

EASTERN



Micro and Small Enterprises in N E India

Problems & Prospects

M Rahman
N B Day

**MICRO AND SMALL ENTERPRISES IN
NORTH EAST INDIA**
Problems and Prospects

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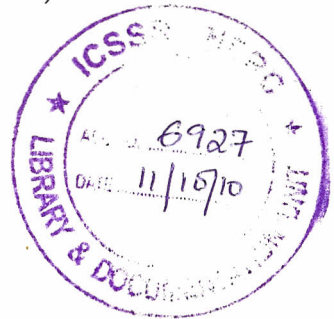
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CONTENTS

Preface	vii
Acknowledgement	xi
Foreword	xv
List of Tables	xvii
1. Introduction	1-15
2. Conceptual Framework	16-32
3. Micro and Small Enterprises in Northeast Region of India	33-63
4. Micro and Small Enterprises in Assam	64-94
5. Government Policies for Micro and Small Enterprises	95-127
6. Institutional Support for Micro and Small Enterprises	128-147
7. An overview of Economy of Assam Hills	148-175
8. Growth of Micro and Small Enterprises in Assam Hills	176-199
9. Problems of Micro and Small Enterprises	200-230
10. Prospects of Micro and Small Enterprises	231-256
11. Summary of Major Findings and Suggestions	257-276
Bibliography	277-292
List of Abbreviations	293-296
Index	297-306

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FOREWORD

Economic history of developed countries bears the evidence that industrial development precedes economic development and micro and small enterprise development precedes industrial development. In a way, micro and small enterprises serve as seed-bed or nursery for industrial development. Micro and small enterprises play a crucial role especially in the economic development of developing countries. These contribute around 35% to the gross domestic production, 80% to total industrial employment and 40% to total exports of the country. That is why most of the developing countries have been assigning increasing importance to the development of micro and small enterprises. Development of these enterprises is imbued with multiplicity of justifications such as these are labour-intensive, create immediate large-scale employment, remove regional imbalances in the levels of economic development, make effective use of idle human and material resources, reduce concentration of economic activities in few locations, etc. That is why small enterprises are considered as beautiful. It has been widely accepted that one great means many developing countries can tap to lift themselves by their bootstraps is development of micro and small enterprises. Hence, it is not accidental but fairly logical to select micro and small enterprises as a subject for research.

It's a cliché to mention that in spite of all these virtues, there has not been perceptible development in micro and small enterprise front of the country, but unfortunately that is the case. The scenario changes from region to region in a country like India. The North-East India presents one such example of low development of micro and small scale enterprises. What is further worth mentioning is that limited is the level of enterprise development, but much more

limited is the availability of data on whatever enterprise development has taken place there. Not only that, whatever data and information is available on micro and small enterprise development is too much scanty, scattered, and unsystematic. As such, the formulation of comprehensive and realistic development plans is hampered by the non-availability of required and reliable data and information. Due to the lack of reliable and systematic data, currency is given to the popular predilections and assumption of policy makers about the various aspects of micro and small enterprise development. As such, the developmental plans are likely to be far from appropriate and realistic. The present study entitled "Micro and Small Enterprises in North East India (Problems and Prospects)" carried out by Mizanur Rahman and Nikhil Bhusan Dey fills in this gap, to a large extent, by providing rare practical and factual knowledge on the subject. The significance of practical experience gained in a particular context to the existing knowledge and new learning can be, by no account, contested on mainly two counts. One, proceeding from the general to the particular is, more often than not, perilous because authenticating the particular from the general that too based on secondary sources may not fit in a particular context. Two, secondary sources often offer contestable interpretations and alternative views. This is because the prospects and problems of development in any respect are, to a great extent, context-specific. Therefore, the context-specific actual experiences assume relevance and significance in search of new learning of an emerging phenomenon like micro and small enterprise development.

The entire study has been presented in ten chapters covering all the relevant and important aspects relating to micro and small enterprise development. Having given a rich conceptual background on the topic, the study moves to unfold the empirical evidences gathered from macro to micro level in respect of micro and small enterprises. It identifies the nitty-gritty of major challenges that a developing region like North-East India has to confront en route to its micro and small enterprise development. The pioneering contribution made by the authors is to uncover the unique problems faced by micro and small enterprises in Assam in North-East India and highlight the promises the North East India holds within its fold

for their development. The present study provides new and interesting knowledge about otherwise less known and understood topic of micro and small enterprises in North-East India. The study is not only a useful addition to the existing literature on micro and small enterprises; it also lays the conceptual groundwork for small enterprise development as a force for socio-economic transformation, i.e., the most desideratum of the time. The fact is that I have learnt a great deal from the study. The readers of this book, I am sure, will be likewise. The study will be found very useful by especially policy makers, planners, researchers, students, and all those who have interest in the regional development. My sincere congratulations and appreciations go to the authors for such timely and significant contribution made in the emerging subject of micro and small enterprises.

