

Micro, small and medium enterprises (MSMES) of Jalpaiguri district of west Bengal: A critical review

Dr. Manas Naskar

Assistant Professor, Department of Commerce, Deshbandhu College for Girls Kolkata, West Bengal, India

Abstract

Micro, Small and Medium Enterprises (MSMEs) have been considered as the pillar of economic growth in all developing and developed countries of the world. MSMEs ensure large scale employment immediate after agricultural sector and proved as a very powerful weapon against poverty, income inequalities and disparities. Eight percent of the Gross Domestic Production (GDP), 45 percent of the manufactured output and 40 percent of exports of India are contributed by MSMEs. Ministry of MSEs report 2015-16 states that there are 3.6 crore MSMEs which generates employment over eight crore people. However, it is very pathetic to observe from the government report that a large number of units are going to be closed. According to RBI report 2015-16 the number of closed and sick MSMEs has doubled in the last four years. Under this background, the present study concentrates on the registered closed MSMEs units of Jalpaiguri district of West Bengal. The main objectives of the study are to identify the possible factors associated with the closures and the amount required to reopen the closed units of the willing entrepreneurs. The capital employed in the MSMEs and number of manpower generated is also ascertained. Both primary and secondary data have been used to analysis the present situation of the closed units. The study shows that financial problem and managerial problem are mainly associated with the closure and huge amount of scope is there to generate man power.

Keywords: MSMEs, economic growth, GDP entrepreneurs, RBI, capital employed

Introduction

Micro, Small and Medium Enterprises (MSMEs) have been defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and also provides the concept of "enterprise". This sector consists of any enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industry Development and Regulation Act, 1951 (MSME Annual Report, 2014-15) ^[1]. MSMEs play a significant role in employment generation in urban, semi-urban and rural areas of developing and developed countries and may be called as the backbone of any country's economy. It acts as a support system of large industries which contributes extremely towards socio-economic development of countries. It may also be considered as a solution for other several economic anguishes like poverty, income disparities and provincial inequities. In India MSMEs function its role not only for employment generation, but mobilise the local resources. It provides support to the existing enterprises and encourages for creation of new enterprises. The growth rate achieved by this sector in India has been higher than the industrial sector as a whole. As per the annual report of the Ministry of MSMEs 2015-16, the share of MSME sector to India's total GDP is around 37.54 percent, with 7.04 percent share from manufacturing sector MSME and 30.50 percent share from services sector MSME. As per the report of ASSOCHAM INDIA, SMERA Ratings Limited 2015, MSMEs account for around 80 percent of the industrial enterprises and employ

around 460 million people, producing over 6,000 products. They contribute 45 percent and 40 percent of manufacturing output and exports respectively.

More than 50 percent of the MSMEs are based in the rural and sub-urban areas, and they face several obstacles like financial inadequacy, low labour turnover due to frequent strikes, etc. Such scenario is not so different in West Bengal also. Here around 26,079 registered MSMEs in the current year, with 14,636 of them are running effectively. West Bengal ranked 6th in terms of numbers of small scale enterprises after Uttar Pradesh, Andhra Pradesh, Maharashtra, Tamil Nadu and Madhya Pradesh (4th Census of MSMEs). In terms of employment generation in this sector West Bengal ranks 2nd after Uttar Pradesh.

But MSMEs of West Bengal are now suffering from different issues that lead these units in the verge of sickness. The sick industries stopped their production due to several reasons such as managerial inefficiency, financial insufficiency, inadequacy of raw materials, labour problems, etc.

Literature Review

MSMEs are necessary for sustained economic growth in any country. In developing and developed countries MSMEs play a crucial role in the economic development of the nation. In support of these some literatures have been reviewed. For the purpose of this study different book, journals, research papers and articles were consulted.

Mali (1998) ^[5] detected that MSMEs have specifically improved themselves in the field of financial system, including management, marketing, infrastructure, product preference, ecological upgradation. The sectors have to face

increasing competition in the present scenario of globalization.

