

Insight Report

Nano Entrepreneurs in Informal Sector



SAATH
Creating Inclusive Societies



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About Saath charitable trust

Saath Charitable Trust, based in Ahmedabad, Gujarat, is one of the most renowned NGOs working to improve the lives of vulnerable communities through well-conceived community development intervention programs. Saath has developed and implemented its innovative Integrated Community Development Programme to create egalitarian living environments whereby all dwellers, irrespective of their economic and social standing, have easy access to health, education, infrastructural services, and opportunities for livelihood options. Saath envisions underprivileged slums as self-sustained communities. By bringing together varied services from government identities, public benefit schemes, employment skills, and micro-finance to essential services within one-stop centers, Saath makes it possible to provide comprehensive growth and development. Saath has touched over 1.5 million people over 30 years of its operations in Gujarat, Rajasthan, and Maharashtra. It cooperates with the Government, corporations, individuals, and other NGOs in running and scaling its work. It takes great care to emphasize co-investment with the community and donor partners. Saath's work has been acknowledged for the efforts that have resulted in several awards in innovative programs, internal systems, organizational ethics, and sustainable models, including the prestigious India NGO Award 2014-2015 in the Medium Category. Whereas Saath is marching ahead for an extended outreach, its commitment to being a catalyst in empowering the underprivileged, especially the Youth, Women, and Slums-dwellers, is kept apace through all-inclusive and holistic development initiatives.

Acknowledgement

I would like to express my heartfelt gratitude to **Dr. Jeemol Unni, Ahmedabad University** for her invaluable support and guidance throughout this study. Her expert advice on the methodology, formulation of research questions, and report structure has significantly enriched the quality and depth of this research. Dr. Unni's profound insights into the sector have been instrumental in shaping the analysis and conclusions presented in this report.

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Rajendra Joshi,
Managing Trustee, Saath Charitable Trust

Executive Summary

The informal sector in India, especially nano-enterprises, faces many problems, like lack or absence of formal recognition, susceptibility to market vagaries, and poor access to financial services. This study emphasizes understanding and documenting the state of Nano Entrepreneurs working in the informal sector in the cities of Ahmedabad, Gujarat, and Jaipur, Rajasthan. The report compendiums the secondary study and data from Saath's ongoing projects with entrepreneurs in the informal sector. This Data from 2019-2024, under the aegis of Saath, Highlights these trends and challenges. Business Gym aimed to increase resilience among MEs & develop their business acumen, with a combined involvement of 3,183 nano-entrepreneurs who have been represented in the data in this report.

According to the data, most of these nano-entrepreneurs work in the sector due to low education levels, while others have limited opportunities to find formal employment; therefore, they need help finding skilled labor, marketing hurdles, and limited use of technology since they cannot acquire the proper training. Such operations are often based on necessity or opportunity. Women usually combine their business activities with social obligations, while most men also expand in other associated businesses. Nano-enterprises typically yield daily turnovers of Rs. 500 to 700, with most nano entrepreneurs with monthly turnovers of Rs. 15,000 to 25,000. They invest around Rs. 500 to 1000 per day and work 5-7 hours each day, plus preparation.

The service-oriented enterprises and trade are primarily seen in the sector, but manufacturing is the least common. In these business opportunities, men are more dominant than women, who are inclined towards service-oriented enterprises. The awareness of government schemes, such as PM Swanidhi and PM Vishwakarma, is less, and almost all are leading, whereby most entrepreneurs know only the scheme's name but need to learn how to go about it. Financially, nano-entrepreneurs mainly avail of high-cost, short-term informal loans to meet their working capital and inventory requirements. Their sales turnover constrains their capacity to borrow.

Critical adequate support for the nano-enterprises encompasses increased awareness and access to Government schemes, improved financial inclusion with customized financial products, and promotion of skill development and training. These can enhance entrepreneurial conduct, which means there is an increase in business opportunities and growth potential for entrepreneurs. The findings emphasize the critical role that nano-enterprises can play in the informal sector. Still, there is an excellent need for implementation policies and support systems to be designed to enhance the sustainability and growth of enterprise. Insights from this report also serve practitioners, organizations active in CSR, NGOs, and policymakers to help reinforce the entrepreneurial ecosystem, harmonizing modern techniques with tradition in practice and enhancing income towards economically growing and alleviating poverty.

“Any person vending articles, goods, wares, food items or merchandise of daily use or offering services to the public in a street, footpath, pavement etc., from a temporary built up structure or by moving from place to place. The goods supplied by them include vegetables, fruits, ready-to-eat street food, tea, pakodas, bread, eggs, textiles, apparel, artisan products, books/ stationery, etc., and the services include barber shops, cobblers, pan shops, laundry services, etc.”

Ministry of Housing and Urban Affairs (MoHUA)





Nano enterprise landscape

1.1 Understanding the informal nano enterprise landscape

Countries define enterprises differently, categorizing them into micro, small, and large bands. In India, the Ministry of Micro, Small, and Medium Enterprises (MSME) defines a micro-enterprise as one with a maximum investment of INR 1 crore or a maximum annual turnover of INR 5 crore. This classification underscores the economic significance of micro and nano-enterprises, particularly in urban areas where they form the backbone of the informal sector. A significant population in India engages in micro-enterprises due to the need for formal education and employment opportunities. Urban areas have become hubs for these enterprises, which are critical in the informal sector. Nano-entrepreneurs, the smallest band in terms of consolidated volume of investment of micro-entrepreneurs, play a vital role in this ecosystem. These enterprises often arise out of necessity and are driven by socio-economic conditions that limit employment opportunities. India's large working-age population is a crucial asset, but challenges such as limited job opportunities, literacy rates, and dynamic market trends heavily influence its entrepreneurship landscape. Informal entrepreneurs, who often operate without reporting financial activities to legal authorities, are significant economic contributors. The informal sector employs 80% of India's labor force and contributes 50% to its GDP, highlighting its importance despite various uncertainties. The informal sector offers abundant opportunities for self-employment and jobs, second only to agriculture. Although often underestimated, Nano-enterprises hold vast potential that requires focused attention for effective and prompt resolution. These enterprises' access to credit, technology, and marketing skills are critical concerns. Despite these obstacles, many nano-enterprises demonstrate remarkable potential and resilience. However, while organized small and medium enterprises receive significant policy attention, the untapped potential of nano-entrepreneurship remains substantial.

The Annual Survey of Unincorporated Sector Enterprises (ASUSE) conducted by the National Sample Survey Office (NSSO) provides comprehensive data on the informal sector. In 2022-23, urban areas had 2,65,273 establishments, employing 5,02,509 workers, with a Gross Value Added (GVA) of INR 8,62,199 crore. In 2022-23, establishments increased to 2,94,051, employing 5,72,597 workers, and the GVA grew to INR 9,99,621 crore in 2022-2023 (Government of India, Ministry of Statistics and Programme Implementation, National Sample Survey Office). This data underscores the growth and economic contribution of the informal sector, particularly nano-enterprises. The MSME Development Act of 2006 needs to improve, particularly in labor policy and promoting flexible employment policies. It also needs provisions to encourage entrepreneurship among women, despite objectives outlined in the 11th five-year plan (2007). Understanding the informal nano-enterprise landscape is essential for developing strategies to harness the potential of these enterprises. Targeted support in areas like access to credit, technology, and marketing skills can significantly enhance nano-enterprises' contribution to India's economic growth and employment.

1.2 Genesis of the need to understand the nano enterprise in the informal sector.

The informal sector faces unique challenges, including a lack of formal recognition, market shift vulnerability, and limited financial services access. Policy frameworks often focus on supporting these enterprises through various means, such as microfinance, legal support, and business training, to help transition them to the formal sector.

However, nano enterprises encounter significant obstacles, such as difficulty in hiring and retaining skilled workers, marketing challenges, and limited technology adoption due to a lack of training. Nano enterprises also encounter multi-faceted challenges, including access to finance, availability of existing government schemes, and organizations engaged in the training/capacity building of the entrepreneurs, providing hand-holding support to grow the enterprise. Nano enterprises are predominantly necessity or opportunity-driven; in developing economies, a significant portion of informal entrepreneurship arises from necessity rather than the exploitation of market opportunities.

The informal sector, often mistakenly perceived as a realm of unskilled labor due to its workers' low formal education and training levels, harbors a significant repository of traditional and Indigenous knowledge across diverse fields such as textiles, food services, and artisan crafts. This sector's rich knowledge base, including specialized skills, is deeply rooted in generations of experience and passed down through informal yet robust apprenticeships and community learning systems. To rectify this, there is a pressing need for policy frameworks that recognize and leverage the existing knowledge and skills in the informal sector. The policies aim to integrate modern techniques with traditional practices, enhancing productivity and income.

2. Research Design

This research aims to comprehensively evaluate the development, challenges, and growth potential of nano entrepreneurs within the informal sector in India, focusing on data from Ahmedabad and Jaipur. The study seeks to understand the current government policies and NGO support mechanisms, assess the demographic and operational status of nano entrepreneurs, and explore the impact of emerging trends such as digitalization and sustainable practices on their business operations. By employing a combination of literature reviews, survey data, and focus group discussions, the research is designed around understanding the data quantitatively through the lens of data collected from the ongoing programs at Saath (Business Gym program).

Research Questions	Actions	Method
Understanding of current government policies and schemes in promoting the development and growth of nano entrepreneurs in the informal sector ?	Conduct a comprehensive review of existing policies and schemes related to nano entrepreneurs, including analysis of policy documents, program evaluations, and case studies to assess their effectiveness.	Literature review
What is the current status of the informal sector nano entrepreneurs inclusive of demographics, type of business, business mode, reach, investments, credit, financial inclusion, literacy (financial, digital, etc) from the ongoing programs of SAATH?	Implement surveys and structured interviews with nano entrepreneurs to collect data on their experiences with accessing capital, utilizing distribution channels, and the challenges faced. Quantitative and qualitative analysis of the collected data.	Primary Data
What challenges do nano entrepreneurs face in accessing capital and utilizing distribution channels, and what strategies do they employ to overcome these challenges? What is the role of an NGOs and the handholding support along with current and projected challenges ?	Organize focus group discussions and in-depth interviews with nano entrepreneurs and the mentors engaged in the program that supports and provides hand holding support to start, sustain and grow business by nano enterprises in Ahmedabad and Jaipur.	Focused Group Discussion
What factors contribute to the genesis and growth of nano entrepreneurs in the informal sector, and how do emerging trends such as digitalization and sustainable practices impact their operations?	Analysis by combining surveys, interviews, and secondary data to investigate the factors contributing to the sustainability and growth of nano entrepreneurs, and to evaluate the impact of trends like digitalization and sustainable practices on their operations.	Mixed Method Analysis

2.1 Methodological approach

Data

The quantitative data used in this report is fed from the Business Gym program’s data, which aimed to keep records of the demographics of the nano-entrepreneurs connected to the program in the cities of Ahmedabad and Jaipur. The quantitative data was collected from 2019 to 2024 as part of the program and updated upon need. The data was cleaned to exclude the outliers and missing data points. The number of working days is considered to ensure the representation of the nano-entrepreneurs who are full-time workers in their business.

Focus Group Discussion (FGD)

A FGD was conducted with mentors engaged in SAATH’s Business Gym program to understand the challenges nano-entrepreneurs face. The FGD was designed to consolidate and identify the dominant characteristics of the nano-entrepreneurs, which were considered later for quantitative data analysis.

Sample Size

City	Male	Female	Total
Ahmedabad	1179	830	2009
Jaipur	951	223	1174
Total	2130	1053	3183

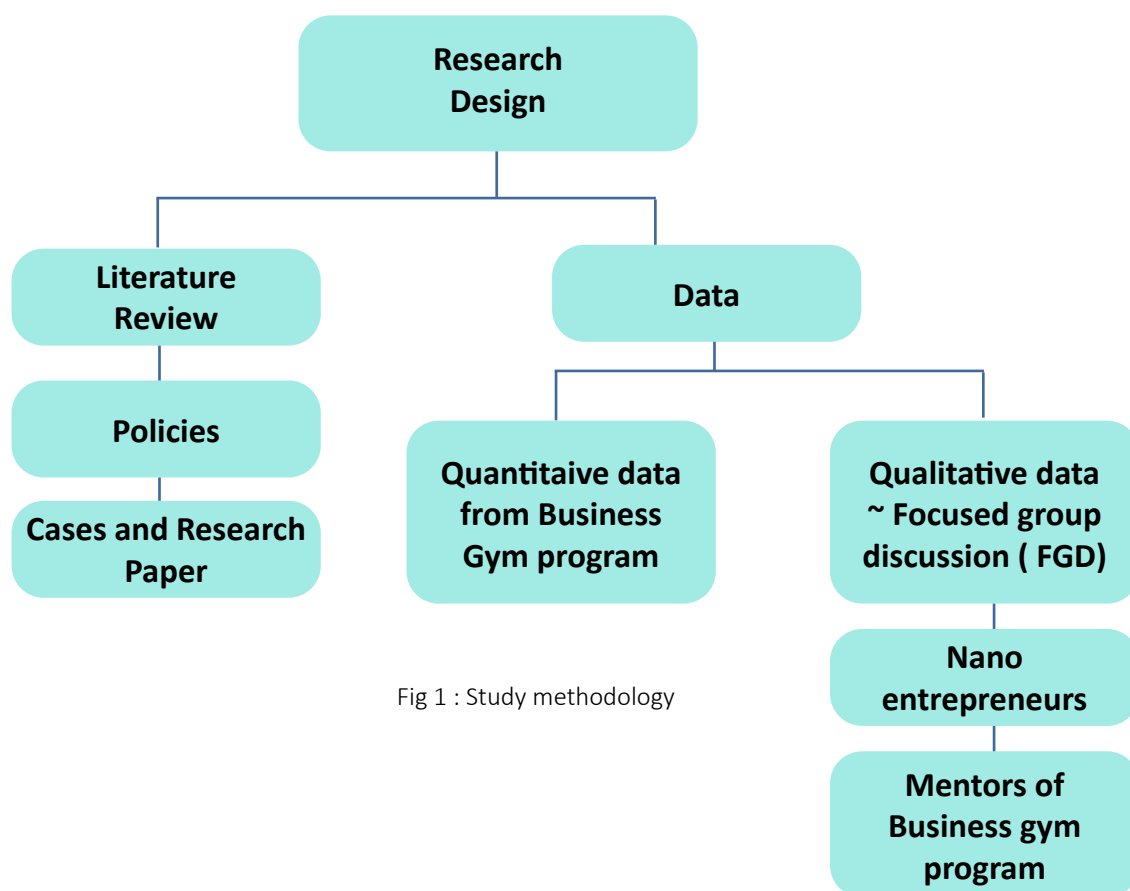


Fig 1 : Study methodology

Business Gym—A program implemented by Saath Charitable Trust based in Ahmedabad in the cities of Ahmedabad and Jaipur aimed to increase resilience among Nano-Entrepreneurs and develop their business acumen. The program envisioned training and providing hand-holding support to start, sustain, or grow businesses.

