

Role of Small Business in Economic Development: A Quantitative Investigation

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Abstract

Small businesses have always been seen as essential to economic growth. Small enterprises have been crucial in recent years in promoting economic growth and opening up job opportunities. Despite the difficulties, small businesses have persisted in displaying resilience and adaptability, helping the local and global economies recover. As these account for a sizable portion of job creation, innovation, and entrepreneurial activity, these play a significant role in the growth of the economy. Many individuals can find work, especially in rural and low-income areas, and these frequently act as a driver of regional economic development. However, small businesses encounter many obstacles in the efforts to support economic growth, such as restricted access to capital, regulatory limitations, and competition from bigger businesses. Therefore, by fostering an environment that is enabling the growth and development, policymakers and stakeholders must assist small businesses. This can be accomplished through facilitating access to capital, streamlining regulatory procedures, and encouraging entrepreneurship-related education and training.

Keywords: Entrepreneurship, Innovation, Market Competition, Rural Development, Human Capital Development.

Introduction:

Enterprise and business are terms that we frequently used interchangeably. There is, however, a distinction between the two. An enterprise is typically a project that demonstrates the entrepreneur's initiative or capacity for taking significant risks. It signifies something greater and more extensive than a straightforward occupation. Business is a form of occupation that demonstrates the owner's independence. Entrepreneurs are noted for the innovations and developments. On the other hand, proprietors of small businesses set up the companies primarily with the intention of making money. Entrepreneurs frequently desire development and change. On the other hand, owners of small businesses are happy as long as the businesses are profitable. Rarely do they try to do more (Potluri et al. 2012). Indian government defines 'small business' as "a business set up in which the financial commitment towards infrastructure such as a building & equipment, whether made as an owner or on a rental or purchase basis, does not surpass Rs. 1 crore," according to websites. Any manufacturing unit with less than Rs. 5 crore investment in plant and machinery is categorized as a small business. The most prevalent company structures in India is sole proprietorships. Simply said, it is a single-person-owned, unincorporated firm. Small businesses are privately held companies with fewer staffing needs, fewer or no machinery needs, and lower capital requirements. In other terms, a tiny firm can be characterized as one that requires little or no capital outlay, a small workforce, and few or no operating machines. The country's economic development is significantly impacted by the expansion of regional economies, which are mostly supported by the sector of small and medium-sized businesses. The majority of the production in the region is also the outcome of small businesses. The growth of society and the country are both significantly influenced by small companies (Ayyagari et al. 2011).

By offering a range of goods and services, generating employment opportunities, fostering the growth of local economies and communities, fostering market competition, and bringing innovation, these contribute significantly to the national economy. By fostering innovation and growth in the neighborhood, small companies support local economies. In the Indian economy, small enterprises are the second biggest source of employment after agriculture. In rural and semi-urban locations, small businesses offer a wealth of opportunities. Small businesses offer opportunities for others to find employment as well as self-employment for the educated and professional classes of individuals. These offer more employment opportunities than large industries and are typically labor-intensive (Nichter, S., & Goldmark, L. 2009). Small enterprises' main characteristic is a greater emphasis on physical labor than on intellectual labor. By giving those who might not be employable by giant corporations the chance to work, small businesses contribute to economic progress. Farmers who are idle for a portion of the year have employment alternatives because to small companies. A

businessperson promotes efficient capital resource mobilization, a rise in workforce size and productivity, the introduction of new products and services as well as the development of new markets to support economic growth. By doing this, they help a country's gross domestic product and per capita income increase, which is an indication of economic growth.

Literature Review:

More importantly, small business development contributes to balanced regional economic growth. Small enterprises can be found all around the country, but these are particularly prevalent in rural and underdeveloped areas where these foster growths and increase residents' standards of living. Because these are flexible by nature, small businesses can adapt to shifting environmental conditions. A businessperson is constantly searching for chances. These promote efficient capital resource mobilization, a rise in workforce size and productivity, the introduction of new goods and services, and the creation of new markets for the expansion of the economy. In doing so, also contribute to raising a nation's gross domestic product as well as its per capita income, which is a sign of economic expansion (Elimam, H. 2017).

