

CHAPTER 1

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) represent one of the fastest growing industrial sectors in the world – what makes MSMEs vehicles of choice in particular, is their ability to create jobs, contribute towards exports, facilitate optimum utilisation of resources and traditional skill, make innovations and thus contribute substantially towards economic growth. Governments at the centralised and decentralised level well recognising the contributions that small enterprises make, and also realising that MSMEs are flexible enough to react to market signals and changing tastes and preferences, are taking righteous measures to address their needs and challenges. In today's world, technology, competitive strength together with bench marking on the best international practices has become the drivers of rapid global economic growth. The MSMEs, particularly those into exports hence need to assess their areas of strength with comparative cost advantages and reorient their policies and goals at regular intervals in-keeping with challenges of continuous up gradation of technology and innovative marketing techniques.

In the Indian economy, post liberalisation and globalisation, the MSME sector has emerged as a dynamic and vibrant option for not only fostering entrepreneurship and ensuring balanced industrial dispersal but also for realising an all-encompassing growth. The MSMEs account for approximately 45 per cent of the manufacturing output of the country and 40 per cent of the total exports of the country (All India Micro Small and Medium Enterprise census, 2006-07) and employs more than 1012 lakh persons in over 447 lakh enterprises registering an annual average growth in units and employment at around 3.72 per cent and 4.04 per cent respectively (2007-08 to 2011-12). Deemed in this light, it is needless to say that the growth and development of MSMEs in every right has been one of the topmost priorities of the government to make them globally competitive. Born out of individual initiatives and skill, owing to

operational flexibility, low cost of production, and high employment orientation leading to utilisation of locally available human and material resources, despite challenges, the MSME sector in the country is thriving, slowly but steadily.

Creating entrepreneurship through MSMEs across regions and States in India is a reality, though with horizontal spatial variations. The growth of small scale industries in the North Eastern Region (NER) of India has been rather slow in comparison to the other parts of the country. It was only during the fourth five-year plan period that setting up of industries in different parts of the region came into the purview of the planning process. Since then though efforts are on for developing industries in different parts of the region, the development pattern of the small scale enterprises in the region has been discouraging as compared to the other regions of the country. Most small scale enterprises in the region face a myriad of problems in stages ranging from project identification, implementation, production and operation to marketing.

Most of the small scale enterprises in the region are based on traditional or agriculture or forest based inputs. Enterprises producing cotton, woolen, silk and *eri* and khadi clothes are some of the traditional enterprises in the region. The khadi enterprises encompass cotton, wool and silk yarns and textiles. These enterprises also produce honey and soaps. A labour intensive industry, the region has the highest concentration of household units in the handloom sector in the country with more than 50 per cent of the weavers belonging to the region. Among the agro and allied based enterprises, mention may be made of rice processing and milling, units producing molasses, and units rearing poultry and chicken. The forest based units are sawn timber mills, wood craft and wooden furniture units, units manufacturing sleepers and poles and cane furniture making units. Some other enterprises are also found dealing in non-conventional activities like concrete works and iron grills, gates, and wire nets. Despite conscious promotional interventions, it is found that the artisans, traditional and village and cottage industries, and micro enterprises in the region continue to be

such that their production is dispersed and unorganised with a most interesting aspect that most of them are into more than one manufacturing activity.

Resource utilisation by the States in the region continues to be poor, and the units that have come up, are operating at a very low scale. Preference to be small is found to be widespread. It is, therefore, undeniable that despite having the potential for growth of the village and traditional sector with a rich repository of traditional skills, and the MSME sector based on the available resources, the value addition to the rich diverse resources of the region has been rather slow which could otherwise have buttressed the growth of the small scale industrial sector. Although the State government of the respective States in the region has identified their own thrust areas, the patterns of development do not conform to this and the trend is more towards conventional micro units. It has been argued that a positive scenario for the small scale enterprises in the region can emerge only if a continuous and comprehensive backup operational support is provided to the existing as well as the emerging MSMEs.

In case of Assam, according to the fourth All India Census of MSME 2006-07 (Registered Sector), the share of working MSMEs in the State in respect to all India total is 1.27 per cent numbering 19,864. It is observed that out of the total enterprises, the share of micro enterprises in Assam is highest with 96.85 per cent, whereas, the corresponding figure for the small and medium enterprise is 3.02 per cent and 0.14 per cent respectively. The percentage share of total employment in the MSMEs in Assam is 2.26 per cent to the total employment share in the Registered MSME sector all over India while for the unregistered sector, it is only 1.10 per cent. The employment figure in Assam to that of the national total accounts for 0.4 per cent. A further look at the working enterprises by rural and urban location indicate that a majority of them (65.69 per cent) are rural. Therefore in Assam, the rural micro enterprises form a significant chunk of the MSMEs and are playing a vital role in generating employment, investment and output.

1.1. Definition of Micro enterprise

The definition of micro enterprise not only varies over time but also from country to country. The commonly used criteria to define a micro enterprise are the number of employees/ labour size (European Union, United State of America, USAID, Severens and Kays, 1997), total net assets (Singapore, Malaysia and Japan), sales (Mexico), and investment level (Government of India). The *Table* given below gives the detail about the variations in definition of micro enterprises across countries around the world.

Table 1.1: Definition of Micro Enterprise in Different Countries

Country	Criteria	Definition of Micro Enterprise
European Union	in terms of employees	2-9 employees
Albania	in terms of employees	up to 5 employees
Armenia	in terms of employees	5 employees for any sector
Botswana	in terms of employees and annual turnover	5 or less workers including the owner and typically has an annual turnover of less than US\$ 11 000 (P60 000)
Brazil	in terms of employees	0-9 employees
Cambodia	in terms of employees and assets	Less than 11 employees and assets amounting to US\$50,000 excluding land
Dominican Republic	in terms of employees	1-9 employee/s
Honduras	in terms of employees	1-10 employees and paid-up capital of not exceeding birr 20,000, and excluding high tech consultancy firms and other high tech establishments
Hong Kong SAR, China	in terms of employees	Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees

Source: Kushnir, Mirmulstein, and Ramalho (2010). 'Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?', Companion Note for the MSME Country Indicators, World Bank / IFC

The *Table* reflects the definitional variation of micro enterprises in different countries of the world. The major parameters used for defining micro enterprises are number of employees, paid up capital, annual turnover and asset position.

