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## DEVELOPMENT OF SMALL SCALE INDUSTRIES IN ASSAM

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### Introduction:

Small scale industries are referred to as those industries in which the process of manufacturing, production and servicing are done on a small scale. The investment on such industries is one time and these investments are mostly done on plant and machinery, the total investment on such industries do not exceed 1 crore and annual turnover does not exceed Rs.5 crore.

Earlier industries that manufactured goods and provided services on a small scale or micro-scale basis were granted Small Scale Industries (SSI) registration by the Ministry of Small Scale Industries. However, after the government passed the MSME (Micro, Small and Medium Enterprises) Act in 2006, the small and micro-scale industries came under the MSME Act.

On 9 May 2007, subsequent to the amendment of the Government of India (Allocation of Business) Rules, 1961, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises. Thus, the SSIs are included under the Ministry of MSME.

Currently, the SSIs are classified as small or micro-scale industries based on the turnover and investment limits provided under the MSME Act and they need to obtain MSME registration. The government provides many benefits to the small scale industries having MSME registration at present.

The Small Scale Industries Sector has acquired an important position in the economic structure of the country. As per the published Report of the Development Commissioner, Small Scale Industries (DCSSI), the sector encompasses about 32 lakh units, during 1998-99 which produce over 7500 different items for domestic as well as foreign markets, contributing to about 40per cent of the value added to the manufacturing sector and its share in national exports stands at over 34per cent. The Sector accounts for about 95per cent of industrial units in the country and provides a gainful employment to about 175 lakh persons. However, according to the Expert Committee on Small Enterprises constituted under the Chairmanship of Shri Abid Husain, Former Member, Planning Commission, a substantial share in terms of output of the total Small Scale Sector is covered by the Small Industry Development Organisation (SIDO) but it does not cover all industries of the sector. Further, the available data suffers from sampling problems and are highly aggregated. The Report also mentioned that SIDO figures of the high growth rate of Small Scale Industries under their purview seems to be grossly exaggerated.

### Types of Small Scale Industries in India

The following are the different types of small scale industries in India:

#### Manufacturing Industries

These are typically individually-owned units that produce finished products for consumption or use in processing industries. Examples of manufacturing industries include power looms, engineering industries, food processing units, etc.



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### Ancillary Industries

Large and multinational companies (MNCs) primarily focus on manufacturing finished products. However, these companies often depend on ancillary industries as vendors for producing various components and machines. Ancillary industries specialise in producing machinery and parts that MNCs and medium-scale enterprises use.

### Industries that provide services

The service industry includes establishments that provide services like repair and maintenance shops. This includes after-sales service, repair, maintenance and upkeep of the products.

### Units for Export

A small-scale unit that exports more than 50% of its output is classified as an export unit.

### Units in Cottages

These small units run in the owner's home and do not require a designated facility. They generally exist in villages and form the unorganised sector. Such businesses have a higher dependence on labour to produce goods. Some examples include weaving, silverware, pottery, bamboo crafts, etc.

### Village Industries

This includes small-scale units established in rural areas and part of the unorganised sector. These units are also labour-intensive. The total fixed capital investment in land, building, plant, and machinery per artisan or worker in this industry does not exceed Rs. 50,000.

The Cottage and small-scale industries of the state have been playing an important role in building the states economy. The Micro, Small and Medium Enterprises (MSMEs) is the dominant sector in Assam as compared with other North Eastern States because 61.48 per cent of MSMEs units concentrated in Assam and the rest 38.52 per cent is located in the rest of the North east states. Similarly, 51.5 per cent of fixed investment, 66.2 per cent of output and 55.12 per cent of employment of entire North Eastern region shared by Assam. At present, the MSMEs sector is found the fastest growing sector in Assam in terms of output, investment, numbers of units and employment generation. The sectoral composition of GSDP both at current and constant (2004-05) prices has undergone considerable change during the past few years. In 2004-05 at constant (2004-05) the share of Agriculture and Allied sector was 25.6 percent, The Industrial sector was 27.5 percent and Services sector was 46.9 percent. It is evident that over the years the share of Agriculture and Allied sector in the GSDP has been gradually declining from 25.6 percent in 2004-05 to 22.4 percent in 2011-12 and 18.66 percent level in 2015-16 .The contribution of Industry sector to GSDP has also shown a downward trend from 27.5 percent in 2004-05 to 21.9 percent in 2011-12, while the share of Services sector has progressed from 46.9 percent in 2004-05 to 55.7 percent by 2011-12 (Economic survey of Assam, 2011-12). Thus, the State Economy has witnessed a change over the periods and the primary sector has witnessed a shift to service sector and industrial sector resulting to flourish very rapidly in the State's economy.

