

EMPOWERING PROSPERITY: THE ROLE OF MSMES AND COTTAGE INDUSTRIES IN ASSAM'S ECONOMY

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Abstract:

This research delves into the pivotal role of Micro, Small and Medium Enterprises (MSMEs) and Cottage Industries in driving economic growth in Assam, a northeastern state of India. As a region with immense cultural and economic diversity, Assam presents a unique landscape for studying the dynamics of small scale enterprises. Through a comprehensive analysis of the current economic scenario, government policies and the challenges faced by these enterprises, this study aims to shed light on the strategies necessary for empowering prosperity at the grassroots level. By understanding the intricate interplay between MSMEs, cottage industries and economic growth, this research seeks to provide actionable insights for policy makers, enterprises and stakeholders invested in the sustainable development of Assam's Economy.

Key words: economic development, empowering, entrepreneurship, sustainable development.

Introduction:

Assam, known for its rich cultural heritage and breathtaking landscape, is also a region brimming with entrepreneurial spirit. Amidst the vast tea gardens and lush forests, Micro, Small and Medium Enterprises (MSMEs) and Cottage Industries form the backbone of the state's economy, providing livelihoods to significant portion of its population. However, despite their crucial contribution, these enterprises often face numerous challenges, ranging from limited access to finance and infrastructure to regulatory hurdles and market constraints.

Against this backdrop, this research aims to explore the vital role played by MSMEs and Cottage Industries in fuelling economic growth in Assam. By examining the existing literature, government policies and empirical data, this study seeks to identify the key drivers and barriers impacting the growth trajectory of small-scale enterprises in the state. Furthermore, it endeavours to analyze the implications of these findings for policy makers, business owners and other stakeholders invested in the economic prosperity of Assam.

Through a multifaceted approach encompassing both quantitative and qualitative methods, this research endeavours to offer actionable insights that can inform policy interventions and entrepreneurial strategies aimed at fostering the sustainable development of MSMEs and Cottage Industries. By empowering these grassroots enterprises, we can unlock the full potential of Assam's economy, creating a pathway towards inclusive growth and prosperity for all its inhabitants.

Literature Review :

There is so much related literature about the small scale industries of India as well as Assam from different writers. Shivani Mishra (2012) conducted a study to throw light on the role of MSMEs play in promotion of socially disadvantaged group and also highlighted the position of MSMEs in the era of globalisation. The research in the conclusion affirms that such enterprises contribute greatly to the Indian economy. The MSMEs help in distribution of industries evenly and again promote rural development as well as decentralisation of economic power. Another findings was that the MSMEs create a lot of employment and contribute significantly to industrial production and export. Arti Deveshwar (2014) in a study made an attempt to analyse the impact of globalisation on the growth of MSMEs and factors affecting the Indian MSMEs. The researcher concluded that from the analysis of some growth parameters of pre and post globalisation period indicates that globalisation has negatively impacted the growth of MSMEs with regards to number of units, employment creation, production and export. Globalization according to the study poses a major threat and challenges to the MSMEs in India. Sonia Mukherjee (2018) researched about the challenges faced by MSMEs in India and observed that more efforts on the part of both the government and entrepreneurs have to be invested into the sector for improvement of the competitiveness of the MSMEs in India. The research opined that efforts in the form of investing in advanced technology and R&D, higher usage of technology and digital enabled platforms, technology transfer, investing in human resource, improving access to finance, closing the infrastructure gap and reducing the cumbersome and stringent business regulations. The researcher was of the view that if the above measures are paid attention to, it will improve Indian MSMEs to have access to the global market. Surendra Gade (2018) attempted to examine the contribution of MSMEs sector towards the growth of India and highlighted the areas, which needs to be strengthened for the sector to continue with its contribution to the development of the nation. The study found that the MSMEs could be the boon and future hope of the economy. In addition, MSMEs were found to provide equal development opportunities to the society and can also be a strong means of utilising the available natural resources in India.

Several studies have also been conducted on the MSMEs sector and cottage industries in Assam. A study by Choudhary and Nath (2018) found that the lack of access credit, infrastructure and technology are the major challenges faced by the MSMEs in the state. Another study by Jha and Sarma (2017) revealed that MSME sector in Assam has a low level of technology capabilities and innovation. Bijoy Kumar Dey and Kanchan Datta find out from their study that the growth rate of number of units of MSMEs, employment and investment increases as 3.39%, 6.76% and 8.83% respectively. In this study compound annual growth rate, (CAGR) was used to find out the growth rate of number of units districts of Assam. It is searched that Chirang district has the highest growth rate of 40.85 percent and Cachar has recorded negative growth rate of -14.18 percent. A Sarkar (2017) seeks to his paper that the problems and prospects of small scale and cottage industries in Assam. Alit Sen Gupta (2012-13) attempts to assess and evaluate the performance and contribution of the entrepreneurs in economic and social development of the industrially backward area. The study reveals that the cottage and small scale industries Abhayapuri suffered due to non receipt of adequate financial assistance from the banks and financial institutions, non-receipt of timely

payments from wholesalers and retailers, frequent power failure, problems of effective marketing, high production costs, inefficient management, lack of adequate training and R&D facilities, testing facilities etc. The present study also provides a detailed overview of the MSME sector in Assam, the challenges faced by them, and the government policy initiatives taken to support their growth and prosperity.