In the Indian context, according to the Micro, Small and Medium Enterprises (MSME) Development Act of 2006, a micro enterprise is one in which the investment in plant and machinery/ equipments does not exceed rupees twenty five lakh in case of enterprises engaged in the manufacturing sector and rupees ten lakh in case of enterprises engaged in the service sector. However, the definition of micro enterprises in India has gone through changes over time. An account of evolution of various definitions of micro enterprises in India is outlined in the next section.

1.2. Evolution of the Definition of Micro enterprises in Indian Context

Different connotations have been used by different sources to define micro enterprises over time. The concept, in specific, is difficult to understand since it involves different sub sectors as defined by different agencies of the government. Bhati (2002)¹ states that the legal nomenclature developed by government is very complicated which is evident from the many classes and sub-classes adopted in defining the small-scale industry. For instance, the Planning Commission of the Government of India regards the Village and Small Industries (VSI) sector as a part of SSI sector. Again, the MSME has coined the term Micro and Small Enterprises (MSEs) thereby clubbing both the concepts of small scale enterprises and micro enterprises under a single entity. Before independence, the present small scale industry was meant to denote the village and urban cottage industry, the legal framework for which is provided by the Industries Development and Regulation Act, 1951. As per sub-section 11B (1) of IDRA Act, the small-scale industrial undertaking is defined “as an industrial undertaking which may be held on ownership terms, lease or hire purchase basis and the original investment in plant and machinery in that undertaking

¹Bhati, S. S. (2002). ‘India: The Role of Small-Scale Industries in an Emerging Economy’ in C. Harvie & B. C.Lee (Eds.), *Sustaining SME Innovation, Competitiveness and Development in the Global Economy*, 12-13 (pp. 1-18)

does not exceed the specified limit in force at that time”. In addition, the Act also refers to another category of small-scale industrial undertaking called the Ancillary Industrial Undertakings which is a part of the small-scale sector. Some other sub-sectors have also been included within the concept of small-scale sector which include the Tiny Enterprises, Export oriented Units, Small-scale Service and Business Enterprises and Women Enterprises. The concept of ‘micro enterprises’ was clubbed with the Small Scale Industries before 2006. The following *Table* shows the various definitions adopted during different periods in India.

Table 1.2: Definition of Small Scale and Ancillary Units in India

Source	Year	Definition
Fiscal Commission	1950	A unit operating mainly with hired labour usually 10 to 50 hands
Small Scale Industries Board	1955	A unit employing less than 50 persons if using power and less than 100 persons without the use of power and with a capital investment not exceeding Rs. 5 lakh
Ministry of Commerce and Industry	1960	An industrial unit with a capital investment of not more than Rs. 5 lakh irrespective of the number of persons employed
Ministry of Commerce and Industry	1966	An undertaking having an investment in plant and machinery of not more than Rs. 20 lakh and 25 lakh in case of ancillary units
Government of India	1985	An undertaking having an investment in plant and machinery of not more than Rs. 35 lakh and not more than Rs. 45 lakh in case of ancillary units
Government of India	1991	An undertaking having an investment in plant and machinery of not more than Rs. 60 lakh and not more than 75 lakh in case of ancillary units
Government of India	1997	An undertaking having an investment in plant and machinery of not more than Rs. 3 crore
Government of India	2000	An undertaking having an investment in plant and machinery of not more than Rs. 1 crore

Source: Rayen and Thanraj, 2010. ‘Entrepreneurship in Tiny Sector Industries’, Discovery Publishing House Pvt. Ltd.

The village and small industries sector in India, consists of two broad sub-sectors, viz, modern small industries and traditional industries. The former covers the small scale industries and power looms and the later the khadi, village industries, hand-looms, sericulture, handicrafts and coir industry. The Fiscal Commission (1950) defined for the first time the small-scale industry as, one which is operated mainly

with hired labour usually 10 to 50 hands. On the other hand, the Small Scale Industries Board (1955) defined the small-scale industry as a unit employing less than 50 employees in case of use of power and less than 100 employees in case of no use of power, and with a capital asset not exceeding Rs. 5 lakh. In the year 1975, the initial capital investment limit of Rs. 5 lakh was changed to Rs. 10 lakh for small scale industries and Rs. 15 lakh for the ancillaries. Again, this fixed capital investment limit was raised to Rs. 15 lakh for small units and Rs. 20 lakh for ancillary units during 1980. The investment limit was again raised to Rs. 35 lakh for small-scale units and Rs. 45 lakhs for ancillary units. With the introduction of economic reforms, the New Industrial Policy (1991) had raised the investment ceiling for the purpose of definition of a small unit and accordingly, it was decided at Rs 60 lakh for small scale industries by the government and Rs.75 lakh each for export oriented and ancillary units. By 2001, the investment limit was raised to Rs.100 lakh for small scale industries and export oriented units. Thus over the years, the ceiling of capital investment has increased for small scale industries in the country.

Presently, the small-scale industries have been sub-divided into Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises (MSME) Act 2006. The categorisation of enterprises is made based on their investment in plant and machineries in case of the manufacturing sector or in equipments in case of the service sector.

Table 1.3: Categorisation of Enterprises as per MSMED Act , 2006

Types	Micro	Small	Medium
Manufacturing Enterprises	Does not exceed Rs.25 lakh	More than Rs 25 lakh but does not exceed Rs.5 crore	More than Rs.5 crore but less than Rs.10 crore
Service Enterprises	Does not exceed Rs.10 lakh	More than Rs.10 lakh but does not exceed two Rs.2crores	More than Rs.2 crore but does not exceed Rs.5 crore

Source: Micro, Small and Medium Enterprises Development Act, 2006. <http://dcmsme.gov.in/>

Thus over the period of time, the required norms to be a small business entity have been revised time and again. The flexibility in defining such enterprises is

ensured to clearly categorise such enterprises so that they may achieve the required attention for improvement in their performance.

