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A Study On Cottage And Micro Enterprises In Socio- Economic Development Of Kaliabor Of Nagaon District, Assam

Dr. Sanjeeb Hazarika

Associate Professor & Head, Department Of Management
Kaliabor College, Nagaon, Assam, India

Abstract:

The Cottage and Micro Enterprises play an important role in the industrial and economic development of a country. This sector consists around 95 per cent of the industrial unit and contributes 40 per cent of the total industrial output of the country and 35 per cent of the direct export. It provides employment to about 19.3 million people (Annual Report, 2009, MSME), which is the second highest next to agriculture. With the vast untapped resource potential the Indian industrialization can be termed as being its “infancy” when compared to the industrial developments elsewhere in the world. Some efforts towards industrialization have been made in the last three decades but, in spite of all round efforts, India is still considered as an industrially backward country and the fact is more prominent in North Eastern Region including the state of Assam. Though the State has resources in abundance, the growth and development of cottage micro enterprise in Assam is not very satisfactory in comparison to other parts of the country. The Nagaon district is one of the most industrially backward districts of the state. The study was conducted in Kaliabor area of Nagaon District with the prime objective of examining the present status of cottage and micro enterprise and also finds out the problems of such unit. The study concludes that the micro enterprise sector is one of the largest employment potential sectors which can generate more employment opportunities and income for the development of the nation. To achieve this objective several organizational, managerial, technical and marketing problems of this sector are to be removed in an integrated manner.

1.Introduction

The Cottage and Micro Enterprises play an important role in the industrial and economic development of a country. In Indian economy, the cottage and micro enterprise sector has special significance. The most vital aspect of this sector is that it has encouraged overall economic growth of far-reaching magnitude and has been able to create a sense of confidence among large number of entrepreneurs, about their strength along with a good entrepreneurial base. Again cottage and micro enterprise has immense significance for poverty eradication, employment generation, rural development and creating regional empowerment in the promotion and growth of diverse development sections.

This sector consists around 95 per cent of the industrial unit and contributes 40 per cent of the total industrial output of the country and 35 per cent of the direct export. It provides employment to about 19.3 million people (Annual Report, 2009, MSME), which is the second highest next to agriculture. With the vast untapped resource potential the Indian industrialization can be termed as being its “infancy” when compared to the industrial developments elsewhere in the world. After sixty six years of independence India are still considered as a developing nation. One of the causes of backwardness of India is lack of industrial development. With the introduction of Liberalization, Globalization and Privatization policy in India, the industrial development is immensely necessary. Since Independence, India has been trying to build a sound industrial base, though it is very cautiously soft pedaling. India is the second largest populous country in the world where majority of the people live in rural areas and most of the rural areas are backward in every aspect. Therefore economic development of a country like India depends largely on the establishment of Cottage and micro enterprises, particularly in rural areas along with agricultural activities.

Some efforts towards industrialization have been made in the last three decades but, in spite of all round efforts, India is still considered as an industrially backward country and the fact is more prominent in North Eastern Region including the state of Assam.

Though micro-and cottage industries are very small type of enterprises, yet they can play a forceful and vital role in the industrialization of developing nations. Cottage and Micro -Enterprises provide large scale employment, coupled with low capital output ratio, balanced regional development etc. and, as a whole they helps in the improvement of socio-economic life of the people.

2.Location Of The Study Area

The area under study namely Kaliabor community development block is in Nagaon District in the state of Assam. It is located in the north east of Nagaon districts headquarter and within the Kaliabor sub division. The administrative office is just 4 k.m away from the Kaliabor Sub Division office. The Kaliabor community development block covers 117 revenue villages and the total population according to 2011 census was 62226 where 32118 are male and 30108 are female population. Total ST population in this block are 2575, SC population are 5301 and General population are 54350(2011 census)and 3624 families are living under below poverty line .In this Block 13021 are agriculture workers and non agriculture workers are5982.As per BPL census 1998 total household in this block are 15,150 and Below poverty level families are 9541.Total 474 self help groups are formed in this block up to 2008-2009 and only 29 SHG are financed under SGSY scheme.Jakhalabandha, Hatbor and Silghat are the urban area in this block.

