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# Meaning and Nature of Small Business

Small businesses surround us. They are on every other street and in every corner. Every second thing someone buys comes from a small business. In India where [unemployment](https://www.toppr.com/guides/economics/employment/unemployment-and-employment-generation/) is a serious issue, small business gains a special position in the industrial structure because of their ability to utilise labour and create employment. Let us learn about meaning, nature and types of small business.

Small businesses are either [services](https://www.toppr.com/guides/business-studies/business-services/nature-and-types-of-services/) or retail operations like grocery stores, medical stores, tradespeople, bakeries and small manufacturing units. Small businesses are independently owned [organisations](https://www.toppr.com/guides/business-studies/organising/intro-to-organisation-and-its-importance/) that require less capital and less workforce and less or no machinery. These businesses are ideally suited to operate on a small scale to serve a local community and to provide profits to the company owners..Indian government defines small businesses on the basis of the business’s ability to invest in the plant and machinery. According to the definition provided by the [government](https://www.toppr.com/guides/civics/what-is-government/meaning-of-government/) website for business, business.gov.in, a small scale business is a business set up in which the financial commitment towards infrastructure such as building & equipment, whether made as an owner or on rental or purchase basis, does not surpass

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## Types of Small Business

* Small-scale manufacturing industries.
* Handlooms and power loom.
* Khadi
* Agro-based industries.
* Tuition Centres.
* ‎Photography.
* Breakfast joint
* Printing.
* Coir
* Sericulture

## ****Nature of Small Business****

The nature of small businesses can be classified as follows:

#### 1. Shoestring Budget

A sole proprietor or a small group of people operate small businesses. These businesses often run on ‘shoestring budget’ meaning that small businesses function on a very tight [budget](https://www.toppr.com/guides/general-awareness/public-finance-and-budget/introduction-to-budget/).

#### 2. ‎Labour intensive

Small businesses are mostly labour intensive. Various types of small [business](https://www.toppr.com/guides/business-studies/nature-and-purpose-of-business/concept-and-characteristics-of-business/) largely rely on labour for their functioning. The primary nature of small businesses is more involvement of physical work rather than intellectual work. The lack of machinery makes the employees manage their operations manually.

#### 3. Community-based

Small businesses are started with the motive of satisfying the needs and [demands](https://www.toppr.com/guides/business-economics/theory-of-demand/meaning-and-determinants-of-demand/) of a local area or community. These businesses demographically target few areas of concentration and are hence community-based.

#### 4. Indigenous technology

Due to small businesses being community focused and labour oriented they often thrive upon native methods of operations. In India, there are many businesses in the rural sector that still use outdated technology. This might give uniqueness to the [products](https://www.toppr.com/guides/business-studies/marketing/product/) but hinders the development of the business.