S. S. Khanka

PREFACE

Micro and Small Enterprises (MSEs) allow the rural poor including some of the most marginalized and vulnerable strata such as rural women, youth, and the landless to diversify their incomes, create new sources of economic growth and generate additional employment (including self-employment) in rural areas. The same strata may also be reached through MSE support to small-scale local entrepreneurs, whose business expansion can create new jobs for the rural poor. Micro enterprises generally refer to the countless tiny business units begun by the poor in the cities, towns, and villages of the developing countries. The economists termed it as the 'informal economic sector'. These enterprises are a crucial part of both rural and urban areas in the developing world. The Micro and Small enterprises and entrepreneurship has been one of the most popular subjects that has aroused the interest of students and young entrepreneurs in large measure. Micro enterprises are the 'nursery' for the development of entrepreneurial talent. This sector is gaining more importance in the Indian economy as it covers a wide spectrum of enterprises categorized under micro, small and cottage segments and more recently service enterprise.

There are millions of unemployed youth in the country who are knocking from pillar to post, checking with employment exchanges, relatives, friends, and neighbours and still not able to get a job to their liking and then settle for a second or third rate job. A micro or small enterprise can easily be set up for self-employment. One can choose an activity depending upon his/her interest and suitability not only to become self-employed but also to generate employment for others.

There is dearth of job avenues in the NE Region of India both in the government and semi government sectors. Entrepreneurial development in this region is sluggish, causing increasing frustration among the educated youths in the present days. Now the supply of educated youths has far outstripped the demand for jobs in the entire North Eastern India. It is a common fact that the unemployed youths of the Region in general and the State of Assam in particular desire to, by and large, some kind of job having assured and stable income, preferably in government and semi-government establishments. But shrinkage of job opportunities in the recent years even in reserved job category has been responsible for enforcing job seekers to undertake either manufacturing or trading activities. It is not to speak, but agreed by all that entrepreneurship development through the small business or enterprises can eradicate poverty, remove the regional disparities and unequal distribution of income and wealth and thus growth with social justice is possible. Government policy initiative for backward and Hill areas development are important contributing factors in the implementation of the idea of entrepreneurship.

The present work has come out from the Ph.D. dissertation entitled "A Study on the Problems and Prospects of Small Scale Industries in two hill districts of Assam" submitted to the Assam University, Silchar in 30th November 2006 which was approved for the award in 17th May 2007. The basic contents of the work is intact and has not gone for any major change except some additions keeping in view of the latest development in the policies and schemes of the institutions. Chapter Two and Three are the additions with the main study, which gives an overview of the present status of the Micro and Small enterprises in the States of the NE Region (except Assam) and the State of Assam respectively. The contents of the book has relevance with the present economic climate, when entrepreneurship through micro and small enterprises have been considered as the best alternative for the educated youths who have been suffering from great frustration for want of employment. The authors are hopeful that this book will be useful to the new generation for taking the entrepreneurial ventures.

While preparing this book, we have tried to collect the latest information available from government publications, published and unpublished sources, journals and websites. The work was undertaken just before enactment of the new MSMED Act, 2006 and hence study was based on the small scale industries registered under the DICCs of the two hill districts. However, with the widening (change) of the concept of 'industries' to 'enterprises' and definition of small scale industries as well as raising the investment limit some units considered earlier as medium and small scale industries have fallen into category of small and micro enterprises respectively. It is worth mentioning that because of this reason the terms 'small scale industries' and 'micro and small enterprises' have been used interchangeably in the book. The first author have the opportunity to serve in N.C. Hills district since 1989 and during the long tenure of his service in this hilly district he observed that a large number of tribal and non-tribal educated youths appeared in different competitive examination; but a very few of them came out successful. There are immense potentials for growth of micro and small enterprises with the resource endowments available in the hilly areas, which could be used for productive purposes through various self-employment schemes provided by the government in different industrial policies.

We request our colleagues in the teaching profession, research scholars and all others who are interested in studying the entrepreneurial as well as economic problems of the North Eastern Region to send their suggestions and constructive criticism for further improvement of the book. The intimation of errors and serious misprints will be most gratefully received and duly incorporated in the subsequent edition.

3rd October, 2009

M. Rahman
N. B. Dey

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As stated earlier this book has come out from the Ph.D. dissertation of the first author. We are indebted to all those who gave us suggestions to bring out the 'Thesis' in a book form. While we take the opportunity to thank all of them, they are too numerous to be mentioned. We would like to place on record our thanks to all the teaching members of the department of Commerce Assam University and Haflong Govt. College and other academicians from out side the departments.

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We gratefully acknowledge the assistance rendered by the entrepreneurs under study who have not only spared their valuable time for personal interviews but also provided basic data for the study. We extend our sincere appreciation to the Office staff of Department of Commerce Assam University, Library staff of Assam University, Gauhati University; NIMSME, Hyderabad; IIE, Guwahat, who undertook pains in providing me with journals, periodicals and papers etc. During the course of study the authors

have collected the relevant materials from government publications, published and unpublished sources, books, journals and articles by eminent scholars. Our sincere thanks are due to all of them. We are thankful to Dr. S.K. Mahapatra, Reader, Department of Commerce, Gauhati University who after going through the manuscript, forwarded valuable suggestions to enrich the work along with necessary correction. Last but not least, we must acknowledge our sincere gratitude to Sri J. P. Sharma, the publisher and the proprietor of M/s Eastern Book House, Guwahati, who deserve special word of appreciation for his keen interest and is a source of inspiration to the authors. He encouraged us by showing his enthusiasm to bring out the work in the published form. The manuscript was computerized and composed in 'Page Maker form' by Sri Giridhar Kalita of EBH. He deserves appreciation for his sincerity in the work.

