

## **MSME contribution to the entrepreneurship, employment and sustainable societal development in Kamrup, Assam, India**

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### **ABSTRACT**

Tribals of India make up around 8.8% of total population (about 84 million people) and had origins prior to the Hindu Varna system, while not being a part of it. The government's stance toward tribals has gone through many periods, and it took formal notice of the tribals in 1946 for the first time. The government had to find a balance between the tribals' demand for economic growth and the preservation of their valuable culture in the early stages. The Micro, Small, and Medium Enterprises sector has grown into a vibrant and active component of the Indian economy during the last five decades. This sector is nursery of entrepreneurship, and provides huge employment opportunities, decentralization of industrial activity and helps in the utilization of locally available resources at very low capital cost. In this study, focus is laid on the current situation of Micro Enterprises (MEs) in Kamrup (rural) district of Assam in terms of capital investment, employment, marketing, finance, and value added. Moreover, problems as well as prospects to help Micro Enterprises function more effectively are recommended.

**KEYWORDS:** Kamrup, Enterprises, Employment, MSMEs, Tribes.

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### **I. INTRODUCTION**

The building blocks of social sustainability are inclusive, just, and resilient societies where citizens have voice and governments listen and respond. Such societies support growth and poverty reduction today and into the future. Social sustainable development (SSD) works alongside economic and environmental sustainability. In the past, the emphasis was on economic sustainability, and then on environmental sustainability, with increasing concerns over climate change and biodiversity loss. But with a growing awareness of the challenges of fragility, persistent inequality, and racial discrimination, social sustainable development has been recognized as central to growth and poverty reduction. SSD helps marginalized and vulnerable people overcome obstacles that prevent them from fully participating in society and supports people's efforts to shape their own future (The World Bank Group, 2022).

Micro, Small and Medium Enterprises (MSMEs) are considered as the catalyst of economic and social development of developing countries (Khan and Dalu, 2015). This sector is labor intensive in nature, the need of such sector is crucial for the country like India, which is a labor abundant country and is having a huge economic and social disparities. Nonetheless, Indian economy is mainly a rural based economy. MSME sector is playing a pivotal role in absorbing a huge chunk of tribal force in the country. At present this sector is having 324.88 lakh units in rural areas, which provides an employment to 497.73 lakh persons. This sector is also providing an entrepreneurial spirit among the socially disadvantaged groups in the country (Bhat & Singh, 2020). In recent years, the MSMEs have regularly outperformed the broader industrial sector in terms of growth. It employs 59.7 million people across 26.1 million enterprises, accounting for 45 percent of manufacturing output, 95 percent of industrial units, 40% of total exports, and 8% of the country's Gross Domestic Product (4<sup>th</sup> Census of MSME sector). Among various districts, the Kamrup district (Fig. 1), Assam is at the top in terms of MSME growth (28.2%), fixed investment growth (36.3%), employment growth (43.7%), and output increase (79.7%) (Das, 2020; Government of Assam, 2021).

Assam is situated in the North-East of India and is the largest northeastern state in terms of population while second in terms of area. Assam covers an area of 78,438 km<sup>2</sup> (30,285 sq miles). The state is bordered by Bhutan and the state of Arunachal Pradesh to the north; Nagaland, Arunachal Pradesh and Manipur to the east; Meghalaya, Tripura, Mizoram, and Bangladesh to the south; and West Bengal to the west. A significant geographical aspect of Assam is that it contains three of six physiographic divisions of India-The Northern Himalayas (Eastern Hills), The Northern Plains (Brahmaputra plain), and Deccan Plateau (Karbi Anglong). As per the 2011 census, the total population of Assam was 31,169,272. State of Assam is divided into 33 Administrative Districts. The districts are demarcated on the basis of the features such as the rivers, hills, forests, etc. The total population of the state has increased from 26,638,407 to 31,169,272 in the last ten years with a growth rate of 16.93%. The total population of Assam is expected to reach 34.18 million by 2021 and 35.60 million by 2026 (Assam State Portal, 2021). According to 2011 census Assam population religion wise, Hindu is the major religion with 61% of population, followed by Muslim with 34%. Christianity accounts for 3.7%, and other religions like Buddhism, Jainism are less than 1%. 54,993 Buddhists and 25,949 Jains are living in Assam at the time of 2011 census (PopulationU, 2021). The districts with higher population concentration are Kamrup, Nagaon, Sonitpur, Barpeta, Dhubri, Darrang, and Cachar. In Assam, agriculture makes the highest contribution to its domestic sectors, accounting for more than a third of Assam's income and employs about 69% of the workforce (Assam State Portal, 2021).