“A **nano-entrepreneur** is a small-scale business owner with limited capital and resources primarily operating in localized markets, a sizable segment of the micro-entrepreneur ecosystem, and minor in terms of investment volume. These entrepreneurs are involved in trade, manufacturing, and services either as an individual type of business or a combination of different types of business operated in various locations, like shop-based and non-shop-based modes. These include vending on footpaths, home-based operations, carts, and standees, predominantly individually or operated by a family with limited geographical reach, average monthly sales turnover of 20,000 to 25,000 INR per month. ”

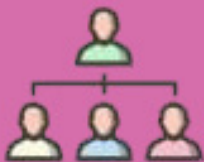




Nano entrepreneurs

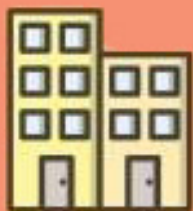
3.1 Characteristics of a nano entrepreneur and nano enterprises

A Nano entrepreneur is a small-scale business owner with limited capital and resources, primarily operating in localized markets. These entrepreneurs are involved in trade, manufacturing, and services



Employees

Nano-enterprises are usually small businesses, often run by just one person or a small team of two, indicating their limited resources and capabilities. The employees, other than the business owner, tend to be family members, essentially unpaid workers.



Mode of Enterprise

Nano enterprises typically operate within localized areas, addressing specific requirements (demand niches/market opportunities) within their communities. The business operates in an array of shop-based and non-shop-based modes, including vending on the footpaths, home-based operations, carts, and standees.



Geographical reach

Geographical reach has a clear relationship with gender, with male entrepreneurs having the highest spatial reach over females. Geographical reach is inversely proportional to business combinations among trade, manufacturing and service. Manufacturing and trade are the types of businesses that have the highest geographical reach.



Sales and Turnover

The average Sales Turnover of nano entrepreneurs is 25,065.75 INR and a median of 20,000 INR. A business tends to have a higher sales turnover or grow its sales turnover more in cases where the business types are 'trade,' 'service—trade,' and the combination of 'service—trade—manufacturing' in comparison to capital-intensive businesses that involve manufacturing and human resources like service.



Capital

Nano enterprise origin with minimal capital, predominantly self-funded or borrowed from friends and family. Nano-Enterprises popularly borrow working capital to procure inventory that supports the daily operations of the businesses. Loans from banks/MFIs are less popular among them at the beginning of the journey; however, upon attaining stability in the business loans are preferred to expand or diversify business.



About the Enterprises

The majority of Nano Enterprises are operational throughout the month; however, different entrepreneurs follow different bookkeeping practices (monthly, fortnightly, weekly, daily). Broder categorizes the businesses into manufacturing, service, and trade, and the combinations are based on diversification/expansion.



Vision and planning

Nano entrepreneurs typically lack a comprehensive vision or long-term business plan, which hinders their ability to sustain and expand their enterprises. However, a notable shift is occurring among younger nano entrepreneurs who demonstrate a willingness to learn and acquire new skills, indicating promising growth prospects.



Business acumen

Nano enterprises possess a basic but essential understanding of business practices such as bookkeeping, awareness of schemes, savings, digital and financial literacy, marketing, and customer relations. To achieve growth, they lack financial discipline, an attitude of adaptability, and continuous learning.

The key characteristics of nano entrepreneurs and nano enterprises are dominantly derived from the quantitative data of the Business Gym program, and Focused Group Discussion with the mentors who engage in the program to drive the programs centered entrepreneurs and enterprises in the informal sector.



*source of image : sahmita cfg



Nano enterprises in the informal sector

4.1 Significance of nano enterprises in the informal sector

India's micro, small, and medium enterprises (MSMEs) are identified as an essential sector that forms the backbone of the country's economic structure, significantly influencing factors like manufacturing output, employment opportunities, and export revenues. With estimations indicating that the MSMEs contribute approximately 30% to the GDP, 32% to the nation's manufacturing output, and a substantial 45% to its total exports, it is apparent that these enterprises have been in the driving seat in facilitating economic growth and sustainability (MSME Annual Report 2021-22). In the larger ambit of MSME, Nano enterprises in the informal sector are exceptional. They represent smallness par excellence. Yet these units are very vibrant and are an integral part of the country's macroeconomic life. A detailed analysis of the sector's portfolio shows various manufactured products, from traditional to futuristic creations. In the MSME Annual Report, nano businesses account for vast proportions of textiles, food products, mineral products, motor vehicles, and furniture. This indicates how versatile and vital they are in providing for the consumers' diversified requirements. (MSME Annual Report 2022-23). Also, the regional distribution further cements that Nano enterprises, by their sheer concentration in some states, bring out a regional scenario and different levels of industrialization from one part of the country to another. The spatial dispersion, therefore, attests to the very geographically contained nature of Nano enterprises and their extremely significant contribution toward generating economic activity at the local level (MSME Annual Report 2022-23). Employment supported by Nano enterprises is undeniably enormous, with around 60 million people's livelihoods. This emphasizes their presence in making livelihood and economic opportunities available to the most significant section, rural and semi-urban areas, where other formal sources of employment are not available.

Industrial production and GDP show the increased importance of nano enterprises in the country's economic landscape. Their consistent growth indicates their resilience and potential to expand and further develop.

Therefore, Nano enterprises in the informal sector are an essential but invisible strand of India's economy. The size of their contribution and the fact that these contributions have varied, not just in output, employment generation, and GDP but also in their adaptability, resilience, and potential for inclusive growth. The importance of nano enterprises must be acknowledged and appreciated when designing policy measures and targeted interventions, particularly for promoting their growth and sustainability and contributing towards the overall socio-economic development of the nation.

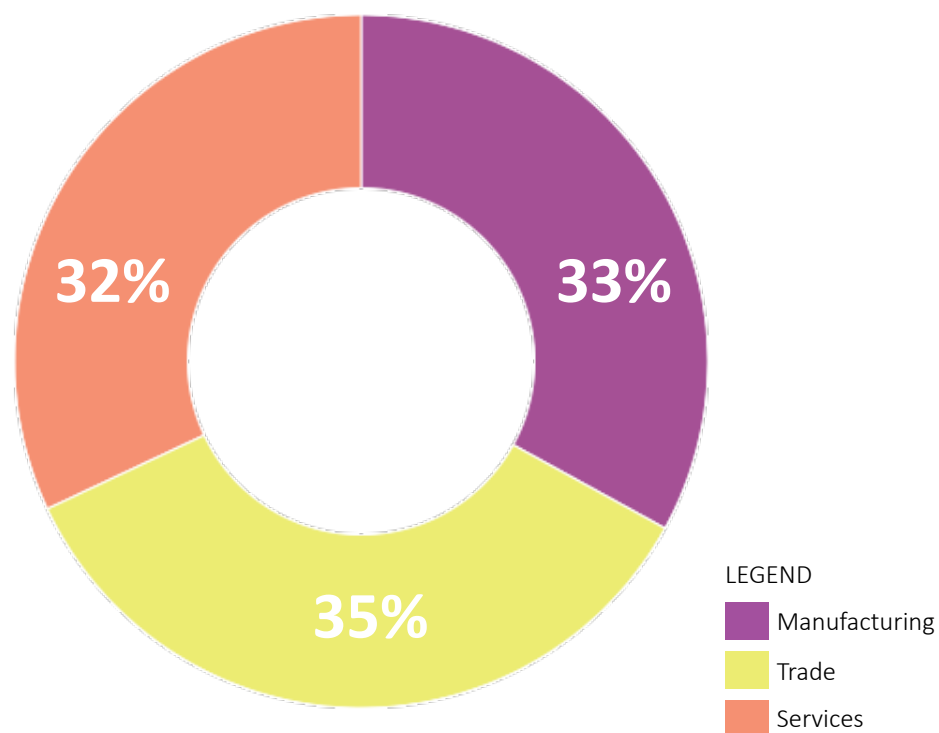


Fig 2 : Contribution of nano enterprises in various sectors

Year	Share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP)	Share of export of MSME related products in All India Export (in %)
2019- 2020	30.48 %	49.77%
2020- 2021	30.50%	49.35%
2021- 2022	26.83%	45.03%

4.2 Analyzing Nano-Entrepreneurs Through Three Distinct Perspectives

The macro environment, therefore, has a significant impact on the financial framework of Nano enterprises in India that arguably exacerbates their financial situation concerning access to sufficient finance. Though Nano enterprises are major constituents of the MSME sector, they encounter various financial constraints, some of them further aggravated by deeper concerns within the macroeconomy:

Financial Exclusion and the Lost Middle: Nano enterprises fall into the category of the missing middle, Within the financial landscape, this kind of enterprise is different from both micro enterprises and smaller businesses. If the microenterprise failed for reasons of financial exclusion, since it requires an amount of financing, the funding needs lie in this gap called “missing middle”. The nanoenterprise is the more pervasive form of financial exclusion; **it requires financial assistance that is significantly lower than the thresholds generally considered by banks and microfinance institutions.** With the funding requirements for these enterprises mostly totaling to amounts far less than Rs. 5,000, these enterprises work in a niche which is mostly ignored by traditional financial institutions. Banks, with their infrastructure and costs, most of the time find it economically unviable to extend credit for such small amounts. Similarly, MFIs, which mostly cater to loans below Rs. 30,000, are not able to justify the administrative costs that come with serving these Nano enterprises. This results in nano enterprises being the most exposed and getting sandwiched with insurmountable barriers or strong resistance to formal financial offerings. (Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ], 2013).

The financial exclusion of nano enterprises is exacerbated by several factors:

- The processing and servicing of nano loans include high administrative charges that can be seen to be disproportionately high in relation to the amounts of loans supplied and is not attractive to the banks and the MFIs.
- Adding up to this is the fact that most nano entrepreneurs lack collateral or credit history, and they hence become more in unattractive by the usual lenders to offer credit.
- Last but not least, risks related to nano ventures being in undesirable sectors discourage institutions further from advancing credit.

Consequently, accessing credit for nano enterprises is usually low. Most of them rely on moneylenders, who give the credit at very high interest, hence further worsening their financial position. Failure to access financial services stagnates the growth of nano enterprises and their sustainability, therefore, fostering the poverty and economic marginalization vicious circle characteristic of nano enterprises (GIZ, 2013).

Policies and Schemes

Influence of Non-Government Organisations (NGOs), foundations and Corporate Social Responsibilities (CSR)

Role of Financial Institutions

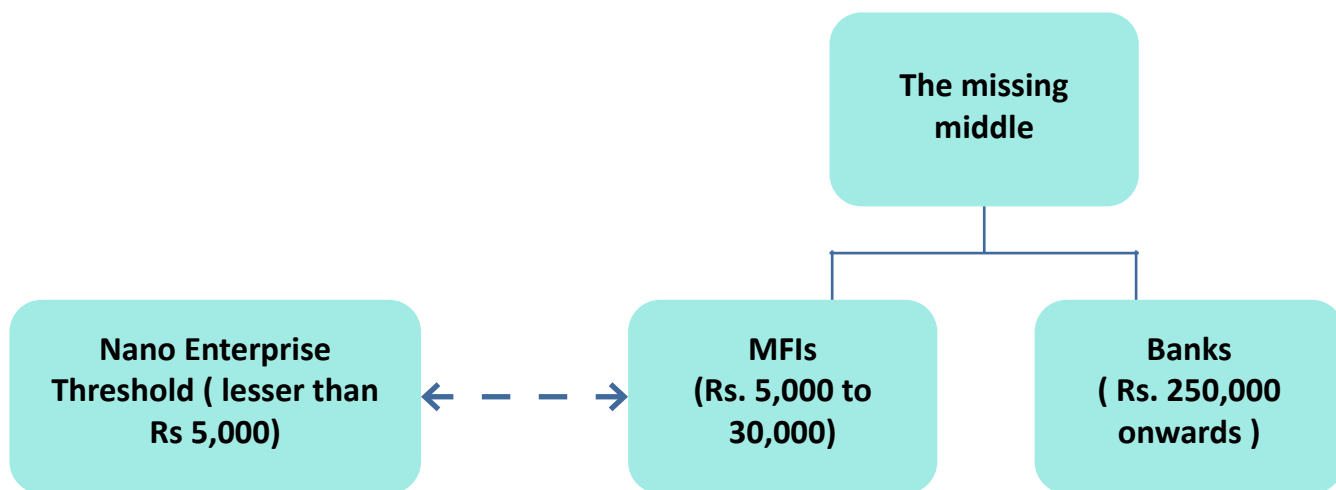


Fig 3 : Constraints to micro enterprise financing: **nano enterprises fall way below the missing middle in finance.**