1.3. Importance of Micro enterprise sector in Indian Economy

The role of micro, small and medium enterprises in the economic and social development of the country is well known. In India, the role of the MSME sector is well appreciated since the days of the Industrial Policy of 1948, wherein the importance of cottage and small scale industries has been appropriately recognised in terms of making use of local resources and providing gainful employment opportunities to the young workforce of the nation.

The Indian economy, post major economic crisis in 1991, has experienced rapid economic growth rate, more foreign investment, and presently has staged itself as the sixth-largest economy in terms of Gross Domestic Product (GDP), third-largest by purchasing power parity (PPP) and also is ranked amongst the Newly Industrialised Countries (NIC). The rapid economic growth which has been seen post 1991 is a result of major economic reforms like liberalisation, privatisation and globalisation commonly known as the LPG model. One of the major emphases of economic reforms has been to strengthen the industry and manufacturing sector. The micro, small and medium enterprises sector - the most vital constituent of the industry and manufacturing sector has received special treatment for its vital contributions in the areas of employment generation, output and export generation, and contribution towards equitable regional development. In fact, the sector can be recognised as the breeding ground for entrepreneurship development, often driven by individual creativity and innovation.

According to the 4th All-India Census of MSMEs, about 26 million MSME units have been providing employment to an estimated 60 million persons in the country. The micro enterprises are generally artisan-based and are mostly located in rural and semi-urban areas. The sector has been playing a major role in job creation.

These ventures/enterprises, in addition to generating self-employment are also creating job and wage employment using local skills and resources and selling their products locally. The labour capital ratio in the MSME sector being higher than that of the large enterprises, the sector facilitates more absorption of the work force.

Geographically, the distribution of MSMEs being even, it helps in equitable regional development. The MSMEs are spread throughout the country and include activities like handloom, khadi, sericulture, coir, tailoring, embroidery, knitting, wood-carving and other handicrafts. The development of MSMEs in rural areas has also been instrumental in decreasing the urban-rural migration. Thus, MSMEs in India are deemed important for achieving growth with equity and inclusion.

The MSMEs in the country manufacture over ten thousand products. Some of the major sub-sectors in terms of manufacturing output are food products, handloom and textiles, handicraft, basic metal, machinery and equipments, transport equipments, rubber and plastic products, furniture, paper and paper products and leather and leather products.

1.4. Policy for Promotion of Micro enterprise Sector in India and Assam

An outline of the policies adopted for micro and small enterprise sector since independence is presented in this section. Since independence, the Government of India has emphasised upon development of small scale, village and cottage industries. A number of initiatives have been taken to foster the growth of the Micro and Small Enterprise (MSE) sector which includes policy resolutions, developing institutional and organisational structure, and enhancing support system for increasing production, employment, credit access and market reach of the sector. The Industrial Policy Resolution dated 6th April, 1948 emphasised on the importance of small and cottage industries in the economy of the country. The policy resolution laid stress on the role of the State in development of industry including the Small Scale Industry (SSI)

sector. During the first five year plan period, six boards were constituted covering a large spectrum of the MSE sector. They were the All India Handloom Board, All India Khadi and Village Industries Board, All India Handicrafts Board, Central Silk Board, Coir Board and Small Scale Industries Board. In 1955, to assist technology infusion and market access for the SSI sector, the National Small Industries Corporation was set up. In order to formulate policies and organise the efforts of development of the small scale industries at the apex level, the Small Industries Development Organisation (SIDO) was established in 1954. One of the vital role of the SIDO (now renamed as Micro, Small and Medium Enterprise Development Organisation) was to co-ordinate the activities of various institutions and organisations promoted for development of the SSI sector.

The second Industrial Policy Resolution of 30th April, 1956 stressed upon supporting the cottage and village industries by direct subsidies. The major objective of this policy resolution was to establish a socialistic pattern of society and remove regional disparities through development of regions with low industrial base. Due to the inherent potentiality of the SSI sector to provide large-scale employment, the Resolution spelt out the Government's determination to provide all sorts of assistance to small and cottage industries for wider dispersal of the industrial base so that a more equitable distribution of income can be achieved. In addition, for promotion of village and small scale industries, development of proper managerial and technical capabilities and support system was also emphasised upon.

The Industrial Policy Statement of 1973 gave due preference to small and medium enterprises over the large industries and foreign companies in building new capacity particularly in the production of mass consumption goods. The existing SSI units and new ventures with fixed assets up to Rs.10 million were exempted from licensing requirements for assets expansion.

The basic policy support of the SSI sector had its roots in the Industrial Policy Resolution of 1977. One of the main thrust areas of this policy was to promote the village and cottage industries in rural areas and small towns. The reservation of

economically viable and technologically feasible products to be exclusively manufactured by the small scale industry began with a list of 47 items which was gradually extended to a wide range of products. Under the policy, the Government encouraged self-employment in large numbers by promoting cottage and household industries. The policy stressed on constitution of District Industries Centres (DICs) at district headquarters to deal with the requirements of the small scale industries. The other important aspects of the policy pertaining to the SSIs were arrangements for provision of credit, marketing and promotion of khadi and village industries. The policy also emphasised on decentralisation of the industrial sector with increased role for small scale, tiny and cottage industries. This policy resolution also called for close interaction between industrial and agricultural sectors. Further, within the small scale sector, another category called the tiny industry was defined as a unit with investment limit upto one lakh rupees in machinery and equipment and situated in towns or villages with a population not exceeding 50,000 as per the 1971 census.

