

# **GROWTH OF MICRO AND SMALL ENTERPRISES (MSEs) IN ASSAM**

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## **ABSTRACT:**

Micro and small scale enterprises have been accepted as instrument of economic growth and it catalyst in the socio-economic and industrial development in the economy of North East vis-a-vis Assam. The growth and importance of MSEs is clear from the sectoral contribution to GSDP. The share of Agriculture and Allied sector was 20.73 %, the Industrial sector was 22.8 % and Services sector was 56.47% in 2013-14. An investigation is made for growth of MSEs in Assam for the period 1993-94 to 2013-14 by using simple semi log model and found that growth of MSEs has recorded a negative growth of order of -2.66 per cent per annum. The growth of employment, investment and output has recorded a positive growth of the order of 1.823 per cent, 17.856 per cent and 16.247 per cent per annum respectively.

## **Introduction**

The Micro, Small and Medium Enterprises (MSMEs) is the dominant sector in Assam as compared with other North Eastern (NE) States because 61.48 per cent of MSMEs units concentrated in Assam and the rest 38.52 per cent is located in the rest of the NE states. Similarly, 51.5 per cent of fixed investment, 66.2 per cent of output and 55.12 per cent of employment of entire NE region shared by Assam. At present, the MSME sector is found the fastest growing sector in Assam in terms of output, investment, numbers of units and employment generation. The Sectoral composition of GSDP both at current and constant (2004-05) prices has undergone considerable change during the past few years. In 2004-05 at constant (2004-05) the share of Agriculture and Allied sector was 25.6 %, The Industrial sector was 27.5 % and Services sector was 46.9%. It is evident that over the years the share of Agriculture and Allied sector in the GSDP has been gradually declining from 25.6 percent in 2004-05 to 22.4 percent in 2011-12, again to 20.74 percent in 2013-14. The contribution of Industry sector to GSDP has also shown a downward trend from 27.5 percent in 2004-05 to 21.9 percent in 2011-12, again rise to 22.80 per cent in 2013-14, while the share of Services sector has progressed from 46.9 percent in 2004-05 to 55.7 percent by 2011-12 and again to 56.47 per cent to 2013-14 (Economic survey of Assam, 2014-15). Thus, the State Economy has witnessed a change over the periods and the primary sector has witnessed a shift to service sector and industrial sector resulting to flourish very rapidly in the State's economy. So far as employment elasticity is concerned, it has also been declining in a large surplus of labour in rural areas. During 1977-1978 and 1999-2000, the share of employment in agriculture sector declined from 73.9 per cent to 60.2 per cent. The share of agriculture sector's contribution to National Income has come down from 30 per cent in 1990-91 to 13.9 per cent in 2011-12. MSEs is the 2<sup>nd</sup> largest employer of human resources after agriculture and very important to generate large scale employment, to sustain economic growth and to make growth inclusive.

## **Objectives**

The study aims i) to explore the place of MSEs of Assam in North Eastern economy and ii) to estimate the growth rate of output, employment and fixed investment of MSEs.

## Research Question

What is the overall performance of variables like MSEs units, output and employment, investment in the post reform period?

## Methodology

The paper is based on secondary sources of data collected from Annual reports of MSMEs, Govt. of India, Economic survey of Assam, 2012-13 and Statistical hand book of Assam. The collected data is analysed with the help of percentage method and also the compound growth rate has been estimated by using loglin model.

## Place of MSEs of Assam in the North Eastern Region

The MSEs is the dominant sector in Assam as compared with other North Eastern States because out of the 3,70,903 MSE units in the NE region 2,28,024 MSE units concentrated in Assam. That constitute almost 61.48 per cent units exist in Assam and the remaining 38.52 per cent is located in rest of the States in the NE region. At present, the MSE sector is found the fastest growing sector in Assam in terms of investment, production, size of numbers and employment generation. As per the statistical records (MSME,GOI 2006-07) the value of fixed investment estimated at Rs.1364.20 crore in Assam out of total Rs.2648.86 crore of NE investment in MSE sector and Assam accounts for 51.5 per cent of the total investment in the NE region. This is depicted in Table-1

