



# INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact Factor: 6.078

(Volume 11, Issue 2 - V11I2-1140)

Available online at: <https://www.ijariit.com>

## Small Businesses as the Basis of the Indian Economy

Aayaan Sardana

[aayaansardana@gmail.com](mailto:aayaansardana@gmail.com)

Modern School Vasant Vihar, New Delhi

### ABSTRACT

*India's economic progress and GDP growth have been mostly driven by small and medium-sized businesses, or SMEs. As of March 27, 2022, there were over 7.9 million MSMEs in India, according to the Ministry of Micro, Small & Medium Enterprises. India's and the world's economies have grown because of small enterprises. In a nation with an economy the size of India, small businesses make up 95% of the industrial units, and they provide 40% of the nation's total industrial production. Once more, tiny companies account for around 45% of India's overall export earnings. This paper explores the importance of small businesses in India, their contributions, their challenges, and their evolving role in driving sustainable and inclusive economic development.*

**Keywords:** MSME Act, Sole Proprietorship, General Partnership, Limited Liability Partnership (LLP), Corporation, Franchise, Home-Based Business, Social Enterprise, Non-profit Organization, Employment Generation, Rural Development, Economic Diversification, Innovation, Gross Domestic Product (GDP), Export Promotion, Social Impact, Government Revenue, Capital Management

---

### OBJECTIVES

The objectives of this study are as follows:

- i To study small businesses and their nature
- ii To get an insight into different types of small businesses
- iii To understand the difference between small businesses and big businesses
- iv To analyse the impact of small businesses on the Indian economy

### INTRODUCTION

Indian small enterprises are the backbone of the country's economy and are essential to its growth. These small businesses, which range from local shops to e-commerce and fashion startups, are ingrained in everyday life. Small enterprises are essential to India's industrial structure because they provide jobs in a nation where unemployment is still a significant problem. Small companies are perfect for solo owners or small partnerships because of their capacity to operate on a little amount of cash. Their business practices are frequently based on meeting local requirements, which enables them to cut expenses associated with distribution and marketing. These businesses remain cost-effective and relevant in their local markets by catering to particular regional preferences.

The growing use of technology by small enterprises is another characteristic that sets them apart. They may increase efficiency, streamline operations, and expand their presence without making significant financial expenditures thanks to technology, which includes social media, e-commerce platforms, and automated inventory systems. This illustrates how cost-conscious they are by nature. Additionally, an entrepreneurial spirit is what propels small firms. The visionaries that drive these endeavours are entrepreneurs who want to create better businesses and futures by seeing and seizing special chances. What distinguishes them is their capacity for creative thought and rapid adaptation to shifting market conditions. Essentially, small firms represent the tenacity, flexibility, and inventiveness necessary for sustainable growth in India—they are more than just economic contributors.

## **Characteristics of Small Businesses**

Small businesses are essential to India's economy as they contribute to job creation as well as economic growth. Their nature is influenced by various factors, such as government policies and market conditions. The following are some of the defining features of small businesses:

1. **Registration and Compliance:** In India, small enterprises are categorised according to their MSME Act registration. This legislation encourages conformity with government laws by requiring registration based on investment in equipment and machinery.
2. **Limited Funds:** Due to restrictions on receiving loans from official financial institutions, small firms encounter difficulties in obtaining financing. This emphasises how the government must step in and help their financial needs through programs and initiatives.
3. **Efficient Use of Resources:** Indian small enterprises excel in making excellent use of their resources. They frequently use creative approaches to save expenses and increase production. This entails maximising the use of raw materials, using energy-saving techniques, and utilising local knowledge.
4. **Family-Owned and Managed:** In India, a large number of small enterprises are run by families, including several generations in their operations. A strong sense of continuity and devotion is frequently the result of this family arrangement.

## **Different Types of Small Businesses**

Small enterprises' structure determines their limitations and categorisation. They come in various forms to cater to different customer needs, ranging from a "hole-in-the-wall" restaurant to a tech startup.

The different types of small businesses are:

- i **Sole Proprietorship:** Since a sole proprietorship is managed by only one person who also serves as its owner, it is seen to be the most fundamental form of small company organisation. All obligations, liabilities, and earnings are taken on by the proprietor. These are frequently encountered in e-commerce, real estate, and freelancing, among other fields. This type of business is easy to start and offers the owner total control over how the company is run. This also implies that the owner and the company are one and the same legally. As a result, they are personally liable for any obligations and losses. According to the Income Tax Act of 1961, the owner's personal income is taxed as the business's revenue.
- ii **General Partnership-** A general partnership is a type of business arrangement where two or more people jointly own and run a small company. These are prevalent in professional settings including consultancies, medical offices, and legal companies. These, like sole proprietorships, are liable for all debts, losses, and liabilities since there is no legal distinction between the owners and the business. The company is taxed as a distinct legal entity. They have to follow the Indian
- iii **Limited Liability Partnership (LLP):** By providing its owners with limited liability protection, limited liability partnerships, or LLPs, combine the finest features of general partnerships and sole proprietorships with a few extra advantages of their own. They offer flexibility in management and tax treatment and are present in a variety of businesses. Business debts do not affect the owner's assets. Nonetheless, they continue to benefit from the ease of pass-through taxes, which makes LLPs a clear option for startups in industries like technology and real estate.
- iv **Corporation:** It is well recognised that corporations are a more formal corporate organisation. In this case, the corporation is owned by shareholders and run by a board of directors since ownership is divided into shares. This is appropriate for larger businesses looking to acquire money through private investments or public offers like initial public offerings (IPOs). Although this structure is subject to more stringent government regulations and standards, it also offers the advantages of easier access to capital and wider market reach.
- v **Franchise:** Through franchises, anybody may own and use a well-known brand's goods and services under its name. The franchisor and franchisee have a mutually beneficial partnership as franchisees have direct access to the support networks, supply chains, marketing, and training that the franchisor provides. These are frequently encountered in a variety of industries, including the retail, service, and fast food sectors.
- vi **Home-Based Business:** Advances in technology have made it possible for many people to run their enterprises from home. These can include graphic design, freelance writing, internet retail, and consulting services. Flexibility and lower overhead expenses are two benefits of home-based enterprises that are common in fields like digital marketing, e-commerce, and the creative industry.