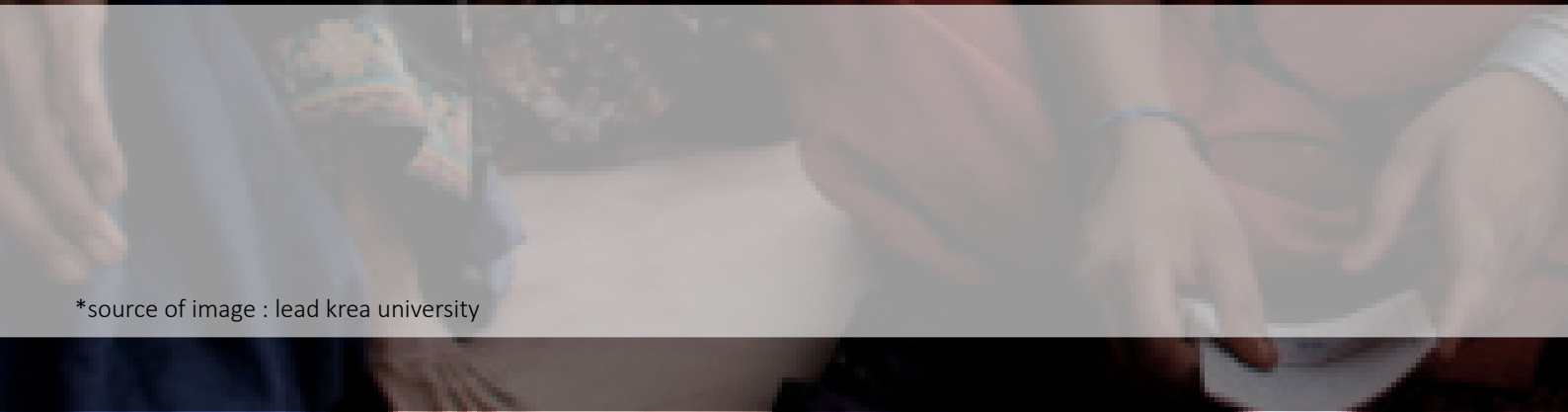
Constraint of Regulatory Regime on MFIs: Even though MFIs play a very crucial role in the credit system for small, very unorganized enterprises, they have to work under a set of constraints of regulations enforced by the Reserve Bank of India, which does not permit an MFI to lend to an individual in excess of Rs 50,000. The constraints, therefore, prevent effective financial outreach by MFIs in respect of financial needs of the Nano enterprises, thereby abetting financial exclusion of the segment.

Challenges for Banks: Banks have their own challenges in financing the Nano enterprises, especially in the case of missing middle enterprises. Problems range from very small credit requirement per unit, thus making it financially unattractive for the bank, to problems in judging creditworthiness, as the Nano enterprises have no formal credit reports or registration of accounting to reveal their true financial status.

Inadequate Flow of Funds to Micro-enterprises: Though the government focus has been increasing and the RBI has been issuing guidelines for priority sector lending, the flow of funds to micro-enterprises, including Nano enterprises, has been found to be inadequate to the expected level considering the estimated substantial size of the unorganized enterprises by the NCEUS.

Public Sector Banks Dominance: The public sector banks continue to be the largest financiers to micro and small enterprises and, therefore, Nano enterprises. However, its cautious approach and unwillingness to take on additional exposure in the missing middle basket has increased its financial exclusion from this critical segment of the banking sector.

Overall, the macro environment poses formidable challenges for Nano enterprises in availing adequate finance, intensifying the process of financial exclusion and restraining growth Development. To address these, focused interventions in access to finance, easing the regulatory environment, and enabling the business environment need to be done to so that Nanos can exist and function well to India's development and growth. (GIZ, 2013)



*source of image : lead krea university



Policies and Schemes for nano entrepreneurs

4.2.1.Policies and Schemes

The urban informal sector is crucial for providing livelihoods to individuals displaced from the agriculture sector and those not absorbed by the rural non-agricultural sector. As cities urbanize, they become employment hubs, attracting unskilled and semi-skilled workers who find various informal sector jobs. (Sahoo, 2014)

The scale

The informal sector represents a significant portion of the country workforce, encompassing agricultural and non-agricultural activities. Defined by low productivity, small-scale operations, and poor technology, it absorbs individuals with limited skills and education. While improving education and access to resources can help these units transition to the formal sector, stringent regulations and labor laws may deter this shift. Consequently, some firms remain informal to leverage labor market flexibility, maintaining high efficiency and competitiveness. (Das, 2016) Given the large and growing number of workers in the informal sector, it is crucial to support entrepreneurs in growing, sustaining, innovating, and expanding their businesses, whether in manufacturing, services, trade, or a combination. This need has been amplified post-COVID, as entrepreneurship has become more widely accepted in the informal sector, either by choice or driven by the situation. Rapid adaptation to digitization and a willingness to scale have enabled these enterprises to sustain themselves. Policies to support budding enterprises focus on providing access to entitlements, social security, and finance. Additionally, they aim to build entrepreneurs; capacity to adapt to market trends, innovate business processes, and secure venture funding. Ensuring nano entrepreneurs have access to essential personal and business-related documents, as well as Social Security, is crucial for the sustenance and growth of their enterprises. (Seied Beniamin Hosseini, 2017-18) Enhancing accessibility and raising awareness among nano entrepreneurs about these entitlements will enable them to leverage additional government schemes designed to support and accelerate their businesses; growth. Udyam is an online and simplified registration portal that allows MSMEs to obtain registration without any documentation and fees. It also serves as a gateway to various government schemes. However, ensuring widespread adoption among nano enterprises remains a significant challenge (Sharon Buteau, 2023) .

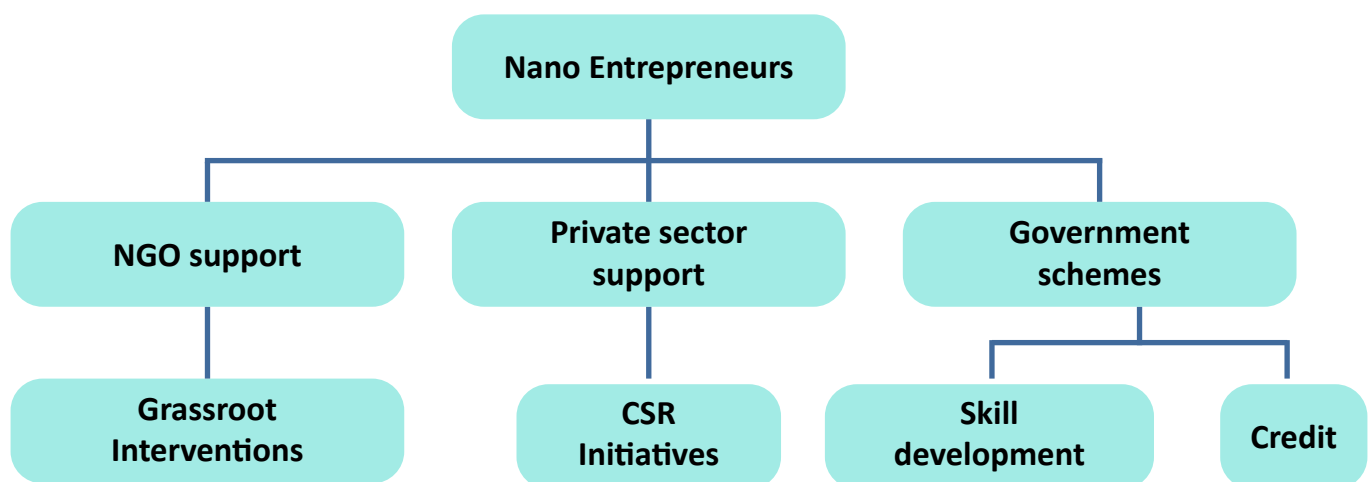


Fig 4 : Ecosystem support for nano entrepreneurs

Capacity building

Skill development is needed by the new generation workforce, including entrepreneurs in formal and informal sectors. National missions like the National Urban Livelihood Mission (NULM), National Rural Livelihood Mission (NRLM), and Pradhan Mantri Kaushal Vikas Yojana (PMKVY) emphasize capacity building and networks. The capacity building aimed at fundamentals like understanding of the genesis, sustaining, and growing enterprise is vital. This includes a vast range of topics like understanding business models, financial planning, financial literacy, digital literacy, and planning expansion of the business are vital. Skill development is essential for the new generation workforce, including entrepreneurs in both formal and informal sectors. National missions such as the National Urban Livelihood Mission (NULM), National Rural Livelihood Mission (NRLM), and Pradhan Mantri Kaushal Vikas Yojana (PMKVY) prioritize capacity building and networking. Building capacity in key areas, such as understanding the fundamentals of enterprise genesis, sustainability, and growth, is critical. This is achieved by enclosing various topics, including business model comprehension, financial planning, financial literacy, digital literacy, and business expansion planning, which will direct the growth trajectory of the informal sector. (Martha Alter Chen, 2001)

Ecosystems for last mile integration

Frameworks like ONDC and OCEN are essential for democratizing access, but they also present challenges in last-mile enablement. As digitization increases, there is a risk of creating new divides even as it bridges others. Access to credit is a core challenge for business growth. Formal credit ecosystems require precise documentation of both the venture and the borrower, often lacking due to insufficient awareness and access to entitlements and social security. Consequently, due to poorly designed financial products and supply and demand challenges, many nano enterprises rely on family and friends for funding. The private sector, CSR, and NGOs are crucial in reaching out to potential beneficiaries through various interventions as part of networks at the grass-roots level, digital space, or capacity building through various channels. Central and state governments announce or facilitate numerous trade-specific schemes to facilitate credit and skill. A significant portion of potential beneficiaries are left out due to factors like lack of awareness and inadequate last-mile support. Better handholding is needed to help them avail of benefits and access ecosystem support. Additionally, awareness about using finance solely for business ventures and ensuring follow-up with the enterprises growth must be raised. Central and state governments announce or facilitate numerous trade-specific schemes that aim to facilitate credit and skill for enterprises. A significant portion of potential beneficiaries are left out due to factors like lack of awareness and inadequate last-mile ecosystem support. Better handholding is needed to help them avail of benefits and access benefits, which include on-the-ground handholding support and ease of using technology. Additionally, it is important to be aware of using finance solely for business ventures and ensure follow-up aimed at the enterprises growth. Furthermore, it is inevitable to have business-centered awareness for the ecosystem to function efficiently, which encourages nano entrepreneurs to utilize credit exclusively for businesses. Formalizing informal entrepreneurship into formal ventures requires a dual approach. This involves the government creating and supporting an ecosystem that addresses challenges and promotes enabling factors. Such an ecosystem would allow entrepreneurs to access financing and develop the capacity to grow and sustain profitable businesses (WILLIAMS, 2015).



*source of image : eco-business



Role of Financial Institutions

4.2.2. Role of Financial Institutions

Nano entrepreneurs in India have a lot of problems getting the value for their business. This makes it very difficult for them to borrow money from banks since the bank will always need a form of security to safeguard its interest, as the small scale unregisteredness of their business operations is a major hindrance. As most nano entrepreneurs have little to offer in the way of real formal security, one can find them taking personal loans or loans from friends and family members.

Other than that, another challenge they have is that they are informal businesses, with most not even keeping formal financial records. In the absence of documentation, banks find it difficult to make better judgments about their creditworthiness, which generates perception about increased risk. Consequently, they are charged a higher interest rate and more stringent loan conditions by banks (Bose, 2019; Kaur, 2021). On top of this, for nano entrepreneurs, the complex rules and regulations, high cost in relation to starting and running a business, and costly functions that come with not being able to afford new technology and new market entry can really become overwhelming.

Financial institutions, in this case, banks and microfinance organizations, play a significant role in assisting nano entrepreneurs to overcome these challenges. They provide smaller microloans tailor-made to suit small businesses, which the nano entrepreneurs can use to acquire supplies or extend operations, most of the time with no need for collateral (Rahman, 2020). The government schemes such as the Pradhan Mantri Mudra Yojana (PMMY) avails loans to small and micro businesses, including the nano enterprise, with the aim of strengthening their business capacity to create a firm foundation for their businesses, an area that has been missing in the event of adverse finance management (Gol, 2019).

In addition to the financial assistance, banking institutions also provide credit guarantee schemes to make it easier for nano entrepreneurs to access funding. These schemes reduce the risk for the banks and hence make them more willing to lend to nano entrepreneurs who would have otherwise faced difficulties qualifying for loans (Nair, 2021). Besides financing, there are training programs for entrepreneurs on the pertinent skills in budget estimation and planning for investment (Gupta, 2018). An example of such an organization is the Entrepreneurship Development Institute of India (EDII) is a centre that provides training that would enable the nano entrepreneurs to earn their livelihood along with improved business skills and improved financial literacy.

Financial institutions are also equally supporting factor for nanoentrepreneurship in the case of adopting new technology and innovation. Technology Development Board (TDB) offers financial assistance in the area of production of new technology (Technology Development Board [TDB], 2022). Similarly, Atal Innovation Mission (AIM) also provides assistance in any form of applicable projects on innovation in ensuring that new products and services can be produced by nanoentrepreneurs (Atal Innovation Mission [AIM], 2022).

Another way financial institutions support nano entrepreneurs is by enhancing their market access. They offer marketing support and enable businesses to access new markets. For instance, Export Credit Guarantee Corporation of India provides insurance and financial support to small firms to enable them to export their products (ECGC, 2021). National Small Industries Corporation similarly supports small firms with their marketing and facilitates them in securing government contracts (NSIC, 2021).

Case Study: SIDBI's Assistance to Nano Scale Enterprises

One striking example of a financial institution backing nano entrepreneurs is the Small Industries Development Bank of India (SIDBI). SIDBI supports these tiny enterprises through two major mechanisms: refinance and direct assistance. Refinance involves SIDBI channelling its funds to banks and microfinance institutions, providing financial support to nano entrepreneurs. On the other hand, direct assistance involves SIDBI lending directly to small businesses through loans and financial products, ensuring these enterprises have direct access to necessary funds.