3rd October, 2009

M. Rahman
N. B. Dey

LIST OF TABLES

2.1: Definition of Micro, Small and Medium Enterprises	....	18
3.1: Large and Medium Enterprises in Northeast Region	....	35
3.2: Growth of Regd. MSEs in India	....	37
3.3: Trend of MSE Growth in North East Region	....	38
3.4: No. of Units, Production, Employment and Investment of MSEs in NE Region	....	40
3.5: District-wise MSEs and their Employment, Investment and Annual production in Arunachal Pradesh.	....	42
3.6: District-wise MSEs and their Employment, Investment and Annual production in Manipur.	....	44
3.7: No. of Units in Investment, Production, Employment & Exports	....	45
3.8: District-wise MSEs and their Employment, Investment and Annual production in Meghalaya.	....	47
3.9: Number of Regd. MSEs in Mizoram	....	48
3.10: State-wise participation of women in MSE Sector of NE Region.	....	54
3.11: State-wise No. of Females, SCs, STs, OBCs and Children in Employment	....	55
3.12: State-wise distribution of Exporting units in the MSE sector in the North East Region	....	56
3.13: State and location-wise distribution of working and closed MSEs (Regd) in NE Region	....	58

3.14: Distribution of units by nature of activity in the MSE sector in NE Region	....	60
3.15: State-wise percentage distribution of No. of units by nature of operation in the NE region	....	61
3.16: State-wise percentage distribution of No. of units by type of organization in NE Region	....	61
4.1: Production of some selected industries in Assam	....	67
4.2: Tea statistics of Assam	....	76
4.3: No. of Units, Investment, Employment, Output and Export	....	80
4.4: No. of Units, Production, Employment and Investment of MSEs in NE Region	....	81
4.5: District-wise number of MSEs registered upto 31-3-2007 in Assam	....	83
4.6: Category wise permanently registered MSEs of Assam	....	84
5.1: Quantum and Nature of Financial Assistance Levels of funding under PMEGP	....	109
5.2: Subsidies and Incentives in Assam Hills.	....	112
5.3: Perceived level of awareness of incentives/subsidies under Industrial Policies of Assam	....	113
5.4: Subsidies availed by sample MSEs units of Assam Hills since 1991	....	114
5.5: State Capital Subsidies in Assam Hills.	....	115
5.6: No. of Units, Workers trained and amount disbursed for MPD Subsidy	....	116
5.7: In-plant Training in Assam Hills	....	117
5.8: Inter-District Transport Subsidies	....	118
5.9: Power Subsidy according to connected load and ceiling of subsidy	....	119
5.10: Power Tariff (Power Subsidy) availed in Assam Hills	....	119
5.11: Interest Subsidy on Working Capital	....	120

5.12: Subsidy on Feasibility Report	....	121
5.13: Sales Tax Exemption	....	121
6.1: Loans and Advances to MSE sector in Assam Hills	....	143
6.2: Industrial Infrastructure Facilities in Assam Hills	....	145
7.1: Administrative set up in the two Hill districts of Assam	....	149
7.2: Mineral Resources of Assam Hills	....	151
7.3: Areas under Forest in Assam Hills and Assam.	....	152
7.4: Population of Assam Hills and the State.	....	156
7.5: Rural Urban Distribution of population in Assam Hills and the State	....	157
7.6: Literacy Rate in Assam Hills and the State	....	158
7.7: Population by Major Religion, Tribes/Caste in Assam Hills and the State	....	159
7.8: Occupational Classification of Workers in Assam Hills and Assam	....	160
7.9: Major Source of Household Income in Assam Hills	....	161
7.10: Households Practicing Sericulture in Assam Hills	....	163
7.11: Production of Tea in Assam Hills and Assam	....	164
7.12: No. of Gardens, Area, Production and Average Yield of tea in Assam Hills.	....	165
7.13: Production, Area, No. of Rubber Estate Holdings in Assam Hills	....	166
7.14: Distribution of Households by size of land in Assam Hills	....	167
7.15: Road & Railways in Assam Hills	....	169
7.16: Total No. Post Offices in Assam Hills and the State	....	172
7.17: Banking Facilities in Assam Hills.	....	173
8.1: Category-wise Regd. MSEs of Assam Hills and the State	....	183