Mukherjee (1999) ^[8] in his study selected West Bengal and showed the importance of MSMEs. He also discussed that West Bengal has faced a very tough situation due to utmost compete in national and international level from large industries due to lack of infrastructure, capital crisis, lack of access of modern technology etc.

Murugan *et al.* (2004) ^[9] discussed in his article ‘Small- Scale Industries Maladies- Do they caused by Marketing Sickness’ that lack of financial resources and reluctant of providing loans from the financial institution are the prime factor of the poor performance of the MSMEs.

Subrahmanya (2004) ^[2] observed that MSMEs are suffering in terms of employment, output, and exports. The growth rate is declining slightly day by day. Impact of globalization and domestic reforms in this sector could not be capitalized.

Verma (2005) ^[14] in a study entitled ‘Performance of Small Scale Industries (Pre and Post Reform Period)’ suggested that special monitoring agency would be set up to oversee the genuine credit needs of the MSME sectors. SIDBI (Small Industries Development Bank of India) may be initiated to solve the delayed payment to the sectors.

Dixit and Pandey (2011) ^[3] applied analytical technique to examine the causal relationship between SMEs output, exports, employment, the number of SMEs and their fixed investment and India’s GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their study revealed the positive causality between SMEs output and India’s GDP.

Rangacharya (2014) ^[10] analysed the growth of SMEs in Karnataka and discussed the investment, employment, production and export performance in the state.

Sathish (2014) ^[12] showed the trend of MSMEs of Goa in terms of number, employment and investment and discussed the issues related to closure of units.

Background of the Study

MSMEs consist of various units like manufacturing units, production units, assembling units, processing units, repairs and maintenance and other service units. Manufacturing units consist of the units where raw materials get transformed into finished products. The units where the different parts of a product are added to that product in a sequential manner may be considered as assembling units. Repairs and maintenance are under the units like those units that fix any sort of mechanical or electrical devices when they become out of order. Such units perform all technical and related supervision actions. Service units are those units that generate income by providing services instead of selling physical products. Therefore MSMEs have played an effective role in ensuring the equalization of income, social balances, regional development, optimum utilization of resources and decreasing the dependency. It is more efficient in providing more employment opportunity at relatively low cost. Although, it is found from various government reports that a large number of MSME units are going to sick due to lack of fund and other financial problems. The data compiled by the Reserve Bank of India (RBI) in March, 2015, it is observed that the number of sick MSMEs is a very remarkable one. As per the report of the

Ministry of Micro, Small and Medium Enterprises, 2015, the numbers of sick units of India are 222204, 468397 and 516619 in 2013, 2014 and 2015 respectively and that of West Bengal are 11517, 23062 and 38835 respectively.

In India, the major portion of such units is suffering from various problems. They are facing the problems like labour problems, machinery problems, scarcity of funds, union problems, political problems, etc. some of the units are overcoming this situation by implementing various plans and programmes. Sometimes, they manage it with the discussion of several resource persons. In spite of taking various measures to resolve the problems, some units are going to be shutting down. It is not encouraging at all to note that number of sick MSME units in 2015-16 is 4,86,291 which is almost double from 2013 in both India and West Bengal. Under these circumstances, it is required to identify the causes the closers of the sick MSMEs. Again, an initiative should be taken to reduce the rate of closers and give them support to continue the production. But all these require financial and infrastructural resources. There is no denying that limited supply of resources and lack of scope of financial support is the main cause of obstructing the growth of this sector.

In West Bengal, this scenario is a very remarkable one. A major percentage of MSMEs are closed due to several causes. Under these circumstances, this study is limited with the closed MSME units in the selected areas of Jalpaiguri District, which is situated in the northern part of West Bengal. The major parameters which take into consideration are types of registered closed units, divisions of traceable and non-traceable units, willingness and unwillingness of the owners to reopen the closed Units, reason of closures, types of financial problems, types of managerial problems, fund required to reopen the units and the types of job opportunities. In this background this paper tries to analyse the prime causes of closer, although there is much opportunity to strengthen the economy of the country. The Jalpaiguri district of West Bengal has been taken into consideration for the study.