SIDBI also undertakes various programs aimed at creating and promoting small ventures. These programs include training and development initiatives to equip entrepreneurs to handle competition and globalization challenges (GIZ, 2013). For example, SIDBI's micro-credit scheme aids marginalized groups by providing financial benefits through microfinance institutions, ensuring these underserved communities have access to crucial funding (GIZ, 2013). Additionally, SIDBI's Scheme of Micro-Finance Programme, funneled through microfinance institutions and NGOs, assists small businesses in remote areas. Fixed deposits secure this scheme, enabling these institutions to lend to nano entrepreneurs more effectively.

Moreover, SIDBI collaborates with numerous microfinance institutions and banks to extend its reach to the most underserved segments. This collaboration is instrumental in providing NSEs with credit, financial literacy, and capacity-building programs. These programs are essential for helping nano-entrepreneurs understand financial management, enhance their business acumen, and improve their overall productivity and sustainability.

The support that SIDBI extends to NSEs has a profound impact. In terms of supporting these small enterprises, SIDBI also empowers local entrepreneurship. This brings about the creation of more jobs, subsequently reducing poverty levels at these local enterprises. Further, NSEs spur the economy at the local level by creating income and consequently mushrooming other economic activities within those specific communities. The focus that SIDBI places on developing NSEs emphasizes its commitment to building an all-inclusive, strong economic setting in India.



*source of image : asia development bank



Role of NGOs and CSR

4.2.3 Influence of Non-Government Organisations (NGOs), foundations and Corporate Social Responsibilities (CSR)

The private sector in India has assumed a critical role in bolstering nano entrepreneurs by addressing their unique challenges and facilitating business growth. Through various initiatives, private companies have extended financial support, market access, capacity building, and technology adoption opportunities to nano entrepreneurs, enabling them to overcome obstacles and capitalize on growth prospects. These endeavours have empowered individuals to establish and expand their businesses, creating employment opportunities and driving economic progress at the grassroots level.

Similarly, Corporate Social Responsibility (CSR) initiatives have emerged as potent catalysts for advancing nano enterprise development in India, focusing on fostering shared value for businesses and communities. CSR programs invest in skill development, resource accessibility, market linkages, and policy advocacy to bolster nano entrepreneurs and foster inclusive economic growth. For example, initiatives like Infosys Foundation's Micro Enterprise Development Program have specifically targeted women entrepreneurs, furnishing them with training, market connections, and financial backing to establish and sustain their nano enterprises. These initiatives empower women and contribute to poverty alleviation, gender parity, and community advancement.

The private sector in India plays a pivotal role in supporting nano entrepreneurs by addressing their unique challenges and facilitating business growth through financial support, market access, capacity building, and technology adoption opportunities. Initiatives by organizations like Tata Trusts empower aspiring nano entrepreneurs in rural and semi-urban areas with training, mentorship, and financial aid, fostering economic progress at the grassroots level. Similarly, CSR initiatives, such as Infosys Foundation's Micro Enterprise Development Program, focus on skill development, resource accessibility, and market linkages to empower nano entrepreneurs, particularly women, contributing to poverty alleviation, gender equality, and community advancement while integrating them into the digital economy to enhance their outreach and trust in fintech platforms. (Siti Kurnia Rahayu, 2023).

In addition, CSR initiatives by tech and fintech companies play a vital role in advancing digital literacy and inclusion among nano entrepreneurs, expanding their geographic and physical reach. Integration into the digital ecosystem greatly hinges on trust, which fintech platforms cultivate to foster deeper connections with grassroots entrepreneurs. This trust-building is essential for effective operations within the informal sector, enabling greater participation of nano entrepreneurs in the digital economy. (Ministry of Housing and Urban Affairs, 2013) . The handholding support provided by NGO partners has proven successful, with programs and interventions significantly benefiting entrepreneurs by enhancing their entrepreneurial skills and fostering business growth. Tangible benefits include improved bookkeeping, access to capital, cross-selling opportunities, and business expansion.

Additionally, intangible benefits such as developing a business identity and increasing visibility have been crucial. Furthermore, leveraging digital infrastructure to market effectively has expanded geographical reach and streamlined business operations for these entrepreneurs (Saath charitable trust, 2022) . Numerous initiatives aim to integrate entrepreneurship development programs into the existing ecosystems of Centrally Sponsored Schemes (CSS) across urban and rural settings. (Ministry of Rural Development, 2023) Efficient last-mile service delivery of these schemes requires structured implementation, presenting an opportunity to enhance program facilitation through corporate social responsibility initiatives. (Mathew, 2019) The symbiotic relationship between the private sector and CSR initiatives underscores their intertwined roles in nurturing nano entrepreneurs and fortifying the Indian economy's foundation for sustainable growth.

Non-Government Organisations

- **Saath** closely works with deprived communities and empowers the socially marginalized by providing them with livelihood services and imparting skills leading to employment, health, and education facilities. Saath focuses on livelihood services, child rights, human rights, young girls' education, skill development, and other community services.
- **Nidan** focuses on financial inclusion, capacity building, market linkages, and advocacy, providing comprehensive support that enhances business skills and market access (Nidan, 2023).
- Samhita's REVIVE Alliance offers zero-interest returnable grants, enabling entrepreneurs to restart their businesses post-COVID-19 without high-interest debt burdens (REVIVE Alliance, 2023).
- **Avanti Finance** leverages a tech-powered platform to offer collateral-free loans, using alternative data for credit assessment, thereby widening access to credit for informal enterprises (Avanti Finance, 2023).
- **Arthan Finance** employs AI and machine learning to create alternative credit models, facilitating loan access for those lacking traditional credit histories (Arthan Finance, 2023).
- Kinara Capital provides low-interest loans, offering a better alternative to high-interest local money lenders, which has enabled entrepreneurs to avoid predatory lending practices and achieve substantial business growth (Kinara Capital, 2023).
- **Access Livelihood Services**, India, focuses on the livelihoods of 10 large communities to catalyze enterprise creation and employment generation, setting in their self-reliant evolution. ALC India is currently engaged in creating platforms that focus on the finance of livelihoods, human resources required for the livelihoods sector, knowledge for practitioners in the livelihoods sector, and a platform for the communities who are the ultimate stakeholders.
- **SEWA** aims to support the broad aim of women's economic empowerment by addressing the practical need of women for more income-generating work. Its work has consistently shown that when a woman enters the economy and starts earning money, it transforms their position in the household and local communities and markets and initiates their involvement in state affairs. This is even more powerful when women are not just workers but also owners of their businesses.

'Through my exploration of nano entrepreneurs in India, I've gained a deep understanding of the unique challenges they face. Nano entrepreneurs, earning less than INR 25,000 per month, often lack formal education, financial resources, and access to stable employment, making them highly vulnerable.

The pandemic pushed many into debt, with limited access to relief. Unlike microfinance clients or gig workers, nano entrepreneurs lack collateral, insurance, and formal training, hindering their ability to secure loans or grow. This experience has underscored the need for customized financial solutions, like those provided by Samhita and Northern Arc, which offer tools such as returnable grants and collateral-free loans.'(Goel, 2021)

Geeta Goel, Managing Director (India) - Michael & Susan Dell Foundation

Non-Government Organisations

- **Udyogini** provides capacity building and skills for economic growth and inclusive development, and a sustainable way of life is feasible. Interventions are made to help underprivileged communities have more stable employment opportunities, improved skills, and increased income. Udyogini affirms the strengthening and nurturing of existing livelihood options and the introduction of new ones by recognizing the potential of a particular place. By putting a variety of cutting-edge programs into practice, it assists women in creating stable and resilient livelihoods and permanently escaping poverty.
- **Goonj** aims to ensure the long-term impact of livelihood programs for workers in the unorganized sectors across various districts in India. The organization focuses on building the capacity of women-led handicrafts and other home-based businesses.
- **Shambhav Foundation** focuses on changing the lives of women, youth, and the differently abled by empowering them with the right knowledge and skills and linking them to sustainable livelihoods.
- **Deshpande Foundation** executes a program called the Micro-Entrepreneurship & Livelihood Development Program (MELDP). This initiative aims to empower individual micro-entrepreneurs, artisans, and youth from underprivileged backgrounds in Karnataka, Telangana, and Maharashtra. MELDP is committed to fostering entrepreneurship, enhancing livelihoods, and upskilling the youth in the region. MELDP operates through three key verticals: vocational livelihoods, artistic livelihoods, and Microentrepreneurship.
- **Aajeevika Bureau** supports entrepreneurs through the STEP vertical of NULM. Aajeevika is building a systematic institutional response to issues of occupational safety and health through research, evidence-based advocacy, worker education, and promotion of workers' platforms to advocate with government and employers. Aajeevika's Worker Facilitation Centres (WFCs) function as a critical bridge between social security provisions offered by the State and households dependent on informal work and migration, offering a range of services, including the direct facilitation of linkage processes.
- **WIEGO** supports, strengthens and connects organizations of the working poor to enable them to amplify their collective voice in the policy making and rule-setting bodies that affect their work and lives. It focuses on global research or advocacy organizations in the way that we mobilize credible research, statistics and policy analysis in support of the everyday struggle for rights and dignity of the working poor – especially women – in the informal economy.

Networks


- **Advancing Women Entrepreneurship (ADV)** supports and engages with NC State women who are interested in entrepreneurship and entrepreneurial thinking while being inclusive of the greater community.
- **Global Alliance for Mass Entrepreneurship (GAME)**, aims to have a larger base of NBFCs who offer credit at reasonable rates to MSMEs. GAME and SIDBI are in the process of jointly designing and structuring a sustainable and scalable NBFC Growth Accelerator Program (NGAP), which will be the first of its kind in India.
- The role of **Aga Khan Development Network (AKDN)**, institutions in the provision of SME financing is part of AKDN's broader strategy for economic development in our countries of operation. SME financing is designed to contribute to the seamless provision of financial services, from informal community savings and lending groups, through formal microcredit and SME lending, and finally on to commercial finance.
- **Kagad Kach Patra Kashtakari Panchayat (KKPKP)** - Kashtakari Panchayat was registered in 2010 primarily to support waste pickers and their families and their collectives. The support ranges from direct financial assistance to indirect support in the form of training, facilitation and research.

Foundations

- **Azim Premji Foundation** believes and propagates the philanthropy of increased and sustainable income, which improves the life of every household. Hence, it extends its effort to support people and communities in achieving this. From encouraging value additions to traditional livelihoods to spreading awareness on entitlements under government Acts such as MNREGA and the National Food Security Act, our teams cover significant aspects of income generation. In the area of Livelihoods, APF works directly on the ground through field institutes and partners.
- **LabourNet** is working to change this. As India's leading social enterprise focused on informal workers, LabourNet offers vocational training to thousands of informal sector workers and provides them with pathways to improved livelihoods. By responding to the growing needs of the country's rapidly developing economy and the needs of the people it serves, LabourNet is building an ecosystem to help informal workers achieve aspirational livelihoods.
- **NAASCOM Foundation** empowers rural women entrepreneurs by augmenting their digital, financial, and entrepreneurial skills and providing market linkages. It uses technology for social good to help them scale and sustain their businesses.
- **Indian Micro Enterprises Development fund** is a particular purpose vehicle of the Development Alternatives Group that accelerates micro-enterprises' development at scale. It is also the Nodal Agency of the Ministry of Micro, Small, and Medium Enterprises for developing clusters under SFURTI (Scheme of Fund for Regeneration of Traditional Industries). Under SFURTI, collective enterprises are set up and supported, and the major beneficiaries of the program are farmers and artisans.
- Since 2010, **Reliance Foundation** has extensively worked with rural communities across India to empower themselves and their societies in locally feasible ways through a three-pronged approach: Enabling women-inclusive development planning and decision-making, Strengthening entrepreneurial and livelihood capabilities for Enhancing access to basic entitlements for social security.
- **Tata Trusts** emphasizes financial inclusion by making financial services accessible at affordable costs and striving to address constraints that exclude people from participating in the financial sector. Tata Trusts is undertaking the following key programs for driving financial inclusion: beneficiary loans and Financial education.

Institutions

- **Entrepreneurship Development Institute of India (EDII)** has been actively involved in various kinds of research. It has set up a Center for Research in Entrepreneurship Education and Development (CREED). Committed to promoting research in the field, CREED aims to serve as a bridge between theory and practice in Entrepreneurship. It also publishes a bi-annual Journal of Entrepreneurship for sharing and disseminating research findings among students and practitioners of entrepreneurship. It has a strong tradition of theoretical and applied, in-house, and sponsored research.

A photograph of a person's hands holding a blue plastic bag in a shop. The background is filled with various goods, including colorful candies in jars and bags, and other items on shelves. The lighting is warm and the scene is slightly blurred, focusing on the hands and the bag.

The data in this section is taken from the Business Gym Saath Charitable Trust data based in Ahmedabad in the cities of Ahmedabad and Jaipur, which aimed to increase resilience among nano-entrepreneurs and develop their business acumen. The program envisioned training and providing hand-holding support to start, sustain, or grow businesses. The data is collected by the researchers and mentors engaged in the program through a mobile-based application (Survey 123). The data is a fundamental demographic of the entrepreneurs; this data evolved with time as the entrepreneurs engaged in the programs by Saath underwent the training and embarked on the journey from entitlements to social security that sustained their business. The data gathering was initiated at the project's inception and aimed to keep and evolve the same to trace the growth of the enterprises. The data gathering began in 2019 and has been updated to date.