8.2:	Growth of MSEs in Assam Hills and Assam	....	188
8.3:	Growth of Registered MSEs in Assam Hills	....	190
8.4:	Employment in MSEs in Assam Hills and Assam	....	191
8.5:	Average and Quadrennial Growth of Employment in Assam Hills	....	193
8.6:	Comparison in the growth of MSEs in Assam Hills and the State	....	194
8.7:	Comparison in the Growth of MSEs in two Hill districts	....	195
8.8:	Working and Closed units of MSEs in Assam Hills	....	197
9.1:	Financing by Banks to Industrial Sector in Assam Hills	....	208
9.2:	No. of Villages electrified in Assam Hills.	....	211
10.1:	Area and Production of Fruit crops in Assam Hills	....	237
10.2:	List of Medicinal Plants of Assam Hills (Botanical name)	....	245

INTRODUCTION

Micro and Small Enterprises play an important role in the economies of both advanced and developing countries. In developing economies these enterprises are very important in the context of employment opportunities, equitable distribution of wealth, balanced regional growth and development of rural and semi urban areas. They also play a very pivotal role even in the highly industrialized and advanced countries like USA, UK, Canada, West Germany and Japan. While in the advanced countries, the typology of this sector tends to be homogeneous (mainly in terms of firm size and technology), in the developing countries characterized by low industrialization, there is co-existence of both very small craft type enterprises in the informal economy and small and medium business in the organized sectors. This sector is considered to be an engine of growth, particularly in developing country like India because of their contribution to employment, national income, enterprise development and export earnings. Throughout the world, the Micro and Small Enterprises (MSEs) are making an impact on national and regional economies. MSEs have been recognized as effective instruments for creating employment opportunities with limited capital in both the developed and developing countries. This sector constitutes over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports (Ministry of MSME, GOI).

In India too, the micro and small enterprises play a pivotal role in the overall industrial economy of the country. This sector constitutes an important segment of the Indian economy in terms of their contribution to the country's industrial production, exports,

employment and creation of an entrepreneurial base. The development of micro and small enterprises has been an important plank of India's Industrial policy. Late Prime Minister Mrs. Indira Gandhi once remarked, "Small Scale Industries offer many opportunities; besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layer of society". Gandhiji had advocated development of villages by making them financially viable through small and tiny industrial units. This sector has emerged as a vibrant and dynamic sector of Indian economy. The importance of the MSE sector is well-recognized from its significant contribution to the socio-economic objectives of growth in generation of employment, output, exports and fostering entrepreneurship. It is estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. Further, in recent years the MSE sector has consistently registered higher growth rate compared to the overall industrial sector. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labour intensity in the MSE sector is estimated to be almost 4 times higher than the large enterprises (Ministry of MSME, GOI). This sector enjoys the pride of being second largest employer in the country and offers a wide spectrum of products.

The micro and small enterprises also play an important role in the regional economy. The speedy development of industries in the backward areas can be achieved by the rapid promotion of MSEs. However, the growth of MSEs in the Northeastern Region of India is slow in comparison to the other parts of the country. There was no planned and systematic effort for industrial development in the region during the first three five year plans. It was during the fourth five-year plan period that plans were made to set up enterprises in different parts of the region. Since then efforts are on for developing enterprises in different parts of the region. In Northeast India, the importance of this sector assumes greater significance in the absence of large and medium enterprises. But the development pattern of the MSEs of the Region is far from encouraging and these are plagued by myriad of problems. The level of sickness of the sector is quite high and this is being aggravated by the basic structure of the MSE

sector. In 1998-99 total number of registered MSEs in Northeastern region of India was 43,089 which increased to 75,878 in 2006-07; and accounts for only 3% of the total MSEs in the country. In Assam, the number of registered MSEs has grown from 18,425 in 1991 to 53,044 in 2006.

The MSEs have been recognized as an effective instrument in the development of backward and rural areas. Apart from economic aspects, the social role of this sector is quite significant for achieving objectives such as removal of poverty, attainment of self sufficiency, reduction in disparities in income, wealth and consumption standards and regional imbalances. The Central as well as State Governments has taken some special measures to remove the regional imbalance during the last four decades of economic planning. Special schemes have been drawn up for faster development of tribal areas. For the diversification of tribal economy, industrialization of those areas was taken up during the plan periods.

Micro and Small Enterprises : A Study in Assam Hills

Of the 27 districts of Assam, economy of the two hill districts viz., Karbi Anglong and North Cachar Hills are more backward in comparison to the plain districts of the State. These two hill districts are popularly known as Assam Hills (Goswami, 1988). Agriculture is the main stay of the people and it plays the foremost role in the economy of Assam Hills. The hilly regions of the State are generously endowed with forest, mineral, agricultural and water resources. Its natural resources provide a firm base upon which development of large and medium enterprises as well as micro and small enterprises can take place. The potential of its forests, minerals and water resources of Assam Hills also provide scope for profitable and environment friendly commercial exploitation. However, despite being rich in natural resources, development in Assam Hills has lagged behind the plain districts of the State. The economy of the hilly region of the State is generally characterized by inadequate infrastructure facilities, geographical isolation and communication bottleneck, lack of entrepreneurship or entrepreneurial awareness, inadequate exploitation of natural resources, dependence on shifting (locally known as Jhuming) cultivation, low progress in industrial field and growing unemployment.