- vii Social Enterprise: Fundamentally, a social company seeks to solve environmental or social problems while making money. These kinds work in a variety of fields, such as healthcare and education. Along with financial sustainability and reinvesting their revenues back into their business, they prioritise making a good effect.
- viii Nonprofit Organization: NPOs, or nonprofit organisations, are vital to society. They are committed to furthering social, religious, educational, and humanitarian causes as well as meeting urgent societal needs. NPOs function with a main focus on public benefit rather than financial gain, in contrast to social businesses. To maintain operations and accomplish organisational objectives, they rely on grants, contributions, and fundraising initiatives.

### **Importance of Small Businesses**

India's economic and social progress is greatly aided by small companies. With almost 24 crore employees, they are major job generators. They also frequently recruit locally, which lowers unemployment in rural areas. They support rural development and help deter migration to metropolitan regions by offering local job possibilities. Entrepreneurship in rural areas is further encouraged by programs such as the Prime Minister's Employment Generation Programme. By working in industries like manufacturing, services, and agriculture, small enterprises also support economic diversity and increase the resilience of the economy. They can quickly react to shifting market trends and launch new goods and services because to their flexibility and inventiveness. Their innovation is supported by government initiatives such as Start-up India, which provide financing and mentorship.

In terms of economic output, small firms make up around 45% of exports and 33% of India's GDP, underscoring their important role in both local and global commerce. By assisting underprivileged populations and taking part in initiatives like environmental sustainability, skill development, and education, they also have a good social influence. Additionally, by paying taxes and expanding the tax base, small enterprises help the government's budget. In general, small enterprises in India are not only important for the economy but also for social advancement, regional development, and inclusive growth.

### **Advantages and Disadvantages of Small Businesses**

In India, small enterprises are essential to the economy because of their many benefits. Their versatility and flexibility are two important advantages. Unlike huge organisations, they are not burdened by bureaucratic procedures because of their streamlined structure and smaller size. This enables them to promptly adjust to shifting consumer preferences, market dynamics, new trends, and competitive challenges. Small firms may take advantage of new possibilities and adjust their strategy by responding quickly to developments. Their capacity to adapt is further supported by government programs like the Ministry of Micro, Small, and Medium Enterprises' skill training and entrepreneurship development efforts, which help them remain competitive in a changing business climate.

The capacity of small firms to establish enduring connections with their clients is another important asset. Small businesses thrive at providing individualised service and attention to detail, in contrast to larger corporations that could struggle to keep a personal touch. High levels of satisfaction are guaranteed by their customer-centric strategy, which promotes repeat business and loyalty. They increase their brand's image and foster trust by attending to each person's particular demands and offering tailored solutions. Long-term customers and positive word-of-mouth recommendations also help them expand. Small firms may maintain their agility and responsiveness by maintaining a tight relationship with their consumers, which strengthens their competitive advantage.

Small enterprises can benefit greatly from low operating expenses. They can function well without the significant financial commitments needed by larger organisations thanks to their lean architecture, low resource requirements, and lower administrative costs. To increase productivity and streamline processes, they frequently use agile business strategies and affordable technological solutions. Because of their efficiency, they can compete successfully despite their small size and turn a profit with very minimal investments. This becomes a determining element in maintaining the firm and progressively growing it in industries where cost management is essential. In highly competitive marketplaces, many small businesses rely on their cost-effectiveness and inventiveness to thrive.

Despite their strengths, small businesses also face several disadvantages. Regulatory compliance is a significant burden, especially for those lacking the legal and administrative support that larger firms enjoy. Navigating tax laws, labour regulations, licensing, and industry standards can be time-consuming and costly. Frequent regulatory changes increase complexity and risk, making it difficult for small business owners to stay compliant. Moreover, with limited funds, hiring professional legal or compliance help becomes challenging. Non-compliance can result in fines, penalties, or legal issues, further straining the limited resources of small enterprises. This makes the regulatory environment a serious hurdle to their stability and growth.

Another challenge is their limited market presence. Small businesses often struggle to build brand visibility and recognition in markets dominated by larger players. Due to constrained marketing budgets and limited access to mainstream retail networks or online platforms, reaching a wider audience becomes difficult. Without effective branding or outreach, many small businesses fail to attract and retain customers. This lack of exposure hinders their ability to scale and compete, especially in industries where consumer trust and brand familiarity play a major role. Overcoming these barriers requires innovation, creativity, and often external support, which small businesses may not always have.

Finally, small businesses face a high failure rate, especially within the first few years of operation. Many new ventures struggle due to poor financial planning, inadequate market research, lack of strategic vision, or weak business models. Fierce competition from established players can also challenge their survival. Furthermore, external factors such as economic downturns, pandemics, or policy changes can severely impact operations. Limited access to credit, insufficient reserves, and an inability to absorb shocks make small businesses highly vulnerable to crises. Despite government support, the road to long-term sustainability remains tough for many. These risks highlight the need for stronger mentoring, financial education, and policy support to improve small businesses' resilience and success.

### **Problems Faced by Small Businesses**

Obtaining financial support remains one of the biggest hurdles for small businesses in India. Limited assets for collateral, steep interest rates, and stringent lending policies make it tough for these enterprises to secure loans from banks and financial institutions. Although schemes like Mudra Yojana by the government aim to ease financing, many businesses still lack sufficient funding, restricting their ability to grow and expand.

#### **Skilled Manpower Shortage:**

Small businesses often face a shortage of qualified employees. There's a significant gap between the skills needed in the industry and the available talent pool. While government initiatives on skill development attempt to address this, their reach and implementation are still not adequate to meet the demand across the sector.

#### **Limited Market Access:**

Accessing wider markets—both domestic and international—is a common challenge. Factors such as poor logistics, trade regulations, and intense competition from larger players limit their market penetration. Despite efforts by organizations like the National Small Industries Corporation to support market entry, infrastructure limitations and lack of support continue to restrict growth opportunities.

#### **Lack of Access to Formal Credit:**

Many small businesses find it difficult to access formal credit channels due to inadequate documentation, lack of awareness, and perception of high credit risk. The Credit Guarantee Fund Trust for Micro and Small Enterprises was established to make credit more accessible, but its benefits are still underutilized due to low awareness and limited outreach.

#### **Lack of Digital Infrastructure in Rural Areas:**

Rural-based small enterprises struggle with poor internet connectivity and digital tools. This hinders their ability to leverage e-commerce platforms or digital financial services. Government projects like BharatNet aim to improve digital access in remote areas, but challenges remain in fully bridging the urban-rural digital divide.