Objectives of the Study

The primary objective of the study is concentrated on the closed units collected from the District MSME office, Jalpaiguri who is registered under the guidance of the Directorate of Micro, Small and Medium Enterprises. The objectives of the study are specified below:

- To give a brief summary of MSME units, including manpower involved there on of the district
- To state the probable issues related to the causes of closure of registered MSMEs of the district
- To examine the fund required for reviving the closed units.

Study Area

There are seven C.D. blocks in Jalpaiguri districts. Jalpaiguri C.D. block has more MSMEs compare to other blocks. Here almost 1, 01,045 main workers are working in 324 registered industrial units including household industries. Jalpaiguri CD Block has been taken into consideration for the study.

Materials and Methods

Both primary and secondary data have been used for the study. The entire closed 42 registered MSME units have been

considered in the field survey. Information related to study has been collected from the respective owners of the MSME units. The secondary data has been collected mainly from the annual reports of Ministry of MSME, District Statistical Handbook of BAES, Economic Times, and several journals, publications, etc. For the purpose of the study, simple cartograms are used to represent available data for better understanding.

Results and Discussion

West Bengal has industries like Petroleum, Petrochemicals, Automobile and Auto Components, Bio-technology, Fisheries, Agriculture and Horticulture, Livestock and Dairy products, Tea, Chemicals, Textiles, Jute products, Vegetable Oils, Electronics, Engineering goods, Leather, Iron and Steel, Mineral Resources and Information Technology etc. Table: 1 shows the growing trend of Micro, Small and Medium industries in West Bengal. In 2013-14 the State posses 10,651

Micro industries and 1, 02,802 person gets the job opportunity here. But the capital investment is gradually decreasing from 1, 35,946 to 86,965 in the year 2007-08 and 2013-14.

In Jalpaiguri district Leather based, Chemical based, Mineral based, Electrical machinery, Transport equipment, Woolen clothes, Silk thread based, artificial thread based, tea industries are the key industries where huge amount of labour are engaged. During 2007-08 to 2013-14 Kolkata has the highest number of registered MSME units (15530) followed by North 24 Parganas (12616), Howrah (12150), South 24 Parganas (7403), Burdwan (6026) and Jalpaiguri (5863). According to 2013-14 report Jalpaiguri (23278) is ranked 10th in respect to employment generation. Howrah, Kolkata, North 24 Parganas, South 24 Parganas and others are the highest employment generation districts in West Bengal whereas the district occupies the 8th rank in respect to registered investment of 28964.37 crore in the same year.

Table 1: Growth of Micro, Small and Medium Enterprises in West Bengal

Year	Micro	Small	Medium	Employment	Investment (in Crore)
2007-08	16510	1108	0	183242	135946
2008-09	12470	945	13	137150	126410
2009-10	10934	734	17	131669	89965
2010-11	9504	595	10	121944	77788
2011-12	12736	723	11	120446	125548
2012-13	9728	602	12	0	0
2013-14	10651	729	0	102802	86983

Source: Directorate of Micro, Small and Medium Enterprises and Textiles (MSME&T), Government of West Bengal, 2013-14.

Jalpaiguri is undoubtedly an agriculture based economy and with this background various agro based industry may be flourished here. Significant deposits of dolomite and other minerals like limestone, coal, stone etc. makes the district prospective for industrial development. Jalpaiguri also has a rich reserve of forest resources. The sericulture units in Jalpaiguri C.D. Block and Alipurduar Block also offer scope

for expansion. The tea industry in the district is a traditional investment which with adequate modernization can pave the way to setting up of various ancillary units. Thus, considering the resources, the existing infrastructure and the general framework of the district, both resource based and demand based industries have been flourished (table-2).

