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# Gender Differentials in Expansion of Informal Enterprises

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## Gender Differentials in Expansion of Informal Enterprises<sup>1</sup>

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### Introduction

The policy framework in India has provided support to the micro and small enterprises. In 2006, the Micro, Small and Medium Enterprises (MSME) Act 2006 came into existence (msme.gov.in). This Act aimed at promoting and developing micro, small and medium enterprises. In India, the MSME sector's contribution to GDP was 17 percent of GDP during 2004-05 to 2009-10. More recently, a comprehensive policy called the National Policy for Skill Development and Entrepreneurship 2015 came into existence. This policy supersedes the National Skill Development Policy of 2009. The vision statement of the policy is "To create an ecosystem of empowerment by Skilling on a large Scale at Speed with high Standards and to promote a culture of innovation based entrepreneurship which can generate wealth and employment so as to ensure Sustainable livelihoods for all citizens in the country." Recent policies such as demonetization and implementation of the Goods and Services Tax (GST) have created a setback for the micro enterprises that operated in the informal economy based mainly on cash transactions.

According to the Economic Census, 2013, there were a total of 58.5 million enterprises operating in the country of which 45.36 million, or about 77.6 percent, were engaged in non-agricultural activities<sup>4</sup>. Of these non-agricultural enterprises nearly 30 million, or about 66 percent, were own account enterprises operating with only family labour. These 66 percent enterprises were likely to be micro and small enterprises that formed part of the informal sector. There were approximately 5.2 million women operated non-agricultural enterprises, constituting 11.2 percent of all non-agricultural enterprises.

In this paper, we provide estimates of the size and growth of informal enterprises from various sources. We argue that the very large informal sector in India consists of both growth-oriented and necessity driven enterprises. We analyze what are the main correlates of expansion of these enterprises. We further probe into whether there are any gender differentials in expansion of informal enterprises.

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4 Excluding public administration, defense and compulsory social security activities

This paper is structured as follows. The second section presents what we know about the informal sector from a brief review of literature and estimations using Economic Census and National Sample Survey Organisation (NSSO) data. We present the data and methodology used in the model in the third section. In the fourth section, we analyze the correlates of expansion of informal enterprises and explore gender differentials in it. Finally, we briefly discuss the future of informal enterprises given the current policy thrust.

## **Literature on Women Entrepreneurship**

Economists attribute the term entrepreneur and the spirit of entrepreneurship to Shumpeter (1936), who saw innovation as the main driver of economic growth. Psychologists define an entrepreneur around the concept of motivation following McClelland (1961). Entrepreneurship as a discipline was captured by the management literature in the 1980s, and it became a part of strategic management. The management literature broadly addressed two core questions: “Who starts up a new business?” and “What are the non-financial pre-conditions of successful business growth?” (Chepurensko, 2015). There emerged a consensus that entrepreneurship is a study of “emergence of new activity”. However, there was no concordance between the conceptual definition and empirical data on “creation of new economic activity” and “opportunity of discovery and exploitation”.

The mainstream literature on entrepreneurship since the 1930s assumed a gender-neutral stance. A sub-theme of women entrepreneurship emerged in the 1970s (Jennings and Brush, 2013; Yadav and Unni, 2016). The contribution of women entrepreneurship research was the distinction between necessity-driven versus opportunity-based entrepreneurship (Shapero and Sokol, 1982). Early theory focused on “pull” factors, but Shapero and Sokol, (1982) argued that “push” factors are applicable to the entrepreneurial activities undertaken by the minority groups. This framework has challenged the mainstream presumption of entrepreneurship being a process of opportunity identification, evaluation and exploitation. Searching for the market opportunities alone restricts the understanding of why, when, and how many individuals start business ventures.

The gender dimension of entrepreneurship literature is also derived from the fact that a large proportion of the self-employed women workers are own account and therefore more likely to be necessity-based entrepreneurs. This is particularly true of South Asian and African countries. The economist’s definition of an entrepreneur as risk-taking innovators looking for an opportunity or that of the psychologist as high achievers may not suit these women entrepreneurs. Thus a special focus on women entrepreneurs has made a significant contribution to address a different set of questions and advance the literature on entrepreneurship.