#### **Cash Flow Management:**

Managing steady cash flow is crucial for the survival of small businesses, yet many face delays in payments and irregular income. These issues impact their ability to meet daily operational costs. Support from institutions like SIDBI and government training on financial management helps, but awareness and access are still limited.

#### **Managerial Skills:**

A lack of competent managerial staff is another major issue. Small businesses often cannot afford experienced managers and rely heavily on limited personnel. This leads to poor planning and disorganized operations, placing a heavy burden on existing managers to fulfil multiple responsibilities efficiently.

### **Small Businesses Contribution to the Indian Economy**

Despite their small size, small companies have a significant impact on India's economy since they create jobs, generate income, and encourage innovation. Their many business ventures in industries like manufacturing, services, retail, and agriculture make a substantial contribution to the GDP of the nation. This revenue source is augmented by small-scale manufacturing facilities and rural businesses, propelling economic growth in both urban and rural areas. In addition to promoting national development, this broad revenue generation encourages innovation and entrepreneurship by reinvesting in R&D and growth.

Small enterprises contribute significantly to taxes in addition to revenue. They pay a variety of taxes, including indirect taxes like GST, excise duty, and customs duty, as well as direct taxes like income tax, company tax, and professional tax. Their adherence promotes the growth of government services and infrastructure.

Additionally, small enterprises are essential suppliers of goods and services that meet regional and local needs. They boost local economies and enhance communal life through artisanal workshops and neighbourhood businesses. These businesses also act as innovation hubs, seeing holes in the market and launching original goods, services, and solutions. They increase customer choice, encourage competition, and support a vibrant and welcoming business ecosystem by doing this. All things considered, small enterprises are essential to India's social and economic advancement.

### **Differences Between Big Businesses and Small Businesses**

To understand the dynamics of the Indian economy, it is essential to comprehend the distinctions between large and small firms. Due to their vast resources, large firms are able to control markets, effectively manage risks, and affect economic concentration. Small firms, on the other hand, benefit greatly from inclusion, local involvement, and adaptability.

With the help of robust distribution networks, marketing plans, and infrastructure, large corporations operate in both domestic and foreign markets. However, small enterprises typically serve local or regional markets, meeting specialised needs and promoting regional economic growth.

Large organisations use sophisticated tools and organised frameworks for risk management in order to control operational, financial, and reputational risks. To maintain continuity, they frequently diversify across industries or regions. Contrarily, small enterprises frequently rely on unofficial methods and lack specialised risk management procedures. Their resilience might be improved by using simple techniques like insurance, financial planning, and emergency preparation.

Economically speaking, large corporations have a tendency to consolidate power in particular industries, which may reduce market competition and have an impact on income distribution. By promoting diversified entrepreneurship, decentralising economic activity, and bolstering regional prosperity, small firms help offset this. They are essential to India's economic fabric because of their broad presence across industries, which fosters inclusiveness and sustainable growth.

### **Small Businesses From the World Point of View**

Small companies are essential to the Indian and worldwide economies because they drive economic development, innovation, and job creation. SMEs make up 60% of jobs, 50% of GDP, and more than 90% of enterprises worldwide. They are essential to international supply chains and trade because they provide flexibility and lessen dependency on big suppliers. SMEs are at the forefront of innovation, making substantial contributions to R&D and working with universities to create new technology. By promoting inclusive employment, environmental stewardship, and poverty reduction, they also help the UN achieve its Sustainable Development Goals. Small enterprises in the tourist industry support local economies and offer genuine cultural experiences. They boost GDP, encourage exports, create jobs, and support rural development in India. Their contribution is nonetheless enormous in spite of obstacles like a small market presence and onerous regulations.

## **REVIEW OF LITERATURE**

**“Innovation and Competitiveness – Small and Medium Enterprises in India ”- Vengalarao Pachava, January 2018, International Journal of Management Studies vol 5(1), 2249-0302-** This study has concluded that the Indian SME sector is crucial for economic development but lags behind other countries due to internal and external factors. Internal factors like low motivation lead to less innovation, while external factors such as government policies and economic conditions significantly impact the sector. The study emphasises that innovation is essential for competitiveness, and both the government and entrepreneurs must create a flexible environment to foster innovative development and gain a competitive advantage.

**“IMPACT OF SMALL BUSINESS IN INDIA”- Dr. P. Prince Dhanaraj, Controller of Examination, Periyar University, Salem, September 2013, Shanlax International Journal of Economics vol 1(4), 2319-961X-** In this study, the research indicates that despite the invasion of multinational corporations in India during the liberalisation era, micro and small industries contributed to the economy's growth. The study period from 1991-2012 showed that these small industries increased production, exports, and employment. Despite a decline in industry growth rates due to the significant contribution of the services sector to GDP, the liberalisation policy adopted by India saw micro and small industries playing a vital role in economic growth. The per capita income of stakeholders in small businesses was also significant. The MSME Act of 2006 and the creation of a dedicated ministry have protected small businesses in India.

**“Micro, Small and Medium Enterprises(MSME) in India: Opportunities, Issues & Challenges”- Parthajeet Das, March 2017, Utkal University, Odisha, Great Lakes Herald vol 11(1), 0973-9017-** This study concluded that MSMEs have increasingly become significant in the national economy by generating employment and promoting rural

industrialisation. This sector can potentially drive rapid industrial growth in the developing economy and supports national initiatives like 'Make in India'. It has demonstrated resilience through traditional skills, new technologies, capital infusion, and innovative marketing strategies. To maximise benefits and address global competition, appropriate methods should be developed to create an enabling ecosystem for these enterprises.

**“A Brief Overview on the Growth and Challenges of Small Businesses in India and the Road Ahead”-**

**Pramit Banerjee, Research Scholar, Indian Institute of Foreign Trade, Kolkata Campus, July 2022, SSRN Electronic Journal, 1556-5068-** This study found that small businesses in India have grown significantly but face challenges like limited funding, skilled labour shortages, and inadequate technology adoption. Growth opportunities exist in telecommunications, electronics, and healthcare, particularly with increased digitisation post-COVID-19. The future outlook involves leveraging digital technologies, upskilling the workforce, and adopting sustainable practices. Key questions include their preparedness for digital transformation and managing human resources alongside technology. Government support and market adaptability are crucial for sustained growth.