Methodology Of The Study: Small business owners in the town are the study's target population. Judgmental sampling is the main approach used to obtain data. To incorporate the many kinds of small businesses, present in the research area, judgmental sampling is employed to get the sample. Since these produces and sell a variety of goods, it also includes small producers, wholesalers, and retailers. A total of 80 small enterprises were chosen as research participants.

Unstructured interview questions are used to speak with the respondents. The supplemental data was gathered from books, and articles published in various periodicals, and websites. A straightforward statistical technique and descriptive Narrative Are Used To Tabulate And Analyze The Primary Data That Was Thusly Gathered At The Field Level.

Analysis And Discussion:

Monthly income: Numerous factors, including a company's size, capital investment, sales volume, etc., affect a company's income or profitability. The surplus left over after all expenses, including worker wages and salaries, have been paid, is referred to in this study as the respondents' monthly income. The owners' (entrepreneurs') income serves as a gauge of the respondents' ability to support the families financially. The average monthly income of a few chosen business owners is shown in the following table.

Table 1			
Monthly income of participants			
S. No	Monthly Income	No of Participants	Percentage
1	Below Rs 20,000	4	5%
2	20,000- 50,000	11	13.75%
3	50,000-70,000	32	40%
4	70,000-1,00,000	18	22.50%
5	1,00,000 and above	15	18.75%
	Total	80	100%

According to Table 1, the bulk of respondents (40%) earn between Rs. 50,000 and Rs. 70,000 per month, with respondents earning between Rs. 70,000 and Rs. 1,00,000 per month making up the next 22.5% of respondents. Only 5% of the respondents have incomes under Rs. 20,000.

Number of workers employed: Employer size, production volume, and product kind are all factors that influence hiring decisions. The number of job openings supplied by the respondents in the business is shown in Table -2.

Table 2			
Number of workers employed in the business			
S. No	No. of workers	No. of Respondents	Percentage
1	Zero	5	6.25%
2	1 to 5	23	28.75%
3	6 to 10	32	40%
4	11 to 20	11	13.75%
5	21 and above	9	11.25%
	Total	80	100%

From the 80 respondents, 75 have hired staff for the business, according to Table 2. Respondents who offer employment opportunities for an additional 6 to 10 people make up 40% of the total, while those who offer employment opportunities for an additional 1 to 5 people make up the remaining 28.75%. 13.75% respondents provide additional employment the response offers work opportunities for 11 to 20 people and for 21 or more people (11.25%).

Terms of employment of workers: The terms of employment are only applicable to permanent and temporary employees. The terms of workers' contracts are displayed in the table below.

Table 3			
Terms of Appointment of Workers in the Business			
S. No	Terms of Employment	No. of Respondents	Percentage
1	Permanent	62	82.67%
2	Temporary	13	17.33%
	Total	75	100%

Table 3 demonstrates that, of the 80 responders, 75 offer extra career opportunities. Additionally, the table lists 75 respondents who have offered employment opportunities. Of these, 62 (82.67%) have hired permanent employees in the businesses, while only 13 (17.33%) have done so. It has been noted that most business owners employ full-time employees.

Facilities provided to the workers: The respondents were questioned about the amenities that the businesses offered to the employees. The majority of respondents claimed that in addition to monthly salary, they also offer loading docks, bus fares, midday meals, and twice or three times during the day tea. The following table lists the amenities offered to respondents' employees.

Table 4			
Facilities provided to the workers			
S. No	Facilities Provided	No. of Respondents	Percentage
1	Loading facility	33	44.00%
2	Bus fare	42	56.00%
3	Midday meal	52	69%
4	Tea	75	100.00%
5	Uniform	11	14.67%
	Total	75	

According to Table 4, 75 respondents who offer job opportunities also give the employees access to some facilities. In response to a survey question, 44% of respondents said they offer loading services to the employees who travel to Tinsukia from neighboring towns or rural areas. 56% of respondents provide bus fare for the employees to travel up and down from home to the workplace. 69.33% of respondents say they give the employees lunch, while 14.67% say they give uniforms. Nearly all of the respondents offer tea to the employees.

