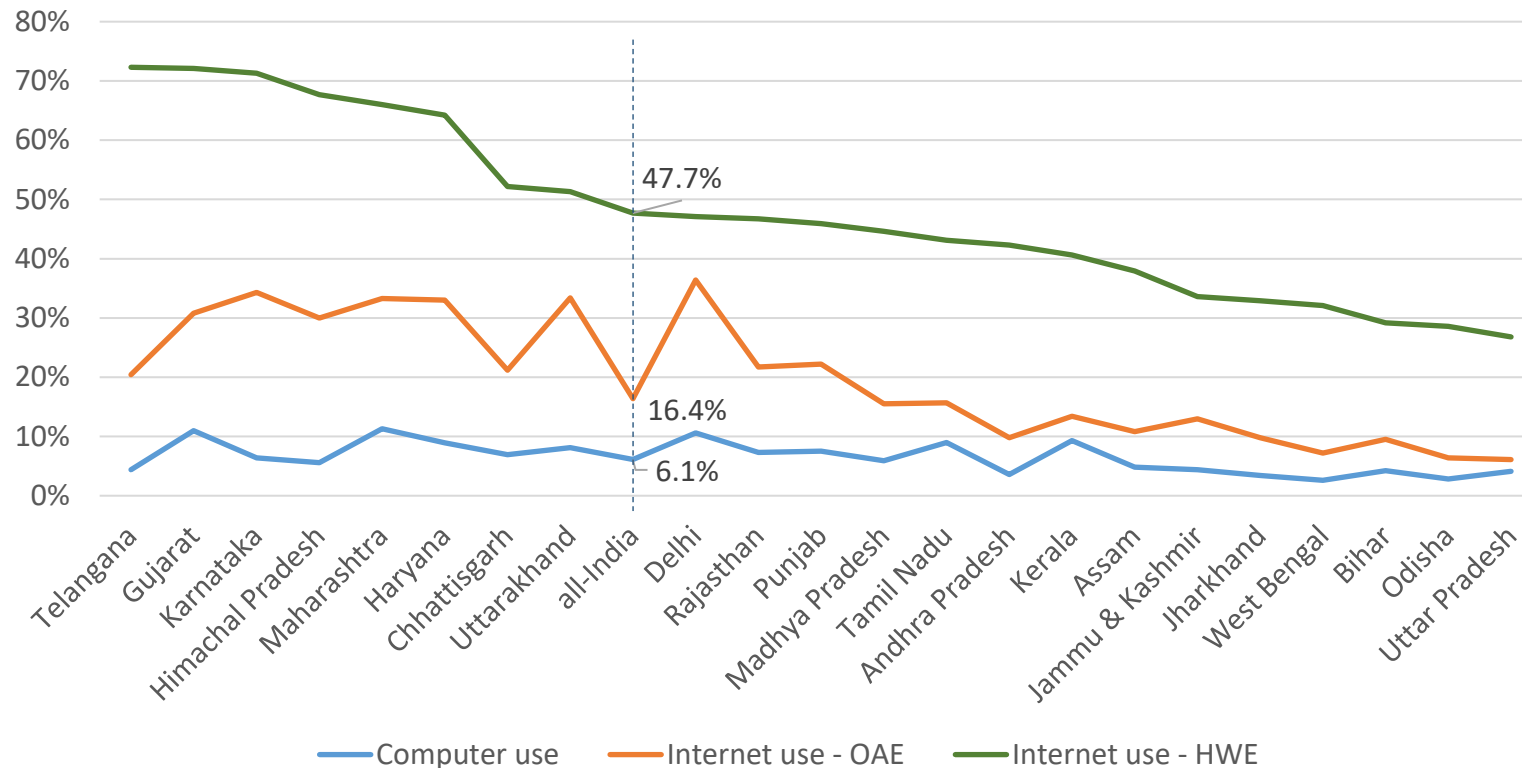


- USE provide a prime example of technology leapfrogging enabled by smart phones; while just 6% overall use computers for business, internet use (via smart phones) has reached 21% for all USE and over 50% for HWEs in the trade and services sectors; inevitably, the use of the internet is very low for OAEs.
- Women’s USE register well below the overall averages for OAE but are close to it for HWE. Since use of the internet needs a reasonable level of education, this is reinforcement of the earlier finding that the proportion of graduates amongst women entrepreneurs matches the overall, countrywide, figure.