**“The Implication of Small-Scale Businesses in Indian Economic Progress”- Unnati Shah, Student of Management, Amity Global Business School, Mumbai, India, March 2022, International Journal of**

**Research in Engineering, Science and Management vol 5(3), 2581-5792-** Research of this study found that small-scale industries are critical to India's economic development. They enhance urban and rural development, support the government in expanding infrastructure and manufacturing industries, and address pollution, slums, and poverty. Cottage industries and small-scale manufacturing are essential to India's economic development, helping to reduce unemployment and encourage self-employment. Despite the pandemic's impact, they have significantly contributed to the survival of the Indian economy.

**“A study on issues and challenges of startups in India”-Dr. G Suresh Babu, Associate Professor, of Commerce Govt. Degree & PG College, Puttur, Chittoor, Andhra Pradesh, India and Dr. K Sridevi, MA, Ph. D Assistant Professor, of English Govt. Degree & PG College, Puttur, Chittoor, Andhra Pradesh, India, December 2018, International Journal of Financial Management and Economics 2(1), 2617-9210-** This study found that India's startup ecosystem is rapidly expanding, driven by government initiatives, a large youth population, and increasing investments. Despite challenges like funding, revenue generation, and regulatory hurdles, opportunities are found in addressing local needs and leveraging technological advancements. The government's measures and the increase in investments indicate a promising future for Indian small enterprises to drive economic growth, create employment, and foster innovation.

## RESEARCH METHODOLOGY

The methods for finding and analysing data on a particular study topic are provided by the research methodology. This is how a researcher organises their study to meet their objectives with the techniques they have chosen. It encompasses all of the many aspects of research, including study design, data gathering techniques, data analysis techniques, etc. It facilitates efficient data collection and enables researchers to use both qualitative and quantitative research methods to arrive at logical conclusions. To properly plan, carry out, and assess their study, academics must have a basic understanding of research technique. The practical "how" of a research study is referred to as research technique.

### Types of Research Methodology

#### 1. Quantitative research:

Investigative studies that quantify relationships, behaviours, and occurrences using numerical data are known as quantitative research. This approach uses statistical analysis to draw conclusions and forecast results, which makes it very useful for research like this one that looks at the economic effect of small enterprises in India. But there are both benefits and drawbacks to it.

#### Advantages:

**Greater sample sizes:** Greater sample sizes provide more thorough examination of the data, enabling you to draw more conclusions about your target market.

**Objectivity:** By depending more on numerical data, researcher bias is reduced, resulting in more accurate findings.

**Simpler and quicker:** Research is simpler and quicker, especially when using online and mobile surveys that allow you to view the findings instantly.

#### Disadvantages

**Limited information:** While quantitative data provides a broad overview, it may overlook the complexities and intricacies of human behaviour, which are essential for the small business landscape.

**Data dependence:** The quality of outcomes relies on the accuracy and reliability of the numerical data collected. Flawed data can lead to misleading conclusions about the state of small businesses.

Falsified research may seem artificial and controlled, as the answers given by participants are claimed and may not reflect their actual behaviour in real life.

## 2. Qualitative Research:

Despite being less trustworthy than quantitative research, qualitative research places a strong focus on using non-numerical data to understand social processes and human experiences. This strategy frequently uses techniques like focus groups and interviews, which offer deep insights into the driving forces and difficulties experienced by business owners. Qualitative research on small enterprises in India showed how cultural influences affect customer connections or business operations. Similar to quantitative research, this has advantages and disadvantages of its own. They are:

### Advantages:

**Flexibility:** Qualitative Research gives more flexibility to the researcher. If the required data is not obtained, researchers can quickly adapt questions and change the setting or any other variable to improve responses.

**Freedom to speculate:** Qualitative data allows researchers to be more speculative about what areas they choose to investigate and how to do so. The limitations of quantitative methods do not constrain qualitative approaches to research. If responses do not align with the researcher's expectations, that information serves as valuable qualitative data, adding context and possibly explaining aspects that numbers alone cannot reveal.

### Disadvantages

**Variation in interpretation:** The interpretation of qualitative data can be highly subjective and depends on the researcher's perspective so it can be biased.

**Behaviour change:** Qualitative research gathers individuals to answer questions in artificial environments. This may alter how participants provide data by altering their feelings about the subject.

**Resource heavy:** Collecting and analysing qualitative data, such as transcribing and interpreting in-depth interviews, might be time-consuming and labour-intensive, requiring significant resources.

## 3. Descriptive Research:

An essential research technique that characterises, clarifies, and confirms a particular circumstance, topic, or phenomena as it naturally arises is descriptive study. The "what," "where," "when," and "how" enquiries are addressed more so than the "why." In order to provide a thorough picture of the topic under study, this kind of research use a variety of techniques to gather extensive data, such as surveys, case studies, observations, and document analysis.

### Advantages:

**Comprehensive understanding:** Descriptive research provides a detailed and thorough picture of a specific phenomenon or population. Researchers can gain valuable insights into its characteristics, behaviours, and trends by collecting and analysing data on various aspects of a subject.

**Real-world perspective:** Descriptive research often involves studying phenomena in their natural settings, allowing researchers to observe and document behaviours and attitudes in real-world contexts. This can provide a more authentic and nuanced understanding of the subject matter.

**Easy to Understand:** The results are often straightforward and accessible to a broad audience, allowing SME owners with limited knowledge to understand the information quickly.

### Disadvantages

**Lack of Control:** Descriptive research often involves observing natural phenomena, so researchers have limited control over the studied variables. This can make it difficult to isolate the effects of specific factors.

**Reliance on Self-Reported Data:** Many descriptive research methods, such as surveys and interviews, rely on self-reported data. This can be subject to biases, such as social desirability or recall bias, which can affect the accuracy of the findings.

**Lack of Depth:** While descriptive research can provide a broad overview, it may not delve deep into the underlying reasons or motivations behind behaviours or phenomena.

## 4. Analytical Research:

Analytical research analyses data to uncover underlying patterns and correlations, going beyond simple description. It focusses on addressing the "why" behind certain occurrences, offering information to guide strategic choices. Analytical techniques might aid in our understanding of why certain Indian small companies prosper while others suffer due to variables like market circumstances or regulatory frameworks. Analytical research offers a greater understanding of cause-and-effect interactions by combining quantitative and qualitative methodologies.

### Advantages:

**Evidence-Based Decision-Making:** Analytical research serves as a dependable basis for decision-making. It relies on data-driven insights, fostering well-formed choices in scientific, business, or policy decisions, leading to more effective strategies and actions. Scientific Advancement: Analytical research contributes to advancing knowledge in various fields. By conducting rigorous studies and analysing data, researchers can generate new insights, test hypotheses, and push the boundaries of scientific understanding.