The National Sample Survey Organisation (NSSO), India provides a comprehensive database on informal enterprises by gender of ownership through its Unorganised Non-agricultural enterprise's surveys of manufacturing, trade and services. This, however, only provides data on unregistered enterprises. The Annual Survey of Industries (ASI) provides comprehensive data on enterprises in the organised sector but does not probe the gender of the owner-entrepreneur.

The majority of the entrepreneurs in India are own account workers (have no employees), compared to the small proportion of entrepreneurs with workers, that is, employers. Based on this criterion they are classified as necessity-driven (without employees) and opportunity-driven entrepreneurs (with employees) (Kobeissi, 2010). Using NSSO data on unorganised enterprises, Daymard defined necessity-driven entrepreneurship as own account enterprises operating with the use of only family labour and enterprises operating with at least one hired worker as opportunity-based entrepreneurship (Daymard, 2015). In India, both categories also differ by their level of human capital and by their motivation and might respond differently to the policy changes (Daymard, 2015). Women entrepreneurship was low, but growing mainly in the category of own account workers, that is necessity driven (Daymard, 2015). The transition from entrepreneurs without workers to become entrepreneurs employing workers is quite low in India (Schoar, 2009).

Daymard (2015) provided a detailed analysis of nature and drivers of women entrepreneurship in India using NSSO enterprises survey data. He argued that distinction between entrepreneurs with and without workers is very crucial to understand the dynamics of women entrepreneurship in India. With the distinction based on employees, the study found that education and female labour force participation were the main factors driving female entrepreneurs in India. The study highlights the importance of female human capital, both general human capital through education, and specific human capital through labour force participation as drivers of female entrepreneurship in India. It was noted that enterprises with hired workers were more likely to experience growth, maintain accounts, use a computer and operate from a premise designated for the purpose and not from home. Variables such as access to bank credit, provision of credit or income per capita, were not recognized as important barriers or facilitators to female entrepreneurship.

The limitation of using the NSSO data alone may not provide a true picture of women entrepreneurs as this dataset refers only to the unorganised sector or unregistered units. Though this constitutes the large majority of enterprises in India, it would not be correct to judge the potential and need to encourage women entrepreneurship from such a truncated data set.

Ghani et al. (2012) provided a broad understanding of the issues that confront women entrepreneurs in India. They noted that informal entrepreneurship provided opportunities as well as escape from the unpaid domestic work for women. Main factors that determine the extent of women entrepreneurship in India are insufficient family income, widowhood, ill-health of a

spouse or estranged from a spouse. The extent of opportunity-oriented entrepreneurship among women in India is low (Khokhar and Singh, 2016).

Das and Das (2017) analyze the status of micro-enterprises in the unorganized sector in West Bengal using the NSSO, 67<sup>th</sup> Round, 2010-11, Survey of Unorganised Non-Agricultural Enterprises,. They estimate the probability of an enterprise expanding and find that productivity, profitability, location and nature of enterprises significantly and positively affect the status of growth. Larger enterprises are more likely to expand.

*What does the data tell us about informal enterprises and women entrepreneurship in India?*  
*Economic Census:* The last three Economic Censuses were conducted in 1998, 2005 and 2013. The Economic Census is expected to list all enterprises operating non-agricultural activities whether in the organized or unorganized sector. It lists enterprises operating from inside the household premises or outside it and establishments in separate premises. While this is a Census of enterprises, the large proportion of unorganised enterprises in the country makes such estimation difficult and not necessarily accurate. However, it still gives a picture of the dimension of the problem. As per the Sixth Economic Census (2013), there were 58.5 million establishments in operation in the country of which 34.8 million establishments, or nearly 60 percent, were in rural areas. The rest, 23.7 million establishments constituting 40 percent of the total were located in urban areas.

The number of enterprises in urban areas registered a growth of above 5 percent in the recent period 2005 to 2013, more or less similar to growth in the previous Census periods of 1998 to 2005 (Table 1). However, there was on average a slower growth of non-agricultural enterprises (rural and urban) compared to total in both periods, dropping to approximately 3.4 percent growth in 2005 to 2013. The slowdown in the overall growth of enterprises and particularly non-agricultural enterprises in urban areas in the latter period was perhaps due to the global financial crisis that began in 2008.