## 11a ...but even some of the more advanced states are lagging in its application

### Use of digital media in the largest 22 states/UT



The pattern in the use of electronic media on a state-wise basis is not consistent. While the internet is used more by USE in some of the more technically advanced states – Telangana, Gujarat, Karnataka and Maharashtra – its much lower use in Tamil Nadu, AP and Kerala is surprising. Nevertheless, even use by HWEs is moderate (60-70%) in these states while use by OAEs is very low (all-India average, 6.1%).

**Clearly, there is a need for enhancing awareness of the application of digital media by USE for enabling business processes.**





*...weaving  
coir –  
fibre from  
coconut husk –  
into  
remunerative  
floor mats...*

Photo Credit: [Pixabay](#)





## 12 USE make a significant ~6.3% contribution to the economies of the major states

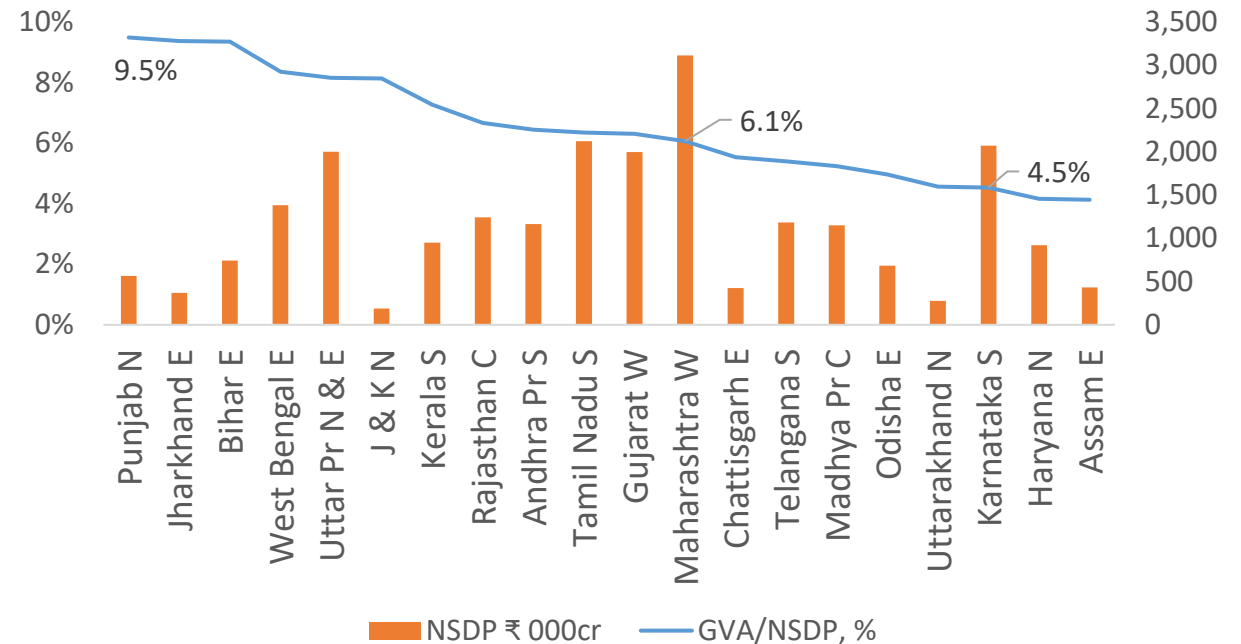
Gross value added (GVA) by micro-enterprises is ₹15.1 lakh crore (US\$182 billion) in 2022-23 (Oct-Sep) for 20 major states.\*

Share of gross value added by micro-enterprises in the ₹239 lakh crore (US\$2.88 trillion) net State Domestic Product (NSDP) of these 20 states, is

# 6.3%

Thus, both in terms of the share of output and >11% employment provided by USE, such enterprises are an important load bearing pillar of the economy.