### Existing MSMEs in Assam:

Presently, the small-scale industries have been sub-divided into Micro, Small and Medium enterprises (MSME) under the Micro, Small and Medium enterprises development act 2006.The categorization of enterprises is made based on their investment in plant and machineries in case of manufacturing sector or in equipment's in case of service sector. The table: 1, below shows the growth of MSME units, employment and investment till the year 2108.



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Table 1: Growth of MSMEs units, employment and investment in Assam

Year	No. of units	No. of workers	Average worker	Investment (Rs. In lakh)	Average investment
2010-11	1214	9002	7.4	25557.59	21.05
2011-12	1287	13886	10.8	27776.15	21.59
2012-13	1451	11671	8.0	27397.47	18.89
2013-14	1860	12971	7.0	31099.08	16.70
2014-15	2629	20496	7.8	26923.29	10.23
2015-16	1898	13848	7.3	25597.96	13.49
2016-17	2177	19355	8.89	60687.43	27.88
2017-18	1539	14442	9.38	47452.71	30.82
Average annual growth rate	3.39	6.76	8.32	8.83	20.08

Data Source: Directorate of industries and commerce, Assam

Table: 1, reveal that In Assam as on 2010-11 there was a total number of 1214 units of registered MSMEs and these provide working to the 9002 numbers of peoples in Assam. There is Rs. 25557.59 lakh investment for 1214 units in the period of 2010-11. Tables shows that the number of units, employment and investments are increasing with increase in time period. It becomes highest in the year of 2014-15 and then becomes fall but still remain higher than the year 2010-11. The average annual growth rate of no. of units, employment and investments are 3.39, 6.76 and 8.83 respectively which shows positive growth rate. It is also evident from the table that average employment per unit of MSMEs in Assam is around 8 person and average investment per unit is around 20 lakh during the period of 210-11 to 2017-18 which is less than the national average.

**CAGR of no. of units across the district with state average**

This section deals with the calculation of CAGR (Compound Annual Growth Rate) across the various districts of Assam from the time period of 2010-11 to 2017-18 and also compare the rate with state rate. From the table: 2, it is clear that only 13 districts CAGR is above the state CAGR and reaming has the below CAGR than state. Among them highest CAGR is recorded at Chirang district (40.85 percent) and highest negative rate is on Cachar district (-14.18 percent).

Table 2: Compound Annual Growth rate of no. of units across the district of Assam

District/Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR	CAGR (percent)
Kokrajhar	6	9	13	5	9	10	16	21	0.196	19.598
Dhubri	72	33	56	83	139	29	32	54	-0.040	-4.0264
Goalpara	20	34	26	89	77	59	58	52	0.146	14.625
Bongaigaon	39	52	48	36	167	33	43	69	0.0849	8.492
Barpeta	52	33	54	59	122	202	195	90	0.081	8.151



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Kamrup rural and metro	391	301	297	283	377	173	435	186	-0.101	-10.069
Nalbari	42	68	89	78	100	128	80	57	0.0446	4.459
Darrang	35	54	43	107	54	54	62	49	0.049	4.924
Morigaon	24	25	37	22	53	16	49	45	0.094	9.396
Nagaon	164	70	123	180	213	89	187	133	-0.029	-2.948
Sonitpur	41	85	54	89	135	60	99	84	0.108	10.789
Lakhimpur	39	17	23	53	52	35	38	27	-0.051	-5.118
Dhemaji	28	41	27	39	11	5	16	27	-0.0052	-0.518
Tinsukia	98	46	81	98	119	56	94	90	-0.012	-1.209
Dibrugarh	91	58	118	154	180	139	306	136	0.059	5.908
Sivasagar	81	35	81	100	282	313	151	100	0.0305	3.056
Jorhat	34	47	82	86	141	71	76	79	0.128	12.799
Golaghat	44	62	42	63	112	230	62	79	0.087	8.720
Karbi angling	9	6	6	15	17	13	30	14	0.065	6.515
Dima-hasao	4	2	3	2	17	2	0	2	-0.094	-9.428
Cachar	70	58	50	72	40	27	33	24	-0.142	-14.180
Karimganj	21	22	25	24	38	44	20	18	-0.022	-2.178
Hailakandi	25	23	37	47	34	30	23	14	-0.079	-7.949
Chirang	4	22	11	41	55	54	43	44	0.409	40.854
Baksa	37	4	11	32	6	1	4	21	-0.078	-7.773
Udalguri	35	11	14	3	13	25	25	24	-0.052	-5.247
Assam	1214	1287	1451	1860	2629	1898	2177	1539	0.035	3.447