**Table-1 : Numbers of MSEs, Fixed investment, Production and Employment in NE region (2006-07)**

Name of the States	No. of units	Fixed investment (Rs. crore)	Production (Rs. Crore)	Employment(in numbers)
Arunachal	1490 (0.41)	36.81(1.39)	82.5 (0.94)	4630 (0.50)
<b>Assam</b>	<b>228024 (61.48)</b>	<b>1364.20 (51.50)</b>	<b>5840.6 (66.20)</b>	<b>509601 (55.12)</b>
Manipur	55972 (15)	416.83 (15.74)	836.9 (9.49)	158914 (17.19)
Meghalaya	13149 (3.53)	176.38 (6.66)	572.8 (6.49)	79975 (8.65)
Mizoram	28837 (7.57)	148.51 (5.61)	246.1 (2.78)	30183 (3.27)
Nagaland	17221 (4.44)	459.3 (17.34)	642.4 (7.28)	74677 (8.07)
Sikkim	436 (0.12)	13.38 (0.50)	52.8 (0.60)	1873 (0.20)
Tripura	28410 (7.45)	33.45 (1.26)	548.2 (6.22)	64763 (7.0)
<b>Total</b>	<b>370903 (100)</b>	<b>2648.86 (100)</b>	<b>8822.3 (100)</b>	<b>924616 (100)</b>

*Source:* The Ministry of MSME, Govt. of India 2006-07. *Note:* Figures shown in the brackets represent percentages of the total NE region.

Table-1 reveals that production and employment scenario of MSEs in Assam are highly impressive. The MSE sector in Assam accounted for 66 per cent of total production and more than 55 per cent of total employment generated in the NE region in 2006-07. The sector wise classification of industries as prepared by NEDFi Databank Quarterly on MSMEs, 2009-10 also demonstrated the role of micro enterprises in Assam is highly significant in terms of

number of units and employment generation. However, in terms of value of production, the small enterprises account the major share (i.e., 72.12 per cent) in 2008-09. The study reveals that there is a wide disparity regarding the numbers of entrepreneur memorandum issued to MSMEs. The value of production for small enterprises in 2008-09 is more than twice the value of production of micro enterprises in Assam. Conversely its production value for medium enterprises is only Rs. 1397.27 lakh against Rs. 12293.33 lakh in micro enterprises and Rs. 35386.5 lakh in small enterprises. If employment generation and investment pattern is concerned micro enterprise provides highest employment opportunities and small enterprises shows highest investment per month as compared to micro and medium enterprises. It is clearly evident that medium enterprises in Assam are lagging behind than that of micro and small enterprises in regard to the parameters like number of units, production, employment and investment in the State. The study reveals that there has been an unequal growth of the number of enterprises, production value, employment and investment in Assam.

### **Growth of Registered Micro and Small Enterprises in Assam**

The SSI has played a vital role in the process of industrialization and employment generation as compared to medium and large scale industries in Assam. Table-2, represent the growth of MSE sector in Assam in terms of numbers of MSE units, employment, investment and output during the period 1993-94 to 2007-08.

**Table-2 : Numbers of MSE units, Employment, Investment (1993-94 to 2013-14) and Output (1993-94 to 2010-11) in Assam**

<b>Year</b>	<b>Number s of MSEs</b>	<b>Annual growth of nos. of MSE units</b>	<b>Employ ment (in Nos.)</b>	<b>Investment (Rs. in lakh)</b>	<b>Output (Rs. in lakh)</b>
1993-94	2560	Nil	11828	2730.12	6718.36
1994-95	2303	-11.15	9972	2662.15	9141
1995-96	2729	15.61	10450	3568.23	6030.6
1996-97	2431	-12.25	10485	2054.29	9330.18
1997-98	2193	-10.85	8613	4849.16	7379.66
1998-99	2224	1.39	8089	5538.29	30230.75
1999-00	1821	-22.13	7107	3938.22	15460.71
2000-01	2116	13.94	10260	5292.77	37560.77
2001-02	2528	16.29	11538	488.95	16013.81
2002-03	2246	-12.56	11115	4868.94	16379.6
2003-04	2365	5.03	11795	7198.82	17976.9
2004-05	2067	-14.41	9396	7120.18	19698.2

2005-06	2082	0.72	10780	23776.88	22940.86
2006-07	2172	4.14	11852	9282.72	25514.67
2007-08	1692	-28.36	10471	26637.42	44720.97
2008-09	1711	1.12	12914	26348.26	49635.10
2009-10	1678	-1.97	12787	29901.68	58456.8
2010-11	1506	-11.42	10458	27662.92	91678.97
2011-12	1218	-23.64	13203	27007.84	NA
2012-13	1451	16.05	11671	27397.47	NA
2013-14	1860	21.98	12971	31099.08	NA
<b>Total</b>	<b>42953</b>		<b>227755</b>	<b>279424</b>	<b>484868</b>

Source: Directorate of Industries and commerce, Govt. of Assam

It is evident from Table-2, that growth of MSE units in Assam is not uniform and shows dismal picture. The annual growth rate depicts that there are negative growth rate as compared to previous year.