3.Objective Of The Study

- To study the socio – economic condition of the people of the study area
- To study the trend of bank finance for development of cottage and micro enterprise in
- The study area.
- To examine the different problems faced by the micro enterprises and financial institutions in the study area and the district.
- To suggest measures in improving the performance of the financial institutions in promotion of cottage and micro enterprise in Assam in general and the study area in particular.

4.Methodology And Data Source

The present study is an empirical as well as descriptive in nature. It is based upon the methods of survey research and the data which are collected both from primary and secondary sources. Data are mostly representative in nature. The study conducted in one development block of the Nagaon district i.e. Kaliabor. In order to make the study more relevant, it has been purposively decided that the study would be randomly carried out on 30 beneficiaries/ entrepreneurs selected from the sample blocks. The study was restricted only on those micro entrepreneurs, who have submitted their loan proposals to banks for financial assistance. For collecting the primary data, one structured questionnaire was prepared for the cottage and micro entrepreneurs and accordingly, information have been collected personally by the researcher.

5.Cottage And Micro Enterprises In Economic Development Of Assam And Nagaon District

Assam holds a unique position in the North East Region of the country as it is a gateway to other state of the region. The state is rich in a variety of resources like forest, mineral, tea and so on. But unfortunately, with all potentialities of development, Assam is still lagging behind in the sphere of industrialization. Again nearly 87 per cent of the state's populations live in rural areas and majority of them depend on agriculture for their livelihood .Due to abnormal growth of population in Assam, the pressure of population on agricultural land is growing. Now one sixth of the rural families in Assam are land less and nearly one half (including landless) holds, less than 2 bighas per family. In such a situation, development of cottage and micro enterprise can help in speedy socio- economic growth of the State economy.

Year. after the census	No. of Micro & SSI units (Nos.)	Production Value (Rs.in lakh)	Employment (in Nos.)	Investment on P/M (Rs.in lakh)
Upto31-03-2001	14453	115303.00	64623	22009.00
2001-02	2528	16013.81	11538	4888.95
2002-03	2246	16379.60	11115	4868.94
2003-04	2364	18676.90	11795	7198.82
2004-05	2067	19698.20	9396	7120.18
2005-06	2082	22940.86	10780	23776.88
2006-07	2172	25514.67	11852	9282.72
2007-08	1764	40353.40	10504	41977.63
2008-09	1644	48611.62	11924	25201.48
Total	31320	323492.06	153527	146324.60

Table 1: Development Of Cottage And Micro Enterprise In Assam

Source: Directorate Of Industries & Commerce, Assam

The growth of micro and small scale industries in Assam is very slow. The state has great potential for the development of industries particularly in cottage and micro enterprise sector. The rate of industrial growth in the cottage and micro enterprise sector units can be assessed from the phenomenal increase in the number of such units, their investment, employment and value of industrial production.

In a backward state like Assam, there is the good potentiality of industrialization through the development of various cottage and micro enterprises. Though the State has resources in abundance, the growth and development of cottage micro enterprise in Assam is not very satisfactory in comparison to other parts of the country. There are twenty seven districts in Assam. The Nagaon district is one of the most industrially backward districts of the state.

Sl. No	Year	Assam	Nagaon	Nagaon as % share of Assam	% growth over Previous year
1	Upto-2001	29537	1817	6%	NA
2	2001-2002	2528	69	3%	4%
3	2002-2003	2246	138	6%	7%
4	2003-2004	2364	118	5%	6%
5	2004-2005	2067	157	8%	7%
6	2005-2006	2082	230	11%	10%
7	2006-2007	1719	141	8%	6%
8	2007-2008	2172	108	5%	4%

Table 2: Cottage And Micro Enterprise In Nagaon District
Source: Directorate Of Industries, 2009. Assam

Though most of the formal financial institutions are based in Assam and in the study district Nagaon, the credit scenario is not satisfactory. Again Government of India has also launched different strategic measures to improve the socio economic condition of the people through a variety of programmes and schemes such as Prime Minister's Rojgar Yojana (PMRY), Sawarnajayanti Gram Swarojgar Yojana (SGCY) etc. still the condition of the people of the district is not improving. In this district there are 3 civil sub-division, 18 community development blocks with 240 gaon panchayats and only 10 urban areas, and majority of the people are living in the rural areas. In the district, there are thirteen commercial banks and regional rural banks with a network of ninety one branches which can provide financial support to the prospective entrepreneurs in the district.