Objective of the Study

- To measure the role of small business in economic development

Methodology

This study utilized a structured questionnaire to conduct a survey, and statistical methods such as mean & t-test were used to analyze the responses from 223 participants. The sampling method used in this research was convenience sampling, where individuals were selected based on their accessibility & willingness to participate.

Table 1 Role of Small Business in Economic Development

Serial No.	Statement of Survey	Mean Value	t-value	p-value
1	Small businesses are a significant source of job creation and employment opportunities in local communities.	4.17	8.624	0.000
2	Small businesses play a critical role in driving innovation and technological advancement in a society.	4.35	10.290	0.000
3	Small businesses contribute to economic growth by generating income and providing tax revenue to the government.	4.39	10.507	0.000
4	Small businesses often provide healthy competition to larger businesses, which can lead to increased efficiency.	4.01	5.143	0.000

5	Small businesses may play a vital role in community development, particularly in rural and underserved areas.	3.95	4.762	0.000
6	Small businesses are often started by entrepreneurs who are willing to take risks and innovate.	4.49	11.815	0.000
7	Small businesses source their inputs from local suppliers, which helps support other local businesses and suppliers and creates a multiplier effect on the local economy.	4.42	11.407	0.000
8	Small businesses are often more flexible and responsive to changing market conditions than larger businesses.	4.27	10.560	0.000
9	Small businesses are involved in export activities, which may help boost the national economy by generating foreign exchange earnings.	3.89	5.090	0.000
10	Small businesses help create wealth for their owners and employees, which can help reduce poverty and income inequality in a society.	4.43	12.215	0.000

Table1 demonstrates the mean values for each of the statement of the study done on the “role of small business in economic development”, examining the average scores, the statement that obtains the highest mean score can be described as “Small businesses are often started by entrepreneurs who are willing to take risks and innovate”, which has the mean score of 4.49, Looking at the next statement which is “Small businesses help create wealth for their owners and employees, which can help reduce poverty and income inequality in a society” the mean score is found to be 4.43. Looking at the mean value of 4.42 for the statement “Small businesses source their inputs from local suppliers, which helps support other local businesses and suppliers and creates a multiplier effect on the local economy” shows that local suppliers also impacts small businesses. Looking at the other benefit of small businesses is, “Small businesses contribute to economic growth by generating income and providing tax revenue to the government” which displays the mean score of 4.39, and the statement “Small businesses play a critical role in driving innovation and technological advancement in a society” showcase the mean value of 4.35. Then the statement “Small businesses are often more flexible and responsive to changing market conditions than larger businesses” obtains mean value of 4.27 and the statement “Small businesses are a significant source of job creation and employment opportunities in local communities” has 4.17. The statement “Small businesses often provide healthy competition to larger businesses, which can lead to increased efficiency” showcase the mean score of 4.01. Therefore, the last two statements fall within the lowest category or level, “Small businesses may play a vital role in community development, particularly in rural and underserved areas” mean value of 3.95, the statement “Small businesses are involved in export activities, which may help boost the national economy by generating foreign exchange earnings” has 3.89. The significance of the t-value for each statement in the investigation on the role of small business in economic development is significant. The t-value statements were positive, and their significance value was less than 0.05, indicating a significant relationship between the two variables.

Conclusion:

The study reveals that the majority of respondents are able to earn more than Rs. 50,000 and that virtually all respondents have a monthly income of at least Rs. 20,000. All are able to support the family financially, as evidenced by this. It shows that all have created employment opportunities for society and contributed to lowering unemployment. Even though small businesses are unlikely to have a significant impact on the unemployment rate, any improvement is beneficial. The survey's findings also show that small firms in the study area face a variety of difficulties in starting and operating the enterprises. Entrepreneurs require training, minority group empowerment, and most importantly finance to launch a

successful firm. As a result, developing nations must make great efforts to implement methods that are effective and contribute to the nation's economic growth in order to encourage the launch of small enterprises.

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