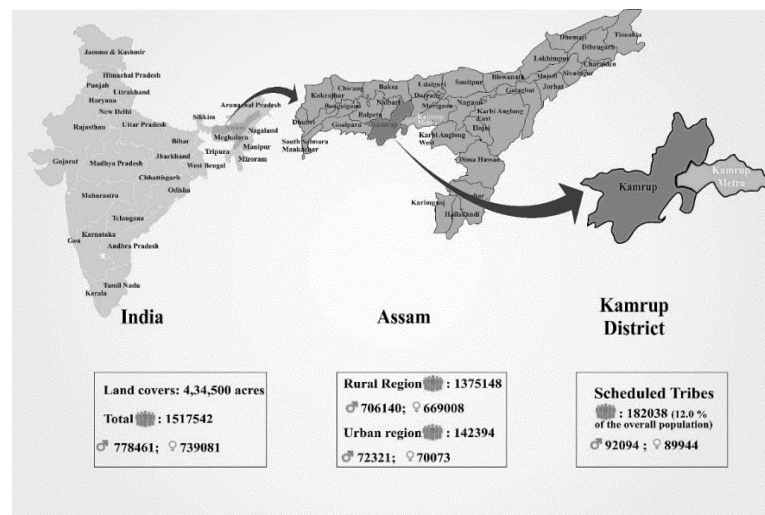


Figure 1. Location map of Kamrup district, Assam.

Cultivators, Agricultural Laborer's, Household Industry Workers, and Other Workers are the four categories of workers (Fig. 2). These groups have corresponding percentages of 29.5 percent, 15.8 percent, 11.0 percent, and 43.6 percent (Government of Assam, 2021).

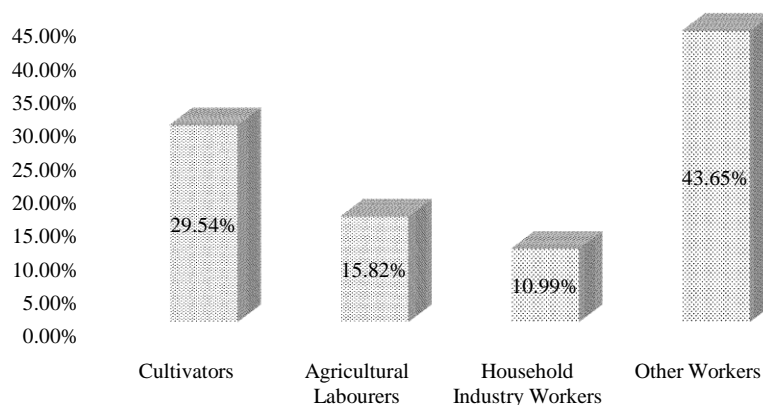


Figure 2. Description of various categories of workers in Kamrup.

Over the last five decades, the Micro, Small, and Medium Enterprises (MSME) sector has evolved as a very lively and dynamic segment of the Indian economy. MSMEs not only serve an important role in creating

large numbers of jobs at a cheaper cost of capital than major businesses, but they also aid in the industrialization of rural and backward regions, decreasing regional imbalances and ensuring a more equal distribution of national revenue and wealth. MSMEs serve as auxiliary units to big enterprises, and this sector makes a significant contribution to the country's socioeconomic growth. In 2006, the Micro, Small and Medium Enterprises Development (MSMED) Act was enacted to address policy concerns impacting MSMEs, as well as the sector's coverage and investment ceiling. The Act aims to aid the growth of small businesses while also increasing their competitiveness. It is the first legal framework to recognize the idea of "enterprise," which includes both manufacturing and service businesses. For the first time, it defines medium enterprises and attempts to unify the three tiers of these businesses, namely micro, small, and medium. Establishment of specific funds for the promotion, development, and enhancement of competitiveness of these enterprises, notification of schemes/programs for this purpose, progressive credit policies and practices, preference in government procurements for micro and small enterprises' products and services, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises, and assurance of a scheme for easing business closure. In May 2007, the Ministry of Small-Scale Industries and the Ministry of Agro and Rural Industries combined to create the Ministry of Micro, Small and Medium Enterprises (M/o MSME), after a modification to the Government of India (Allocation of Business) Rules, 1961. This Ministry presently develops policies, promotes/facilitates programmes, initiatives, and schemes, and oversees their execution with the goal of helping MSMEs and assisting them in scaling up (Ministry of MSME, GoI, 2021).