Insights from Saath's data

5.1 Types of enterprises

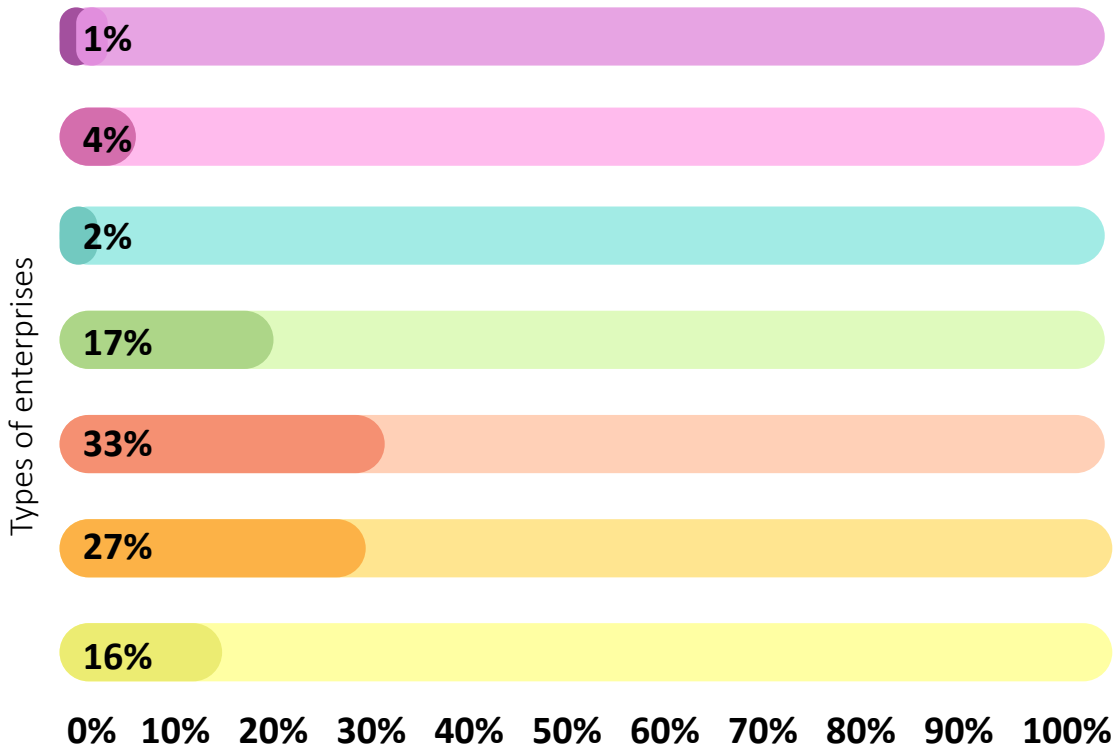


Fig 5 : Types of enterprises of **male nano entrepreneurs**

The Nano enterprises (NEs) in the informal sector show dominance in the services sector and trade, followed by a combination of trade and services. Nano Entrepreneurs opt for services, trade, or a combination, as these involve limited capital to begin the business. It is observed that there is a quick extension to add the complementing type of enterprises (e.g., trade to service business) over females. Manufacturing is the least popular sector for Nano entrepreneurs.

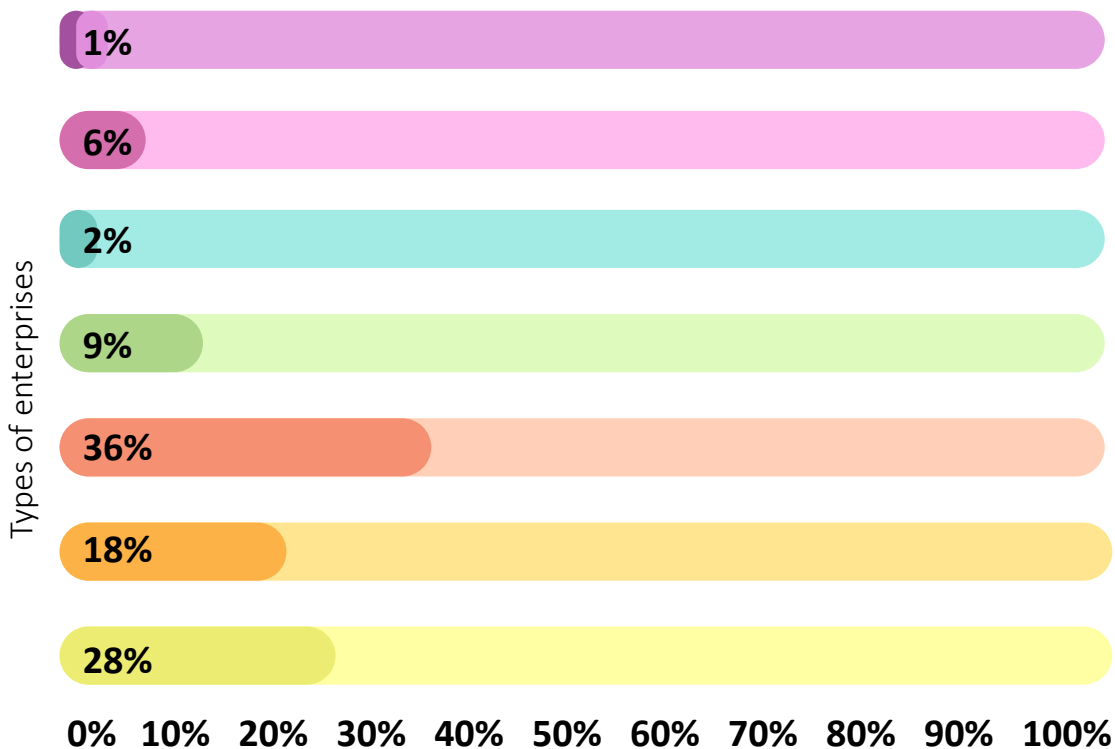
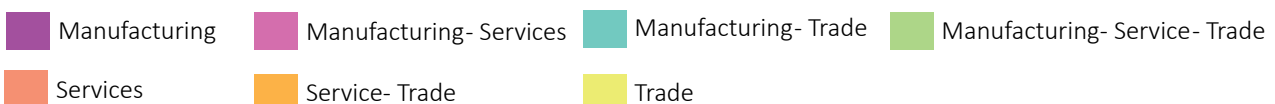


Fig 6 : Types of enterprises of **female nano entrepreneurs**

Male entrepreneurs predominantly engage in trade, while female entrepreneurs prefer service-based enterprises.

LEGEND



5.2 Mode of enterprises

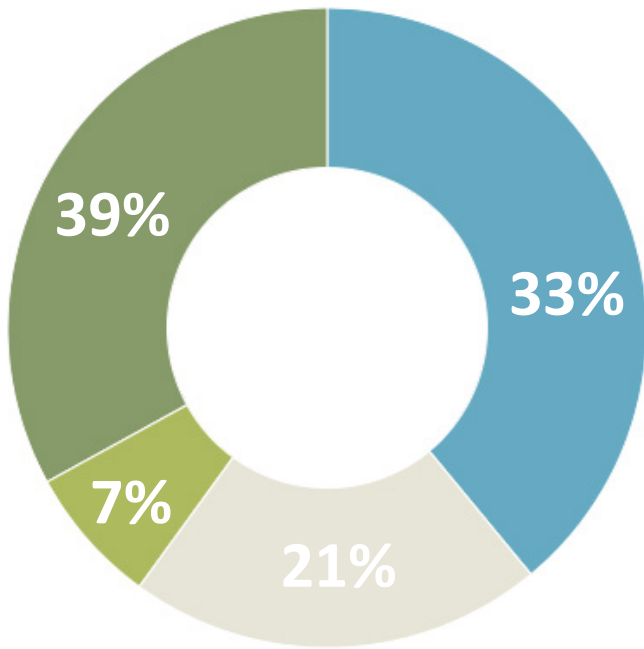


Fig 7 : Fixed mode of enterprises

Shops Footpath Home Based Carts and Stalls

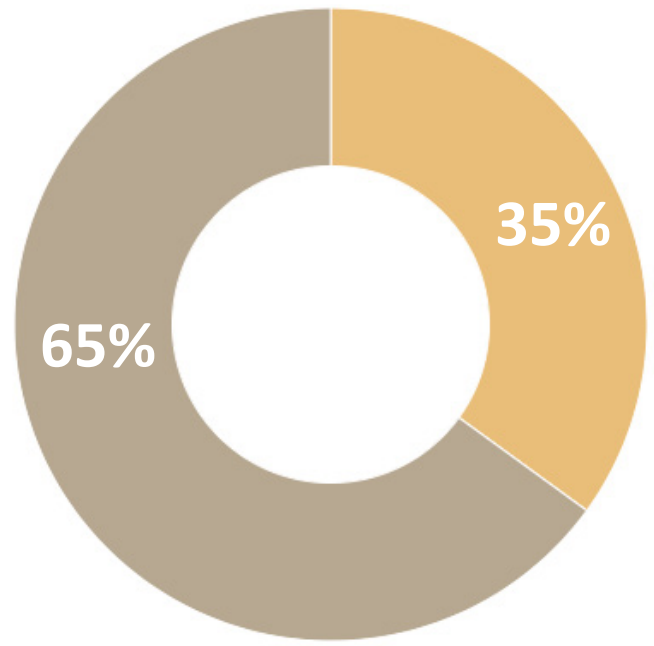


Fig 8 : Mobile mode of enterprises

Mobile Carts Mobile Services

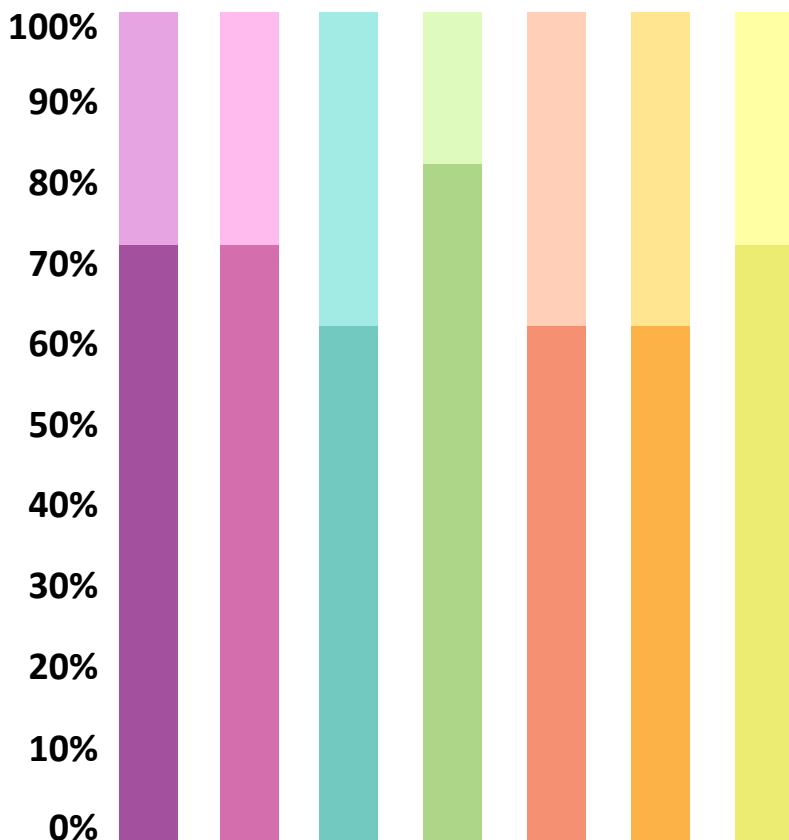


Fig 9 : Types of enterprises vs Mode of enterprise
Fixed mode vs Mobile mode of enterprises

The mode of operation for nano enterprises shows a clear preference for non-shop-based establishments, which enables them to reach customers without incurring additional financial burdens. Home-based operations are particularly prevalent among service and trade businesses, highlighting the cost-efficiency and convenience of this mode.

Fixed establishments are favoured, especially among service, service-trade, and manufacturing-trade enterprises, demonstrating significant mobility in reaching customers. This mobility is especially notable among skilled and unskilled workers in construction and related sectors and vendors of goods, consumables, and food carts, indicating a diverse approach to customer engagement and service delivery within the informal sector.

*Fixed enterprise mode is the mode where the enterprises operate from a fixed geographical location. *The mobile enterprise mode operates by physically moving to specific or random locations to reach customers.