**Identifies Trends:** Analytical approaches can reveal patterns that inform future strategies for small businesses, aiding in proactive rather than reactive management practices.

### Disadvantages

**Data Intensive:** Requires substantial amounts of accurate data for meaningful analysis; without quality data, findings may be inconclusive or misleading.

**Complexity in Interpretation:** Results can be difficult to interpret without specialised knowledge or skills, which may limit accessibility for stakeholders without analytical expertise.

**Resource Intensive:** Often demands more time and resources than descriptive studies due to the depth of analysis required, potentially limiting the number of studies that can be conducted within budget constraints.

#### 5. Exploratory Research:

The primary goal of exploratory research is to learn more about regions with limited knowledge. It also serves as a prelude to the use of more formal research techniques. Exploratory research may be useful in identifying new patterns or difficulties faced by entrepreneurs that call for more study in the context of small enterprises in India. Exploratory research, for instance, would assist in locating novel patterns, formulating theories, and establishing the framework for more in-depth studies examining new trends in small companies during the post-pandemic recovery. Using techniques including literature reviews, interviews, focus groups, and pilot studies to get preliminary knowledge and guidance for further study, this strategy is adaptable and frequently changes as new information becomes available.

#### Advantages:

**Flexibility:** It allows researchers to change their focus as new insights emerge during their study making this flexibility crucial when exploring uncharted territories within business practices.

**Identification of new issues:** This can uncover previously unrecognised problems or opportunities within small business sectors, which is vital for fostering innovation and entrepreneurship.

**Opportunity for future studies:** It is a basis for developing more focused research questions and methodologies. Exploratory findings can guide future quantitative or qualitative investigations into specific areas of interest.

#### Disadvantages

**Subjectivity:** The findings of exploratory research can be influenced by the researcher's biases and interpretations. Lack of Structure: The study's open-ended nature may make it challenging to draw definitive conclusions; researchers must balance exploration with sufficient rigour to ensure validity.

**Limited Scope:** While exploratory research highlights areas needing further investigation, it may not provide comprehensive answers. Thus, subsequent studies are often necessary to build on initial findings.

## STATISTICAL TOOLS ADOPTED

The data cited was processed, analysed and presented using graphs and diagrams.

#### Sampling technique:

The research paper used a questionnaire consisting of simple basic questions on the subject of the study.

#### Hypothesis:

The hypothesis proposed here is as mentioned below:

H0- Small businesses do not contribute significantly to the Indian economy.

H1- Small businesses contribute significantly to the Indian economy.

#### Data types and sources:

The term "data" describes the unprocessed facts or information that is gathered and utilised for analysis, study, or decision-making. Data can come from a variety of sources and is often divided into two categories: quantitative (numerical) and qualitative (non-numerical). The foundation for carrying out significant research and coming to valid findings is data quality and reliability. There are two primary categories of data, depending on the sources:

#### Primary data

First-hand observation, experiments, surveys, mail or phone answers, interviews, or other direct encounters with the target population are all examples of how the researcher gathers primary data directly from the source for a particular study goal. It is employed when a distinct viewpoint is required to investigate a research subject or when necessary information cannot be found in already-existing sources. Additionally, primary evidence is essential for confirming or refuting pre-existing hypotheses and advancing the creation of new ones. High relevance to the study issue, precise and thorough information, and more control over the data gathering procedure are some of its benefits. Nevertheless, it may be expensive and time-consuming, and researchers can



have trouble connecting with the intended audience. Additionally, the quality of the data depends on the researcher's skills and the honesty of participants.

### Secondary data

Information that has already been gathered and assembled for their own objectives by other scholars, organisations, or governmental bodies is referred to as secondary data. Academic publications, business reports, government statistics, census data, and other published sources are usually where one may get it. Researchers find this kind of data useful because it is easy to obtain, takes little time or money, provides a more comprehensive view of the subject, makes it easier to compare data from other studies or eras, and may be used to support or verify primary data. But there are disadvantages to secondary data as well, such the likelihood of bias from the original researchers, the danger of incompleteness or just partial relevance, and the chance of being out of date and not representative of current trends.

### Population:

It refers to the maximum number of people who know about the businesses and the Indian economy.

### Sampling frame:

It refers to a random list of diverse people from various backgrounds who live in New Delhi.

### Sample size:

A sample size of 90 people was selected for a practical study.

### Study area:

The Entire city of New Delhi was considered for research. As the capital of India, the locals, termed “Delhiites,” are expected to know the different types of businesses and their significance.

### Limitations:

Limitations of the study are as under:

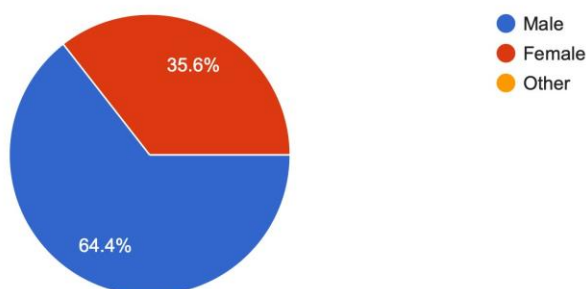
1. The responses can be biased, as participants may not answer truthfully or thoughtfully
2. The format restricts the depth of open-ended responses and lacks the ability to probe further.
3. Technical issues or misunderstandings of questions may go unnoticed without real-time clarification
4. Data security and privacy concerns may affect participants’ willingness to share honest information, potentially impacting the reliability of the results.

### Data Analysis and Presentation

WE TOOK THE SURVEY: QUESTIONNAIRE METHOD AND RESULTS WERE AS FOLLOWS: WE GOT 90 RESPONSES TO THE COMPULSORY QUESTIONS ASKED BELOW:

What is your gender?

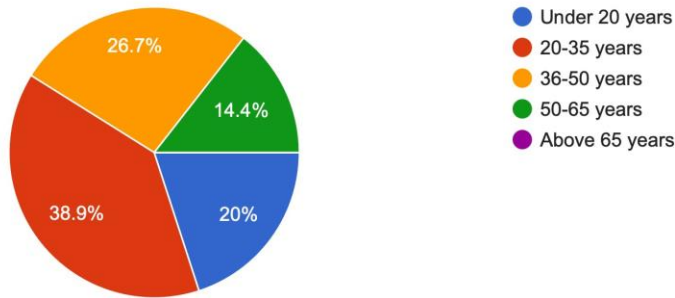
90 responses



The majority of respondents (64.4%) are male, while females constitute 35.6%. There is no representation from other gender categories.