In recent years, the Micro, Small, and Medium Enterprises (MSMEs) have regularly outperformed the broader industrial sector in terms of growth. It employs 59.7 million people across 26.1 million enterprises, accounting for 45 percent of manufacturing output, 95 percent of industrial units, 40% of total exports, and 8% of the country's Gross Domestic Product (4<sup>th</sup> Census of MSME sector). Among the various districts (Fig. 3), the Kamrup district is at the top in terms of MSME growth (28.2%), fixed investment growth (36.3%), employment growth (43.7%), and output increase (79.7%) (Das, 2020).

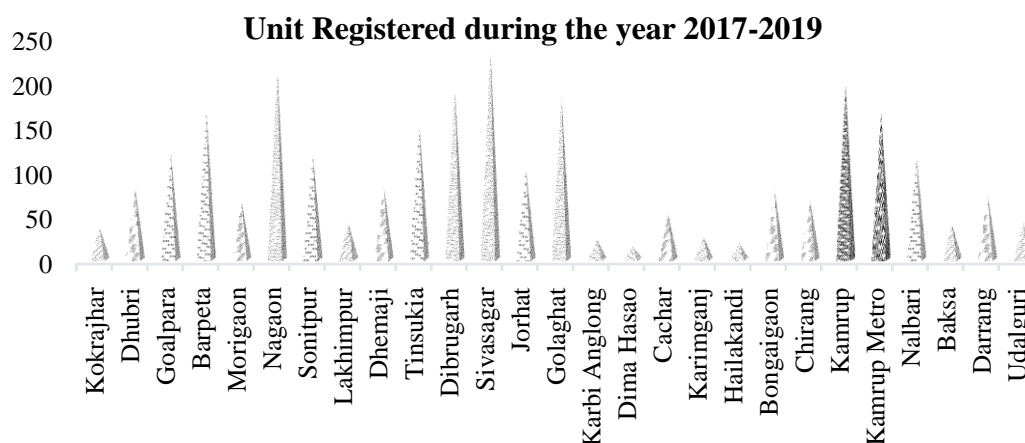


Figure 3. District-wise registration of MSMEs in Assam.

Micro, Small and Medium Enterprises (MSMEs) are considered as the catalyst of economic and social development of developing countries (Khan and Dalu, 2015). This sector is labor intensive in nature, the need of such sector is indispensable for the country like India, which is a labor abundant country and is having a huge economic and social disparities. Nonetheless, Indian economy is mainly a rural based economy. MSME sector is playing a pivotal role in absorbing a huge chunk of tribal force in the country. At present this sector is having 324.88 lakh units in rural areas, which provides an employment to 497.73 lakh persons. This sector is also providing an entrepreneurial spirit among the socially disadvantaged groups in the country (Bhat & Singh, 2020). In recent years, the MSMEs have regularly outperformed the broader industrial sector in terms of growth. It employs 59.7 million people across 26.1 million enterprises, accounting for 45 percent of manufacturing output, 95 percent of industrial units, 40% of total exports, and 8% of the country's Gross Domestic Product (4<sup>th</sup> Census of MSME sector). Among various districts, the Kamrup district (Fig. 1), Assam is at the top in terms of MSME growth (28.2%), fixed investment growth (36.3%), employment growth (43.7%), and output increase (79.7%) (Das, 2020; Government of Assam, 2021).

## 1. THE STATUS OF MICRO-ENTERPRISES IN KAMRUP, ASSAM

- 1.1. **Location, Employment Generation & Nature 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 (Saikia and Hazarika,

2018). It was discovered that throughout the research period, 209 sample units of micro businesses created 807 jobs, with 558 men and 249 women employed. Male and female employment shares of total employment in the sample units were found to be 69.14 % and 30.86 %, respectively, with full-time and part-time employees employed in about equal numbers. However, the manufacturing sector employs 72.73 % of the workforce, while service businesses employ just 27.27 %. In the Kamrup (rural) area, it is apparent that service companies continue to lag behind manufacturing enterprises in terms of job creation (Das, 2020).