Statement of Problem

Balanced regional development and removal of inequalities of income and wealth are the two accepted objectives of economic planning in India. Locational diversification and promotional enterprises in backward areas have been considered as effective instrument in the programme for reducing inter and intra-regional imbalance in development. The pace of development in the hilly areas and plains differ considerably. An Industrial dispersal policy for accelerating the development of backward areas is an important step for alleviating regional disparities in this direction. It is known fact that despite over six decades of independence and completion of more than five decades of economic planning, the socio-economic transformation of the Hill areas has visualized little changes as compared with other parts of the State. Though many schemes have been initiated by the Central and State Government as the strategy for upliftment of the economy of the backward areas including hill areas during different five year plans, there seemed to be very little effect of these policies in the hilly districts of Assam as well as other parts of North East India. The obvious problems that confronted in the growth of industrial sector in Assam Hills are outlined in the following paragraphs.

First, Both the hill districts are rich in industrial and forest resources, but much of the resources remain untapped, unexplored and unutilized. The comparative isolation of most areas of the hilly terrain, absence of local market, lack of entrepreneurial class, lack of adequate transport facilities and finance are considered to be responsible for the industrial backwardness of Assam Hills. Railway has touched both the districts but most of the interior places are still to be linked with the district headquarter by roadways. There is less feasibility of development of Water and Airways. The industrial sector of Assam Hills employs only 3.1% of the total workforce against 3.4% of the State. Except for a few cement plants of medium scale there is no other large enterprise in Assam Hills. Both the hill districts are classified as "No Industry District" under Category "A" by the Govt. of India. Though the aim of such classification is to provide special incentive and concessions to establish enterprises and promotion of ancillary units, the Assam Hills

is still most backward areas of the State both industrially and economically.

Second, The economy of Assam Hills is predominantly agrarian in nature dominated by primitive method of shifting cultivation, popularly known as Jhuming. Total cropped area comprises of 13.76% of the geographical area and 78% of the total main workforce is engaged in agricultural activities. Though 90% of the hill people practice Jhum cultivation as a traditional way of life for their livelihood, the yield is very low per hectare and it poses threats to the ecological imbalance. There is scope for development of agro-based micro and small enterprises in Assam Hills, provided agricultural sector is modernized or emphasis may be given on the horticultural production as an alternative to it.

Third, Assam Hills is rich in forest and forest resources. The estimated forest area is 6.1 lakh hectares and this works to about 39.6% of the total geographical area. The existing enterprises based on forest resources are very limited in numbers. Except few sawmills there is absence of forest-based enterprises in the two hill districts.

Fourth, Assam Hills has moderate abundance of variety of minerals. Amongst these Limestone and Coal are most economically viable for exploitation. The existing cement industries under private sector are not commensurate to the needs of the region.

Fifth, Sericulture, particularly Handloom and Weaving is the traditional household occupation, which plays an important role in the socio-economic life of hill tribes. The existing handloom and handicrafts group though constitute the mainstay in the MSE sector; they are still using traditional technology, consequently they are facing sever competition with modern mill textile products both in cost and quantity. The weaving sector would contribute considerably in the hills economy, if this sector could have been modernized under MSE sector.

Sixth, There are number of places with scenic splendour in Assam Hills, which can be converted into tourists spots. Tourism industry in the hill station, unfortunately receives less attention, though this vital industry could support a large number of micro, small or cottage enterprises in Assam Hills.

Given the fact that the entire Assam Hills is backward, there are certain areas within Assam Hills, which are more backward, needing special attention. Although the possibility of developing large enterprises is limited in the hill areas, there is considerable scope for developing agro, forest, mineral and service based micro or small enterprises. Moreover, MSEs are suitable for the backward and hill areas over other forms of enterprises where the people have to be trained to meet the challenge of sophisticated technology.

This work was intended to study the problems of MSEs in the two hill districts of Assam. The study also examines the potentialities of setting up MSEs in Assam Hills. The finding of the study is expected to be useful for planners, bankers, entrepreneurs, investors, Government and others who are engaged in the process of development of Hill areas, notably Karbi Anglong and North Cachar Hills districts of Assam.

Review of Literature

Many studies have been undertaken on the micro and small enterprises at national, regional and districts level, but very few studies have been made relating to this sector in backward and hill regions highlighting the problems and prospects of these enterprises in such areas. Some of the relevant works have been done in North-East Region which includes- Management Problems of the Small Industrial Enterprises in Assam (Sarma, 1976); Prospects and Problems of small scale industries in Lakhimpur District (Barooah, 1981); Small scale industries in Cachar District- their Problems, Prospects and Growth (Dey, 1980); Impact of Incentives on Growth of Small-scale industries in Assam- An Analytical Study in Sibsagar District (Barthakur, 1999); A study of Small Enterprises and its role in the economic development of undivided Goalpara District of Assam (Das, 1997); A study of Small Enterprises and its role in the Economics Development of Assam (Borah, 1999); Role of Promotional organizations in marketing of Small-scale Industries product in Assam- An Analytical Study in Kamrup District (Hazarika, 1995); An investigation into the functioning of Assam Small Industries Development Corporation from 1962 to 1982 (Sarma, 1990); Small Scale and Cottage Industries -A Study of Assam (Baisya, 1989);