LEGEND

Fixed mode of enterprises

- Manufacturing
- Manufacturing- Services
- Manufacturing- Trade
- Manufacturing- Service- Trade
- Services
- Service- Trade
- Trade

Mobile mode of enterprises

- Manufacturing
- Manufacturing- Services
- Manufacturing- Trade
- Manufacturing- Service- Trade
- Services
- Service- Trade
- Trade

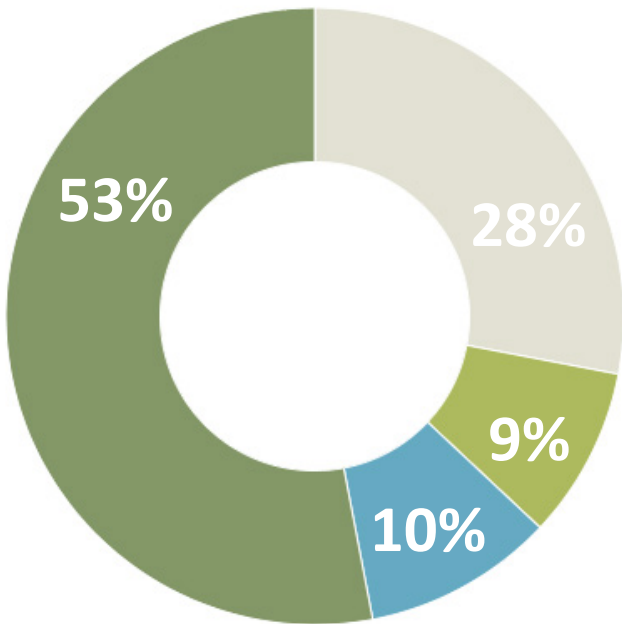


Fig 10 : **Fixed mode** of enterprises **male entrepreneurs**

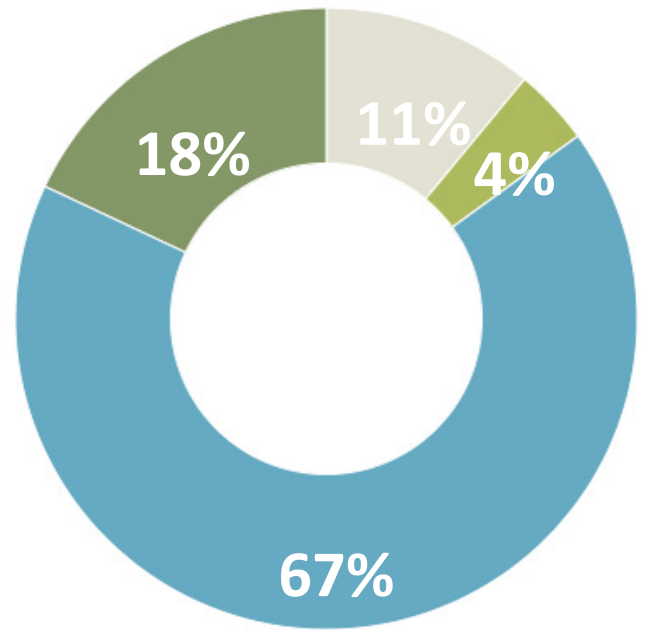


Fig 11 : **Fixed mode** of enterprises **Female entrepreneurs**

Shops Footpath Home Based Carts and Stalls

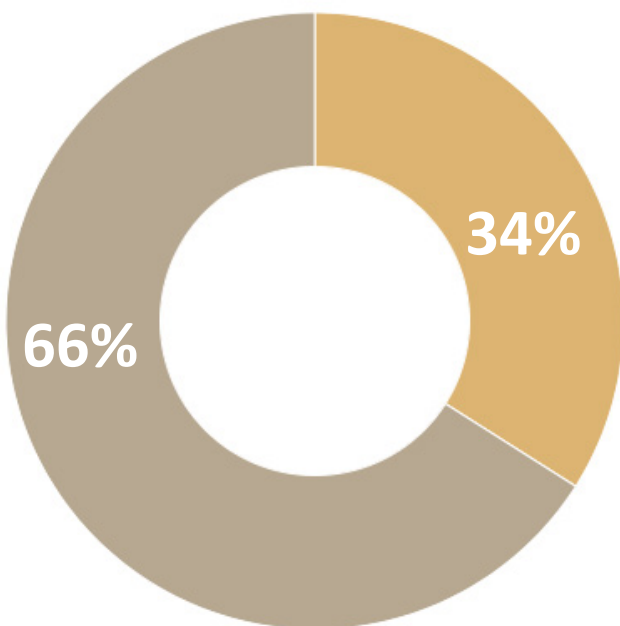


Fig 12 : **Mobile mode** of enterprises **male entrepreneurs**

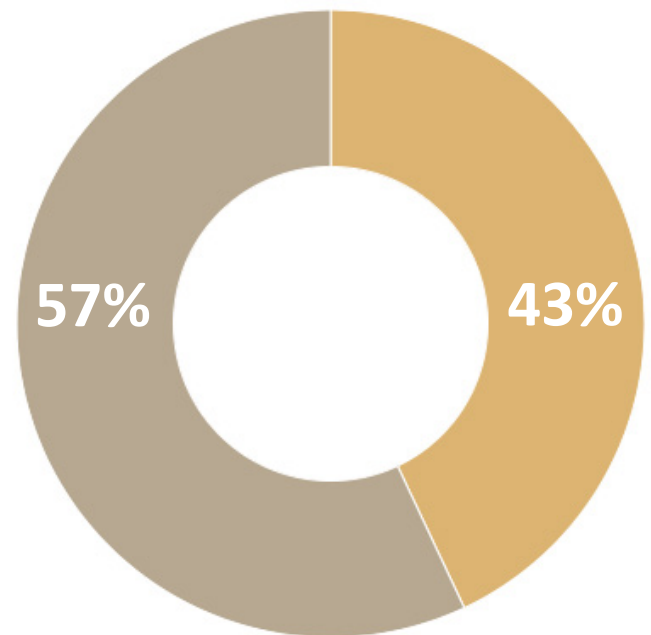


Fig 13 : **Mobile mode** of enterprises **Female entrepreneurs**

Mobile Carts Mobile Services

Enterprise mobility is dominated by males over females. Home-based enterprise operations are popular among women, balancing social responsibilities and cultural barriers to venture out for enterprise operations and expansion. Shop-based enterprises are predominantly male-dominated. The graph reflects that enterprise mobility is predominantly higher among males compared to females. Women tend to favor home-based enterprise operations, which allows them to balance social responsibilities and cultural barriers that limit their ability to expand their ventures through the lens of geographical reach or geographical business identity. In contrast, shop-based enterprises are primarily dominated by males, highlighting gender differences in business operation preferences and opportunities.

5.3 Sales and Turnover of nano entrepreneurs

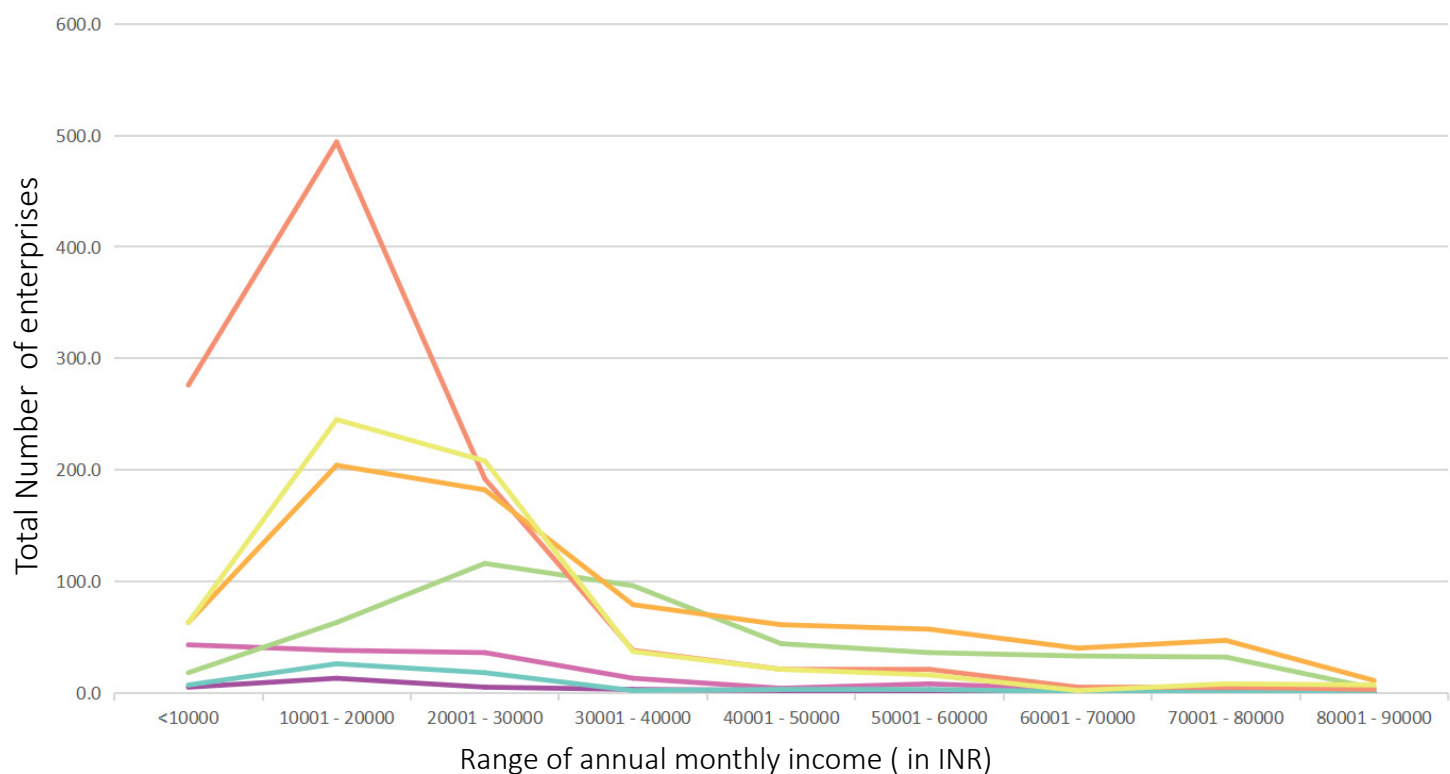
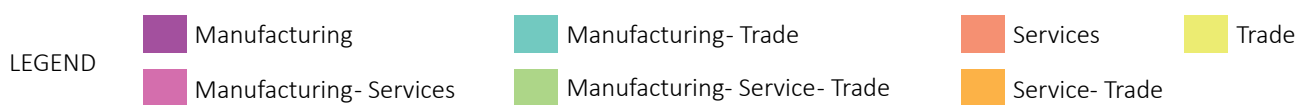


Fig 14 : **Sales Turnover** of nano entrepreneurs (in INR)



This research indicates that nano-entrepreneurs predominantly operationalize their businesses continuously throughout the month. Their work environments are diverse: Working from home, cart/basket-based vending, operating from small shops, and providing door-to-door services. These entrepreneurs typically maintain their business records daily, weekly, or monthly. The data was converted into monthly sales turnover figures to assess their financial performance. This approach provides a comprehensive view of their economic activities and facilitates more effective financial tracking and analysis.

- The services sector has the highest number of NEs, especially in the turnover ranges of 10001- 20000 INR and 20001- 30000 INR, respectively. This indicates a strong presence of service-oriented NEs within these income brackets.
- Services are the most sustainable type of business as most enterprises are into services. However, they take more time to achieve sales turnover higher than the total average (total average is 25,000 to 27,000 INR)
- The “Service- Trade” and “Trade” sectors also have significant representation, particularly in the 10001- 20000 INR range; these sectors maintain a steady presence across various turnover ranges, indicating diverse income levels among these businesses.
- Pure manufacturing has fewer NEs overall and significantly drops as the sales turnover increase
- Business diversification, “Manufacturing—Service—Trade,” “Service and Trade,” is an accelerator that helps enterprises grow through sales turnover.
- Across all business types, there is a marked decrease in NEs as the sales turnover increases beyond 30000 INR. This suggests that higher sales turnovers are less common among NEs, which might indicate operational or market challenges that limit their revenue growth.

