

## A Study on Micro Enterprises in Kamrup District of Assam: Problems and Prospects

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**Abstract:** Microenterprises have an important role to play in the generation of employment opportunities and also in the promotion of self-employment and entrepreneurship among the youth. This sector has often been termed as the "Engine of Growth" for developing countries. In India, the contribution of MSMEs in GDP is 6%, 33% in manufacturing sector and 45% in exports. The study is based on the primary objective to examine the position of selected Micro Enterprises performing in both the rural and metro areas of the Kamrup District, Assam and to identify the problems, if any, relating to the functioning of Micro Enterprises in the District. Profit is the major key to sustain the enterprise and employment stability. Profits of the same sample micro enterprises would be observed for possibilities to retain in the same. The study is based on primary data collected from field survey from both the rural and metro areas of Kamrup District of Assam. The collected data have been analyzed using simple statistical tools for better understanding and fulfillment of the objectives.

**Keywords:** Microenterprises, constraints, profits.

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### I. Introduction

Micro enterprises have an important role to play in the generation of employment opportunities and also in the promotion of self-employment and entrepreneurship among the youth. According to MSME Annual Report 2016-17, the number of MSMEs and employment in MSME sector are 512.99 lakh and 1112.28 lakh, respectively. Thus, the Government has accepted the development of micro enterprises as a strategy for employment generation and promotion of income generating activities among the poor, and also for promotion of self-employment and entrepreneurship among the youth in the country. Economic development strategies that create new jobs are high in demand in light of the recent economic downturn. Micro enterprises can play an important role. They are often sole proprietorship, but with the access to training, support and financing individuals have been able to launch and grow their own microenterprises into operations that increase not just their family's income but also create new jobs in the communities. As the industry matures, practitioners increasingly focus on the conditions that foster and the resources required for micro enterprises to provide high quality jobs. The Indian economy thrives through the process of creation of enterprises. The MSMEs have been contributing to expansion of entrepreneurial culture through business innovations. The MSMEs are widely dispersed across sectors of the economy, producing diverse range of products and services to meet demands of local as well as global markets. The contribution of MSMEs in GDP is 6%, 33% in manufacturing sector and 45% in exports. It shows the valuable contribution that the MSME sector is making in the economy, both in terms of manufacturing and services.

### II. Review of Literature

S.S.Khanka (1998) observed that the development of Small Scale Industries in Assam is low because of inadequate infrastructural facilities, problems of production, financing and marketing. Government should create facilities like communication, power, roads etc. In State level also, survey should be carried out to optimize possibilities to develop industries. Local entrepreneurs should be motivated to start up new enterprises in their region. Government should also take up steps in the region for better industrialization.

Ruddardatt and K.P.M.Sundharam (2006) stated that small enterprises need to be developed along with large enterprises. This is also the accepted argument of the Government. From a long point of view, the capacity of small manufacturers to become technically progressive and efficient and develop competitive strength shall be the only justification for their continuance.

Ramakrishna Mandal (2008) in his paper comprising the position of Khadi and Village Industries in the North East States, especially in Arunachal Pradesh, in the context of growth, development, problems and prospects. The author observed that importance should be given to micro enterprises like KVIs which requires

light machines and equipments to produce quality products because at present a State's progressive level is measured by the quality of the produced goods.

M.Karthikeyan (2012) stated that one of the major problems faced by micro and small enterprises is the shortage of both investment capital and working capital. They neither have a recognizable credit history like large industries nor have the technical capacities to prepare business plans suitable for lending institutions.

Biswajit Das & Kandarpa Kr. Barman (2013) in their paper comprising a study on micro enterprises in Hajo Development Block, Kamrup (Assam), in relation to development, problems and prospects. They opined that the most essential facilities for industrial growth like power supply, raw material, marketing of products, adequate capital and supply of labour, technical know-how etc. have not yet crossed the minimum threshold, which is still a major obstacle in the development of micro enterprises in the Hajo Development Block.