Problems and Prospects of Khadi and Village Industries in Assam (Das, 1977); A study of Institutional Finance to Small Scale Industries in Assam (Deka, 1992); Management Problems in Small Scale Industries in North East Region (Baruah, 1981); Financing Small Scale Industries (Baruah, 2000); Problems and Prospects of Industrialization- A study of North East India (Nag, 1987); Small Industry Development in North East India (Mali and Bandopadhyay, 1993); Financing of Small Scale Industries in Assam- A case study of Kamrup District (Das, 2002); Small scale industries in India- A case study from Assam (Deb, 1993); Industrial Development in North East India (Mali & Deka, 1987); Training for Entrepreneurship and Self Employment (Mali 1999); Development of Small scale and Household industries in Manipur-during plan period (Devi, 1995); North Eastern Economy-Problems and Prospect (Agarwal, 1988); Sickness in Industries- A case study of Nagaland (Hiremath, 1986).

The literature on the growth and development of small scale industrial sector in backward and hills region include- Industrialization in Tribal Areas: Problems and Prospects (Lingaiah 1998); Problems and Prospects of Small-scale Industries in the Hill Region of U.P. with special reference to Kumaun (Sarma, 1982); Industrial Development of Backward Areas-A study of Kumaun Region (Khanka, 1994); Small Scale Industries-A study on Anantpur District, an Industrially backward district of Andhra Pradesh (Narasaiah & Margaret, 1989); Management and Development in Small-scale industries - A study on Jammu and Kashmir State (Hamid, 1989); Small Scale Industries in Kerala: A review of problems and Prospects (Kumar & Ganesh, 1999).

There are many national level studies-amongst them mention may be made of- Small Scale Industries in the new Millennium (Hussain, 2003); Problem and Prospects of Small-scale Industries in India (Desai, 1983); Small Industry Development in India (Rao & Nagaiya, 1991); Entrepreneurship and Small-Scale Industries- New Potentials (Botra & Dangwal, 1999); Some problems of Small Scale Industries (Sinha,1988); Small Scale Entrepreneurship (Narasiah 2001); Small Scale Industry-Success & Failure (Tewari et al, 1991); Changing Priorities of SSI sector in the Context of Economic Reforms

(Prabhath, 1999); The Survey of Literature in this work deals with several important aspects, such as definitions of the concept of small-scale industries, their importance in the economy- National, Regional, Backward and Hill areas, problems and prospects of MSE sector.

The promotion of small-scale industries has been widely recognized as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage of investable capital funds, and lack of entrepreneurial and managerial abilities (Bharti, 1978). The first Industrial Policy Resolution of 1948, later on the Industrial Policy Statements, 1977 and 1980, reiterated that the main thrust should be on the effective promotion and development of the SSI (Das & Dey 2003). The small-scale industrial sector has vast potential in terms of employment, output, export promotion, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in rural as well as backward areas (Desai, 2002). The role of small scale enterprises particularly in broadening the industrial base, spatially and in terms of output composition and creating a wide spectrum of entrepreneurs is of great significant (Rangarajan, 1999). Tandon & Kaur (1981) in their observation finds that small industries provide productive outlets for the talents and energies of indigenous organizational and management capabilities, which would otherwise remain idle. They provide a seedbed for entrepreneurial talent as well as a testing place for new industries. Ahmed & Choudhury (2003) has affirmed that it is not only provides immediate employment on a large scale but also acts as a tool for ensuring a more equitable distribution of income as well as effective vehicles for mobilization of resources including capital and entrepreneurship, which would otherwise remain unutilized. Prasad (1983) in his study finds that the small-scale industries are an integral part of not only industrial sector, but also of the country's economic structure as a whole. If small-scale industries are properly developed, they can provide a large volume of employment, raise income and standard of living of our people in lower income brackets and bring about a more balanced rural and urban development. Agarwal (1987) in his studies states that it is the small-

scale industry sector which can have a tremendous impact on our economy by diversification of production through ancillarisation, diffusion of ownership through the promotion of local entrepreneurship and geographical dispersal of industrial activity by basing industries on local resources. Vinita Kumar (1997) observes that the small-scale industries with high employment elasticity have an important role to play in creating additional opportunities for employment. The SSI sector's contribution towards widening of the entrepreneurial base, promotion of rural industries and ancillary support to large and medium industries has also been tremendous (Kulkarni & Kaveri, 1999). Desai (1983) in his study remarked that they (SSI sector) have played useful role in export and development of rural and backward areas. He also stated that rapid industrialization in India depends on the growth of small-scale industries. Verma (1996) mentioned that SSI sector can create more employment for the same capital investment than does a large scale undertaking, require managerial and supervisory skill of a lower order, and bring about wider distribution of wealth, which is in keeping with the policy of promoting a socialistic pattern of society. Borah (1999) found in his study that the most significant aspect of this sector is that it has stimulated economic activity of a far reaching magnitude and created confidence among a huge number of small entrepreneurs about their strength and vitality along with a good entrepreneurial base. Narsaiah & Margaret (1989) suggested that a small-scale unit does not require highly sophisticated technology. It can therefore, be useful in backward areas where the people are yet to be trained to meet the challenge of sophisticated technology. Cherunilam (1998) observed that these industries could develop in almost all areas including backward, tribal, hilly and inaccessible areas. They are, thus, helpful in achieving wider spatial dispersal of industrial activities and thereby reducing the regional economic imbalances. Poojari (1999) stated that small scale sector is promoted with the objective of achieving certain plan priorities, which the large scale industrialization failed to accomplish such as reducing regional imbalance, equitable distribution of wealth and creating employment.