It is interesting that during 2005-13 the number of urban own account enterprises (OAE) which operated mainly with family labour only, rose by 7 percent overall and nearly 5 percent for all non-agricultural enterprises. It has been noted in the literature that the informal sector grows during a recession or crisis as the poor have to find a means of livelihood to survive (Mehrotra, 2009). The growth of the OAE is a manifestation of this phenomenon. The overall growth of OAEs in the period 2005 to 2013 was greater than that of all enterprises in all sectors (Table 1). The relatively higher growth of the number of OAEs in comparison to all, as well as in both periods was observed in overall industry and services. This phenomenon was also observed within the industry sector in manufacturing and construction, and in the service sector in hotels-restaurants and transport and storage.

**Table 1: Annual Growth Rate of All and Own Account Enterprises, Economic Census, 1998, 2005 and 2013, Urban**

	1998-2005		2005-2013	
	All	OAE	All	OAE
Total Enterprises (Agriculture + Non-agriculture)	5.4	3.7	5.1	7.0
<b>Non-agricultural Enterprises</b>	<b>4.7</b>	<b>2.8</b>	<b>3.4</b>	<b>4.8</b>
Industry	7.0	4.5	4.0	6.3
Mining and quarrying	19.3	-	0.1	-
Manufacturing	7.2	4.7	3.0	5.2
Electricity, gas and water supply	10.1	-	33.1	-
Construction	1.7	-0.7	25.5	27.9
Services	<b>4.1</b>	<b>2.3</b>	<b>3.1</b>	<b>4.3</b>
Trade, hotels, transport, storage and communication	6.6	4.6	2.2	3.0
Trade, hotels and restaurants	6.1	4.0	1.7	2.3
Trade	6.4	4.2	1.1	1.8
Accommodation and food service activities	3.6	1.7	8.0	9.5
Transport, storage and communication	11.5	11.7	6.4	8.3
Transport and storage	7.8	7.3	12.3	14.6
Information and communication	25.8	38.7	-6.3	-7.6
Financing, insurance, real estate and business services	12.8	12.4	4.5	8.6
Community, social and personal services	-2.3	-5.7	-3.3	-4.8

Note: OAE-Own Account Enterprises, enterprises operating without hired labour

Source: Economic Census, 1998, 2005 and 2013

We highlight another feature of the informal own account enterprises using the Economic Census 2013. Nearly quarter of all enterprises in urban areas do not have a separate designated place of work and operate from within their household premises (Table 2). About 30 percent of OAE and only 12 percent of establishments operated from household premises. More than 50 percent of OAE in manufacturing, trade, real estate activities (e.g. brokers) and education (e.g. small crèche, nursery and tuition activities) operated from home. Operating from within the household premise implies that the scale of operation is small, and the possibilities of growth are limited. OAE operating from home may also need to take recourse of illicit electricity connection, have poorer access systems for disposal of garbage and waste material, poor water and sanitation facilities. Lack of safe storage facilities may reduce their chances of getting large job contracts as the contractors may fear for the safety of the materials and final product. All these could lead to low productivity and hence low incomes.

**Table 2: Own Account Enterprises and Establishments operating within the Household, Economic Census 2013, Urban**

	Operate within household premises		
	OAE	Establishments	Total
<b>Total Enterprises</b>	<b>30.8</b>	<b>12.5</b>	<b>23.6</b>
Manufacturing	57.6	21.6	42.4
Electricity, gas, steam and air condition	16.1	4.1	7.4
Water supply, sewerage, waste management	15.7	8.3	12.5
Construction	8.3	9.5	8.7
Wholesale and retail trade total	62.2	10.0	28.8
Transportation and storage	6.3	4.8	6.0
Accommodation and Food service activities	20.1	9.9	15.2
Information & communication	19.3	7.4	13.0
Financial and insurance activities	27.2	3.7	14.3
Real estate activities	54.8	14.3	46.2
Professional, scientific & technical	21.9	7.5	14.5
Administrative and support service a	25.2	9.8	17.1
Education	59.9	8.3	27.8
Human health & social work activities	22.1	10.1	14.6
Arts entertainment, sports & amusement	16.7	6.7	11.9
Other service activities not elsewhere	20.3	9.1	16.1

Note: OAE-Own Account Enterprises, enterprises operating without hired labour

Source: Economic Census 2013

*NSSO Unorganised Non-agricultural Enterprises Data:* Three rounds of Unorganised Non-agricultural Enterprise Surveys have been conducted by the National Sample Survey Organisation (NSSO) in 1999-2000 (55<sup>th</sup> Round,), 2010-11 (67<sup>th</sup> Round) and 2015-16 (73<sup>rd</sup> Round). All these rounds excluded mining and quarrying, electricity, gas and water and the 67<sup>th</sup> and 73<sup>rd</sup> Rounds excluded construction as well. Earlier the NSSO conducted surveys of unorganised enterprises in manufacturing, trade and services sectors separately, but has now gradually switched to consolidated surveys of these industry groups. The advantage of the NSSO data is that it computes the value addition in the enterprises and information of the characteristics of the owner and enterprise.