### Microenterprise Gross Value Added as % of State Domestic Product



Suffixes denote regions: N E W S & C (for Central)

\* Delhi & Himachal Pradesh omitted here due to inconsistent information.



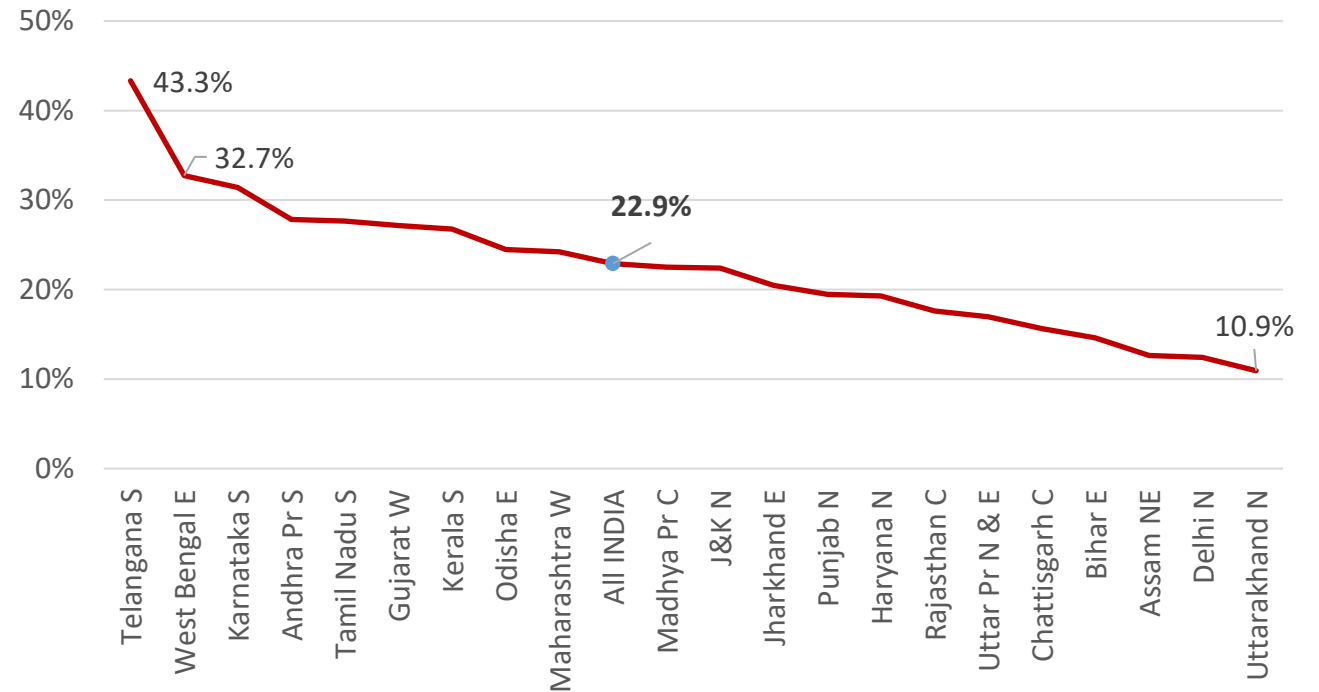
# 13 Women's ownership of proprietary enterprises is low; so is their share of NSDP

22.9% of all proprietary USE are owned/ operated by women; so the direct contribution of women owned USE is 1.45% of the NSDP of the largest states covered by this analysis.

GVA by women's microenterprises is **₹3.47 lakh crore** (US\$42 billion)

**Note:** Women's contribution here is based on the proportion of enterprises owned/ operated by them and not adjusted for the differential GVA of women's enterprises (that calculation is currently WIP).