### What is your age?

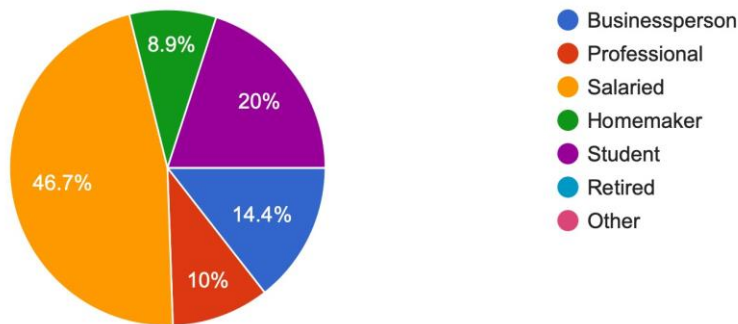
90 responses



The respondents belong to different age group.

### What is your profession?

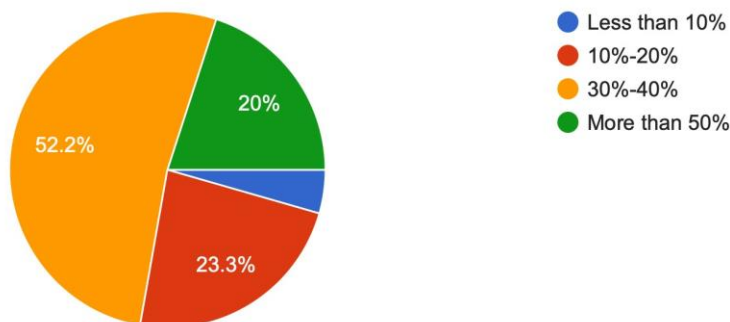
90 responses



The data show that most respondents belong to the salaried group, ahead of the professionals category. Students are the category with the least amount of members and comprise only 20% of the respondents of this study compared to 46.7% of the salaried group.

### What percentage of India's GDP is contributed by small and medium enterprises?

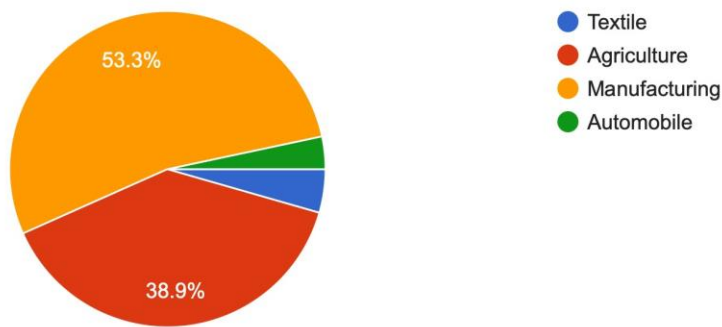
90 responses



The majority of respondents believe that small and medium enterprises contribute 30-40% of India's GDP, indicating a strong awareness of their economic significance

### Which sector has the highest presence of small businesses in India?

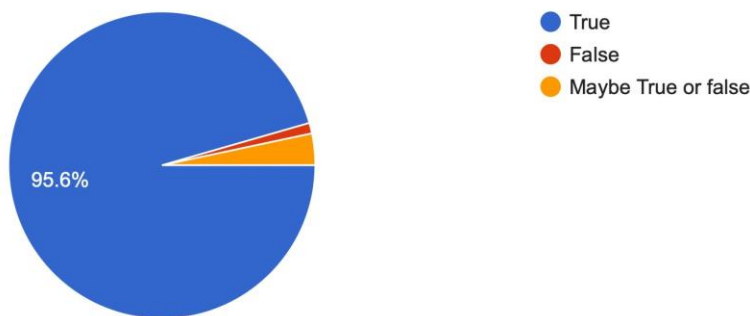
90 responses



Manufacturing leads of respondents identifying it as the dominant sector, followed by agriculture at 38.9%. This aligns with India's economic landscape, where these industries provide substantial employment and economic development.

### Small businesses provide employment to millions of people in India. Would you say this statement is:

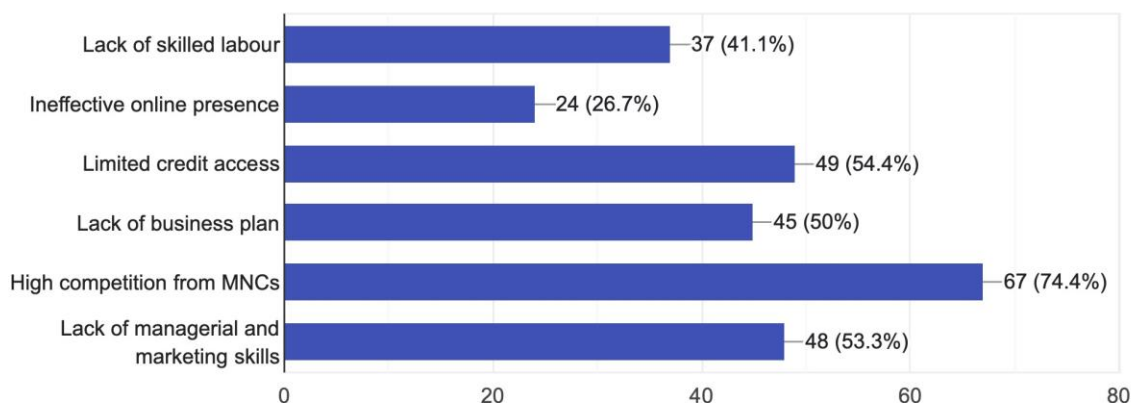
90 responses



As high as 95.6% affirm that small businesses employ millions, emphasising their critical role in job creation.

### What is/are the significant challenge(s) faced by small businesses in India?

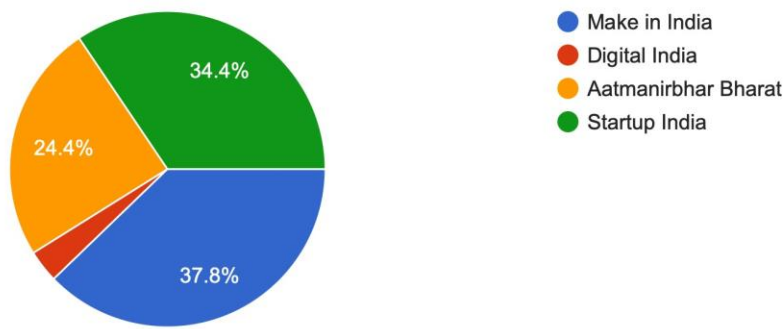
90 responses



From the data above, we can infer that small businesses face multiple challenges and respondents are having a knowledge of that.