As expected the large majority of informal/unorganized sector enterprises are OAE, operating with family labour only, more so among women-owned enterprises (Table 3). A positive feature noted was that among all enterprises the growth of establishments was higher (nearly 14 percent) compared to OAE (nearly 10 percent) during the period 2010-11 to 2015-16. Establishments are those operated with at least one hired labour and are therefore larger in scale than OAEs. We assume that such establishments have better productivity and consequently higher revenue.

What do we learn about women operated enterprise? While there was no major difference in the growth of male as opposed to female-owned establishments, the number of female-owned OAEs

grew faster than male-owned OAEs. Women-owned OAE were more likely to be operating from the household premises and also grew the fastest during the period 2010-11 to 2015-16. Both these features, exceptionally large growth of OAEs and home-based nature of the operation, of the women owned enterprises implies that they were smaller in scale, more likely have very low value of assets, which in turn implies low productivity and revenue generation.

**Table 3: Characteristics of Unorganised Non-agricultural Enterprises by Gender of Ownership, 2010-11 and 2015-16, Urban (NSSO)**

Type of Enterprise	2010-11			2015-16			Growth (Percentage)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Own Account Enterprise	82.5	95.8	84.9	81.4	96.1	84.4	5.8	24.2	9.6
Establishment	17.5	4.2	15.1	18.6	3.9	15.6	13.6	14.1	13.7
Total	100	100	100	100	100	100	7.2	23.8	10.2
<b>Location of enterprise</b>									
Within household premises (%)	34.8	80.5	43.1	33.4	84.7	43.8	2.7	30.3	12.0
<b>Age of enterprises</b>									
<5 years	29.6	40.3	31.5	39.5	45.5	40.7	43.0	39.7	42.2
6-10 years	28.9	27.3	28.6	25.7	26.5	25.9	-4.6	20.3	-0.3
11-20 years	27.2	22.1	26.3	25.2	22.1	24.6	-0.8	23.7	2.9
>20 years	14.3	10.3	13.6	9.6	5.9	8.9	-27.7	-29.2	-27.9
Total	100	100	100	100	100	100	7.2	23.8	10.2
<b>Social group</b>									
SC-ST	17.2	18.2	17.4	16.0	19.2	16.6	-0.8	30.9	5.2
OBC	44.6	45.9	44.8	50.0	49.3	49.8	20.1	33.0	22.5
General	37.5	35.2	37.1	33.3	30.7	32.8	-4.8	8.0	-2.6
Total	99.4	99.3	99.3	99.2	99.2	99.2	7.1	23.7	10.1
<b>Growth status of enterprise</b>									
Expanding	32.6	26.9	31.6	30.8	24.9	29.6	-3.1	7.4	-1.5
Stagnant	43.7	42.0	43.4	45.1	48.5	45.8	5.8	34.2	10.8
Contracting	8.7	7.7	8.5	11.9	11.5	11.8	40.0	72.6	45.4
<3 years old	15.0	23.4	16.5	12.2	15.2	12.8	16.3	-24.6	18.4
Total	100	100	100	100	100	100	2.6	16.2	5.1

Note: Own account enterprise- operating with NO hired labour; Establishment-operating with at least one hired worker.

Source: Computed by the authors from the unit records of the 67<sup>th</sup> and 73<sup>rd</sup> Rounds of the NSSO.



About 31 percent of all enterprises were less than five years old in 2010-11 which rose to 40 percent in 2015-16. Male enterprises were more evenly distributed by age, while a larger percentage of women enterprises were less than five years. Young start-ups, less than five years old, grew by about 40 percent during this period. By social group, the Other Backward Classes (OBC) dominated, owning nearly 50 percent of the enterprises. They also dominated in the growth of enterprises. It is likely that this category of OBC has grown over this period by an increase in castes designated as OBC and this may account for this large increase during this period.