Women's proprietors' share of all USE in the state



All India = national average  
Suffixes denote regions: N E W S & C (central)

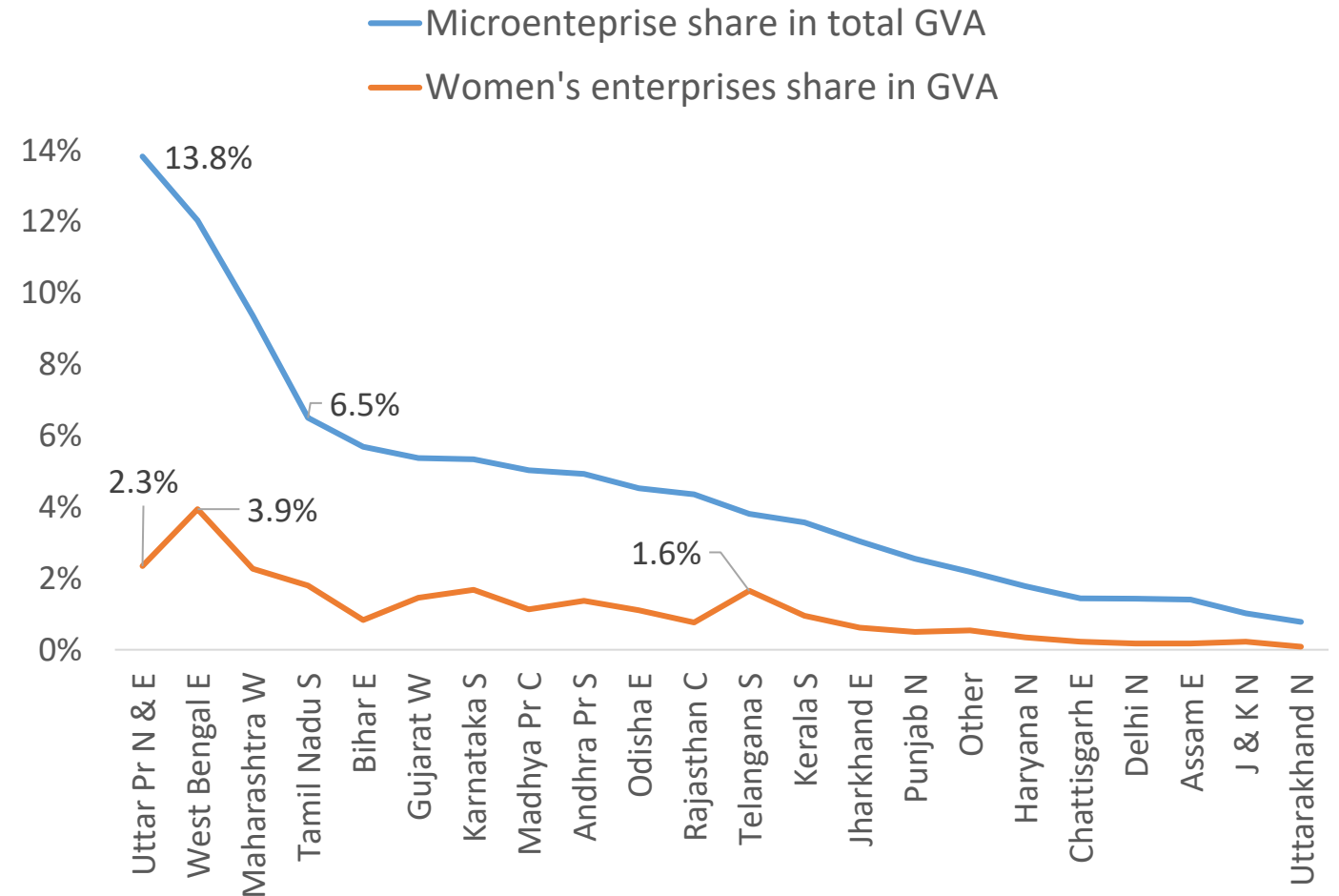




## 14 And women have a limited part in the state-wise distribution of GVA

Uttar Pradesh microenterprises make the largest contribution to the cumulative GVA of USE due to the large size of the state rather than its economic performance. West Bengal, Maharashtra and Tamil Nadu are the other major contributors. Relative to its size, Telangana's share is significant.