Objectives:

This study aims to explore the multifaceted roles and contributions of MSMEs and Cottage Industries with special focus on Assam's economy and rural development. The main objectives of the study are-

1. To find out the role of MSMEs and cottage industries towards rural development of Assam
2. To examine the challenges facing by these enterprises
3. To observe the basic strategies and policies to help in empowering those enterprises

Methodology:

The research methodology for studying the MSMEs and cottage industries involves a comprehensive approach combining both quantitative and qualitative methods. This mixed methods approach ensures a thorough exploration of the present status, roles and policy implementation of these enterprises. The present study is descriptive in nature and methodology for this study leverages secondary data, which is collected from various sources including annual reports of the Ministry of Micro, Small and Medium Enterprises, economic survey of Assam, statistical handbook of Assam, Directorate of Industries and commerce, Assam website of Ministry of statistics, publications, and journals.

Overview of MSMEs and Cottage Industries of Assam :

In modern India, cottage industries and MSMEs remain an essential part of the economy. Both are entities that are involved in production, manufacturing and processing goods and commodities. The concept of MSMEs was first introduced by the government of India through the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Cottage industries operate on a small scale, often involving family-based production units. Cottage industries in India span various sectors including handlooms, handicrafts, pottery, weaving and the traditional food processing industry. In India, Khadi and Village Industries Commission (KVIC) is the organisation that promotes village and cottage industries. Both the industries have been recognised as the backbone of economic growth and development in both developed and developing countries. In Assam, both are the most important sectors contributing to state's economy. The cottage industries rely on local labour due to a small investment in the business. They are usually unorganised or decentralised manufacturing business operated from homes using local raw materials and simple hand-operated tools.

Assam was traditionally famous for cottage industry, specially for spinning and weaving. Pat or pure silk production is essentially confined to Assam. It produces about 10% of total natural silk of India. The state also produced Muga, the golden silk. It produced 126 MT Muga Raw Silk in 2014-2015. Assam is also the main producer of Eri or Endi. In the year 2014-15, it produced

2345 MT of Eri Raw Silk of endi cocoons. Other cottage industries like Bell -Metal industry, Brass -work, Weaving etc also helps in Assam Industrial growth, employment generation and economic prosperity.

Assam has a vibrant MSME sector, with more than 4 lakhs MSME units employing 1.5 million people. According to the annual report 2020-21 of Ministry of MSME, the MSME sector contributed 34.54% of Assam's Gross State Domestic Product (GSDP) in 2019-20. The state government has recognised the importance of these sectors and has taken several initiatives to promote their growth.

Economic Importance and Role of MSMEs and Cottage Industry in Assam:

Small and cottage industries are considered the foundation of the Indian Economy as well as the whole north -eastern States of India, contributing significantly to employment generation, GDP growth and export earnings. In Assam, there is a vast opportunity to develop these sectors. Since Assam is rich in natural resources and most of the cottage industries are based on locally available natural resources, it will be very helpful for growing Assam's economy. These sectors are characterised by their smaller size, limited capital and operational scale. The government has launched various schemes and policies to promote the growth and development of MSMEs and Cottage Industries, such as providing financial assistance, infrastructure support and technology upgradation.

Cottage industry is considered one of the effective means for balanced regional development of the rural economy. It promotes women's reliance since they play a significant role in these industries at the working and managerial level. Likewise MSMEs contribute to economic diversification by operating in various sectors such as manufacturing, services agribusiness and technology. They reduce the reliance on a single sector or industry, thereby enhancing the resilience of the economy to external shocks and market fluctuations. Under the recent classification of the Atma Nirbhar Bharat Abhiyan 2020, MSMEs are categorised based on their investment levels like for the micro enterprises 1 crore to 5 crores, for small the range is 10 crores to 50 crores and for the Medium Enterprises the range of investment is 50 crores to 250 crores.

The role of MSMEs and Cottage industries in Assam's economy is very crucial for several reasons. They serve as a pivotal source of employment, particularly in economically disadvantaged regions, contributing to poverty alleviation and inclusive growth. MSMEs bolster the countries export potential, fostering international trade and economic stability. They promote entrepreneurship and innovation, driving competitiveness and productivity within the economy. Through initiatives and support from the government, the MSME sector and cottage industries continuous to thrive, making substantial contribution towards Assam's GDP and overall economic development.