With such a large increase in the unorganized enterprises, particularly OAE, women-owned and younger start-ups, the question arises as to how they are faring. Both rounds of the NSSO asked a question to unorganized enterprises, greater than three years of age, as to whether the enterprise was expanding, stagnating or contracting. In both years, nearly one-third of the enterprises reported that they were expanding their operations. This was true irrespective of the gender of ownership. However, nearly 45 percent reported that they were stagnating. Over the period, unfortunately overall the number of enterprises that reported that they were expanding was negative, though women-owned enterprises report a growth of 7 percent in expanding units. Nearly 50 percent of all enterprises responded that they were contracting, with nearly 70 percent of women enterprises reporting so.

It is disheartening to learn that more than half the unorganized enterprises were contracting over the period till 2015-16 and a large proportion were stagnating. However, we focus on the positive. Nearly 30 percent of enterprises reported that they were expanding in 2015-16. Further there was a growth of 7 percent in expanding women owned enterprise. In the next section we try to identify what factors enabled them to expand.

## **Data and Methodology**

*Data:* The study uses unit level data of the Unorganised Non-Agricultural Enterprise Survey conducted by the National Sample Survey Organisation (NSSO), India for the year 2015-16. This consists of unit-level data of around 270,000 sole proprietary enterprises in both the manufacturing and service sector in the unorganized sector. Of these approximately 235,800 were male proprietary and 34,600 were female proprietary enterprises, that is about 13 percent of all sole proprietors.

*Dependent Variables:* The women entrepreneurship literature distinguished between growth-oriented/opportunity based and necessity driven enterprises. Enterprises with hired worker were considered as an opportunity-based enterprise by Daymard (2015). However, we found that nearly 96 percent of sole proprietary firms were own account, operating

without a hired worker. Hence this did not appear to be a good variable to judge growth orientation or opportunity-based enterprises.

As noted above, the 73<sup>rd</sup> Round Survey enquired of all enterprises older than three years as to whether the enterprise was expanding, stagnant or contracting. Nearly 31 percent of the male proprietors and 25 percent of the female proprietors reported that their operations were expanding. Nearly half (45 and 48 percent) of male and female enterprises were stagnant and about 12 percent were contracting (Table 3).

The dependent variable used is a dummy variable of enterprises that are expanding (Expanding=1, otherwise=0) to proxy for growth-oriented entrepreneurship. We exclude the enterprises that are less than three years old from the regression analysis.

**Table 4: Characteristics of Male and Female Proprietary Non-Agricultural Enterprises, 2015-16**  
(Value in Rs/ Percentage)

<b>Enterprises</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
<b>Value of Asset per enterprise (Rs.)</b>	<b>435,594</b>	<b>274,821</b>	<b>414,996</b>
<b>Value Added per Worker (Rs.)</b>			
Expanding	10,805	7,136	10,637
Stagnant	9,088	4,846	8,620
Contracting	8,009	3,844	7,642
<3 years old	8,963	4,637	8,324
<b>Total</b>	<b>9,579</b>	<b>5,370</b>	<b>9,191</b>
<b>Whether registered with any statutory body,</b>			
<b>Yes</b>	<b>35.1</b>	<b>8.3</b>	<b>29.6</b>
<b>Whether book of accounts maintained, Yes</b>	<b>11.5</b>	<b>3.6</b>	<b>9.9</b>
<b>With Current Outstanding loan</b>	<b>13.6</b>	<b>5.9</b>	<b>12.0</b>
<b>Getting Government Assistance</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>
<b>Enterprise Used Computer</b>	<b>5.5</b>	<b>1.3</b>	<b>4.7</b>
<b>Enterprise Used Internet</b>	<b>4.4</b>	<b>1.2</b>	<b>3.7</b>

Source: Computed by the authors from the unit records of the 73<sup>rd</sup> Rounds of the NSSO.

*Specification of independent variables:* The vast majority of women-operated enterprises (96 percent) are own account, run with family labour. About 20 percent of male operated enterprises are operated with at least one hired worker, implying a larger scale of operation. While 35 percent of male proprietors were registered with some statutory body, only 8 percent of female proprietors were so. A small proportion (11 percent) of a male and even smaller percentage of female (3 percent) proprietors maintained a book of accounts of the enterprise. Only about 13 percent of male and 6 percent of female proprietors had currently outstanding loans, implying that these enterprises mainly operated with their own funds or borrow from family and friends.