R.K.Das Choudhury (2013) stated that the industries of the North Eastern region could not grow up to the expected level due to so many reasons. Infrastructure, transportation, availability of raw materials and marketing facilities for finished products, particularly in the hilly areas, are the main bottlenecks for industrial development. Non-availability of individual land in the hilly region is another problem. Moreover, in absence of well-defined land ownership, the banks are not in a position to provide industrial loan. Shortage of job specific skilled labourers is another important aspect.

P.K.Dhar (2016) observed that the prospect of micro enterprises in Assam is quite bright. But the ultimate success of economic reforms in promoting them in the State depends finally on the improvement of law and order situation of the State which will simply create suitable environment conducive for industrial development of the State. Moreover, local entrepreneurs should come forward and participate actively in the industrialization process of the State.

Abdul Awal Sarkar (2017) concluded in his paper comprising the trends, opportunities and challenges in Small Scale and Cottage Industries in Assam, that reorientation in the attitude of the people of the State, in general, the educated youths and capitalist class, in particular, is the urgent requirement for paving the way of industrialization in the State. A gradual approach is necessary, apart from the Government, the capitalist class and the educated youth must come forward with a new vision and energy to break the vicious circle of non-industrialization in the State.

### **III. Objectives**

- (i) To identify the problems relating to the management issues facing to Micro Enterprises in the District for better economic development.
- (ii) To assess the profits for sustainability of the micro enterprises in the District.

### **IV. Methodology**

The study requires both primary and secondary sources of data. The depth of the study is based on the primary data and for this field survey has been done to collect primary data from the micro enterprises in the district with the help of questionnaires. For the purpose of the study, total 120 Micro Enterprises has been taken as samples, 60 units from the Metro area and 60 units from the Rural area of the Kamrup District of Assam. This has been done with the objectives of knowing the role of micro enterprises and their problems in regard to management of the enterprises. Only those industrial units are selected which are registered under District Industries and Commerce Centre, Kamrup (Metro), Bamunimaidan and District Industries and Commerce Centre, Kamrup (Rural), Mirza and running actively. The sick and shut down units are excluded from the study. The secondary data has been collected from various secondary sources such as Micro, Small and Medium Enterprises Annual Report 2016-17, Ministry of Micro, Small and Medium Enterprises, Statistical Handbook, reports of various MSMEs related studies and host of websites. The study covered undivided Kamrup District of Assam (Metro & Rural).

#### **Meaning and definition of Micro Enterprises:**

In recent years, all micro, tiny, small and medium enterprises are clubbed in one broad group as Micro, Small and Medium enterprises (MSMEs). After the enactment of Micro, Small and Medium Enterprises Development (MSMED) ACT, 2006, the Small and Medium sector has been clearly defined as Micro, Small and Medium enterprises with effect from 2<sup>nd</sup> October, 2006. Moreover, separate investment limits have been prescribed for manufacturing and service sectors of Micro Enterprises which are as follows:

- a) Enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act, 1951 where investment in plant and machinery does not exceed Rs. 25 Lakhs and;
- b) Enterprises engaged in providing or rendering services where investments in equipment do not exceed Rs. 10 Lakhs.

## V. Results and Discussions

### Location

The number of selected micro enterprises has been presented in the table 1.1 below:

**Table 1.1** Locations of Enterprises

	Manufacturing		Services		Both Manufacturing and Service		Total	
	No.	%	No.	%	No.	%	No.	%
Metro	20	50.0	20	50.0	20	50.0	60	50.0
Rural	20	50.0	20	50.0	20	50.0	60	50.0
Total	40	100.0	40	100.0	40	100.0	120	100.0

Source: Primary Data

The above table 1.1 shows the location of enterprises. The total number of enterprises in metro area is 60 (50%) units and of rural area are 60 (50%) units. The total number of enterprises in manufacturing sector is 40 units, in services sector 40 units and both manufacturing & services sector 40 units.

### Nature

Table 1.2 shows the nature of enterprises.