According to the Data Bank (2010) of North Eastern Development Finance Corporation (NEDFi), there are 32,984 numbers of registered micro and small industries presently functioning in Assam and provided employment to 167216 persons. In Nagaon district, there are 2778 number of micro enterprises functioning till up to 2010.

Again in the district there are 3, 35,329 people living below poverty line and 94,889 person are unemployed. Therefore, for solving the problem of unemployment and poverty, establishment of micro enterprise and its development is immense necessary in the district. The district has lot of potentiality for promotion of micro enterprises.

Till now, there is no sufficient study carried out in a holistic view to study the socio-economic aspect of cottage and micro enterprise in the present scenario particularly in rural areas of the Nagaon district. The "study on Cottage and Micro Enterprises in Socio- Economic Development of Kaliabor of Nagaon District, Assam" is an attempt to analyse the status of cottage and micro enterprise in Assam and Kaliabor of Nagaon District. The present study has made an attempt to observe the Conventional credit provided by the Banks for the all round development of cottage and micro enterprises in Kaliabor of Nagaon district of Assam.

6. Analysis

6.1. Forms Of Organization

Regarding the forms of organization, most of the sample units (77%) are proprietary concerns, followed by Partnership (23%). It is noticed that in the sample blocks of the district (Table no 3). There is no any other unit registered as private company and others. Requirement of less investment, easy decision making and administration etc. have encouraged the sample entrepreneurs for starting of proprietorship business rather than partnership or other form of business.

Sl. No.	Forms of organization	No of units	Percentage
1	Proprietary	23	77%
2.	Partnership	7	23%
3.	Pvt.Co -	-	-
4.	Others	-	-
	Total	30	100

Table 3
Source: Field Survey

6.2. Size Of Capital Investment Of The Entrepreneurs

Capital investment in the enterprise is more important to judge the size of the enterprises. From the Table no.4., it is found that majority of the enterprises are very small in size as initial investment of 80 per cent enterprises is less than Rs.1, 00,000 and again investment of 17 per cent enterprises is less than Rs. 5,00, 000.

Sl. No.	Range of Investment	No. of Units	Total investment
1	Rs.1000- Rs.25,000	6	20%
2	Rs.25000-Rs.100000	18	60%
3.	Rs.100000-Rs.500000	5	17%
4	Rs.500000-Rs 1000000	1	3%
5.	Rs.1000000-Rs.2500000	0	0

Table 4
Source: Field Survey

However, there was a sample unit, where only 3 per cent initial investment amount was below Rs 5 lakh to Rs. 10 lakh. There is no industry in the category of Rs.10 to Rs.25 lakh. Therefore it can be observed that majority of the enterprise in the district started their business with an initial investment of less than Rs. 1 lakh.

6.3.Types Of Enterprise

From the Table no.5, it is seen that majority (23 %) of the cottage and micro enterprise in the study area are agro based followed up by textile 13 per cent, building materials enterprises (10%). Forest (3%), Very limited number of livestock and engineering and allied enterprises (3%) is found in the area. Besides this, 43 per cent entrepreneurs established different types of industries in the study area under miscellaneous category.

Sl. No.	Types of Enterprises	Unit	Percentage
1	Agro based	7	23%
2	Forest based	1	3%
3.	Textile	4	13%
4	Engineering & Allied	1	3%
5.	Chemical	Nil	Nil
6.	Livestock	1	3%
7	Building material	3	10%
8	Misc.	13	43%
	Total	30	100 %

Table 5: Types Of Enterprise
Source: Field Survey

Thus, it is found that agro based industries are still taking leading role in development of cottage and micro enterprises in all the sample blocks of the district. However, in Kaliabor various miscellaneous industries have come up progressively as 43 per cent of the respondents in the block belong to this category.