The Industrial Policy, 1980 primarily focused on harmonising the growth between the small, medium and large sectors. One of the vital aspects of the policy was to increase the investment limit of the tiny and small sectors to boost the development of the small scale industries. The investment limit was raised to Rs.20 lakh in the small scale units and Rs.25 lakh in the ancillary units. In the case of tiny units, the investment limit was raised to Rs.2 lakh. In the policy statement, stress was given on the concept of economic federalism by setting up “nucleus plant” in the industrially backward districts in order to generate as many ancillaries, and small and cottage units as possible. In order to solve the problem of access to credit by the SSI units, the Government proposed to strengthen the existing financial arrangements and make such changes as may be necessary to facilitate the availability of credit to the growing units in the small scale sector.

In order to bring in more vitality and growth in the small scale sector, a separate policy statement was announced for the small, tiny and village enterprises on 6th August, 1991. In this particular Industrial Policy, the Government spelt out the

policy measures for promotion of small scale and agro-based industries. In order to achieve industrial growth to serve the objectives of employment generation, dispersal of industries in the rural areas and to enhance the contribution of small scale industries to exports, the policy decided to undertake several measures like increasing the investment ceiling in plant & machinery in small and tiny units as well as introducing a scheme of Central Investment Subsidy exclusively for the small scale sector in rural and backward areas. Further, in order to widen the entrepreneurial base, the policy document emphasised on training of women and youth under Entrepreneurial Development Programmes (EDP) to promote self-employment and setting up of entrepreneurial ventures. It also called for simplification of procedure and cutting down of paper work for the SSI sector. In order to achieve modernisation and up-gradation of technology, the Policy proposed to set up a number of technology centres, tool rooms, process and product development centres, testing centres etc. In addition, the Small Industries Development Bank of India (SIDBI which was established in 1989) and other commercial banks / financial institutions were envisaged to channelise need-based and higher flow of credit, both by way of term loan and working capital to the tiny and rural industries. To promote handloom to sustain employment in rural areas and to improve the quality of life for handloom weavers, the policy also initiated a number steps for promotion of the handloom sector.

With a view to provide more focused attention on the development of the MSME sector, a comprehensive policy package for Small Scale Industries and Tiny Sector was announced on 30th and 31st August, 2000. The comprehensive package included policy support, fiscal support, credit support, infrastructural support, technology support and quality improvement, marketing support, entrepreneurship development, rehabilitation of sick units and development of a database for the MSME sector by conducting a third census of small-scale industries². In case of fiscal support, the exemption for excise duty limit was raised from Rs. 50 lakh to Rs. one crore to

²The Third Census of the small-scale sector (covering both registered and unregistered units) was conducted during the year 2001-02.

improve the competitiveness of the small-scale sector. To provide infrastructural support, the coverage of the Integrated Infrastructure Development (IID) scheme was proposed to increase in order to progressively cover all areas in the country with 50 per cent reservation for rural areas and 50 per cent of the plots being earmarked for the tiny sector. The key credit support envisaged was to raise the limit of composite loans from Rs. 10-25 lakh.

The Micro, Small and Medium Enterprises Development (MSMED) Act which was enacted in 2006 provided for the very first time the legal framework for recognition of the concept of 'enterprises' comprising of both manufacturing and service enterprises, and also integrating the three tiers of micro, small and medium enterprises. At the national level, it provided for a statutory consultative mechanism with wide representation of all sections of stakeholders, particularly the three tiers of enterprises. The other important provisions of the Act were establishment of specific funds for promotion, development and enhancement of competitiveness of these enterprises and notification of schemes/programmes towards it; progressive credit policies and practices; preference in Government procurements to products and services of the micro and small enterprises; introducing a more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises; and simplifying the process of closure of business by all three categories of enterprises.

Yet another package for promotion of micro and small enterprises was announced in February 2007. The package included measures addressing concerns of credit, fiscal support, cluster-based development, infrastructure, technology and marketing. Capacity building of micro, small and medium enterprise associations and support to women entrepreneurs were the other important features of the package.

The Eleventh Five Year Plan provided for an outlay of Rs. 11,500 crore for the MSME sector. With this, the production of the micro and small enterprises sector was targeted to increase from Rs. 6,82,613 crore in 2007-08 to Rs. 13,98,803 crore in 2011-12 at current prices (compound annual growth rate being 15.4 per cent) while

employment was targeted to increase from 322.28 lakh persons to 391.73 lakh persons over this period.

1.5. Economic Profile of Assam

The economy of a nation, region and State reflects its development status. From an underdeveloped economy to a developing one, Assam's economy is going through a transition phase. The State economy in terms of GSDP at constant 2011-12 prices for the year 2014-15 (Quick Estimates) was estimated at Rs. 1,56,895.41 crore as against Rs. 1,51,820.41 crore for 2013-14 (Provisional Estimates). A growth of 6.08 per cent was expected, which was further categorised into 3.40 per cent growth in agriculture and allied sector, 2.28 per cent in industry sector and 4.36 per cent in service sector. The Net State Domestic Product (NSDP), also known as the State Income, at 2011-12 prices was expected to be at 2.56 per cent in 2014-15 (Quick Estimate) as compared to the estimated growth of 5.17 per cent during 2013-14.

In Assam, the majority of the population i.e. more than 75 per cent are directly or indirectly involved in the agricultural sector with more than 50 per cent of the workforce being employed in the sector. Though the contribution of the sector towards the economy of the State registered a gradual growth (GSDP at constant 2011-12 prices) for the years 2011-12, 2012-13, 2013-14 (Provisional) and 2014-15 (Quick) estimates, however, the contribution of this sector to the Gross State Domestic Product (GSDP) is largely restricted which was found to be 6.6 per cent during 2011-12 as opposed to 6.4 per cent in 2008-09. The growth of agriculture crops was estimated to increase 3.91 per cent during the year 2014-15 over 0.61 per cent in 2013-14.

Table 1.4: Trend of Growth of Agriculture Sector

Sl. No.	Year	Contribution to GSDP (Rs. In lakh)	Annual Growth Rate over Previous Year (%)
1	2011-12	20,61,487	-
2	2012-13	22,22,098	7.79
3	2013-14	22,25,760	0.16
4	2014-15	23,12,742	3.91

Source: Economic Survey, Assam, 2015-16

During the financial year 2014-15, the growth of forestry sector displayed a negative growth of 3.28 per cent as against 4.64 per cent growth experienced in FY 2013-14.