Less than 1 percent of male and female proprietors received any assistance from the government. About 4 to 5 percent of male and little more than 1 percent of female informal enterprises used computers or had an internet connection. These characteristics of the firm mean that the women operated enterprises were smaller in size and scale, perhaps with limited reach.

Gross value added per worker was lower for the women-owned enterprise, and the average value of assets was about half that of male enterprises. Overall, one can see that the scale of operation of the informal enterprises is very small, more so for women enterprises. However, it is interesting that nearly 25 to 30 percent of them were expanding their operations.

We use three control variables, industry of the enterprise using the NIC classification, and location in an urban area and district of the enterprise. These variables control for the characteristics of the industry and the location of the enterprise.

*The Model:* We address the question: What characteristics of the firm and location are associated with expansion of the enterprise or helps it to respond to a business opportunity? Further, is there any difference by gender of ownership?

We estimate a logistic regression separately by gender of ownership to estimate the impact of characteristics of the firm and location on the log odds of the firm expanding. The Binary logistic model for the categorical dependent variable for the expanding firm is specified as follows:

$$\text{Logit}[P(y = 1)]_{ij} = \alpha_{ij} + \beta_1 \chi_{ij} + \beta C \text{ Control Variables}_{ij} + E_{ij} \quad (3)$$

Where  $[P(y=1)]$  is the log odds ratio that a firm is expanding,  $i$  is the individual firm,  $j$  is gender;  $\alpha$  is the regression constant;  $\beta$  estimates for the regression coefficient of firm characteristics,  $\chi_{ij}$  being vector of the individual and location characteristics;  $C$  being vector of the control variables, and  $E$  is the estimate for error term.

## Results and Discussion

The Model investigates gender differential in correlates of firm characteristics of expanding firms through logistic regression models separately for male and female proprietors. Our main result is that we do not observe any gender differentials in opportunity driven firms among unincorporated enterprises or the informal sector.

Being located in the household premise did not inhibit expansion of male or female enterprises (Table 5). It indicates that household-based enterprises are also dynamic in nature and can

expand their operation given the right environment. Among the social groups, compared to the scheduled caste and tribes (SC-ST), proprietors belonging to the upper caste (general category) were less likely to be expanding their enterprises. It is possible that the upper castes with their better educational status have better opportunities, either in good formal sector jobs or setting up incorporated enterprises. Upper caste owners with unincorporated enterprises in the informal sector were perhaps the less competition among them, or less resourceful in both physical and social capital.

Enterprises that were more than 4-5 years of age (3 years and less were not included in the analysis) were more likely to be expanding, though at a declining rate with age (Table 5). These results are consistent with age-growth relation as predicted by Jovanovic's (1982) theory of the firm in which entrepreneurs enhances their abilities over time. As expected firms with larger scale of operation, higher gross value added per worker and value of fixed assets, and establishments with at least one hired worker were more likely to expand. Units that maintained books of account, indicating better organization skills, were also more likely to expand. These characteristics of the firm may be the result of past expansion as much as being a cause of current and future expansion. The surprising result was that male proprietors that had a current loan liability were less likely to be expanding.

**Table 5: Log Odds Ratio of Expanding Firms by Characteristics of Firm and Location**

	<b>Male</b>	<b>Female</b>
Location within Household Premise	1.174***	1.165***
Social group: OBC	1.006	0.933*
Social group: General	0.944***	0.779***
Age of firm 6-10 years	2.318***	2.286***
Age of firm 11-20 years	2.191***	2.175***
Age of firm >20 years	1.755***	1.830***
GVA per worker (log)	1.380***	1.581***
Log Value of assets	1.033***	1.036***
Unit maintains accounts	1.076***	1.057
With at least one hired a worker	1.189***	1.143*
Current taken loan	0.899***	0.967
Unit used computer	0.981	0.847
<b>Unit used internet</b>	<b>1.115***</b>	<b>1.220*</b>
<b>Received government assistance</b>	<b>1.140**</b>	<b>1.374**</b>
<b>Registered with statutory authority</b>	<b>1.172***</b>	<b>1.169***</b>
Control: Urban	0.827***	0.910***
Control: Industry	1.000***	1
Control: District	1.011***	1.004***
<b>N</b>	<b>235825</b>	<b>34680</b>

The interesting correlates of opportunity were the positive log odds of use of the internet, and registration with any statutory authority like the Shops and Establishment Act. This suggests that

enterprises adopting modernization with ICT facilities and complying with formal institutions (through registration) perform better. Further, the informal enterprises that received some form of government assistance had higher log odds of expanding. This indicates the importance of government support for such informal enterprises. There were again no gender differentials in all three positive correlates of expansion of the business. Overall, our results showed that among enterprises in the unorganized sector, there were no significant differences in the likelihood of the expansion concerning gender of ownership.