The MSE sector has been able to provide employment opportunities to 1,88,454 persons during the period 1993-94 to 2010-11 in 38132 MSE units. Table-2, shows that total investment made on MSE units is estimated at Rs.196214.67 lakh from 1993-94 to 2010-11. Thus, it appears that MSE units in Assam have fulfilled the norms of investment incorporated into the Micro, Small and Medium Enterprise Development, Act, 2006. The output growth is much more encouraging because it produces output worth of Rs. 484867.9 during the same period.

### **Estimate of Growth Rate for the Number of units, Employment, Investment (1993-94 to 2013-14) and Output (1993-94 to 2010-11) in Assam**

To calculate the growth rate of employment, investment and output of MSE units, simple semi log model (log-lin model) has been used. Here, we use the following well-known compound interest formula

$$Y_t = Y_0 (1 + r)^t \text{ -----(1)}$$

Where r is the compound (i.e., over time) rate of growth of Y. Taking natural logarithm in (1) we can write

$$\ln Y_t = \ln Y_0 + t \ln (1+r) \text{ -----(2)}$$

Now letting a =  $\ln Y_0$  and b =  $\ln (1+r)$

Substituting 'a' and 'b' in equation (2)

$$\ln Y_t = a + b t \text{ ----- (3)}$$

Adding the disturbance term to equation (3), we obtain

$$\ln Y_t = a + b t + U_t$$

Here parameters 'a' and 'b' are linear. The regressand is the logarithm of Y and the regressor is 'time' which will take values of 1, 2, 3, 4, etc. and called it as log lin model.

The estimated results of compound growth rate on No. of MSE units, employment, investment and output (for the period 1993-94 to 2010-11) given in Table-3.

**Table- 3: Growth rate of the No. of units, Employment, investment (1993-94 to 2013-14) and output (1993-94 to 2010-11) of MSEs in Assam**

Variables	Compound growth rate
Numbers of MSE units	-2.66
Employment	1.823
Investment	17.856
Output	16.247

*Note:* Based on Table-2 and Compound Growth rate = [(Antilog.b)-1] x 100.

Table-3 shows the compound growth (Growth rate over a period of time) rates of four variables namely numbers of MSE units, employment, fixed investment and output of MSEs in Assam, which is collected from Directorate of Industries and Commerce, Government of Assam, 2013-14. A perusal of data shows that during the study period (1993-94 to 2013-14) the growth of MSEs has recorded a negative growth of order of -2.66 per cent per annum. However, the growth of employment, investment and output has recorded a positive growth of the order of 1.823 per cent, 17.856 per cent and 16.247 per cent per annum respectively. It means that during the post reform period, the Government of Assam has in general invested or allocated less resource for the establishment of new units. It indicates that compound growth rate of investment marginally higher than the compound growth rate of output. It is clear that investment in the existing units along with their output growth is impressive, but due to negative growth of MSE units the employment growth becoming low. Therefore, the establishment of new micro enterprises under adequate institutional support is considered as most important for additional employment generation in the MSE sector in Assam.

### **Policy Suggestions and Conclusion**

In view of the importance of MSEs, the establishment of new units with adequate support of government become very important for overall growth of industrial development. The policy should be framed in such a way that micro enterprises should be encouraged. A system of integrated credit should be evolved to meet the long term and short term credit requirements of the MSEs. The Government should launch effective entrepreneurship development programmes for strengthening existing enterprises with adequate support of finance, manpower, raw materials, technology and marketing.

A growing economy with a highly diversified MSMEs sector requires innovative solutions relating to its credit delivery mechanism, infrastructure facilities, institutional support, adequate supply of raw materials and human resources for entrepreneurship development. The study reveals that micro enterprises of Assam growing faster than the small and medium enterprises in terms of registered units, value of production, employment and investment.

Thus, to improve the position of MSMEs of Assam economy as well as in Indian economy, the comprehensive support of institutional agencies or government is considered to be very important. There should be adequate supply of credits, raw materials, marketing facilities, infrastructure facilities, technological support, exemption from tax and motivation of new generation of entrepreneurs are also very important.

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## **AUTHOR’S INTRODUCTION**

### **Declaration**

The paper is original, has not been published earlier, and has not been submitted for publication elsewhere.

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