Calculated as per the base year 2011-12, the industry sector grew at an average growth of 1.86 per cent during last three years. The period started with a negative growth of 2.20 per cent during 2012-13 followed by a higher growth of 6.03 per cent during 2013-14. As per the Advance Estimates for 2012-13, the growth of the industry sector comprising of Mining and Quarrying, Manufacturing (registered and unregistered), Electricity, Gas and Water Supply and Construction was expected to moderately increase to 3.66 per cent as compared to 2.95 per cent in the previous year 2011-12. This marginal increase of growth was due to the contribution made by the sub sectors of construction (6.15 per cent), mining and quarrying (1.67 per cent) and manufacturing (3.29 per cent). One of the key components contributing to the not so encouraging performance of the industry sector in the State has been the power supply scenario. In the power supply front, the overall power supply position in the State during 2011-12 continued to be discouraging as the State witnessed erratic power supply during the year. The installed capacity of the Assam State Electricity Board was estimated at 376.7 M.W in 2012. During the same period, the estimated requirement of power for the State was 6081 MU, while the availability was 5670 MU.

The business sector comprising of Trade, Hotels and Restaurants, Transport by other means and Storage, Real Estate and Business Services and Communications, Banking and Insurance, Social and Personal Services was likely to grow by 9.30 per cent during 2012-13 as compared to 9.34 per cent growth achieved in 2011-12 due to the low performance shown by the key sub sectors of the services sector like communication, storage, banking and insurance and public administration.

1.5.1. Employment Scenario

As per the data obtained from the NSSO Report, 'Key Indicators of Employment and Unemployment in India, 2011-12, NSS 64th round', it is observed

that the distribution of workers in Assam by usual status in the primary sector indicates that the number of males in rural sector is less (5860) than the overall proportion in the country (5936). On the contrary, the number of females in the rural sector (7904) is higher in the State as compared to the all-India average (7494). In the urban sector, both male (396) and female (741) are less than the all-India average of 564 and 1091 respectively.

In the secondary sector, the number of male workers by usual status in both rural (1335) and urban (2318) sector is less than the overall proportion of the country at 2199 and 3155 respectively. Similarly, the number of female in the rural (678) and urban (1256) sector is less than the all India average of 1674 and 3397 respectively.

The number of workers by usual status in the tertiary sector is showing a blooming trend which can be witnessed from the fact that both male and female workers in rural and urban sectors is more than the all India average as shown in the *Table* given below.

Table 1.5: Distribution of Workers per Ten Thousand by Usual Status by Industry Section of NIC-2008

Status		Primary Sector	Secondary Sector	Tertiary Sector
RURAL(M)	ASSAM	5860	1335	2807
	INDIA	5936	2199	1867
RURAL(F)	ASSAM	7904	678	1417
	INDIA	7494	1674	832
URBAN(M)	ASSAM	396	2318	7285
	INDIA	564	3525	5910
URBAN(F)	ASSAM	741	1256	8004
	INDIA	1091	3397	5511

Source: Key Indicators of Employment and Unemployment in India, 2011-12

1.5.2. Investment Scenario

The industrial scenario has undergone a rapid transformation in Assam. The State with its rich heritage and resources offer unique potential for different type of industries like paper, fertilizers, cement, coke, lime, sugar, engineering, plastic, steel, printing, cosmetics, poultry & dairy products, handloom and handicraft. The

Government has come up with many an investment for propagation of the MSME sector in the State. In all, there are 64 Commercial Estates for micro units and 50 Industrial Estate/Area in the State. Besides, three Industrial Growth Centres (IGC) are located at Balipara (Sonitpur), Matia (Goalpara) and Chaygaon-Patgaon-Jambari (Kamrup). A total of 11 Integrated Infrastructure Development Centres (IIDs) have come up at Silapathar (Dhemaji), Banderdewa (Lakhimpur), Dalgaon (Darrang), Rangia (Kamrup), Malinibeel (Cachar), Dimow (Sivasagar), Naltoli-Bhumuraguri(Nagaon), Parbatipur (Tinsukia), Titabor (Jorhat), Serfungguri (Kokrajhar) and Tihu (Nalabri) for enhancing trade. Apart from this, two Software Technology Parks are under operation in the Kamrup(M) district. A Bio-Technology Park is operating from the campus of the Indian Institute of Technology (IIT), North Guwahati. Again, there is an Export Promotion Industrial Park (EPIP) at Amingaon providing infrastructure facilities for the export oriented units. Moreover, the North East Mega Food Park, Tihu, Food Processing Park (Chaygaon), Bamboo Park (Chaygaon), Plastic Park (Tinsukia), Tea Park (Chaygaon) and Jute Park (Nagaon) are the other initiatives taken up for development of the industrial sector in the State, particularly the MSMEs.

The credit disbursements from different commercial banks too have gained momentum in the State. There were a total 1804 bank branches of all Scheduled Commercial Banks in Assam with a credit deposit ratio of 43.56 per cent in 2012-13.

1.5.3. Industrial Scenario

The industrial policy in any State mainly focuses on investment, technology, public sector, foreign direct investment, exports, productivity, consumer protection, weights and measures, Patent/IPR/Trademark and similar other area which have a bearing on industrial development of the State.

Despite a number of efforts on the part of Assam Industrial Development Corporation (AIDC), Industries and Commerce Department of the State along with various other agencies, the manufacturing sector continues to struggle to contribute to

the State's economy, which further declined to 4.05 per cent in 2011-12. On the other hand, the Index of Industrial Production of the Manufacturing Sector showed a rising trend increasing to 194.17 in 2011-12 as opposed to 184.32 in 2010-11 (Base: 2004-05).