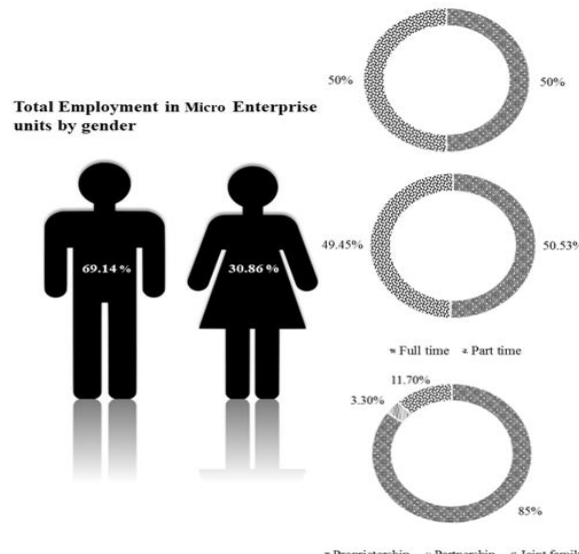


Figure 4. Micro Enterprises Status in Kamrup district.

Fig. 4 showcases the location of enterprises, employment generation, enterprises nature, and 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 (Saikia and Hazarika, 2018).

1.2. **Products Marketing & Financial Resources:** The marketing and sales of the goods and services produced by micro enterprises has wide network in local, national and international markets. The DIC/ KVIC has been playing a catalyst role by providing supporting inputs to its NGOs, institution for marketing of products. Finance is said to be the backbone of any industry. The availability of sufficient funds is critical for the overall development of micro and small businesses. In terms of funding sources, it was discovered that entrepreneurs utilize both their own money and money acquired from other sources (Fig. 6 & Fig. 7).

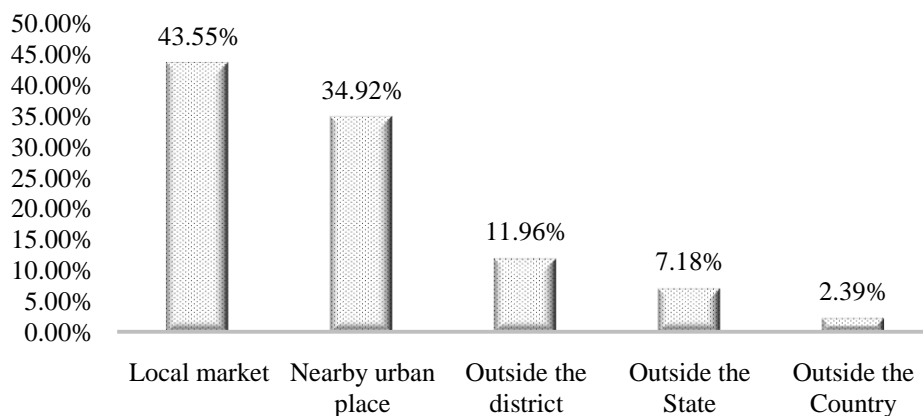


Figure 6. Detailed description of products marketing.

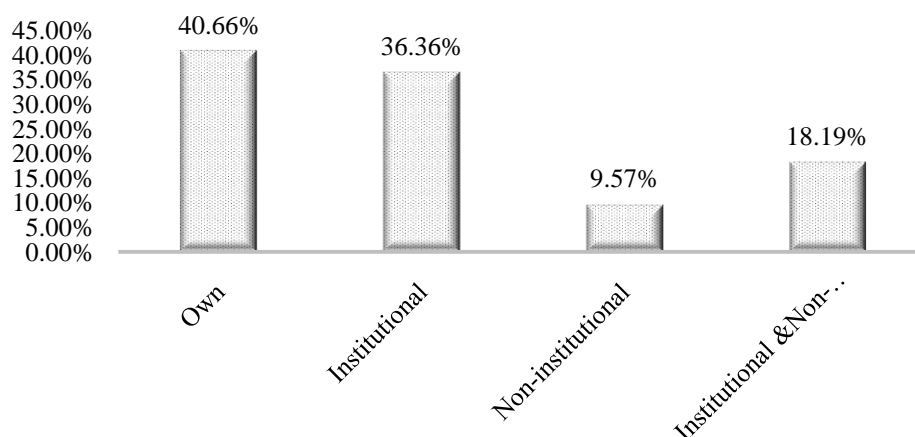


Figure 7. Detailed description of financial resources.