Some important role of MSMEs and Cottage Industries in economic development and growth of Assam are as follows –

1. Employment Generation: Small Scale Industries serve as a significant employment generation in India. This sector employed 805.2 lakhs in 2006-07 and this number rose to 1012.6 lakhs in 2011-12. In Assam more than 4 lakhs MSME units employ around 1.5 million

people. According to the Annual Report 2020-21 of the Ministry of MSMEs, this sector contributed 34.54% of Assam's Gross State Domestic Product (GSDP) in 2019-20. Employment is a crucial determinant of a nation's growth. Hence, the promotion and development of small scale industries can lead to increased job opportunities, further promoting national growth.

2.Regional Development: It is considered one of the effective means for a balanced regional development of the rural economy. Large scale industries are often concentrated in big cities, leading to migration and resulting in overcrowding and environmental degradation. Small Scale Industries can help maintain regional balance by providing employment opportunities in various regions, reducing the need for migration.

3. Women Self-reliance: Cottage industries provide enormous opportunities for women and contribute to their empowerment by assisting them to become self-employed and it meets not only local but also international demand. It promotes women's self-reliance since they play a significant role in these industries at the working and managerial levels. A large portion of the cottage industry workforce are women, particularly in handloom and handicrafts, which represent 70-75%.

4.Providing Raw-Materials: It provides allied services to big units since they do not produce raw materials such as small tools, spare parts, woollen products, etc. but procure them from the cottage and small industries.

5.Eco-Friendly and Energy Efficient: They are eco-friendly and energy efficient industries with low levels of emission. Most of the small and cottage industries are agro-based, their products are chemical free, biodegradable in nature and environment friendly. Therefore, their impact on the environment is less.

6. Low Capital-Cost: They utilise local skills and have low capital requirements. The MSMEs and cottage industries required small investment in comparison to large scale industries. Also utilise local skills which help in employment generation and reducing rural unemployment and poverty.

7.Boosting Exports : Small Scale Industries hold high export potential since their traditional, environment friendly and unique products have substantial global demand. They contribute approximately 40% of India's total exports, significantly contributing to national revenue. They also work towards increasing foreign exchange reserves of the country, reducing the pressure on the balance of payment

8.Encouraging Entrepreneurship: MSMEs help in promoting entrepreneurship and support for large industries, which tackle reducing income. This sector has been contributing significantly to the expansion of entrepreneurial endeavour through business innovation.

9.Modern Technology: These sectors also focus on innovation, new technologies and diversification. These new innovations enhance their growth and raise their contributions towards the whole economy. The MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet the domestic as well as global markets.

Government Policies and Support for MSMEs and Cottage Industries for Rural Development:

Assam has a very dynamic MSMEs and Cottage industries sector with a significant portion of its population are engaged in this sector. Annual Report shows that their contribution to the Assam's Gross State Domestic Product (GSDP) in 2019-20 was 34.54%. The state government has recognised the importance of these sectors and has taken several initiatives to promote its growth. One of the major policy initiatives of the Assam government is the Assam MSME Development Policy 2019. The Policy aims to promote the growth of the MSME sector in the state by providing various initiatives such as financial assistance, technology upgradation, marketing support, and skill development. The policy also focuses on promoting entrepreneurship and innovation in the MSME sector.

The Assam Industrial Policy 2019 is another policy initiative of the state government that aims to promote industrialization in the state, including the MSME sector. The policy provides various initiatives such as subsidies, tax exemption and land allocation for industrial units. The policy also focuses on promoting the development of industrial cluster and the creation of employment opportunities.

In addition to the state government's policy initiatives, the central government has also launched several schemes to support the MSME sector in Assam. The Prime Minister Employment Generation Programme (PMEGP), the Credit Linked Capital Subsidy Scheme (CLCSS) and the Technological Upgradation Fund Scheme (TUFS) are some of the schemes that provide financial assistance to MSMEs in the state. Other schemes like Boneej scheme, Mukhyamantri Krishi-sa-Sajuli Yojana, Collaboration with SIDBI, Assam Chah Bagichar Dhan Puraskar Mela scheme, P.M. Rojgar Yojana, North-East Industrial and Investment Promotion Policy, Udyog Jyoti Scheme, Assam Vikas Yojana etc are all launched for growth and development of small sectors to grow rural development and economic prosperity of Assam.

Challenges faced by MSMEs and Cottage Industries of Assam:

Although the Assam government has taken lots of initiatives for its rural development through small-scale enterprises, those enterprises are still facing a number of challenges. Below are the some major problems faced by these sectors in Assam.