### **Limitations of the Study**

The dataset used in this paper consists of enterprises alone. One of the limitations is that we cannot estimate the probability of being an entrepreneur among workers or the probability of being a women entrepreneur among women workers. Further, as the data is limited to a set of enterprises in the unorganized sector only, any measure of growth orientation will be limited. The majority of the enterprises in the organized sector, excluded from this dataset, are more likely to be growth oriented which we are unable to capture in this paper. The dataset is likely to exclude the well to do and financially better off women owner-entrepreneurs who are more likely to be growth oriented.

We must bear in mind that we are only exploring the possibility of small and mainly own account enterprises able to see and seize a business opportunity which allows them to expand. Further, the limitation of the regression exercise being reported is that we cannot claim causality. The controls for location (rural or urban), industry and district are proxies for dynamism which are generic and refer to all enterprises in the area or industry. The results reported are still unable to capture and control for other possible causes of the dynamism of the firms. Hence, the results are preliminary and can be considered characteristics associated with or factors that accompany and help expansion of the firms.

### **Conclusion**

The Economic Census was conducted in 1998, 2005 and 2013. Between the first period 1998-2005 and the second period 2005-2013 there was an overall decline in growth of urban enterprises. However, there was a rise in growth of own account enterprises (OAE) from 3.7 to 7.0 percent per annum. This implied a faster growth of the informal enterprises, OAEs operating with family labour only in the second period. This growth of small informal enterprises might be due to general slowdown of the economy due to the global crisis, leading to decline in formal sector.

The NSSO data on unincorporated non-agricultural enterprises for the more recent period 2010-11 to 2015-16 also showed an overall positive growth of informal enterprises. Among all unorganized enterprises the establishments with hired workers grew faster than own account

enterprises. This could indicate a positive sign of overall increase in scale of operation of unorganized enterprises. However, among women owned enterprises the own account enterprises grew much faster. Women owned enterprises are smaller in scale of operation.

While informal enterprises form the large mass of non-agricultural enterprises in urban India, the latest available unit level data of Unincorporated Non-Agricultural Enterprise Survey, NSSO, 2015-16, showed that about 30 percent of them were expanding or were growth oriented. We explored the gender differential of proprietors in the unorganized sector with respect to chances of the firm being in expansion mode given the firm-level characteristics and location. The female proprietors were more likely to be home-based, and smaller in scale than male proprietary firms. The positive result we noted was that there were no gender differentials in correlates of expansion of business in these enterprises in the informal sector.

Age of the enterprise is the most significant factor that is associated with the expansion for both male and female-owned enterprises. This is as per the age and growth relation postulated by theory. The important correlate of expansion of the enterprise was the use of internet and registration under any statutory Act. Use of ICT facilities helps for efficient decision making and management of production, logistic and marketing process. A significant and positive effect of registration with a Statutory Authority on expansion highlights the benefits of transition towards formalization. The interesting result was that enterprises that reported having received some government assistance were more likely to expand. This highlights the importance of government support for enterprises in the informal sector to help expand their business and grow to scale. This was true for both male and female proprietors.

Informal enterprises, including own account, are a source of employment generation due to the sheer mass of them. Encouraging them to enter the formal tax, financial and social security system is beneficial to them and the economy, as intended by the implementation of the Goods and Services Tax (GST) (GOI, 2018). However, it is also important to support enterprises that are unable to do so immediately. Government assistance, in addition to the access to credit, is vital for achieving transition from informal, mostly necessity-driven, to formal growth-oriented enterprises, as indicated by our results. Facilitating growth of informal enterprises through various measures is crucial for achieving transition from the informal economy to the formal economy. Further, in the context of missing middle phenomena<sup>5</sup> in India, promoting and supporting informal enterprises to achieve scale, becomes an important policy objective from the point of view of growth and employment generation.

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5 Industries in developing countries usually found to be dominated by many tiny enterprises and a few large firms, but disproportionately few small and medium enterprises.

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