### What initiatives are launched by the Indian government for the promotion of small businesses?

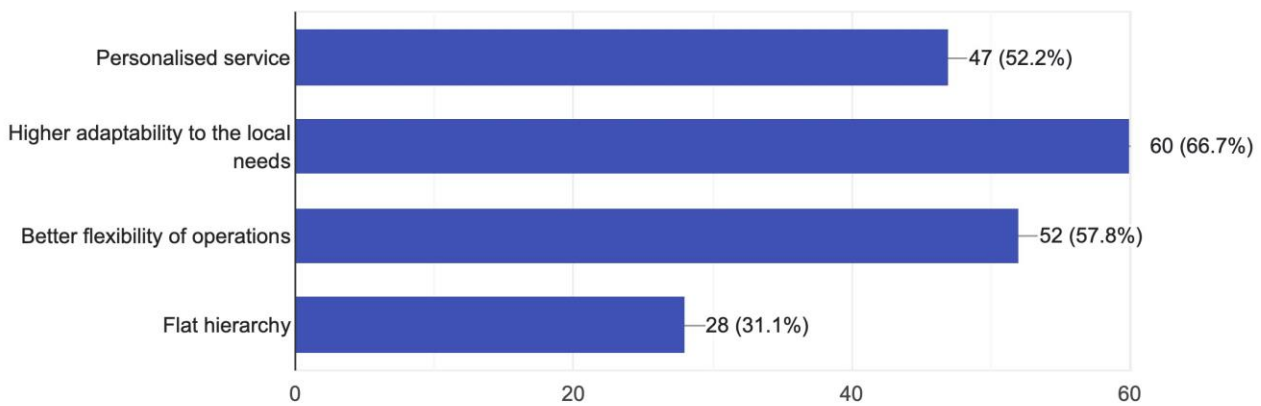
90 responses



We can infer that the "Make in India" initiative (37.8%), while not completely correct, is the most recognised, followed closely by "Startup India" (34.4%), indicating a strong awareness of government efforts to boost entrepreneurship. "Aatmanirbhar Bharat" (24.4%) also holds significant recognition while Digital India (3.3%) has negligible.

### What is/are the major advantage(s) of small businesses over large companies in India?

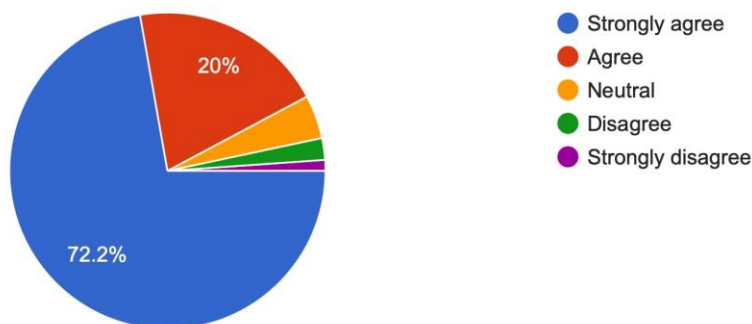
90 responses



From the study, we find that the vast majority believe that small businesses have higher adaptability to local needs. It indicates that small businesses have been able to satisfy the ever-changing demands of the consumer and, in this case, the people participating in the study.

As small businesses generate employment, promote local products and help in the development of rural areas, they play a significant role in the Indian economy.

90 responses



We can infer from the pie chart above that 72.2% of people agree with the statement above, showing an understanding of small businesses in India and their importance

## CONCLUSION

The foundation of our economy is made up of small and medium businesses. India's economy depends mostly on small enterprises to expand annually. The data that is currently available about the significance of small enterprises provides ample proof of this. Small enterprises provide commodities, close the gap in demand, lessen reliance on imports, generate employment for the local populace, guarantee that markets continue to have access to necessities, and sustain economic activity. Local businesses continue to operate even during global market disruptions or economic meltdowns.

Indeed, small enterprises play a crucial role in the Indian economy. They act as a buffer against potential global economic collapses. The significance of small businesses in managing the economy has been amply supported by government positions and commission policy recommendations. The vast bulk of the people works here. And here is where the vast majority of Indians earn a respectable life.