It is owing to a number of factors that industrial development in Assam has been rather slow to take off. However, despite the slow growth, the recent industrial scenario in the State has shown promises of righteous improvement. The North East Industrial Investment Promotion Policy of 2007 (NEIIPP) continues to be the guiding light behind such improvement. Development in transportation services and infrastructure along with the developing urban infrastructure in most of the cities and towns of Assam has acted as a catalyst for the industrial uprising. The present industrial scenario of the State is mainly focused on the employment generating micro and small enterprise sector which consists of the manufacturing and processing enterprises.

1.6. Status and Performance of Micro enterprises in Assam vis-a-vis India

The MSME Census reveals that out of the total working enterprises in the registered MSME sector, the percentage of micro, small and medium enterprises in India is 94.94 per cent, 4.89 per cent and 0.17 per cent respectively. The data also reveals that among the enterprises, 10.49 lakh units (67.10 per cent) are manufacturing enterprises, 2.52 lakh units (16.13 per cent) are repairing and maintenance enterprises and 2.62 lakh units (16.78 per cent) are service enterprises. On the other hand, in Assam, the percentage of enterprises in the registered sector in manufacturing, services and repairing & maintenance is 1.28 per cent, 1.39 per cent and 1.11 per cent respectively. Thus, Assam has an overall share of only 1.27 per cent of the total enterprises in the country under the registered MSME Sector.

The total number of MSMEs in the unregistered sector is estimated at 198.74 lakh. The MSME census reveals that the proportion of micro and small enterprises are

99.83 per cent and 0.17 per cent respectively. Of these, 104.50 lakh units (52.58 per cent) are manufacturing enterprises, 12.31 lakh units (6.19 per cent) are repairing and maintenance enterprises and 81.93 lakh units (41.22 per cent) are service enterprises.

A comparison with the national level data shows that there is no significant deviation in the unregistered MSME sector in Assam. It is found that 53.27 per cent of the enterprises are manufacturing enterprises, 43.46 per cent are repairing and maintenance enterprises and 3.27 per cent are service enterprises.

Again, the MSME Census reveals that by nature of operations, 15.14 lakh (96.81 per cent) enterprises are perennial enterprises, 0.46 lakh (2.97 per cent) are seasonal enterprises and 0.03 lakh (0.22 per cent) are casual enterprises in the registered sector in Assam. A similar pattern is also found in the unregistered MSME sector. The data reveals that more than 90 per cent (93.71 per cent) enterprises are operating perennially in the sector. In respect of enterprises running on seasonal and casual mode, the figures are found to be 6.42 lakh (3.23 per cent) and 4.23 lakh (2.13 per cent) respectively. Thus in both registered and unregistered sectors, the dominance of enterprises operating perennially in Assam is quite evident from the figures.

Table 1.6: Status of Enterprises by Nature of Operations

Sector	Perennial			Seasonal		
	India	Assam	%	India	Assam	%
Registered	15,14,119	18,970	1.25	46,387	861	1.86
Unregistered	186,24,000	2,06,000	1.11	6,42,000	2,000	0.31
Total	201,38,119	2,24,970	1.12	6,88,387	2,861	0.42

Source: MSME Census, 2006-07

At present, the industrial scenario of the State is mainly confined to the growth of employment oriented small scale sector which comprises of manufacturing and processing industries (*Economic Survey, Assam, 2015-16*). As per the MSME Annual Report, 2015-16, there are 41,434 MSME units in Assam providing employment to 2.35 lakh persons. *Table 1.7* given below depicts the financial year wise data in

respect of setting up of MSME units as on 31st March, 2015. It is evident from the *Table* that the average employment per unit of manufacturing enterprises in Assam has been around seven persons during the period 2005-06 to 2014-15 and the average investment per unit has been Rs. 14.10 lakh. From the *Table*, it can be observed that though the growth rate of MSME units have fluctuated during the period 2005-06 to 2009-10, it has steadily increased during the period 2010-11 to 2014-15. However, with regard to the rate of employment as well as in investment on plant & machinery in the sector, some variations are observed. While analysing the year wise investment figures in the MSME sector, it is found that there are wide variations in investment ranging from Rs. 4.27 lakh to 21.58 lakh. The same showed a downward trend during the period 2012-13 to 2014-15.

Table 1.7: Performance of MSMEs in Assam

Sl. No.	Year	No. of SSI / MSME Units	Employment (in lakh)	Average Employment per Unit (in lakh)	Investment on Plants & Machinery (Rs. in lakh)	Average investment per Unit (Rs. in lakh)
1	Up to 2004-05	23,658	1.08	4.58	0.46	1.95
2	2005-06	2,082	0.11	5.18	0.27	11.42
3	2006-07	2,172	0.12	5.46	0.09	4.27
4	2007-08	1,692	0.10	6.19	0.27	15.74
5	2008-09	1,711	0.13	7.55	0.26	15.40
6	2009-10	1,678	0.13	7.62	0.30	17.82
7	2010-11	1,214	0.09	7.42	0.26	21.05
8	2011-12	1,287	0.14	10.79	0.28	21.58
9	2012-13	1,451	0.12	8.04	0.27	18.88
10	2013-14	1,860	0.13	6.97	0.31	16.72
11	2014-15	2,629	0.20	7.80	0.27	10.24
Total / Average		41,434	2.35	7.05	3.04	14.10

Source: Economic Survey, Assam, 2015-16

1.6.1. Status of Working Enterprises by Type of Enterprise (Registered)

The fourth All India Census of MSME 2006-07 (Registered Sector) reveals that the share of working MSMEs in Assam which is 19,864 is 1.27 per cent of the all India total. The share of micro enterprises is 1.30 per cent to the all India figure.

Again, the small and medium enterprises have a share of 0.78 and 1.01 per cent respectively. It is further observed that in Assam, out of the total enterprises, the share of micro enterprises is highest with 96.85 per cent, whereas it is 3.02 per cent and 0.14 per cent with respect to the small and medium enterprises.