Micro companies sell their products or services in local markets, adjacent urban areas, beyond the district, outside the state, and outside the country, as well as worldwide markets. Only 43.55 % of businesses sold their goods locally, 34.92 % in a neighboring city, 11.96 % outside the district, 7.18 % outside the state, and the remaining 2.39 % in foreign markets, according to the findings. As a result, entrepreneurs prefer to sell their wares at local marketplaces or adjacent locations rather than on the open market (Das, 2020). The majority of entrepreneurs (40.66%) invest their personal money in their businesses. As indicated in Figure 4, 36.36 percent used institutional sources, 9.57 % used non-institutional sources, and the remaining 18.19 % used both institutional and non-institutional sources (Das, 2020).

- 1.3. **Distribution of Gross Value Added (GVA) of Micro Enterprises from Overall Gross Value Added (January 2016-December 2018):** The Gross Value Addition of the Micro Enterprise Sector for the entire district was calculated using the Gross Value Addition of the sample micro enterprise units from January 2016 to December of 2018 (Table 1).

Table 1. Gross Value Added (GVA), Net Value Added (NVA) and Profit.

Types of Enterprises	GVA (In Rs.)	NVA (In Rs.)	Profit (In Rs.)
Mineral	8,42,24 7	7,83,289.71	5,89,572.9
Forest	3,19,99 8	3,00,798.12	2,39,998.5
Polymer and chemical	3,34,62 0	3,17,889	2,47,619
Engineering	5,82,51 2	5,38,823.6	4,25,234
Agro	7,03,91 7	6,54,642.81	5,06,821
Textile	2,97,48 0	2,79,928.68	2,26,085
Service enterprises- Laundry, Carpentry, plumbing, etc.	22,39,8 81	21,14,447.7	17,02,310
<b>Total</b>	<b>53,20,6 55</b>	<b>49,89,819 .62</b>	<b>39,37,640.4</b>

Source: Das, 2020

The projected value of GVA, profits, and NVA of micro firms in the manufacturing and service sectors (includes six categories of businesses). Manufacturing and service industry total GVA, profits, and NVA are determined to be Rs. 53,20,655, Rs. 39,37,640.4, and Rs. 49,89,819.62, respectively. The highest GVA in the manufacturing sector was determined to be Rs. 8,42,247 for mineral-based companies, while the lowest was found to be Rs. 2,97,480 for textile enterprises. Similarly, mining enterprises have the highest estimated profit and NVA, which are Rs. 5,89,572.9 and Rs. 7,83,289.71, respectively (Table 2)(Das, 2020).

- 1.4. **Sericulture in Kamrup:** The silk and weaving industry of Sualkuchi is one of the traditional handicraft activities which has generated employment and provided livelihood opportunities to the people in the district (Table 2). The North Eastern Council has provided financial assistance for promotion of weaver self-help groups which is being implemented by the DC, Kamrup (Deka, 2013).

Table2. Status of Sericulture in Kamrup District.

Activity	No of Family Involved	Yield of Cocoons (MT)	Production of worms(MT)	Area under silk worm food plants(ha)	No of Reeling units
Eri	9829	57.18	55.94	424.13	-
Muga	3484	672.50	13.45	814	3
Mulberry	1850	4.44	0.39	300	-
Total	15163	734.12	69.78	1538.13	3

1.5. **The Management Issues:** The problems faced by the enterprise respondents were very important and required serious attention which are shown in Fig. 7. Lack of awareness, lack of knowledge about government schemes, belief in superstitious practices, the majority of people falling below the poverty line, lack of educational facilities, lack of government attention, lack of proper representation, and other factors contribute to the district's poor socioeconomic conditions.



Figure 7.The problems faced by the enterprise respondents.

## II. CONCLUSION

According to a World Bank Report, rural development “is a strategy to improve the economic and social life of a specific group of people such as the rural poor including small and marginal farmers, tenants and the landless”. The word "rural" refers to a region with a non-urban way of life, occupational structure, social organizations, and settlement pattern. The term "development" refers to the advancement of technology or industry. Rural development, on the other hand, entails increasing people's living standards. The concept of development can be viewed as a method of achieving specific goals or values, such as better health, better housing and sanitation, better nutrition, educational programs, improved transportation and communication, increased control over resources, increased productivity and income, and ultimately an improvement in people's quality of life. Aside from increasing the current generation's quality of life, the development process is supposed to save resources for future generations, ensuring that the process is sustainable. Assam economy are primarily agrarian, and the rural sector plays a critical part in the region's economic growth. The micro enterprises have developed rapidly over the years in Assam. The importance of rural employment for the rural masses' economic well-being cannot be overstated. Based on above data, this article focuses solely on the growth and development of MSMEs of Kamrup district Assam.

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