**Note:** As noted in the previous slide, women's share here is based on the proportion of enterprises owned/operated by them (segregated GVA of women's enterprises being compiled).



N E W S & C denote regions





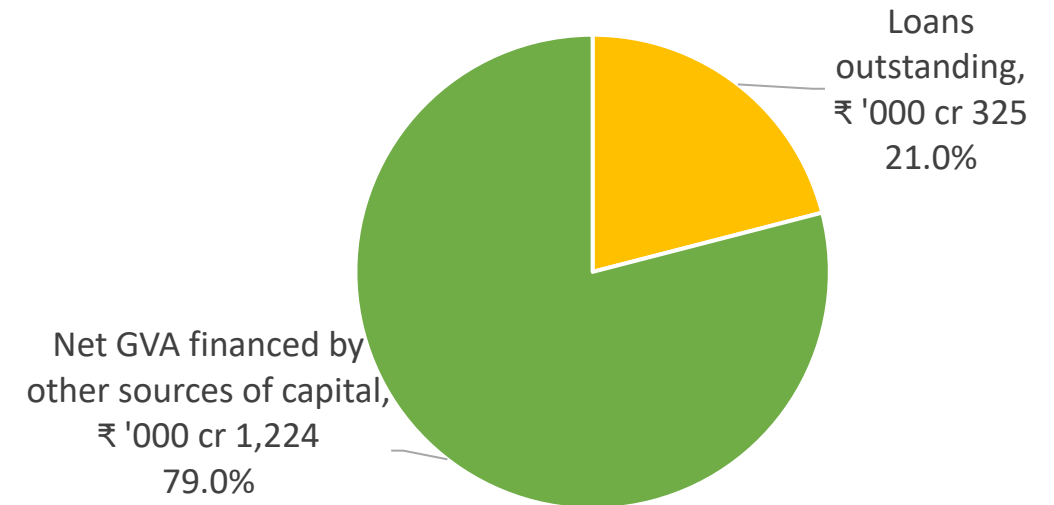
## 15 *Loans outstanding are 21% of annual GVA by USE...*

The 65 million microenterprises estimated to be operating in India had **₹325,000 crore (\$39.2 billion) of loans outstanding** during the reference period.

This is **21.0% of annual gross value added (GVA)** by USE. Based on M-CRIL's decades of micro-enterprise and microfinance experience, other sources of capital used for financing operations are likely to be

- 1 Entrepreneurs' own capital and/or family savings
- 2 Accumulated profit &
- 3 Trade credit...(continued next slide)

### Financing of microenterprise operations







## 15a *...but RBI norms indicate that up to 50% of income can be financed by debt*

- In recent years, cashflow lending to microenterprises has become the norm in microfinance, though collateralized lending by some banks and for large MFI loans persists. To relate these findings to potential collateral considerations, M-CRIL is compiling the available information on fixed assets from the source database. Nevertheless, outstanding loans at ~21% of GVA is a relatively low proportion.
- Reserve Bank of India norms allow lending up to 50% of net income earned by micro-entrepreneurs.
- If net income is assumed to be equivalent to GVA, the quantum of credit provided for microenterprise can (reasonably) be more than doubled from the present ₹325,000 crore (\$39.2 billion) to reach 50% of the income of microentrepreneurs.