**Table 1.2** Nature of Enterprises

Details	Manufacturing		Services		Both Manufacturing and Service		Total	
	No.	%	No.	%	No.	%	No.	%
Proprietorship	25	62.5	38	95.0	39	97.5	102	85.0
Partnership	2	5.0	2	5.0	0	0	4	3.3
Joint family	13	32.5	0	0	1	2.5	14	11.7
Total	40	100.0	40	100.0	40	100.0	120	100.0

Source: Primary Data

The above table 1.2 reveals the nature of enterprise respondents. Majority (85%) of the respondents are proprietorship as it is easy to run and control the business. 11.7% of the respondents are joint family and only 3.3% of the respondents are partnership business.

Industry wise follows the same trend. In manufacturing sector, 62.5% are proprietorship, 32.5% are joint family and only 5% are partnership business. In service sector, 95% are proprietorship and only 5% are partnership business.

### Problems

The problems faced by the enterprise respondents were very important and required serious attention which are shown in table 1.3

**Table 1.3** Problems of Management Issues

Details	Manufacturing		Services		Both Manufacturing & Services		Total	
	No.	%	No.	%	No.	%	No.	%
<b>Problems</b>								
No Professionalism	0	0	03	7.5	0	0	03	2.5
Poor Credit History	0	0	01	2.5	01	2.5	02	1.7
Inadequacy of Loan	06	15.0	01	2.5	02	5.0	09	7.5
Less Technologies	0	0	04	10.0	02	5.0	06	5.0
High Interest Rate	03	7.5	0	0	0	0	03	2.5
Raw Material	14	35.0	01	2.5	03	7.5	18	15.0
Market	14	35.0	19	47.5	19	47.5	52	43.3
Skilled Labour	19	47.5	14	35.0	07	17.5	40	33.3
Transport	12	30.0	04	10.0	02	5.0	18	15.0
Lack of Clear Plan	01	2.5	0	0	01	2.5	02	1.7
Roads	13	32.5	04	10.0	03	7.5	20	16.7
Power	12	30.0	10	25.0	02	5.0	24	20.0
High Wage Rate	20	50.0	12	30.0	01	2.5	33	27.5

Source: Primary Data

The above table 1.3 shows the problems associated with manufacturing of goods and rendering of services faced by the management of the micro enterprises .Majority (43.3%) of the respondents advocated that market was the main problem in running their business. Specific market was not available for their finished products or it was too far from their home place. Lack of skilled workers (33.3%) was another of their problem as they failed to get proper skilled and technical personnel for a considerable time after starting their business. This was followed by high wage rate (27.5%) as the labourers charge very high rate of wage, power (20%) as in the rural areas power is discontinued for a very longer period of time. Another problem advocated by them was roads (16.7%) and transport (15%) as the medium through which goods are carried are not always of the good condition and lack in updation.Lack of raw materials (15%) as raw materials didn't reach the rural areas easily .Other lesser known reasons were less technologies (5%),poor credit history (1.7%),no professionalism (2.5%),high interest rate (2.5%),lack of clear plan (1.7%),and inadequacy of loan (7.5%).

Industry wise in manufacturing sector, high wage rate (50%) was the main reason followed by lack of skilled labour (47.5%), lack of raw material (35%), market (35%) and roads (32.5%) were said to be the secondary problems of production management. While, in service sector the main problem was advocated to be market (47.5%).

On the whole, majority of the enterprise respondents were facing many problems.

**Profits & Losses**

The profits & losses of the enterprise respondents are presented in the table 1.4 below:

**Table 1.4** Profits & Losses of Enterprise Respondents (in Rs.)

Details	Manufacturing		Services		Both Manufacturing & Services		Total	
	Mean	Valid N	Mean	Valid N	Mean	Valid N	Mean	Valid N
<b>Profits</b>								
2008-09	52375	40	101188	32	72571	35	73579	107
2009-10	54275	40	91632	38	91368	38	78664	116
2010-11	71825	40	131650	40	105900	40	103125	120
2011-12	72138	40	133925	40	130400	40	112154	120
2012-13	102333	40	180175	40	138575	40	140361	120
<b>Losses</b>								
2008-09	15000	04	21667	06	14375	08	16944	18
2009-10	9750	04	12500	04	13333	03	11727	11
2010-11	5000	02	0	0	40000	02	22500	04
2011-12	0	0	0	0	0	0	0	0
2012-13	0	0	0	01	0	0	0	01

