



A Comparative Study of The Growth of Micro Enterprises In North East India

KEYWORDS

MSME, Micro Enterprises, Manufacturing Sector, Service Sector.

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ABSTRACT *The basic objective of the study is to find out the growth rate and preference sector (manufacturing or service) of micro enterprises of North East India taking Arunachal Pradesh and Manipur as study area. The study is based on the assumption that due to a number of factors limiting the survival of large and medium enterprises in North East India, micro enterprises have been playing a dominating role. Herewith, the enactment of the MSME Act, 2006 is regarded as an important measure for promoting micro enterprises. Therefore, there is a need to study whether the enactment of the Act has a positive impact on entrepreneurship development especially micro entrepreneurship development of the selected region. The study is analytical in nature and is based on secondary data. Statistical tools like growth rate, simple percentage method, and chi square test are used for the study.*

INTRODUCTION:

With the change in the world economic order entrepreneurship had become an inherent part of economic development and social transformation. The Micro, small and medium enterprises has emerged as a growth mechanism. However, amongst other it is widely accepted that micro enterprises are more significant in cases of geographically isolated areas, adoption to weak infrastructure as well as quick production response. In addition, micro enterprises involve wider participation of local people and this in turn leads to effective utilization and exploitation of local resources especially those of the skills and potentials of local human resources. It means that in addition to social and economic contribution, micro enterprises also forms an essential part of human resource development of any society.

Few also opine that micro enterprises are more significant in cases of industrially backward areas like North East India. The studies regarding the micro enterprises and economic development in India shows that micro entrepreneurship development can become an important ingredient in the process of industrialization of backward regions and removal of regional disparities. Studies by Paramasivan and Selvan (2013), Kumar and Gugloth (2012), Subhramanyam and Reddy (2012), etc. reveals this. North East India is identified as an economically and industrially backward region. The region is characterized by low per capita income, low capital formation, inadequate infrastructure facilities, low technology intensive, geographical isolation, communication bottleneck, inadequate exploitation of natural resources, etc. (Ahmed, 2010; Roy, 2013). However, it is also a fact that North East India is plenteously endowed with resources, biodiversity, hydro potential, oil and gas, coal, limestone and forest crops, etc. much of which could be processed and exported to the rest of the country and world. Despite of the resources, the region remains economically backward. The need of this region is therefore, not just the play of large scale industries but a grass root industrial development which is promulgated to be achieved through micro entrepreneurship development. However, since micro enterprises are started mostly with low capital and traditional technologies, etc. it is therefore,

important to identify the type of support system that may be necessary to promote micro entrepreneurship and facilitate their full contribution to the development process.

The enactment of the MSME Act, 2006 may be considered as an important step of Government of India towards the development of MSME in India. The Act had brought a number of packages which are especially for strengthening the promotion and development of Micro, Small and Medium Enterprises. "It had made a clear and decisive definition of units that fall under micro, small and medium enterprise category" (Rao, 2014). This varied classification and separate identification of enterprises, is a measure that will help in planning policies separately for each category of enterprises which are most specific and significant to their development and growth. Since, the present study is about micro enterprises of North East India, the study therefore examines the growth rate of micro enterprises of Arunachal Pradesh and Manipur in MSME sector after MSME Act, 2006. This will help in indicating whether the growth rate of micro enterprises in the selected regions is up to the all India level or below the national level. Higher growth rate of micro enterprises naturally mean better and effective utilisation of local resources, a better social transformation and effective contribution to economic development.

For the purpose of the study micro enterprises is defined by the MSME Act, 2006 and these enterprises are involved in either manufacturing or service sector. Accordingly, micro manufacturing enterprises are those enterprises in which investment in plant and machinery does not exceed twenty five lakh rupees, while micro service enterprises are those enterprises in which investment in equipments does not exceed ten lakh rupees.

STUDIES ON MICRO ENTERPRISES OF NORTH EAST INDIA:

"Micro, Small and Medium Enterprise Finance in India: A Research Study on Needs, Gaps and Way Forward" by International Finance Corporation (November, 2012) and "Industrial Cluster: An Approach for Rural Develop-

ment in North East India" by Rinku and Ashim Kumar (April, 2011) "Entrepreneurship Development in North-Eastern Region: Problems and Prospects" by Mali (1998) reveal that the level of entrepreneurship development in North Eastern States is considerably low and are mostly involved in traditional industrial sector, however, despite of the problems in development of entrepreneurship there are also prospects to promote.

OBJECTIVES OF THE STUDY:

1. To find out the growth rate of micro enterprises of the selected regions in the MSME sector.
2. To identify the preference sector (manufacturing or service) of micro enterprises of the selected regions in the MSME sector.

WORKING HYPOTHESIS:

- i) There is higher growth rate of micro enterprises in Manipur than Arunachal Pradesh.
- ii) Micro enterprises of both the regions prefer service sector than manufacturing sector.

METHODOLOGY:

The study is analytical in nature and is based on secondary data. The secondary data were collected from Directorate of Industries, Govt. of Arunachal Pradesh, Itanagar and the Nucleus Cell, Directorate of Commerce and Industries, Govt. of Manipur, Imphal. For the purpose of the study micro enterprises which are registered in the MSME sector from the period between 2008 – 2013 were undertaken.