Table 1.8: State wise Distribution of Working Enterprises by Type of Enterprises (Registered units)

MSME Sector in	Micro	Small	Medium	Total
Assam	19,238 (96.85%)	599 (3.02%)	27 (0.14%)	19,864
India	14,84,768	76,523	2,683	15,63,974
Share of working MSMEs in Assam with respect to all India	1.30 %	0.78 %	1.01%	1.27%

Source: Fourth Census, MSME

1.6.2. Status of Working Enterprises by Employment

The employment status of the MSMEs in Assam with respect to India has been analysed in the *Table 1.8*. The percentage share of total employment in MSMEs across Assam is 2.26 per cent to the total employment share of the registered MSMEs across India. On analysing the segregated data, the percentage of employment in the micro enterprise sector in Assam is found to be 1.76 per cent to the all India total. On the other hand, in case of the unregistered enterprises, the percentage of employment in the micro enterprise sector is 1.10 per cent to the national total.

Again, while analysing the data with respect to distribution of employment in registered enterprises in Assam, it is seen that a significant number of workers (54.76 per cent) is employed in the micro enterprise sector, whereas the small and medium enterprise sector is found to employ 36.79 per cent and 8.44 per cent of the total workers respectively. With regard to unregistered units in the MSME sector, the distribution of employment is different. There is a high dominance of micro enterprise sector at 99.78 per cent.

Table 1.9: State wise Distribution of Employment (in No.)

Registered Enterprise (in No.)				
MSME Sector in	Micro	Small	Medium	Total
Assam	1,15,279 (54.76%)	77452 (36.79%)	17776 (8.44%)	2,10,507
India	65,34,187	23,43,033	4,32,266	93,09,486
Percentage Share of Assam	1.76	3.31	4.11	2.26
Un-registered Enterprise (in Lakh)				
Assam	4.47 (99.78%)	0.01 (0.22%)	-	4.48
India	405.52	3.32	-	408.84
Percentage share of Assam	1.10	0.30	-	1.10

Source: Fourth Census, MSME

1.6.3. Status of Employment in MSME Sector by Social Category

From an analysis of employment distribution in the MSME sector by social category, it is observed that 43.59 per cent of the population in socially backward groups in Assam is employed in the registered units. This can be further segregated into SC (8.02 per cent), ST (6.11 per cent) and OBC (29.46 per cent) and the remaining percentage of employed are from the general category (29.46 per cent). Taking into account the unregistered units, the combined classes of SC (9.38 per cent), ST (12.95 per cent) and OBC (25.89 per cent) represent 48.22 per cent of the total employees, whereas the general category employees constitute 25.89 per cent.

Table 1.10: State wise Distribution of Employment by Type of Social Category (in %)

Social Category	Registered		Un-registered	
	Assam	India	Assam	India
SC	8.02	11.77	9.38	11.93
ST	6.11	5.26	12.95	4.80
OBC	29.46	31.56	25.89	47.75
Others	56.41	51.41	51.79	35.52

Source: MSME Census, 2006-07

1.6.4. Women Ownership in MSME Sector

The fourth All India Census of MSME, 2006-07 (Registered & Unregistered) reveals that the total number of enterprises owned by women in the MSME sector is estimated as 20,20,650, out of which, 2,14,650 (10.62 per cent) are in the registered

sector and 18,06,000 (89.38 per cent) are in the unregistered MSME sector. In Assam, only 4,070 (1.90 per cent) of the enterprises are owned by women in the registered sector and 20,000 (1.11 per cent) in the unregistered MSME sector. Therefore, it is seen that the percentage of women owned enterprises in the registered sector is marginally higher than the unregistered MSME sector.

Table 1.11: Status of Women Ownership in MSME Sector

MSME Sector	India	Assam	(in %)
Registered	2,14,650	4,070	1.90
Unregistered	18,06,000	20,000	1.11
Total	20,20,650	24,070	1.19

Source: MSME Census, 2006-07

1.6.5. Sickness in MSME Sector

Sickness in the MSME sector is a cause of concern. The factors associated with the sick enterprises are delay in repayment of loan or erosion in the net worth and continuous decline in gross output.

Table 1.12: State wise Number of Sick Enterprises owing to Indebtedness (Registered Enterprise)

MSME Sector in	Micro	Small	Medium	Total
Assam	4,203 (92.82%)	314 (6.93%)	11 (0.24%)	4528
India	2,07,855	12,073	575	2,20,503
Percentage share of sick units with respect to all India Total	2.02 %	2.60 %	1.91 %	

Source: NSSO Data

The above *Table* shows that Assam has 2.05 per cent of the total sick units of the country. Of the total sick enterprises present in Assam, Micro, Small and Medium units represent 92.82 per cent, 6.93 per cent and 0.24 per cent respectively.

1.7. A Profile of the Study Area

Four sample districts have been selected based on Household Enterprise Ratio categories and spatial distribution (for details, refer chapter 3: Materials and Methods).

The selected districts are Barpeta, Cachar, Kamrup (Rural) and Sibsagar. A profile of the sample districts covered under the present study is outlined below in *Table 1.13*.

Table 1.13: Profile of the Four Sample Districts

Sl. No	Parameters	Sample Districts				Assam
		Barpeta	Cachar	Kamrup (R)	Sibsagar	
1	Actual Population	1693622	1736617	1517542	1151050	3.12 Crore
2	Male	867004	886284	778461	589216	31205576
3	Female	826618	850333	739081	561834	15939443
4	Population Growth	21.43%	20.19%	15.69%	9.44%	15266133
5	Area Sq. Km	2282	3786	3105	2668	17.07%
6	Density/km ²	742	459	489	431	2.58%
7	Sex Ratio (Per 1000)	953	959	949	954	962
8	Average Literacy (in %)	63.81	79.34	75.55	80.41	72.19
9	Male Literacy (in %)	69.29	84.78	81.3	85.84	77.85
10	Female Literacy (in %)	58.06	73.68	69.47	74.71	63.00
11	Cultivators	36.53	19.79	29.54	28.43	
12	Agricultural Labourers	17.61	11.29	15.82	9.98	
13	Workers in Household Industry	5.4	4.02	10.99	2.99	
14	Other Workers	40.45	64.89	43.65	58.6	
15	HDI					
	Rank	9	8	2	7	
	Value	0.396	0.402	0.572	0.469	0.407
16	HPI	22.83	29.22	17.44	10.31	23.24

Source: a. Census, 2011 (for Sl. No. 1 to 14)

b. Assam Human Development Report (2003)

A look into the demographic details of the four sample districts reveal that Cachar has the highest population (17,36,617) followed by Barpeta (16,93,622), Kamrup(R) (15,17,542) and Sibsagar (11,51,050) district. However, in terms of decadal population growth rate and population density, Barpeta records the highest which is 21.43 per cent and 742 persons per sq. km respectively. The same is least in Sibsagar district which exhibits a decadal population growth rate of 9.44 per cent and a population density of 431 persons per sq. km.