**Source: Primary Data**

The table 1.4 above reveals the Profits & Losses of the enterprise respondents. In 2008-09, the Average Profits were Rs.73579 and Average Losses were Rs.16944.In 2009-10, the Average Profits were Rs.78664 and Average Losses were Rs.11727.In 2010-11, the Average Profits were Rs.103125 and Average Losses were Rs.22500.In 2011-12, the Average Profits were Rs.112154 .In 2012-13, Average Profits were Rs.140361.The profits were in increasing trend in all the years.

**Table 1.5**Correlations Analysis between Profit and Constrains of Micro enterprises in different periods

Details	
<b>Profit 2008-09</b>	
Pearson Correlation	-0.121
Sig. (2-tailed)	0.215
N	107
<b>Profit 2009-10</b>	
Pearson Correlation	-0.126
Sig. (2-tailed)	0.178
N	116
<b>Profit 2010-11</b>	
Pearson correlation	-0.069
Sig. (2-tailed)	0.452
N	120
<b>Profit 2011-12</b>	
Pearson Correlation	-0.041
Sig. (2-tailed)	0.658
N	120
<b>Profit 2012-13</b>	
Pearson Correlation	-0.041
Sig. (2-tailed)	0.655
N	120

The table 1.5 above shows the correlation analysis of the Total constrains of the management and the Profits earned by the enterprise respondents during 2008-13.

The Pearson Correlation Value “r” between Total Problems and Profits earned during 2008-09 is -0.121.

The Pearson Correlation Value “r” between Total Problems and Profits earned during 2009-10 is -0.126.

The Pearson Correlation Value “r” between Total Problems and Profits earned during 2010-11 is -0.069.

The Pearson Correlation Value “r” between Total Problems and Profits earned during 2011-12 is -0.041.

The Pearson Correlation Value “r” between Total Problems and Profits earned during 2012-13 is -0.041.

All the negative values above indicate that as the profits of the enterprise respondents increased, the problems of the management go on decreased.

## **VI. Findings and Suggestions**

- (i) The problems faced by the Micro Enterprises are numerous. But majority (43.3%) revealed that availability of market for their finished products was the main problem in continuing their business. Either specific market as not available for their finished products or the market was too far from their home place.
- (ii) Most of the sample micro enterprises (85%) were proprietorship business. This concept is good as the control and decision making remains confined to one person only. But again the loss is also summoned by the same one person only. So this concept should be broken and other type of business like partnership should also help the entrepreneur in continuing his/her business.
- (iii) The profits of the sample enterprises are increasing every year, which is a very good sign for any business. Correlation Analysis between total problems and profits shows that as the profits will increase, the problems will go on decreasing. So it is very important for the enterprises to keep the profits increasing in order to decrease their problems.
- (iv) As there is scarcity of large scale industries in Kamrup district, these micro enterprises have to play an important role in the process of industrialization for the available resources of the district from getting exploited.
- (v) The micro enterprises are seen incurring losses also. But in spite of the losses they are able to sustain in the market and continue. None of them are closed due to incurring losses.

## **VII. Conclusion**

The problems faced by the enterprises are multi-dimensional in nature, but still there is ample scope for establishment of many more micro enterprises in the district which will provide large employment to its people. The government should provide special support to the existing enterprises through cheap capital and accessibility to easy market. The development of most of the facilities which are very important for industrial growth like power, roads, availability of market, availability of raw materials, transport, less technologies etc. have yet to be developed in the district of Kamrup for rapid industrialization. Though the Micro Enterprises of Assam are growing rapidly in regards to small and medium industries, but still they have to go a long way to make their position in the Indian economy. The institutional support from the agencies or government is very important. There should be adequate supply of credit facility, marketing facility, technological support, infrastructural facilities, and above all new entrepreneurs should be motivated to start their own enterprises. Exemption of tax is one of the important supports from the Government so that the Micro Entrepreneurs can use up their profits in further extension of their establishments and motivate them to stay in the business in the long run.

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