Small scale industries can play important role in the development of hill areas as revealed in the study of Jammu and

Kashmir by Hamid (1989). He found in his study that the State is not ideally suited for developing large-scale industries and such the only remedy lies in the establishment of small scale and cottage industries, which are most suited to the socio-economic condition of the State. Pande (1983) describes as one of the features of the hill areas that the arable land in hill is extremely limited (about 10 to 25%) and alternative occupations have not emerged to absorb the growing labour force. Therefore, there is unemployment. It could be helped by proper channelising of investment towards industrialization. Singh (1980) suggested that although the possibilities of developing large-scale industries are limited in the hill region, there is considerable scope for developing agro and forest based small-scale industries. Dhar (1995) has observed that there is ample scope for the development of small-scale industries in the Northeastern States. The development of the small-scale industries are not only mobilizing local resources but also increasing income and generating adequate employment opportunities to the local people. Agarwal (1987) has emphasized in his study that the importance of small-scale industries is more in the absence of large and medium industries in the Northeast Region. According to Goswami (1988) small scale industries and certain industries (like paper pulp and sugar) may be developed in any centre where sufficient raw materials, necessary labour and adequate transport facilities are available, provided, of course, that a market (internal or external is assured). According to Dutta (1976) much of the region's (North-East) wealth lies untapped yet, and this could be provided a solid base for industrial development. The small scale industries in this region are the major supplier of consumer goods to the rural and urban areas, and also provide ancillary, feeder and service facilities to large, handloom, sericulture, manufacture of cane and bamboo articles, carpentry, smithy and manufacturer of brass utensils. Dasgupta (1983) has suggested that if labour intensive and small scale industries are established they will provide some alternative economic opportunities to the people in the hill areas of the North East Region as the improved cultivation with multiple cropping is a difficult proposition in this region. According to Devi (1995) Industrial development, especially Small scale and Household industry is bound to play an

active role in connection with the economic development of an underdeveloped State, like Manipur. Agarwal (1987) has emphasized on SSI units and affirmed that Small-scale industries are of special significance in the new development strategy of promoting maximum avenues for self-employment in Meghalaya. However, Subramanian and Kashyap (1975) felt that the relationship between large and small enterprise is not always competitive, often small and large enterprises support each other through buying and selling and also through the process of subcontracting.

In India most of the small-scale industries are operating under certain handicaps- such as shortage of raw materials, inadequate technical knowledge and lack of technical counsel, inadequate infrastructure, inadequate capital and credit, inadequate distribution systems, lack of facilities for market analysis and lack of scientific management etc. They are also weak in shop layout and in marketing their goods beyond their localities, particularly in international markets (Desai, 1983). The on going programme of Economic Reforms based upon the principle of liberalisation, globalisation and privatisation and the changes at the international economic scene including the emergence of World Trade Organisation (WTO), have brought certain challenges and several new opportunities before the SSI Sector. The most important challenge faced by the sector is that of growing competition both globally and domestically. At the sametime sector has also been facing some problems which relate to credit, infrastructure, technology, marketing, delayed payment hassle on account of so many rules and regulations etc. However, study of the literature reveals that there are some inherited problems in the development of industries in the Hills regions. Pande (1983) explained some of the causes that attributed to the development of SSI unit in the hill areas, that these units in the village area and sub urban localities suffer from a considerable degree of technological obsolescence, inadequacy of raw materials, dearth of marketing channels, unawareness of the market state in urban centres, dearth of credit and such differed payment accommodation, skilled workmen and power shortage. The hill areas of U.P. have continued to lag behind, other regions of the state in industrial development. This is to be attributed as much to lack of well planned, functionally

