

Micro and Small Enterprises (MSEs) of Assam-An Analysis of its status and growth

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Introduction

The Micro, Small and Medium Enterprises (MSMEs) is the dominant sector in Assam as compared with other North Eastern 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 North east states. Similarly, 51.5 per cent of fixed investment, 66.2 per cent of output and 55.12 per cent of employment of entire North Eastern 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. 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, while the share of Services sector has progressed from 46.9 percent in 2004-05 to 55.7 percent by 2011-12 (Economic survey of Assam, 2011-12). 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. As a result, the development of rural industries (micro and small enterprise now) becomes an alternative strategy for employment generation on the one hand and raising the contribution to Gross State Domestic Product (GSDP) on the other hand. The Micro and Small Enterprises (MSEs) is the 2nd largest employer of human resources after agriculture. It is 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 MSMEs of Assam in North Eastern economy ii) to estimate the growth rate of output, employment and fixed investment of Micro and Small Enterprises (MSEs) in Assam during 1993-94 to 2010-11 and iii) to suggest policy measures for strengthening the MSMEs of Assam.

Methodology

The study 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 log lin model.

Research Questions

- i) What is the contribution of MSEs of Assam in respect of investment, output and employment growth?
- ii) What is the growth rate of MSEs during last eighteen years (1993-94 to 2010-11)?
And
- iii) What are the major constraints of MSEs in Assam?

Review of literature

Singla S. K et al (1983) attempted to assess the impact of the effort of the State Government in the development and growth of village industries with special reference to Punjab Khadi and Village Industries (PKVI) Board. Seven industries were selected out of the list of village industries approved by KVIC, as they absorbed more than 80 per cent share of the total assistance from the board. Compound growth rate were obtained for production, employment and total assistance for these industries from 1973-74 to 1979-80. It is observed that growth rate were significant for all the industries for the three factors under study except for pottery in the case of employment and assistance and gur and khandsari in the case of production. The regression analysis was also used to study the impact of government assistance on production and employment in these industries using both linear and log linear functional forms. The study revealed that the impact was more focused on gur and khandsari, fibre and leather industries in terms of production, whereas in the case of employment, highly significant regression coefficients were observed for neo soap, gur and khandsari and fibre industries. The study concludes that PKVIB has significantly helped the development and growth of these industries in the State.

Barman, K and Das, B (2013) conducted a micro level study on micro enterprises in Hajo development block of Kamrup (rural) district of Assam. They surveyed 21 units in three different villages to examine the status and constraints faced by the micro enterprises. It is found that steel and grill making, brass metal industries and bakery industries are functioning well in respect of investment, employment of labour and use of technology. They identified that marketing of products and non-availability of funds is the main problems of entrepreneurs.

Barman and Das (2014) made empirical study on the performance of KVIs in India during the period 1994-2010 with respects to the performance variables like production, employment and sales. The statistical tools like percentage, compound growth rate and correlation coefficient has been used to study the association between the variables. Also, the projection has been made in respect of the performance variables through the use of least square principles. The study reveals that compound growth rate of employment, output and sales are

5.022 per cent, 11.023 per cent and 28.846 per cent respectively per annum. However, there are exists strong positive correlation between the performance variables. The projected growth of employment, output and sales for 2016 will be 195 lakh, Rs 22455.64 crore and Rs 29453.86 crore respectively. It reflects positive expectation and scope for further employment, output and sales to grow in future in the KVI sector.

Bhaskar, N (2009) also made empirical study on the performance of MSMEs in Tamil Nadu. He analyzed the performance by using statistical tools like graphs, correlation and multiple regressions and found that MSMEs had exhibited a good performance in the study period (1991-92 to 2008-09) in terms of number of units, investment and employment. The study revealed that the good performance was the result of subsidies provided to the micro enterprises by the Government.

Place of MSEs of Assam in the North Eastern Region

The economy of Assam today represents a unique juxtaposition of backwardness amidst plenty. According to recent analysis, Assam's economy is showing signs of improvement. In 2001-02, the economy grew (at 1993-94 at constant prices) at 4.5 per cent; fell to 3.4 per cent in the next financial year. During 2002-04 and 2004-05, the economy grew (at 1993-94 constant prices) more satisfactorily at 5.5 per cent and 5.3 per cent respectively. The advanced estimates placed the growth rate for 2005-06 at above 6 per cent. Sectoral analysis again exhibits a dismal picture. The average growth rate of agriculture, which was only 2.6 per cent per annum over 1998s, has unfortunately fallen to 1.6 per cent in the 1990s. Manufacturing sector has shown some improvement in the 1990s with a growth rate 3.4 per cent per annum than 2.4 per cent in the 1980s.

The MSMEs is the dominant sector in Assam as compared with other North Eastern States because out of the 3,70,903 MSME units in the NE region (Annual Report, Ministry of MSME, Govt. of India 2006-07) 2,28,024 MSME 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 MSME 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 MSME 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) |
| Assam | 228024 (61.48) | 1364.20 (51.50) | 5840.6 (66.20) | 509601 (55.12) |
| 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) |
| Total | 370903 (100) | 2648.86 (100) | 8822.3 (100) | 924616 (100) |

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 latest projected figure also demonstrates that the MSME sector of Assam is playing a most significant role in promoting production and generating employment in the NE region. This is evident in Table-2.