Table 2: Types of Industries Present in Jalpaiguri District, 2014

Type of Industry	No. of Factories	Investment (in Lakh)	Employment (in No.)
Manufacture of Food Products	170	79300	17196
Beverages	2	12603	549
Tobacco Products	N.A	39	24
Textiles	2	1667	517
Leather and related products	2	105	18
Wearing apparel	1	0	6
Wood and products of wood and cork except furniture	65	3834	727
Paper and Paper products	4	253	63
Printing and reproduction of recorded media	4	681	154
Coke and refined petroleum products	2	9672	126
Chemicals and Chemical products	6	10314	512
Rubber and plastic products	6	794	83
Non-metallic mineral products	14	20063	803
Basic metals	4	1039	72
Fabricated metal products except machinery and equipment	5	1311	283
Machinery and equipment	9	34	157
Motor vehicles, trailers and semi-trailers	1	26	18
Furniture	1	25	3
Retail trade and repair of motor vehicles and motorcycle	N.A	3265	371
Warehousing and support activities for transportation	14	2877	254
Publishing activities	2	0	3
Repair of computers and personal and household goods	2	55	42

Source: District Statistical Handbook of BAES & Economic Review, 2014, Government of West Bengal

Jalpaiguri district is unique in the sense of producing traditional goods, handicraft products, etc. Many skilled workers are engaged with these MSMEs in this district. A registered MSME of the Jalpaiguri district is increasing day by day. Almost 10 percent of the MSMEs in 2011-12 have been increased in 2012-13. Again in 2013-14, it has been increased by 20 percent. This scenario is same in Jalpaiguri C.D. block also. On the other hand closed registered MSMEs are also increasing. In 2013-14, 134 units stopped their production, whereas only 98 units were closed in 2011-12. MSMEs are also creating employment in rural areas in spite of different managerial and financial problems. A brief description of MSMEs of Jalpaiguri C.D. block is given in table no.3.

Table 3: Micro, Small and Medium Enterprises in Jalpaiguri District

Year	Units			Employment	
	District	Jalpaiguri CD Block		District	CD Block
		Registered	Closed		
2011-12	3869	786	98	20908	4998
2012-13	4163	828	121	22384	5427
2013-14	4812	912	134	22889	6002

Source: District Statistical Handbook of BAES & Economic Review, 2014, Government of West Bengal.

The study is completely related to the closed enterprises. In connection with this, the entire closed units are divided into five categories. Numbers of closed units of these categories are: Manufacturing/Production-82, Assembling/Processing-5, Repair/Maintenance-6, Service-28 and Others-13.

From field survey, it was observed that some closed units are not traceable. Numbers of traceable units are: Manufacturing/Production-75, Assembling/Processing-3,

Repair/Maintenance-4, Service-21 and Others-10. Again, at the time of interaction with the owner of the traceable units, whether they are willing to reopen the closed units or not, but some of the traceable closed units authority are not willing to reopen. The willing traceable units are: Manufacturing/Production-45, Assembling/Processing-0, Repair/Maintenance-2, Service-12 and Others-3.

It was observed from the field survey that a number of MSMEs have stopped the production and become closed. These MSMEs are unable to function properly and so they closed due to reasons like financial problems, market related problems, infrastructural problems, managerial problems and other reasons. Most of the traceable manufacturing units of the Jalpaiguri CD Block of Jalpaiguri district were closed down due to managerial problems (55%) rather than financial problems (32%) and other problems (13%), as shown in Table 4. These units are suffering from lack of financial control and proper accounting information and they are unable to pinpoint which products and which customers are profit yielding and which loss making. Poor financial policies, low profit retention for reinvestment, short term borrowing for long term needs, etc. are some of the major issues which are not addressed by the unit authorities. Poor timing, under-estimated costs and over-estimated returns, high market entry costs, high unit costs relative to competitors due to unfamiliarity with business or the inability to take advantage of economies of scale and lower market share or vertical integration compared to rivals are showing the inability of future prediction of the managerial authority which leads the units into perpetual loan system. The units are also distressed by government imposed pollution control policy, social welfare policies or other costs and could not find any way to resolve problems.

Table 4: Reason behind Shutting down of MSMEs in Jalpaiguri C.D. block

Nature of Units	Financial Problem	Market Problem	Infrastructural Problem	Managerial Problem	Other Problem
Production/manufacturing	32%	0%	0%	55%	13%
Assembling/ Processing	75%	0%	0%	22%	3%
Repair/ Maintenance	22%	0%	0%	72%	6%
Service	35%	0%	1%	54%	10%
Others	0%	0%	20%	80%	0%

Source: Primary Data, 2016

Further, it can also be mentioned that the traceable assembling MSMEs who are willing to open, were closed earlier due to mainly financial problems (75%) whereas in case of the

maintenance units, they are closed due to managerial problems (72%).