## REFERENCES

- [1] <https://byjus.com/question-answer/explain-the-role-of-small-business-in-india/>
- [2] <https://www.vedantu.com/commerce/roles-of-small-businesses-in-india-and-problems-of-small-businesses>  
<https://andeglobal.org/small-and-growing-businesses-are-the-key-to-creating-economic-growth-that-matters-in-india/>  
[https://loksabhadocs.nic.in/Refinput/Research\\_notes/English/09122019\\_163229\\_102120495.pdf](https://loksabhadocs.nic.in/Refinput/Research_notes/English/09122019_163229_102120495.pdf)
- [3] [https://www.researchgate.net/publication/264824217\\_Growth\\_plans\\_of\\_small\\_business\\_in\\_India\\_Individual\\_influence](https://www.researchgate.net/publication/264824217_Growth_plans_of_small_business_in_India_Individual_influence)  
<https://blog.saginofotech.com/small-company-characteristics-benefits>
- [4] <https://b2btimes.com/small-business/what-are-the-characteristics-of-small-businesses> <https://testbook.com/ugc-net-commerce/meaning-nature-and-types-of-small-business>
- [5] <https://byjus.com/commerce/meaning-nature-and-types-of-small-business/> <https://www.credibly.com/small-business-loans/types-of-small-businesses/>
- [6] <https://www.mightycall.com/blog/small-business-examples/>  
<https://okcredit.in/blog/categories-of-small-business/>
- [7] <https://smallbusiness.chron.com/list-different-types-small-businesses-41682.html>
- [8] [https://www.shaalaa.com/question-bank-solutions/attempt-the-following-explain-the-importance-of-small-businesschallenges-of-small-scale-industries\\_146846](https://www.shaalaa.com/question-bank-solutions/attempt-the-following-explain-the-importance-of-small-businesschallenges-of-small-scale-industries_146846)
- [9] <https://www.geeksforgeeks.org/role-and-importance-of-small-scale-industries/>  
<https://www.wolterskluwer.com/en/expert-insights/doing-business-in-india>
- [10] <https://courses.lumenlearning.com/wmintrobusiness/chapter/reading-advantages-and-disadvantages-of-businessownership/>
- [11] <https://blog.saginofotech.com/small-company-characteristics-benefits>
- [12] <https://pandorafms.com/blog/advantages-and-disadvantages-for-smes/>
- [13] <https://www.ownr.co/blog/sole-proprietorship-advantages-disadvantages/>
- [14] <https://www.hdfcbank.com/personal/resources/learning-centre/sme/what-are-the-problems-faced-by-small-businessesin-india>
- [15] <https://www.vedantu.com/revision-notes/cbse-class-11-business-studies-notes-chapter-9>  
<https://www.investopedia.com/articles/pf/12/small-business-challenges.asp>  
<https://innovationentrepreneurship.springeropen.com/articles/10.1186/s13731-021-00191-3>
- [16] [https://okcredit.in/blog/challenges-faced-by-msmes-and-how-to-overcome-them/#google\\_vignette](https://okcredit.in/blog/challenges-faced-by-msmes-and-how-to-overcome-them/#google_vignette)  
<https://byjus.com/question-answer/explain-any-six-problems-being-faced-by-small-business-in-india/>  
<https://www.investopedia.com/articles/pf/12/small-business-challenges.asp>  
<https://www.uschamber.com/co/start/strategy/biggest-small-business-challenges>
- [17] <https://www.hdfcbank.com/personal/resources/learning-centre/sme/what-are-the-problems-faced-by-small-businessesin-india>
- [18] <https://www.guidantfinancial.com/blog/top-business-problems/?nab=0>
- [19] <https://invoice-funding.co.uk/the-difference-between-small-business-and-large-business/>  
<https://gocardless.com/guides/posts/small-business-vs-large-business/>
- [20] <https://smallbusiness.chron.com/difference-between-big-businesses-small-business-35285.html>  
<https://www.linkedin.com/pulse/understanding-difference-between-small-business-vs-trent>
- [21] <https://www.hdfcbank.com/personal/resources/learning-centre/borrow/difference-between-micro-small-and-mediumenterprises>
- [22] <https://testbook.com/key-differences/difference-between-small-scale-industries-and-large-scale-industries>  
<https://byjus.com/question-answer/explain-the-role-of-small-business-in-india/>
- [23] <https://www.vedantu.com/commerce/roles-of-small-businesses-in-india-and-problems-of-small-businesses>  
<https://www.linkedin.com/pulse/small-medium-businesses-fuel-behind-indian-economic-growth->
- [24] <https://ijpiel.com/index.php/2021/06/26/micro-small-and-medium-enterprises-in-india-growth-contribution-andchallenges/>
- [25] <https://byjus.com/commerce/role-and-importance-of-small-scale-industries/>  
<https://www.dailypioneer.com/2018/columnists/small-businesses--big-contribution.html>  
<https://www.businessnewsdaily.com/1298-small-business-good-for-economy.html>
- [26] <https://aicontentfy.com/en/blog/impact-of-small-businesses-on-economy-supporting-local-growth-and-job-creation>  
<https://www.oliverpos.com/7-ways-small-businesses-benefit-the-community/>

- [27] <https://aicontentfy.com/en/blog/impact-of-small-businesses-on-economy-supporting-local-growth-and-job-creation>  
<https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/foundation-economies-worldwidesmall-business-0>
- [28] <https://www.forbes.com/advisor/business/small-business-statistics/>  
<https://about.google/stories/celebratingsmallbusiness/>
- [29] <https://www.indeed.com/career-advice/career-development/small-business-types>
- [30] <https://www.credibly.com/small-business-loans/types-of-small-businesses/>
- [31] <https://byjus.com/commerce/meaning-nature-and-types-of-small-business/>
- [32] <https://msme.gov.in/faqs/q1-what-definition-msme>.
- [33] <https://differencebetweenz.com/difference-between-primary-data-and-secondarydata/>
- [34] <https://www.ilo.org/topics/micro-small-and-medium-enterprises>
- [35] <https://www.hdfcbank.com/personal/resources/learning-centre/borrow/difference-between-micro-small-and-mediumenterprises#:~:text=Those%20firms%20with%20up%20to,crore%20are%20termed%20small%20enterprises.>
- [36] <https://cannibals.digital/what-is-primary-data-in-marketing/>
- [37] <https://robertsmith.com/blog/entrepreneurial-spirit/>
- [38] <https://www.maheshwariandco.com/blog/types-of-business-structures-in-india/>
- [39] <https://simpletaxindia.in/tax-assessments-for-firms/>
- [40] <https://www.threeriversbookkeeping.com/understanding-s-corp-distributions-and-draws-are-they-taxable/>  
<https://careersupport.com/example-of-methodology-in-research-paper/> <https://blainy.com/descriptive-research/>
- [41] <https://newsmagazine.co.uk/startups-vs-corporations-pros-and-cons/>  
<https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=152063&ModuleId=3&reg=3&lang=1>

## APPENDIX

### Questionnaire

1. What is your gender?\*

  - Male
  - Female
  - Other

2. What is your age?\*

  - Under 20 years
  - 20-35 years
  - 36-50 years
  - 50-65 years
  - Above 65 years

3. What is your profession?\*

  - Businessperson
  - Professional
  - Salaried
  - Homemaker
  - Student
  - Retired
  - Other

4. What percentage of India's GDP is contributed by small and medium enterprises?\*

  - Less than 10%
  - 10%-20%
  - 30%-40%
  - More than 50%

5. Which sector has the highest presence of small businesses in India?\*

  - Textile
  - Agriculture
  - Manufacturing
  - Automobile

6. Small businesses employ millions in India. Would you say this statement is\*

  - True
  - False
  - Maybe true or false

7. What is/are the significant challenge(s) faced by small businesses in India?\*
- Lack of skilled labour
  - Ineffective online presence
  - Limited credit access
  - Lack of business plan
  - High competition from MNCs
  - Lack of managerial and marketing skills
8. What initiatives are launched by the Indian government to promote small businesses?\*
- Make in India
  - Digital India
  - Aatmanirbhar Bharat
  - Startup India
9. What is/are the significant advantage(s) of small businesses over large companies in India?\*
- Personalised service
  - Higher adaptability to the local needs
  - Better flexibility
  - Flat hierarchy
10. As small businesses generate employment, promote local products, and help develop rural areas, they play a significant role in the Indian economy.\*
- Strongly agree
  - Agree
  - Neutral
  - Disagree
  - Strongly disagree