conceptualized and hierarchically structure infrastructure facilities as to lack of entrepreneurship (Budhiraja et al, 1980). However, Hamid (1989) identified the causes of industrial backwardness in Jammu & Kashmir which include- peculiar geographical location, limited explorable resources, shortage of imported raw materials, inadequate and irregular power supply, inadequate central investment, poor technical know how, absence of viable (local) entrepreneurial class, non participation by industrial entrepreneurs located outside the State and passive role of financial institutions. Agarwal (1988) states some of the specific exogenous factors leading to bad industrial health in the North-Eastern Region. These are- (i) Absence of effective industrial policy and ad-hocism in Government decisions at State level as well as industry-wise decisions (ii) Prolongation of gestation period due to infrastructure deficiencies and weakness of the supporting services (iii) Uncertainties and shortage of essential raw materials and construction material supplies (iv) Defective Sales Tax Regulations, High power Tariff and Transportation costs etc. (v) Defective capital base and operational plans, Shortage of working capital (vi) Non-availability of trained and experienced personnel and (vii) old techniques of production and lack of quality control. Dutta (1976) found in his study that even in spite of a generous endowment of natural resources tribal areas of the North East region is lagging behind in industrial development because of infrastructure problem, non-availability of cheap motive power, lack of entrepreneurial and managerial talent. Passah (1976) has stated that, the District plan (1974-75) of Jayantia Hills revealed that there is no organized industrial sector at all in the district. Due to historical and socio-economic reasons cottage industries are also not developed in this area. According to H. Thangmawizuala (1976) the political disturbance in Mizoram caused a great setback in the progress of existing SSI units. The main hindrances for industrial development in the state are lack of good communication facilities, financial difficulties and the absence of market outlet. Agarwal (1987) mentioned that the entrepreneurs of small industries are generally lacking in knowledge of various aspects as to how to set up an industry. Owing to the predominance of agricultural background of the region the infrastructure for industrialization has not developed.

Apart from lack of industrial tradition and managerial class, the region is handicapped by difficult terrain and disturbed socio-political conditions are also affecting adversely the industrialization of this region. Deb (1991) has found that problems of sickness in the small-scale sector of India has assumed quite serious dimension in the recent years. He mentions three causes of sickness in his study viz., problems of Marketing, Financial and Raw material shortage which led to sickness in this region. While Barooah (1980) in his study found that working capital shortage, shortage of skilled labour, marketing problem and scarcity of materials are the major problems of industrial sickness.

Present Study: Gap in Existing literature

The survey of literatures reveals that several studies relating to micro and small enterprises have been undertaken concerning their problems, prospects, growth and management in different parts of North East India as well as other hill areas outside this region. In Assam, few research works have been done in respect of different aspects of this sector at State and District level. However, in the two hill districts of Assam no research work has been undertaken so far in respect of micro and small enterprises. This study therefore, is a pioneering attempt to make a modest contribution based on rare data on performance, problems and prospects of micro and small enterprises in Assam Hills.

Objectives of the Study

Assam Hills is endowed with rich mineral, forest and agricultural resources. Much of this region's wealth lies untapped yet, and these could provide a solid base for industrial development. Despite enormous latent potentialities for setting up of various resource-based enterprises, so far, there has been no significant progress in these areas. With a view to bring about sustained and balanced regional development of this region and also to improve the standard of living of the hill people, this has focused the basic problems and highlighted the prospects of industrial development of the two hill districts. The specific objectives of this study are as follows-

- (i) To analyze the impact of Government policies towards the development of Micro and Small Enterprises in the Hill and backward regions.
- (ii) To examine the Growth and Development of Micro and Small Enterprises.
- (iii) To examine the Problems and to identify the Prospects of Micro and Small Enterprises.
- (iv) To suggest suitable measures for development of Micro and Small Enterprises.

Hypotheses

- (i) The Growth of Small Scale Sector in Karbi Anglong and North Cachar Hills district is tardy and lopsided.
- (ii) Lack of infrastructure facilities is the main reason for low industrialization.
- (iii) There is lack of entrepreneurship development in Assam Hills.

The above hypotheses are relevant to the purposes of the study and tested empirically.

Scope, Data and Methodology

The scope of this study is limited to the two hill districts of Assam viz., Karbi Anglong and North Cachar Hills districts on account of their size, backwardness in industrial sector, strategic position and socio-economic structure. Growth and development of micro and small enterprises of the two hill districts has been studied with special reference to the period of 1991-2006. The necessary data concerning the present work were collected both from primary and secondary sources. The secondary sources include publications of the Government of Assam, NABARD, NEC, NEDFI, MSME-DI and other agencies. Moreover the Official website of Karbi Anglong and N.C. Hills District, NER Databank, State and Central Government websites and other agencies have been browsed to collect secondary data. Besides, books of the related subject, Journals, Periodicals, News papers, Reports and Govt. publications etc. also were the sources of such information.

The primary data has been collected by field survey of the existing micro and small enterprises by direct personal interview

method. A pre-tested Schedule has been used for the purpose. The information collected from primary and secondary sources has been analyzed statistically. Various statistical tools and tests have been used for analysis of the data. The important among these include χ^2 test, Coefficient of Correlation, Analysis of Time series, Average growth, Quadrennial average growth etc.

Organization of the Study

This work has been divided into a well-designed chapter scheme. The original study comprised of seven chapters; but in this book version four important chapters have been added to give a wide coverage of the growth and the problems and prospects of micro and small enterprises in the entire North Eastern States.

Limitations of the Present Study

- (i) The sample units which have not been traced, the units which closed down and the unit which refused to give information have been dropped from the analysis.
- (ii) As the sector is unorganized, adequate disclosure of information are not generally made by the entrepreneurs.
- (iii) In-depth study on entrepreneurship development could not be undertaken leaving scope for future research.



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