6.4.Age Of The Enterprise

So far as the age of the sample units is concerned, it is found that majority (56 per cent) have completed 6-10 years. It is also noted that 10 per cent units have completed 1-5 years, 5 per cent enterprise have completed 11-15 years and 5 per cent enterprise also have completed 16-20 years and above of its existence. The Table.6. shows age wise classification of the sample enterprises

Sl. No.	Years	Units	Percentage
1	1 to 5 Years	3	10%
2	6- 10 years	17	56%
3.	11- 15 years	5	17%
4	16-20 years above	5	17%
	total	30	100%

Table 6: Age Of The Enterprise
Source: Field Survey

Thus, it is found that 66 per cent enterprises have completed ten years of its existence, which is quite impressive in prevailing the culture of the state where most of the youths are job seekers rather than job givers.

6.5.Sources Of Funds

Adequate and timely release of funds is a primary requirement in promoting as well as sustaining of any enterprise. Finance is a major hurdle in case of any cottage micro enterprises, which has resulted in a very low level of average investment in this sector. More often it is seen that the entrepreneurs invest their own savings to start of a new unit or business

Sl. No	Category	Unit	percentage
1	Own	14	47
2	Bank	7	23
3	Other financial institution	Nil	Nil
4	Money lenders	6	20
5	Relatives	3	10
6	Others	Nil	Nil
	Total	30	100

Table 7: Sources Of Funds

Source: Field Survey

In the field survey,(Table No.7) it has been observed that 47 per cent of the entrepreneurs starting the business with their own sources of fund. Again, 23 per cent entrepreneurs got funds from banks and 20 per cent from private money lenders in the case of which the cost of fund is very high. In case of private moneylenders the cost of finance may go up to 30 –35 per cent as rate of interest per annum.

6.6.Impact On Standard Of Living

Apart from a change in the income level of the entrepreneurs the enterprise may also affect other members of the society. Other members of the society may also be motivated in taking up entrepreneurial activities. It is therefore necessary to assess the total impact on the income of the entrepreneur. The study attempted to see the impact on the income of the entrepreneurs, whether it has any positive impact on the standard of living of the entrepreneur or not

From the field survey, in Kaliabor, 90 per cent of the respondents answered positively when asked about their standard of living. This shows that if proper thrust is given to promoting cottage and micro enterprises in the area the economic disparity of the district can be reduced and poverty can be alleviated to a great extent.

6.7.Problems

From the field study it was found that the entrepreneurs and the financing banks are facing a lot of problems at various stages in the promotion of cottage and micro enterprises in kaliabor. The basic problems faced by the entrepreneurs are shortage of raw materials, inadequate finance, shortage of power and marketing facilities etc. on the other hand inadequate manpower, lack of proper branch network, loan recovery etc. are some of the problems faced by the bank in the study area.

The study reveals that out of 30 sample unit 63 per cent micro entrepreneurs facing the problems of finance, followed by 25 per cent facing the problems of power, 21 per cent facing the problems of competition, 18 per cent facing the problems of labour and marketing, 11 per cent facing the problems of raw materials, 13 per cent facing demand problem, 8 per cent facing the problems of technology and 5 per cent facing the problems of education. In this the number of responses increases due to single respondent facing one or more problem.

7.Conclusion

The study was conducted in Kaliabor area of Nagaon District with the prime objective of examining the present status of cottage and micro enterprise and also finds out the problems of such unit. For this purpose primary information has been collected from the 30 sample enterprises located in Kaliabor area of Nagaon district. For collecting the primary data, one structured questionnaire was prepared for the cottage and micro entrepreneurs and accordingly, information has been collected personally by the researcher. The study reveals that, the growth and development of cottage and micro enterprise in the study area are slow in progress and the assistance of banks for development of this sector is inadequate with other problems, which requires proper attention for better development of cottage and micro enterprise in near future.

It has been recognized that cottage and micro enterprise sector is one of the largest employment potential sectors which can generate more employment opportunities and income for the development of the nation. To achieve this objective several organizational, managerial, technical and marketing problems of this sector are to be removed in an integrated manner.

8.Suggestions

In the light of the study, the researcher felt that the following suggestions would help the policy makers, financial institutions especially banks and the entrepreneurs for better prospect of micro enterprises in the state of Assam in general and study area Kaliabor of Nagaon district of Assam in particular.