AREA OF THE STUDY:

Since, the study is about micro enterprises of North East India two states of the region viz. Arunachal Pradesh and Manipur were taken up for the study as per the convenience of the researchers.

Arunachal Pradesh also known as "Land of Rising Sun" is the largest state of North East India and is located at 26°28'N to 29°30'N latitude and 91°30'E to 96°30'E longitude. The capital city of the state is Itanagar and there are 17 districts in the state with a total population of 13,82,727 (as per Census, 2011). Agriculture, horticulture, fishery, irrigation and animal husbandry, etc. are the major occupation of the state.

Manipur literally meaning "Land of Jewels" is the fourth largest state of North East India having a total population of 2855794 as per Census, 2011. The state is located at 23.83°N to 25.68°N latitude and 93.03°E to 94.78°E longitude. The capital city of Manipur is Imphal and administratively the state is divided into 9 districts. Agriculture has the predominant role in the economy of the state followed by forestry, fishery and manufacturing.

TOOLS USED FOR ANALYSIS:

Simple percentage, growth rate method and chi – square test.

FINDINGS AND ANALYSIS OF THE STUDY:

Table 1 of the study shows the growth rate of micro enterprises and preference sector (manufacturing or service) of micro enterprises in Arunachal Pradesh and Manipur.

Table 1 reveals that the highest year wise growth rate of micro enterprises of both the regions i.e. Arunachal Pradesh and Manipur is in the year 2012–13 with a record of 80% and 55.85% growth rate respectively. There is the highest negative growth rate in the year 2009-10 (-41.98)

in case of Manipur and in the year 2011-12 (-70.58) in case of Arunachal Pradesh. Compared to Manipur, Arunachal Pradesh had faced a negative growth rate more than positive growth rate. It is also found out that the latest record of micro enterprises of both the regions shows an increase in the number of micro enterprises and not a decline rate.

Further, it is found out that majority of the micro enterprises of both the regions are involved in manufacturing sector than service sector (table 1). Manufacturing sector occupies 92.49% while services sector occupies 7.51% of the total micro enterprises of Arunachal Pradesh while in case of Manipur manufacturing sector occupies 78.62% while service sector 21.38% of the total micro enterprises.

Table 1:
Growth Rate and Preference Sector (Manufacturing or service) of Micro Enterprises of the regions.

Districts	Year					Total	Growth Rate (in decimals) & Percentage
	2008 – 2009	2009 – 2010	2010 – 2011	2011 – 2012	2012 – 2013		
Arunachal Pradesh:							
No. of Enterprises	92	59	34	10	18	213	NA
Growth Rate	--	-35.8	-42.3	-70.5	80	NA	-68.8
Manufacturing	85	56	31	8	17	197	92.49%
Service	7	3	3	2	1	16	7.51%
Manipur:							
No. of Enterprises	131	76	117	111	173	608	NA
Growth Rate	--	-41.9	53.9	-5.1	55.8	NA	62.1
Manufacturing	96	59	93	88	142	478	78.62%
Service	35	17	24	23	31	130	21.38%

Source: Directorate of Industries, Govt. of Arunachal Pradesh, Itanagar and the Nucleus Cell, Directorate of Commerce and Industries, Govt. of Manipur, Imphal.

Hypothesis Testing:

(a) To test the first hypothesis whether the growth rate of micro enterprises is higher in Manipur than Arunachal Pradesh, the comparative study of the growth rate is made and presented in table 1. From table 1 it can be seen that the annual growth of micro enterprises of Manipur is higher than the annual growth rate of micro enterprises of Arunachal Pradesh. Hence, the null hypothesis is accepted.

(b) To test the second hypothesis that micro enterprises of both the regions i.e. Arunachal Pradesh and Manipur prefer service sector more than manufacturing sector, χ^2 test is used and the result of the test is presented in table 2.

Table 2:

A comparative table of manufacturing and service sector of women entrepreneurs of Manipur.

Parameters	Manufacturing Sector	Service Sector	Total
Arunachal Pradesh	197	16	213
Manipur	478	130	608
Total	675	146	821

Source: Directorate of Industries, Govt. of Arunachal Pradesh, Itanagar and Directorate of Commerce and Industries, Government of Manipur, Imphal.

Table 3:
Chi – square (χ^2) test result.

Statistical Parameters	Manufacturing Sector	Service Sector
Mean		
σ	337.5	73
N	48.09	7.91
df	821	821
χ^2	1	19.99

Again, the computed value of χ^2 for determining the preference of micro enterprises of Arunachal Pradesh and Manipur towards manufacturing and service sector is 19.99 with 1 degree of freedom while the table value of χ^2 at 0.05 level of significance with 1 degree of freedom is 3.841. Since the calculated value of χ^2 (19.99) is much higher than the table value (3.841), the null hypothesis is rejected. Hence, it can be concluded that Micro Enterprises of the selected regions Manipur prefer manufacturing sector more than service sector.

CONCLUSION:

From the current study, it is found that there are significant difference between the growth of micro enterprises of Arunachal Pradesh and Manipur. The growth of micro enterprises in both the selected regions shows a fluctuating trend and there is more concentration and stability in the growth rate of micro enterprises in Manipur than in Arunachal Pradesh. Micro enterprises of the selected regions of North East India are mostly engaged in manufacturing sector than service sector and are showing positive growth recently.

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