5.4 Geographical reach of nano entrepreneurs

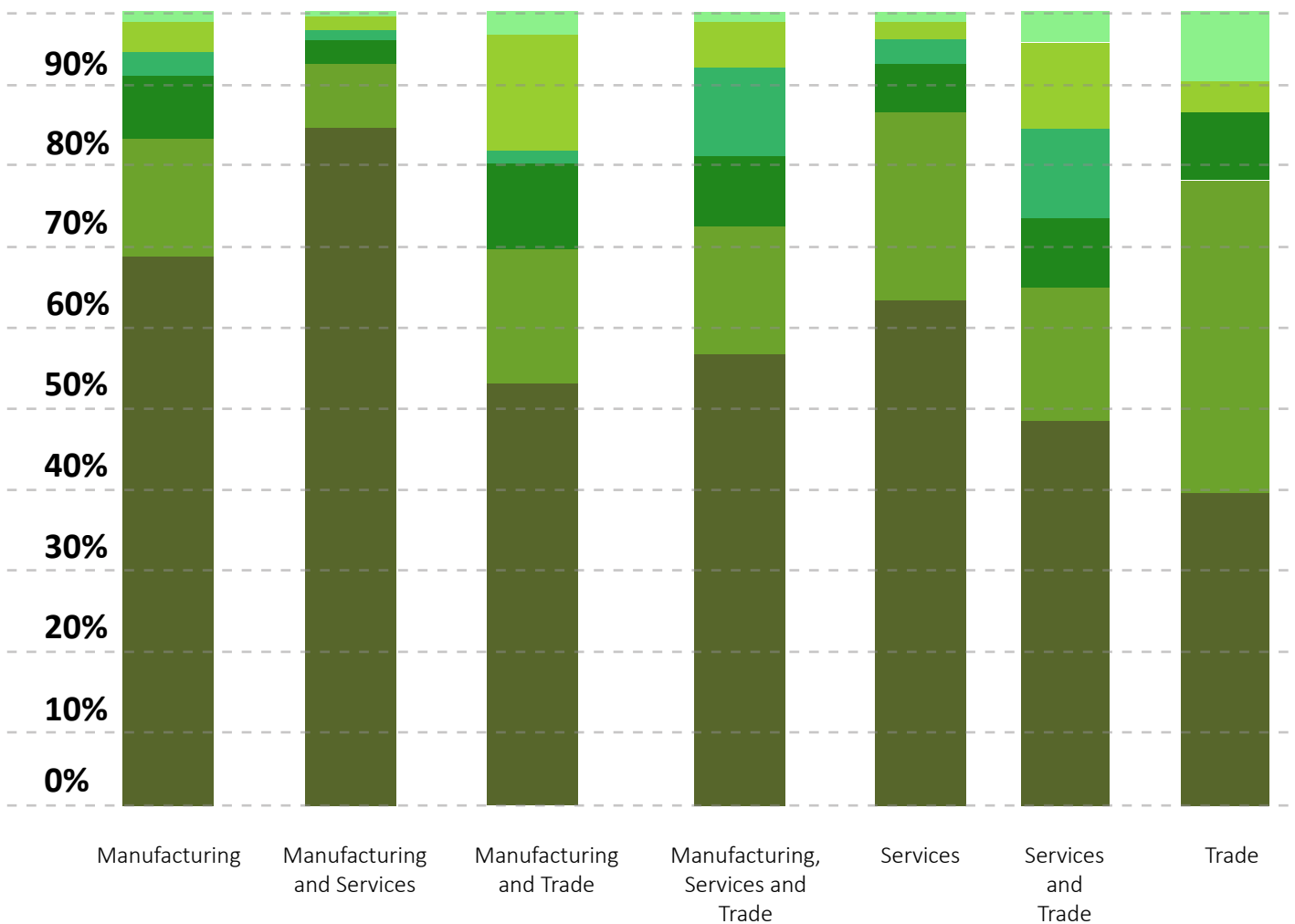


Fig 15 : Geographical reach : Enterprise wise

0 to 5 Km 6 to 10 Km 11 to 15 Km 16 to 20 Km 21 to 30 Km >30 Km

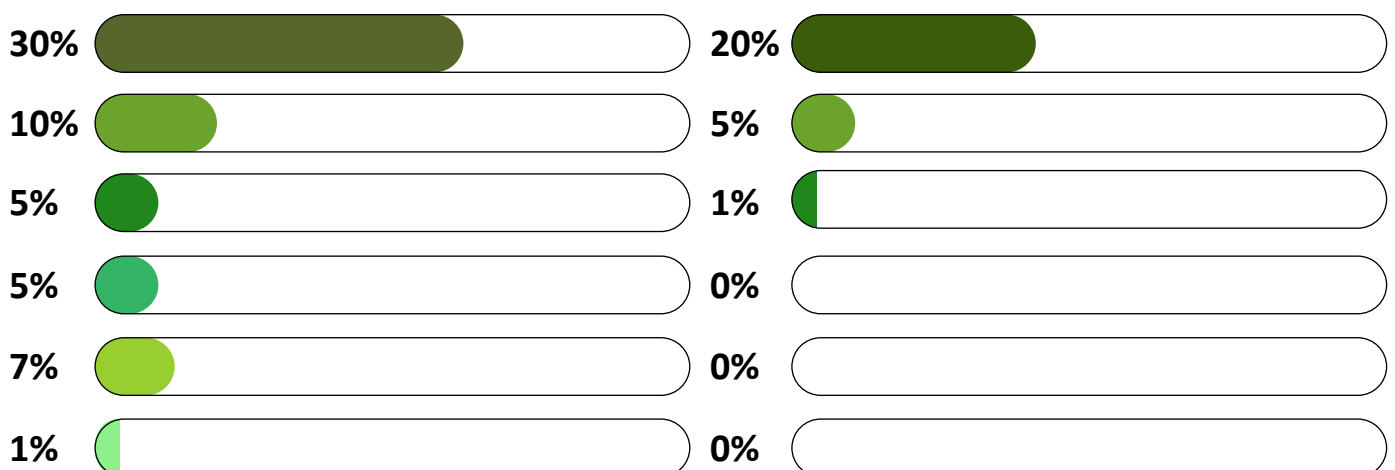


Fig 15a : Geographical reach of male nano entrepreneurs

Fig 15b : Geographical reach of female nano entrepreneurs

Geographical reach is the circular radius in Kilometres across the city/s that defines the operations of the nano enterprise or the extent to which an entrepreneur provides the services and goods.

0 to 5 Km 6 to 10 Km 11 to 15 Km 16 to 20 Km 21 to 30 Km >30 Km

6. Key findings

The **business choice** among nano entrepreneurs is primarily **influenced by** intrinsic factors such as **available time (particularly for women entrepreneurs), existing knowledge, interests, skills, and past experiences**. When it comes to an enterprise's establishment, expansion, or diversification, ease of establishment is the most significant extrinsic factor. Females prefer one type of enterprise; comparatively, males show a tendency to diversify into complementing trades. Women entrepreneurs aspire to build their enterprises while balancing social responsibilities. (Refer 8.1)

Nano entrepreneurs have a **daily turnover ranging from Rs. 500 to 700, with monthly turnovers typically falling between Rs. 15,000 to 25,000**. Their **daily investment in their businesses is constrained within Rs. 500 to 1000**. The effective **business operations hours** are generally **5-7 hours a day**, However there is significant time invested by Nano- Entrepreneurs in the preparations that are required for the core business activities. (Exception in case of core Trade activity, However the trade specific entrepreneurs may engage in the activity that involves procurement from wholesalers or manufacturers)

The Nano enterprises (NEs) in the informal sector show **dominance in the services sector and trade**, followed by a combination of trade and services. Nano Entrepreneurs opt for services, trade, or a combination, as these involve **limited capital to begin the business**. It is observed that there is a quick extension to add the complementing type of enterprises (e.g., trade to service business) over females. Manufacturing is the least popular sector for Nano entrepreneurs. Male entrepreneurs predominantly engage in trade, while female entrepreneurs prefer service-based enterprises.

Nano entrepreneurs **exhibit a limited awareness of governmental policies or schemes** such as PM Swanindhi or PM Vihsmekarma. These schemes are central government schemes and the simplest way to avail credit, as most of the categories of Nanao entrepreneurs qualify for them. Their **awareness is primarily benefit-driven**, lacking a comprehensive understanding of scheme benefits, application procedures, and beneficiary criteria.

Male nano entrepreneurs are typically driven by **familial responsibilities, serving as primary breadwinners**. **Female nano entrepreneurs** engage in business activities to **support the primary earner**, contribute to family expenses, secure their personal savings, or provide for unforeseen circumstances. **Societal norms constrain** female entrepreneurs, **limiting their business exposure and scope**.

Nano-entrepreneurs often **take loans from informal markets**, which typically **carry higher interest rates and are for very short durations**. These loans primarily mobilize working capital and inventory for their businesses. The **propensity of nano-entrepreneurs to borrow large amounts is closely tied to their sales turnover, with borrowing capacity generally proportional to their sales figures**. Their familial roles and responsibilities influence the risk-taking capacity among nano entrepreneurs. Primary family earners exhibit lower risk tolerance to ensure consistent family support. Gender also plays a role, with men typically assuming higher risk levels in business ventures compared to women.

Nano enterprises rely on personal savings or informal borrowings in the begnin of the venture. The average Sales Turnover of nano entrepreneurs is 25,065.75 INR and a median of 20,000 INR. (Refer 8.3) The representation of females is dominated over males, where the sales turnover is lower or rains around the average sales turnover. The dominance of male entrepreneurs increases with an increase in sales turnover.

A business tends to have a higher sales turnover or grow its sales turnover more in cases where the business types are 'trade,' 'service—trade,' and the combination of 'service—trade—manufacturing' in comparison to capital-intensive businesses that involve manufacturing and human resources like service.

6.1 Journey of nano enterprise from sustenance towards resilience

Journey of nano enterprise from sustenance towards resilience

Nano entrepreneurs predominantly engage in services, followed by trade and a combination of trade and service. This **preference is driven by the limited capital requirement and reduced risk of business stagnation and failure associated with these sectors**. Services, in particular, are favored due to their sustainability, as they require minimal investment and offer greater labor involvement. This trend underscores the practical considerations that influence the business decisions of nano entrepreneurs. (Refer 8.1).

Nano enterprises, regardless of the type of business they operate, often tend to employ family members as the business expands. This trend is influenced by several factors, including the trust and reliability inherent in family relationships, the need to manage costs effectively, and the desire to keep the business within the family.

Employing family members can also ensure a higher level of commitment and flexibility, which is crucial for the growth and sustainability of small-scale enterprises. As these businesses grow, the involvement of family members helps in maintaining operational efficiency and supports the long-term vision of the enterprise.

The occurrence of two consecutive peaks in sales turnover, as seen in “Manufacturing—Trade—Service,” “Service—Trade,” or “Trade” models, indicates a high probability of faster growth and increased resilience. Such sustained growth in sales turnover provides opportunities for business expansion and diversification, paving the way for enhanced stability and long-term success. (Refer 8.3)

The **resilience of nano enterprises** is primarily influenced by factors that drive their growth, particularly the question of “How does the enterprise grow?”. Resilience, being a subjective attribute, is positively affected when formal financial mechanisms such as loans and savings are used to fuel business growth, as opposed to relying on informal debt. This structured financial support enhances stability and sustainability, contributing to the overall robustness of the enterprise. However, loans from formal channels like banks, MFIs, and coo-operatives are not popular among the Nano enterprises. They often prefer informal loans and short-term lending from the community.

The **resilience of nano enterprises** is governed by tangible attributes that enable access to existing policies and benefits within the ecosystem. Key factors include **awareness of available resources, adaptability to changing conditions, and a willingness to grow**. These elements collectively enhance nano enterprises’ capacity to leverage opportunities and navigate challenges effectively.

Businesses run by second-generation entrepreneurs often benefit from inherited knowledge, established customer bases, and existing operational frameworks. However, they also face challenges in innovating and adapting to contemporary market demands. These entrepreneurs bring with them a familiarity with technology, enabling them to utilize internet-driven banking services, digital payments, and digital marketing channels effectively. This technological adeptness can help them modernize their businesses and stay competitive.

Membership in business associations can provide nano entrepreneurs with access to networks, resources, and collective bargaining power. Willingness to join and actively participate in such associations is key to leveraging these benefits. An ecosystem of enterprises complimenting business or manpower can sustain as well as hold a higher degree of resilience for an enterprise to grow in terms of business scale, diversity, customer base, and profitability.

The success and resilience of nano entrepreneurs depend heavily on their capacity to utilize available policies, benefits, and formal financial support systems, which greatly influence the sustainability and growth of their enterprises.

7. Recommendations

7.1 Enhancing Awareness and Accessibility

Increase Awareness of Government Schemes: Implement community outreach programs through local centers, training institutions, and religious institutions to disseminate information about schemes that qualify Nano entrepreneurs to avail benefits in entitlements, financial inclusion, credit, etc. The role of organizations working at the grassroots level can be an epicenter to the awareness of the programs and access to the beneficiaries. However, it is essential to recognize the stage at which the entrepreneur/enterprise exists.

7.2 Improving Financial Inclusion

Promote Financial Literacy: Financial literacy workshops in partnership working at grassroots level can help nano entrepreneurs manage finances, budgeting, and savings. Introduce digital banking solutions and financial products that cater specifically to the needs of nano enterprises. Utilization of the loans for only business purposes and discipline associated with the availed credit can act as a vital parameter to sustain and move towards resilience. Prioritization to diversify the business, geographical reach, or scale of operations fuels the growth of the business.

Access to Microloans and Credit Facilities for Nano-entrepreneurs/Nano-enterprise: Microloans and credit are widely utilized in the micro-enterprise sector due to established mechanisms that facilitate access to finance. However, these mechanisms are often less accessible to nano entrepreneurs and enterprises. It is crucial to identify and develop tailored mechanisms that allow nano entrepreneurs to access finance in small, flexible amounts. These financial products should be designed to accommodate the specific needs of their businesses, whether they are seasonal or non-seasonal, ensuring that nano entrepreneurs can obtain the necessary funds as and when required.

7.3 Capacity Building and Skill Development

Specific Training Programs: Implementation training programs focusing on trade, services, and combined service-trade businesses to improve business acumen. Introduction mentorship programs that connect nano entrepreneurs with experienced mentors for guidance on business growth and sustainability. NGOs, philanthropic organisations, foundations and training institutes play a vital role to deliver the programs and also act as a feedback mechanism for the efficiency as well as efficacy of the programs and initiatives. Creation of women-focused business associations and mentorship networks to support women entrepreneurs along with nono-entrepreneurs who tend to work part-time.

Digital and Financial Literacy: Offer digital literacy training on using e-commerce platforms, online banking, service providers/aggregators and digital payments to modernize business operations. Provide access to affordable digital devices and internet services to support digital transformation in nano enterprises.

7.4 Strengthening Market Linkages

Expand Market Access:Facilitating linkages to larger markets, wholesalers, and e-commerce platforms to broaden the business reach of nano entrepreneurs aimed to enable first and last mile connectivity to the market ranging from sourcing goods to customers. Association either trade specific or within geographical constraints can act as a catalyst to expand access to the market .

Strong Supply Chains: Promote cooperative models for bulk procurement of raw materials to reduce operational costs. Establish logistics support for transportation, helping nano entrepreneurs reach wider markets more efficiently.

7. Recommendations

7.5 Enabling Ecosystem and Policy Support

Enabling Ecosystem: Encouraging the formation of nano entrepreneur clusters to foster collaboration, resource-sharing, and collective bargaining power. Grassroot organisations like NGOs, CSOs, Foundations who provide handholding support are vital to form, promote and sustain the collectives aimed at easy, affordable and genuine supplies for the business. However there is also a role of government organisations, existing and upcoming policies to facilitate operations of such collective. Simplifying the registration process for nano enterprises makes it easier for them to move from the informal to the formal sector.

Policy Interventions: Recasting government schemes to cater specifically to the unique needs of nano entrepreneurs, ensuring they are accessible and easy to navigate. Encouraging the formalization of nano enterprises, introducing incentives based on mapped needs and aspirations that drives nano enterprises that can be monetary or non monetary incentives.

7.6 Monitoring and Continuous Support

Monitoring and Evaluation: Establishment a framework for regularly monitoring the progress of nano entrepreneurs who have received support, ensuring they continue growing and sustaining their businesses. Utilize data-driven approaches to assess the impact of various initiatives and adapt strategies as needed.

Sustained Engagement: Ensure that nano entrepreneurs have ongoing access to mentorship and support networks to help them navigate challenges and seize new opportunities. Develop a feedback loop with nano entrepreneurs to continually refine and improve the support mechanisms provided by the government and NGOs.

'In the heart of rural India, a transformative movement is unfolding with the rise of women nanopreneurs. Once confined to traditional household roles, these women are now stepping into the world of entrepreneurship, bringing about a profound change in their communities. This shift is not merely about economic empowerment; it signifies a deeper transformation in social dynamics and gender roles. Through access to microfinance and grassroots support, these women are turning small ideas into successful businesses, challenging long-standing norms, and gaining newfound respect and influence.