- In view of the backwardness of the area, the quantum of the financial assistance provided by the banks and other financial institutions should be proportionately higher as far as possible.
The financial institutions should play an active role in promotion of micro enterprises rather than being merely a credit institution.
The procedure of applying for a loan should be made simple and at the same time, time for sanctioning and disbursing the loan should be lesser.
Considering the backwardness of the district the interest rate of the different commercial banks should be uniform to attract the prospective entrepreneurs.

Accounting system, management Information Systems services, and the calculation method of the recovery rate of the banks in regards of micro enterprise should be streamlined and transparent.

Banking services should be available near to the entrepreneurs/enterprise. Special call for micro enterprise development should be established in the district and block level. Mobile banking facilities should be introduced so as that the poor can easily get finance.

- The power supply is basic requirements for development of industries. But power supply in Kaliabor is inadequate particularly in rural areas. There are unscheduled load shedding and unexpected power failure. It is suggested to take some urgent steps to improve the power supply position.

The improvement and expansion of other physical infrastructure such as water supply, communication network and road networks so as to reduce the socio – economic costs of setting industries are also necessary.

- The people of the Assam and the district lack entrepreneurship. Large sections of entrepreneur of Kaliabor do not have much information about the functioning of promotional agencies in the state. Thus an entrepreneurship development programme will play an important role. The programme may be conducted at regular intervals at different location of the Kaliabor block area and Panchayat by the different promotional agencies, banks and other financial institution with their own initiative.

More awareness cum motivation programmes need to be conducted at various places in Kaliabor so that young educated youth come forward to setting up industrial unit. A large number of micro industrial units do not have adequate knowledge about the importance of keeping accounts. Lending bank should provide adequate training about the sound accounting system

Bank official should also be given special training for handling small and micro enterprise loan account.

- It is generally one of the duties of the financing banks to take follow up measures after sanctioning and disbursing the loan amount. But it was found that none of the bank branches made a follow up visit to the entrepreneurs after sanctioning the bank loan. Therefore, it is suggested that the financing bank should make a surprise and frequent visit to the units for smooth implementation of the project.
- Marketing is one of the weakest areas in the State and in Kaliabor. Very little efforts are made by the local units on effective marketing. It is felt that the micro enterprise of the state has to follow a dynamic marketing strategy to increase its market share in nation market. The state level training institution, financial institution may arrange more and more programmes on marketing particularly on marketing techniques, pricing strategies, packaging, total quality management etc.
- The empowerment of women especially economic empowerment will revitalize the nation and bring about all round development in the society. Economic empowerment can be achieved when women's participation in the economic activities will be substantially increased. It was found that there are very limited numbers of women are engaged in micro enterprise in the study area Therefore the Government and Financial Institution should take some awareness campaign on entrepreneurship development among the women's of the Kaliabor.
Single window approach would be helpful for promoting women entrepreneurs. A separate cell or body may be formed operating under the District Industries Centre.
- Majority of the entrepreneurs of Kaliabor were not aware about the various scheme of the government and the financial institutions. The bank should be advised by the Government to print brochures and pamphlets in local language about the financial / non financial assistance available at each bank and district industries centre (DIC) and distribute it to prospective and existing entrepreneurs. More awareness about some important scheme like The Credit Guarantee Fund Trust for Micro Small Enterprises (CGTMSE), Credit Linked Capital Subsidy Scheme (CLCSS), Rajiv Gandhi Udyami Mitra Yojana (Under MSME Act 2006) etc. is necessary.
- Banks, other financial institutions, the Government should provide incentives for prompt repayment and better performance. The recovery position of the bank loan is very poor in Kaliabor. The recovery position needs to be improved for better recycling for further lending. Special attention has to be paid for recovery of loans under all Government sponsored programmes. Joint recovery drives have to be launched with the active support from the sponsoring agencies.
- Government and financial institution should give more importance about Cluster Approach. There are so many advantages in cluster group. The cluster organization may be formed under the Society Act. With the help of cluster organization it is easy to coordinate each other. Development of infrastructure, common services and requirements need to be planned cluster wise

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