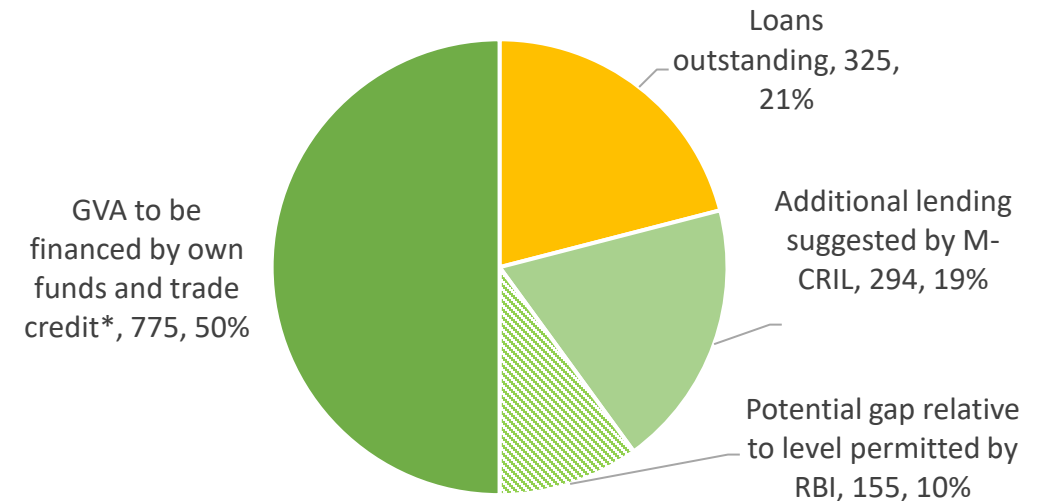
## 15b ...institutional funding of the incremental 19% of GVA can be found

- Taking a more conservative view, M-CRIL has determined that **there is potential to provide additional credit to the extent of another 19% of GVA** (to reach 40% of GVA for all USE). This amounts to **₹294,000 crore** (US\$35.5 billion). For women's USE this could be 25% of the total, ₹74,000 crore (\$9 billion).
- This additional lending is **72%** of the ₹408,500 crore (\$49.2 billion) current institutional credit outstanding with the microenterprise sector in India.\* The incremental lending needed to cover the gap up to the level of 40% of GVA (21% current + the additional 19% suggested by M-CRIL) is significant but achievable.

\*supply side data for end-March 2024 from the Sa-Dhan Quarterly Report, Q4 2023-24

### Distribution of microenterprise financing suggested by M-CRIL

amounts, ₹ in '000 crore





## 16 Conclusions – *take note of USE and recognise an essential pillar of the economy*

- **The 65 million USE/microenterprises in India** contribute 6.3% to NSDP of the major states and provide employment to an estimated 110 million persons absorbing over 11% of the workforce.
- At GVA per worker of ₹142,000 (\$1,700)/~₹12,000 per month this is not highly rewarding employment but it is adequate for a reasonable livelihood as part of multiple income strategies followed by low-income families.
- Loans outstanding to USE constitute 21% of GVA; M-CRIL has determined that **there is potential** to provide **additional credit to the extent of another 19% of GVA** amounting to **₹294,000 crore** (US\$35.5 billion) to support the growth of the sector. Considerable additional finance comes from trade credit and reinvestments.
- At a growth rate of employment of nearly 8% per annum, **USE merit recognition as an essential pillar of the economy to be provided with much greater support than the sector currently receives.**



## 16a *Key actions for the growth of the sector and greater engagement of women*

- A greater effort to **encourage the opening and operation of business accounts** with financial institutions would boost the sector's growth.
- Use of the internet for business processes is growing but is still low. It could be enhanced through a **focus on digital literacy** specifically to support the sector.
- Both business bank accounts and digital literacy are particularly needed to enhance the numerical growth of women's enterprises and also to **maximise women's contribution to GVA** and employment.
- Promoting the **establishment of creches and nursery schools in the hundreds of microenterprise clusters** there are across the country would also help to boost women's enterprises and the engagement of women as income generating workers.
- **This document is part of an M-CRIL process of analysing the ASUSE data for productivity and activity-specific understanding of the sector; combining this with our decades of experience with microenterprises will yield suggestions for further initiatives to support its growth.**

**This is the meta report of a work-in-progress as of end-September 2024. It will be followed by additional documents with more detailed analysis of various aspects of USE/microenterprises as indicated earlier in this report.**

This document is an M-CRIL knowledge product using NSSO data and M-CRIL's microenterprise experience. This analysis is for the information and benefit of socio-economic development activities in India.

The M-CRIL team welcomes comments, reflections and discussion of the analysis and findings presented in this initial document.