In terms of sex ratio, all the four sample districts record less overall state sex ratio i.e. 962 persons per 1000 male population.

In average literacy rate, except the Barpeta district (63.81 per cent), the other three sample districts account for higher than average literacy rate of the State (72.19 per cent).

An analysis of the workforce participation across the four districts reveals that Barpeta has the highest percentage of cultivators (36.53 per cent) and agri-labourers (17.61 per cent) followed by Kamrup(R). The same for the Cachar district is the lowest.

Similarly, the workforce participation in household (HH) enterprise is highest in Kamrup(R) i.e. 10.99 per cent followed by Barpeta and Cachar district. In case of Sibsagar district, it is 2.99 per cent which is lowest as compared to the other districts.

1.8. Overview of the Selected Micro enterprises Sectors

The four micro enterprise sectors identified for the current study are:

1.8.1. Cane & Bamboo

The North Eastern Region of India is famous for cane and bamboo resources. The region has about 90 species of bamboo with sizable plantation area under it. According to the NEDFi Databank Quarterly Report, Vol-6, 28 per cent of the total bamboo resources of Indian is from the region. And more importantly, two third of the total growth of bamboo industries are in this region. Similarly, more than 14 species of cane grows in Assam and a sizable volume of raw cane is continuously growing in Assam. Bamboo is extensively used as a raw material for building traditional houses and in production of handicraft items.

In Assam, 8,213 sq. km is under bamboo cultivation which constitutes 10.50 per cent of the geographical area of State (Databank Quarterly Report, NEDFi, Vol-6). Due to depletion of wood and high cost of wood, bamboo is found to be viable replacement of wood. There are more than 600 registered MSEs working in the cane

and bamboo sector with an investment of more than 400 lakh and employing around 3,500 people. The major products of cane and bamboo handicraft industries consist of basketry, decorative cane & bamboo items, cane & bamboo furniture, bamboo jewellery, incense sticks etc. The number of unregistered MSEs is around 3,400 and most of them are concentrated in a few clusters. Out of the total handicraft units in Assam, 12.63 per cent are based on cane and bamboo employing 12.49 per cent of the total artisans.

Majority of the MSEs are involved in manufacturing of bamboo decorative and utility products, while around 20 per cent in bamboo furniture making and 7.62 per cent in bamboo incense stick making. Of late, owing to market potential of bamboo incense sticks, the growth rate of incense stick industry is very encouraging (20 per cent per annum). There are around eight bamboo incense stick clusters in Assam employing around 5,000 artisans. About 99 per cent of the artisans engaged in this sector do not have a formal registration.

The variety of products produced from cane comprise of sofa sets, chairs of different shapes and types like easy chairs, arm chairs, rocking chairs, dining chairs, tables of different types like side tables, central tables and basket wares for different uses. Because of their light weight, comfort and low price, the goods produced from cane and bamboo have attracted a wide range of buyers from across the globe. The cane and bamboo industry is scattered throughout the State in rural as well as in certain urban areas. Commercial production of cane furniture in the State is mainly concentrated in towns like Silchar, Mangaldoi, Tezpur, Nalbari, Jorhat, Golaghat etc.

1.8.2. Food Processing

Traditionally, food processing in Assam is an important part of the rural and semi-urban economy with pickles, jams, jelly, chutney and squash being made mainly by women at the household level. Availability of raw materials is a major strength of the food processing sector in Assam. According to resource mapping carried out by the Directorate of Industries, Assam during the year 2012, there are 3,139 registered

food processing units in Assam including rice mills, flour mills, *supari* units, oil mills, bakeries, fruit and vegetables processing units, noodle making units, *bhujia & dalmug* units, spice grinding units, meat processing units, confectionaries units, packaging units and other food processing units. The total investment in these units stand at Rs. 13593.67 lakh and have generated employment to around 15,765 persons.

According to the 67th round of the National Sample Survey Organisation published during November, 2012, there are 22,874 Own Account Enterprises (OAE) and 14,310 Established Enterprises in Assam in the food processing sector.

1.8.3. Wood Carpentry

According to the All India Micro Small and Medium Enterprise census, 2006-07, the wood carpentry sector has 2,098 registered units in Assam with a total investment of Rs. 4808.35 lakh and provides employment to around 9,219 people. Around 94 per cent of the units in this sector are involved in wooden furniture making. The rest are involved in manufacturing of wood based handicraft products.

The handicraft products manufactured from wood include human and animal figures (especially rhino and elephant), fruit bowls, dragon, and various types of masks, flower vases and few decorative items.

1.8. 4. Handloom & Textile Sector

The handloom sector in Assam plays a vital role in terms of employment generation and economic development. As per the Handloom census, there are 14.01 lakh weavers in Assam with 11.11 lakh looms. Moreover, around 16.43 lakh additional handloom weavers are working in the sector seasonally. Thus, about 30.44 lakh weavers are involved with handloom activities in the State which is more than 40 per cent of the total weavers of the country. The handloom products of the State are mainly cotton and silk (*eri, muga and pat*) based.

There are around 3,634 Primary Weavers Cooperative Societies, 22 District Handloom Cooperative Societies, two Regional Handloom Cooperative Societies and two Apex Cooperative Societies in Assam.