Table-2 : North East and the MSMEs (2007-08) (Projected)

| Name of the States | Numbers of units | Fixed investment (Rs. Crore) | Production (Rs. Crore) | Employment (in numbers) |
|--------------------|------------------|------------------------------|------------------------|-------------------------|
| Arunachal | 1614 | 46.76 | 115.2 | 5060 |
| Assam | 246980 | 1733.05 | 8155.1 | 556896 |
| Manipur | 18653 | 583.49 | 897 | 81608 |
| Meghalaya | 60625 | 529.53 | 1168.5 | 173663 |
| Mizoram | 28851 | 224.07 | 799.8 | 87397 |
| Nagaland | 14242 | 188.66 | 343.6 | 32984 |
| Sikkim | 472 | 17.00 | 73.7 | 1828 |
| Tripura | 30772 | 423.61 | 765.4 | 70774 |
| Total | 402209 | 3746.17 | 12318.3 | 1010210 |

Source: MSME, Govt. of India annual Report 2009-10.

It reveals that the numbers of enterprises, fixed investment, output and employment generation of MSMEs has rising trend in Assam.

The sector wise classification of industries as prepared by NEDFi as shown in Table-3 has 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.

Table-3 : The Number of Enterprises Memorandum issued to MSMEs in Assam (2008-09)

| Variables | Micro Enterprises | Small Enterprises | Medium Enterprises | Grand Total |
|---|-------------------|-------------------|--------------------|---------------|
| No. of units for the year 2008-09 (No. of units) | 1467 (89.95) | 153 (9.39) | 11 (0.66) | 1631 (100) |
| Production value for the year 2008-09 (Rs. In lakh) | 12293.33(25.04) | 35386.5 (72.12) | 1397.27 (2.48) | 49077.1 (100) |

| | | | | |
|---|-----------------|-----------------|--------------|---------------|
| Employment generation for the year 2008-09 (In Nos.) | 6975 (60.34) | 3522 (30.46) | 1063 (9.2) | 11560(100) |
| Investment on per month for the year 2008-09 (Rs. In lakh) | 2805.49 (11.19) | 17146.65(68.36) | 5129 (20.45) | 25081.1 (100) |

Source: NEDFi Databank Quarterly on MSMEs, 2009-2010. *Note:* Figures shown in the brackets represent percentages of the grand total.

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 from Table-3 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-4, 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-4 : Numbers of MSE units, Employment, Investment and Output in Assam
(1993-94 to 2010-11)**

| Year | Number s of MSE Units | Annual growth of nos. of MSE units | Employ ment (in Nos.) | Investment (Rs. in lakh) | Output (Rs. in lakh) |
|-------------|--|---|--------------------------------------|-------------------------------------|-------------------------------------|
| 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 | 1214 | -38.23 | 9002 | 25557.59 | 91678.97 |
| Total | 38132 | | 188454 | 196214.67 | 484867.9 |

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

It is evident from Table-4, 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-4, 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 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

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

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

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

Now letting a = ln Y_o and b = ln (1+r)

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

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

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-5.

Table- 5 : Growth rate of the No. of units, Employment, investment and output of MSEs in Assam (1993-94 to 2010-11)

| Variables | Compound growth rate |
|----------------------|----------------------|
| Numbers of MSE units | -2.767 |
| Employment | 0.8796 |
| Investment | 32.068 |
| Output | 16.247 |

Note: Based on Table-4 and Compound Growth rate = $(1 - b) \times 100$.

Table-5 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, 2010-11. A perusal of data shows that that during the study period (1993-94 to 2010-11) the growth of MSEs has recorded a negative growth of order of -2.767 per cent per annum. However, the growth of employment, investment and output has recorded a positive growth of the order of 0.8796 per cent, 32.068 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 (32.068 per annum) being double the compound growth rate of output (16.247 per annum). 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 being considered as most important for additional employment generation in the MSE sector in Assam.

Constraints of MSMEs

Assam is advancing day by day regarding the development of MSMEs. These sectors though important for overall growth in the economy of Assam are faced with numerous problems which have resulted in their retarded growth. Assam's backwardness in industrial field may be attributed to a numbers of complex and inherent problems like lack of institutional support, lack of adequate finance, inadequate and irregular supply of raw materials, technological obsolescence, lack of infrastructural facilities, lack of marketing knowledge and lack of motivation to entrepreneurship.

Policy Suggestions

In view of the importance of MSMEs, the Government continues to lay emphasis on their growth and various measures have been taken to enable them to stand in competition with large scale industries. Some of the policy measures are enumerated below.

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 MSMEs. In order to ensure the sustained growth of MSMEs, sustained flow of affordable credit to this sector is required and a holistic approach needs to be followed that could address the demand and supply side issues of credit dispensation to MSMEs in NER.

To mitigate the problem of inadequate and irregular supply of raw materials and marketing, institutions like National Small Industries Corporation (NSIC), District Industry Centre (DIC), Khadi and Village Industries Board (KVIB), etc. should actively participate.

The infrastructure facilities should providing support in the form of industrial facilities, power and water, common service facilities, transportation network, marketing linkage, etc. for MSMEs.

The development of entrepreneurship is one of the important means of promoting enterprises. The Government should launch effective entrepreneurship development programmes in collaboration with Indian Institute of Entrepreneurship (IIE), DIC, etc.

Conclusion

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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