Data Source: Statistical handbook of Assam

### Performances of MSMEs in Assam:

In Assam the total number of small scale industries registered under the Directorate of industries has increased from 10,953 units (from inception) in 1988 to 34245 units in 1997-98, while production and employment have gone up from Rs.3,43,403 (in thousands) and 38,487 to 889305 and 302225 respectively during the same period. There is probably a sequence of strategies that developing countries might follow. When agrarian economy dominates small business formation is probably the most appropriate strategy to be pursued. As the country begins to develop imitation of innovation established in more developed countries becomes critical to development process. As the country becomes



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more industrial the entrepreneurs are to identify and satisfy new wants. It is seemed that the entrepreneurial process begins in less developed countries with the formation of small business striving for effective management, but necessarily shifts to innovate the high technology entrepreneurship at same point along the development process. There are several factors that govern the pattern and rate of economic development in a country. One of the important inputs provided by the quantum and quality of entrepreneurship. Most of these entrepreneurs who owned and managed their technological changes favoured the growth of corporate enterprises. The unique feature of small enterprise is that it is a low cost strategy of economic development, job creation and technical innovations. Entrepreneurs are individuals who bear the costs and risks of launching a new venture, developing a new product, commercializing an invention, adopting a technology and developing a new markets. We can identify four phases of development process.

- (1) Agrarian or resource society.
- (2) Early industrialisation.
- (3) Mature industrialisation.
- (4) Service and high technology economy.

In terms of the relationship between entrepreneurship and economic development the table given below suggests two basic trends. First the sphere of entrepreneurial economic development and activity expands with second innovation and early imitation become increasingly important as an economy develops and moves towards the benefits of science and technology.

Table 3 Progress of Small Scale Industries in Assam(from1987-88 to 1997-98)

Year	No. of Regd. Units	Production (Rs.000)	Employment (Nos)
1987-88	10953	343403	38487
1988-89	13262	394499	44506
1989-90	14427	421757	46851
1990-91	16788	479989	53034
1991-92	19172	523830	59125
1992-93	22050	593975	66677
1993-94	24610	647960	73312
1994-95	26910	693136	79667
1995-96	29691	769562	130725
1996-97	32065	832692	205711
1997-98	34245	889305	302225

Data Source: Directorate of industries and commerce, Assam

**Conclusion:**

There are 43,332 MSME units in Assam and provided employment to 2.49 lakhs persons till the end of March 2016 as per Economic Survey, Assam, 2016-17. There are 14055 MSMEs units and provided employment to 115671 persons in all the districts of Assam during the period from 2010-11 to 2017-18 and the 272491.68 lakh investments during these period in Assam. The average employment per unit of manufacturing enterprises in all the districts of Assam is 9.38 persons and the average investments is 30.82 (Rs. in lakh) during 2010-11 to 2017-18. The average annual growth rate of no. units, workers and investments are 3.39 percent, 6.76 percent and 8.83 percent respectively during the year 2010-11 to 2017-18. Compound Annual Growth Rate across the various districts of Assam from the time period of 2010-11 to 2017-



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18 are calculated and found that only 13 district CAGR is above the state CAGR (3.44 percent) and remaining has the below CAGR than state. Among them highest CAGR is recorded at Chirang district (40.85 percent) and highest negative rate is on Cachar district (-14.18 percent). It is also found that with respect to region wise distribution of no. of unit's inequality increasing in upper Assam, north Assam and decreasing for the rest of the region. However, in terms of CAGR, north Assam takes the leading role whereas Barak valley's situation is worst (-8.70).

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. It is an accepted fact that people with right attitude, total commitment and right conception can change the existing system. If the small scale sector is to act as an agent of decentralization in rural and sub-urban areas, the government should come forward by strengthening the infrastructure in the rural and semi-urban areas and improving the transport facilities, raw materials facilities, providing more financial help in the form of loans by establishing more co-operative banks and also opening the branches of various other nationalized banks which could meet both the short term and long term credit needs of the existing and also the potential industries.

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