Their journey is reshaping the rural landscape, as they not only contribute to their families' livelihoods but also inspire others to follow in their footsteps. The rise of women nanopreneurs is paving the way for a more inclusive and equitable future, where women are key drivers of economic and social progress in rural India.' (Modi, 2023)

Dilip Modi, Founder, Spice Money

In the heartland of India, tier-II and tier-III cities are witnessing a remarkable transformation led by nanopreneurs—small-scale entrepreneurs driving #EmergingIndia's economic growth. These cities, often overshadowed by metros, are now home to quiet revolutionaries reshaping their communities despite facing significant barriers to financial services and market access.

Spice Money is playing a pivotal role in this movement by empowering nanopreneurs through innovative technology and a network of over 1.2 million Adhikaris. These Adhikaris are not just agents but change-makers, delivering essential financial services like the Bharat Bill Payment System (BBPS) and Aadhaar-enabled Payment System (AePS) to over 2.26 lakh villages. BBPS simplifies utility payments, while AePS brings banking services to local neighborhoods, enhancing financial inclusion. By turning micro-transactions into macro-level impact, Spice Money is laying the foundation for sustainable growth, helping nanopreneurs manage their finances, invest in their businesses, and uplift their communities.' (Kumar, 2023)

Sanjeev Kumar, CEO - Transwarranty Finance Ltd

Haqdarshak (HQ) is transforming access to government welfare entitlements in last-mile India through a tech-enabled service. Using a proprietary digital database, HQ connects eligible workers to a customized list of over 7,000 fragmented welfare schemes, providing end-to-end support for eligibility and registration. The service is powered by an app and a network of haqdarshaks—female entrepreneurs who assist beneficiaries in navigating the complex welfare system for a small fee.

By simplifying the process and overcoming inefficiencies in local government services, Haqdarshak has democratized access to vital benefits. To date, HQ has reached over 4 million families, successfully converting 3.5 million applications into benefits, and training more than 40,000 haqdarshaks. This initiative has delivered over \$1 billion in benefits to its customers, significantly improving the livelihoods of those in underserved communities. (Doegar)

Aniket Doegar, Founder & CEO at Haqdarshak

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9. Annexure

9.1. List of policies and schemes referenced for data analysis

Name	Year	Launched by	Objective
PM Svanidhi PM street vendor's atma nirbhar nidhi	2020	Ministry of housing and urban affairs (Mo HUA)	Financial assistance to street vendors, capacity building, financial literacy
PMFME Pradhan mantri formalisation of micro food processing enterprises	2016	Ministry of food processing industries (Mo FPI)	<ul style="list-style-type: none">• Increased access to credit by existing micro food processing entrepreneurs, FPOs, self help groups and Co-operatives• Integration with an organised supply chain by strengthening branding and marketing• Increased access to common services like common processing facility, laboratories, storage, packaging, marketing and incubation services• Strengthening of institutions, research and training in the food processing sector• Increased access for the enterprises to professional and technical support

Benefits and Support	Factors affecting
<p>Collateral-free working capital loan to street vendors to restart their businesses (which were adversely impacted by the COVID- 19 pandemic)</p> <p>Initial loan of 10,000 INR followed by 20,000 INR and 50,000 INR</p>	<p>Training facilitates by ULBNGO partners (financial, digital literacy)</p>
<ul style="list-style-type: none"> • Seed capital of Rs. 40,000 per member of SHG for working capital and purchase of small tools maximum upto 4 lakhs per SHG • Marketing and branding 	<p>Applicable to nano entrepreneurs in SHG ecosystem</p>

9. Annexure

9.1. List of policies and schemes referenced for data analysis

Name	Year	Launched by	Objective
CGTMSE Credit guarantee fund trust for micro and small enterprises	2000	The ministry of micro, small and medium enterprises and small industries development ban (SIDBI)	Collateral free credit to the micro and small enterprise sector. For existing and the new enterprises are eligible to be covered under the scheme
PMMY Pradhan mantri mudra yojana	2015	The ministry of micro, small and medium enterprises and small industries development ban (SIDBI)	The purpose of MUDRA is to provide funding to the non-corporate small business sector through various last mile financial institutions like Banks, NBFCs and MFIs.
PMEGP Prime minister's employment generation programme	2008	Khadi village industries commision (KVIC)	The scheme aims to generate employment oppurtutnities in rual as well as urban areas of the country by setting up new self-employment ventures, projects or micro enterprises in manufacturing services, agri-allied activities or the trading sector by SC/ST/Women entrepreneur.

Benefits and Support	Factors affecting
<p>The amount of these loans can range upto INR 1 crore.It helps retailers, self help groups, educational institutes, SMEs, and farmers.</p>	
<ul style="list-style-type: none"> • Shishu covering loans upto 50,000 INR • Kishore covering loans above 50,000 INR and upto 5 lakhs • Tarun covering loans above 5 lakhs and upto 10 lakh 	<p>Term loan overdraft limit working capital composite loan for acquiring capital assets</p>
<ul style="list-style-type: none"> • Any individual, above 18 years of age • At least VIII standard pass for projects costing above Rs.10 lakh in the manufacturing sector and above Rs. 5 lakh in the business / service sector. • Only new projects are considered for sanction under PMEGP. • Self Help Groups, Institutions registered under Societies Registration Act,1860; Production Co-operative Societies, and Charitable Trusts are also eligible 	<p>The Bank will sanction 90% of the project cost in case of General Category of beneficiary/ institution and 95% in case of special category of the beneficiary/institution, and disburse full amount suitably for setting up of the project.</p>

9. Annexure

9.1. List of policies and schemes referenced for data analysis

Name	Year	Launched by	Objective
PM Vishwakarma scheme		The Ministry of Micro, Small and Medium Enterprises	Holistic end to end support to artisans and crafts people through free credit, skill training, modern tools, digital transactions and market linkage for 18 trades defined in the guidelines

Benefits and Support	Factors affecting
Skill upgradation, toolkits, credit support, digital inclusion and marketing support	

9.2 Quantitative questionnaire : Focus group discussions

Demographic Information

Name: _____

Contact Information: _____

Gender _____

Location of Business: _____

Type of the business: Manufacturing, Trade (Retail), Service

Monthly family income _____

Monthly family expense _____ (Include - expense on food, fuel (gas and fossil), electricity, rent if any, education and health)

Earning members	Studying/growing dependents	Retired dependents	Dependents needing health care	Distant family members

What is the highest level of education you have completed?

1. Primary school (up to grade 5)
2. Secondary school (up to grade 10)
3. Higher secondary (up to grade 12)
4. Diploma or vocational training
5. Bachelor's degree or equivalent
6. Postgraduate degree or higher

What is your ethnic or cultural background?

1. SC
2. ST
3. OBC
4. General

Section 1: Business Operations

Age of my business in no of years:

My initial investment (INR)

Year of investment:

Who provided with the finance:

Monthly turn over:

Monthly profit:

Daily no of customers:

Average order value:

Have I taken a loan as a part of my entire business tenure

No	
Yes	Pvt Bank loan
	MFI
	Credit from public sector scheme
	Borrowings from friends and family
	Money lenders / informal markets

Mapping needs of Entrepreneurs (understanding supply chain)

What defines growth in your business ?	Prioritizing factors influenced your decision in choosing the location for your business?	Mode of your business? (HOW)	Source of raw material/ products (WHERE)	Frequency of raw material procurement (WHEN)
Offer new products and service	Proximity to suppliers or resources	Mobile (carts baskets)	Directly from the manufacturing facility Price driven Accessibility Recommendations	Daily

Mapping needs of Entrepreneurs (understanding supply chain)

Increase customer base	Accessibility to target market or customers	Stationery (Home based)	Wholesale market (why?) Price driven Accessibility Recommendations	Weekly
Improve operations	Affordability of rent or property prices	Stationery (Workspace located on the main road)	Retail market (why?) Price driven Accessibility Recommendations	Fortnight
Other (please specify)	Other (please specify)	Stationery (Workspace located on the main road)	Other (please specify)	Monthly

What challenges do you face due to the physical environment of your business location?

1. Infrastructure issues such as poor roads or utilities
2. Lack of space or inadequate facilities
3. Environmental factors like noise or pollution
4. No existing challenges
5. Other (please specify): _____

My employees are	Drawing salary	Non- Drawing salary
Myself		
Mother/Father Mother-in-Law/ Father-in-Law		
Wife/Husband		
Son/Daughter or Son in law/ Daughter in law		
Close relative		
Distant relative		
Non-relative paid employee		

Operations of my business (For a single type of business)

No of months (No of working months)	No of days (Working days in a month)	No of hours (daily operational time)

Section 2: Drivers for Nano-entrepreneurship

What inspired you to start your own business?

1. Desire for independence
2. Need to supplement income
3. Opportunity spotted in the market
4. Passion and Interest
5. Lack of opportunity in conventional market
6. Illiteracy
7. Other (please specify): _____

How did your personal background influence your decision to become an entrepreneur?

1. Previous experience in a similar field
2. Family history of entrepreneurship
3. Circumstances like job loss or relocation
4. Passion for a specific product/service
5. Choose to train myself in this profession
6. Other (please specify): _____

How do you perceive the market demand for your products/services, and how does it motivate you? (choice of this business/over other businesses)

1. High demand observed
2. Niche market identified
3. Demand fluctuates, but potential seen
4. Past experience with this business
5. I am trained in this industry
6. This compliments the primary earner in my family
7. Other (please specify): _____

What role do you see entrepreneurship playing in your future aspirations and lifestyle?

1. To re-invest and grow my business
2. To settle my loans
3. Better lifestyle (children’s education, Marriage of children, afford health care/insurance)
4. Asset creation (buy/renovate house, shop, land, etc)
5. Dignity in society and independence
6. Need of secondary income in the family
7. Market opportunity

Section 3: Market Understanding

How do you identify and reach your target audience or customer base?

1. Utilizing social media platforms
2. Engaging in local community events or networking
3. Partnering with other businesses or organizations
4. Choice of location
5. Word of mouth

What strategies do you employ to stay informed about market trends and developments?

1. Following industry news and publications
2. Attending trade shows or exhibitions
3. Networking with other entrepreneurs or industry professionals
4. Other (please specify): _____

Section 4: Challenges Faced

What are the challenges you encounter in running your business?

<p>Personal challenges</p>	<p>Literacy Family size Social security Health Gender</p>	
<p>Business challenges</p>	<p>Access to capital Labors Competition Location of business Mode of business Sourcing raw materials Customer retention Physical environment</p>	

Section 4: Challenges Faced

What are the challenges you encounter in running your business?

Business challenges	High interest rates Digital payments Regulatory challenges Lack of collateral or credit history	
Market challenges	Understanding market trends Doing online business Lack of Formal training in marketing Lack of awareness of personal aesthetics Awareness/finances to resource banners, visiting cards, brochures etc (marketing material) Communication skills	

Section 5: Financial Management

How do you keep track of your money?

1. Write it down
2. Use a computer
3. Use a money app
4. Other (please specify): _____

What methods do you use to ensure that your business remains financially stable?

1. Setting aside emergency funds (Resilience)
2. Monitoring cash flow regularly (Sustainability)
3. Reinvesting my profits into the business (Growth)
4. Keep cash at home
5. Deposit savings in a bank account
6. Invest in formal schemes (post office, FDs, MF, other specific schemes, Insurance)
7. Investment in assets (precious metal, house, shop, other properties)
8. Other (please specify): _____

Section 6: Awareness of Government Schemes

Are you aware of any government schemes or initiatives aimed at supporting small businesses like yours?

1. Yes
2. No

If yes, which government schemes or programs are you familiar with?

	Awareness about?	Have Avail the benefit of ?
<ol style="list-style-type: none"> 1. Prime Minister’s Employment 2. Generation Programme (PMEGP) 3. Startup India 4. Mudra Yojana 5. NULM 6. ONDC 7. OECN 8. Housing schemes (PMAY) 9. PMKVY 10. Others 		

How did you become aware of these government schemes or programs?

1. Through government advertisements or media campaigns
2. Through local government offices or officials
3. Through business associations or networks
4. Awareness by NGOs
5. Other (please specify): _____

If yes, how did they benefit your business?

1. Financial assistance or loans
2. Subsidies or grants for business expansion or improvement
3. Training or skill development programs
4. Other non Business Benefits
5. Other (please specify): _____

Section 7: Marketing and Sales Skills

Formal training or education in marketing or sales?

1. No
2. Yes, NGO
3. Yes, Pvt sector's CSR activity
4. Yes, Directly by government
5. Others (specify): _____

If yes, how has this training benefited your business?

1. Improved understanding of target audience and market trends
2. Enhanced ability to develop effective marketing strategies
3. Increased sales and customer engagement
4. Other (please specify): _____

Section 8: Social Security and Documentation

What are the social security ad documentation you possess?

	Yes	No	Not relevant to my business
<ol style="list-style-type: none">1. Aadhar2. Pan card3. Pan card business4. E-shram card5. Bank account6. Insurance7. Driving license8. Ration card9. Vendor license10. MSME registration11. Fssai registration12. Gumasta registration13. Health insurance14. Widow pension15. Senior citizen pension16. Health care / nutrition schemes (children/mothers)			

Section 9: Aspirations and Motivation

What are your long-term aspirations or goals for your business?

1. Achieving financial stability and growth
2. Expanding into new markets or product lines
3. Creating employment opportunities for others
4. Other (please specify): _____

What motivates you to continue running your business despite challenges or setbacks?

1. Providing for my family and loved ones
2. Pursuing my passion or interests
3. Contributing to the local economy and community
4. Other (please specify): _____

What support or resources do you believe would help you achieve your business aspirations?

1. Access to funding or financial assistance
2. Mentoring and guidance from experienced entrepreneurs
3. Training and skill development programs
4. Other (please specify): _____

