Microenterprise: concept & definition

Microenterprise is defined as a micro business (manufacturing & services), which starts with a less amount of capital and employs a small number of people.

Microenterprise may be supported by microcredit or microfinance.
Contd.

**Definition in terms of Investment:** (example from India)

- **Microenterprise:** If investment does not cross USD 0.034 million
- **A small enterprise:** If investment is more than USD 0.034 million and does not cross USD 0.68 million
- **A medium enterprise:** If investment is more than USD 0.68 million but does not cross USD 1.35 million

Source: MSMED Act (India), 2006

**Definition in terms of turnover:** (example from India)

- **Microenterprise:** annual turnover is less than USD 0.68 million
- **A small enterprise:** If annual turnover is more than USD 0.68 million, and remains below USD 6.8 million
- **A medium enterprise:** If annual turnover ranges from USD 6.8 million to Rs. 33.88 million

Source: HDFC Bank, India, 2021
Definition in terms of employees:

- Microenterprise = If number of employees are less or equal to 10
- A small enterprise = If the number of employees is more than 10, but does not cross 50.
- A medium enterprise = If number of employees is more than 50, but does not cross 250.
Types of microenterprises

- **Manufacturing**
  - Food vendors, non-food vendors, shops, micro agribusiness, informal sellers etc.

- **Service rendering**
  - Tourism guide services, hardware services, travel services, horticultural/landscape services, independent services etc.
Types of microenterprises

Taking environment into account

- **Conventional microenterprises**
  - Those which are not taking into account environmental and safety aspects.

- **Green/clean microenterprises**
  - Those which take into account environmental and safety aspects.
  - Key features: organic inputs, environment friendly packing, organic & safe products, avoiding harmful wastes, nature promoting, nature positive, aligned with environmental policies etc.
Nature of mountain economy (ME)

- High dependence on natural resources
  - Agriculture remains mainstay
  - Pastures and rangelands vital for livestock and pastoralism
  - Forest
  - Glaciers
- High vulnerability to climatic and non-climatic shocks & changes
- Niche products/ small scale production
- Varying agro-ecological conditions
- Varying access to Institutional services – market, information etc.
- Inadequate skilled labor force (high outmigration rate of youth)
- Emerging non-agricultural opportunities – tourism, handcrafts etc.
- Declining diversity in agricultural production
Climate change & ME: a case of the Hindu-Kush Himalaya

<table>
<thead>
<tr>
<th>Climate change indicators (multi-tier)</th>
<th>Attributed impacts on mountain economy</th>
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</thead>
<tbody>
<tr>
<td>• Changes in maximum and minimum surface air temperature</td>
<td>• Reduced crop productivity &amp; agricultural income</td>
</tr>
<tr>
<td>• Changes in glacier melting rates &amp; inventories</td>
<td>• Increased dependency on external food and non-food commodities</td>
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<tr>
<td>• Changes in timings of seasons</td>
<td>• Rise in food prices &amp; reduced purchasing power</td>
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<tr>
<td>• Changing patterns of precipitation &amp; erratic events</td>
<td>• Increased health issues due to climate induced hazards</td>
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<tr>
<td>• Increased incidences of floods, GLOFs, droughts, landslides &amp; avalanche</td>
<td>• Reduced livestock productivity due to degradation of pastures and rangelands</td>
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<tr>
<td>• Increased incidences of crops pests and livestock diseases</td>
<td>• Increased indebtedness of households</td>
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<td></td>
<td>• More challenges for women (more workload, frequent hazards, lower food intake etc.)</td>
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<td></td>
<td>• Land abandonment</td>
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<td></td>
<td>• Losses/damages to infrastructure</td>
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</tbody>
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Sources: ICIMOD studies
Appropriateness of microenterprises for ME

- Niche products and small scale production (high transportation costs and require local storage and processing facilities)
- Constrained availability of financial capital for investment (subsistence?)
- Limited labor force
- Need value addition & value chains for high potential mountain products.
  - Mountain traditional crops (i.e. buckwheat, barley, millets etc.)
  - High potential for mountain fruits, nuts, vegetables & tea
  - Integration of fish farming, medical plants & honey
  - Organic production
- Potential use of remittances in value addition
- Vast scope of micro business in non-farm sectors (i.e. tourism, embroidery, wood carvings & handicrafts, jewels etc.)
- Potential to engage youth and women in economic activities through startups (will also contribute to reducing youth outmigration & laborious work of women)
Potential role of microenterprises in mountains

Microenterprises can play role in:
• Triggering economic activities in least developed areas
• Using available limited financial resources
• Tapping labor force in an efficient way (particularly in this COVID-19 pandemic situation)
• Creating large scale employment opportunities
• Bringing mountains into mainstream planning process
• Reducing poverty, food insecurity and economic vulnerabilities of mountain communities
• Significant contribution to national economies
What is the most important for policies?

• Understanding the mountain context and assessment of the potential for microenterprises
• Mainstreaming mountains adequately in economic policies and programmes
• Mountain specific data on economic and development indicators
• Assessing and tapping comparative and competitive advantage of mountain products, and support microenterprise accordingly through technology, financial incentives and institutional services
Thank you

Let's protect the pulse.
Among the world’s most important global resources, the Hindu Kush Himalaya sits at the peak.

- Geographical area of 3,441,719 km² of eight countries (Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal and Pakistan)
- Almost 60,000 km² covered by glaciers
- 240 million people in the HKH
- 1.90 billion dependent people in downstream