1. Non-availability of timely and adequate credit: Traditional banks give loans with higher interest rates than microfinance. The high interest rates are due to the low income and poor credit history of rural borrowers. It is difficult to get investors for cottage industries since

investors prefer to invest in medium and large companies that make money quickly and get significant returns. Thus, they face problems in obtaining adequate and timely credit.

2. Inefficient Management: Cottage industries are managed by family members of individuals who oversee the operation and lack of business vision. An individual assumes responsibility for the management of the industry and business outcomes. It prevents the industry from expanding and scaling its operation, which results in the industry being exposed to a small market. The industry could face a huge risk in case the market slows down.

3. Lack of infrastructure: The lack of infrastructure challenges the growth of MSMEs and cottage industries in Assam. Though villages are connected with road, not all villages have a good road connection. Thus they are not easily accessible to the public and investors, hindering their sales and growth. Similarly, the availability of electricity is also a problem for cottage industries. Rural area faces frequent power cuts causing a loss of productivity for business. Due to poor financial conditions and low capital, they also find it challenging to procure machinery and equipment.

4. Technical obsolescence: Technological advancement is the key to success for any industry. The MSMEs and cottage industries do not have adequate knowledge about latest technology, tools and production techniques. Net connection is required for marketing the business and gaining knowledge of the latest trends in the market. Since small industries are situated in rural areas, they lack of good connectivity, thus impacting their growth.

5. Limited availability of raw materials: MSMEs and Cottage Industries have limited resources or raw materials. They depend on resources that decrease with time or are available only in specific regions. They may not get resources due to financial constraints. Many of these industries need help to obtain the raw materials they require at the right time and place.

6. Marketing problems: Marketing problems play a vital role in the growth of a business through advertisement, social media, newspapers, pamphlets etc. Both MSMEs and cottage industries face difficulty in spending on costs for advertising and marketing. They may also not have the expertise to develop a strong marketing plan.

7. Competition with large-scale industries: Cottage industries face competition from large-scale industries having huge capital to promote and grow their reach across the country. They struggle to capture the market due to tough competition from multinational corporations having skilled talent and resources.

8. Shortage of labour: They are facing labour shortage due to increased working conditions, low wages, rural locations and long working hours. A lack of skilled labourers in cottage industry is harming the growth of these businesses beyond local limit.

The Government has undertaken various measures to resolve such problems faced by these enterprises and cottage industries like establishment of the National Small Industries

Corporation(NSIC) and District Industries Centre (DIC) , setting up Small Industries Development Fund(SIDF) , National Equity Fund etc to promote such sectors.

Conclusion and Suggestions:The study was undertaken in Assam as a whole with the prime objective of examining the present status of cottage industries and MSMEs and also to find out the problems of such units.For this purpose, information was collected mainly from secondary data like publication, journal, survey and government report.The study reveals that the cottage and small scale industries in Assam suffered due to non -receipt of adequate financial assistance from banks and financial institutions,non-receipt payments from wholesalers and retailers, frequent power failure etc .

For the promotion and development of small industries sectors which have been recognised as important and appropriate means for accelerating economic development, necessary steps to be taken by entrepreneurs, bankers educational institutions, training institutes, government,NGOs for the socio-economic development of the region and the nation in general in respect of the following –

1.Improving finance facilities: It is suggested that the banks eliminate the avoidable delays, guiding the entrepreneurs to overcome initial hurdles at the time of launching their enterprises, effective monitoring and follow-up of utilisation, and an easy way of receiving Rescheduling of loan repayment in case of genuine difficulty of entrepreneurs to overcome financial problems.Various schemes launched by the government time to time for short term and long term credit at cheaper rate of interest be made available to the entrepreneurs to gear up entrepreneurship.

2.Improving Power Supply Position: Adequate and uninterrupted power supply is one of the basic requirements for industrial development.The power supply position of the region should be improved to assist the enterprises.

3.Developing Management knowledge and skill: Managerial problems like absenteeism, negative work culture, etc can be removed by participation of the entrepreneurs in the seminars, workshops and training programmes etc.

4. Market Survey: Periodic market survey, surveying the competitive pricing nature, collecting periodic feedback from dealers, customers etc. are done for upgrading their products, diversifying their products live, improving the quality.

5.Training facilities: Arrangements are to be made for setting up of training institutes at a central place for the said purpose.

6.Marketing Hat: Marketing arrangement should be developed in the area for the smooth marketing of the products of cottage industries sector and elimination of middlemen.

Overall, the MSMEs and cottage industry sector in Assam have significant potential for growth and development.The state government's policy initiatives and the central government's

schemes provide a conducive environment for the sector's growth. However, more efforts are needed to address the challenges faced by MSMEs, such as access to credit, infrastructure, and technology to fully realise the sector potential.

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