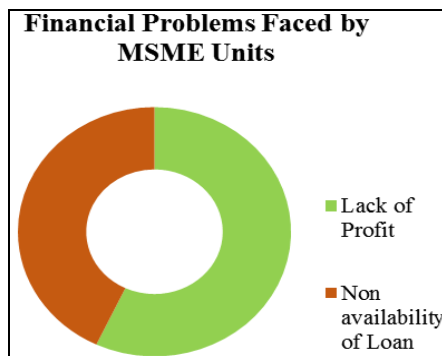
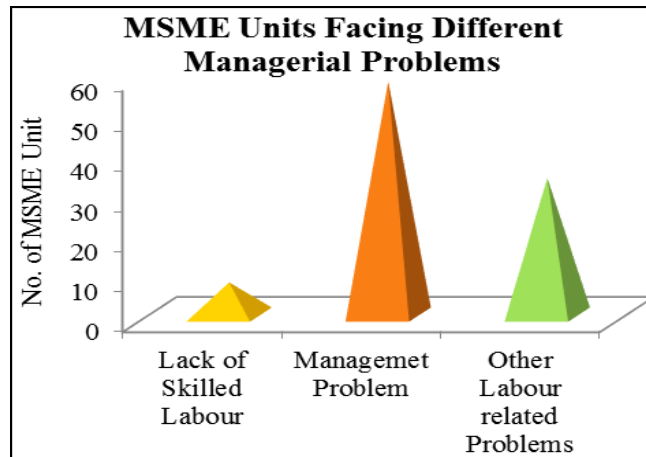


Fig 1

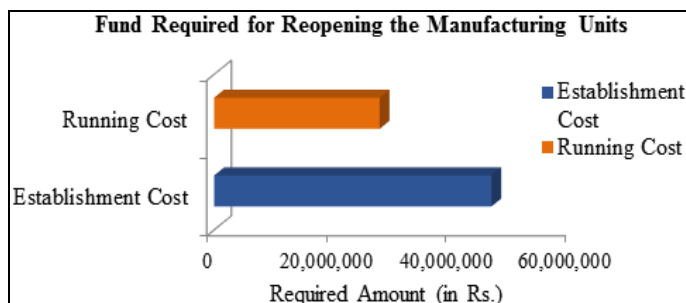


Source: Primary Data, 2016

Fig 2

Figure: 1 express that the closed units faced both the problems of non-availability of loan and insufficient profit. The most of the production units face a financial problem caused due to non-availability of loan (57%) while only 43 percent of the production units face a financial crisis due to lack of profit.

Figure: 2 shows that most of the closed units face managerial problems related to management (58%). Further, it can be stated that 34 percent of the manufacturing units face other labour related problems while only 8 percent of such units are suffering from unskilled labour issues. Increased competitive pressure on the firm, decline of market demand, adverse movement in input prices and interest rates, combined with price stagnation or decline in marketing products are some other problems faced by the units of the district. Frequent strikes, inadequate management staff, poor post acquisition management, authoritarian, bureaucratic permissive management system are regular phenomena. Lack of management depth, unprofitable acquisitions, poor choice of plant of technology, pitiable marketing and distribution, poorly motivated or trained sales force the units to discontinue production. MSME units are also affected by ineffective advertising and promotion, poor after sales service, lack of focus on key products and customers. They are not producing new products to capture the local market, but overtrading tendencies and at the same time inadequate working capital to finance sales growth are basic drawbacks of these smaller units. The Proliferation of low margin or loss making sales, the unresponsiveness of the firm to market and technological changes are also visible from field survey.



Source: Primary Data, 2016

Fig 3

The fund for bearing the establishment cost required for reopening the closed units (approximately Rs. 4.64crores) which is more than the running cost required in the daily course of time (approximately Rs. 2.77crores). Thus, it can be stated that closed units have to accumulate a huge amount of funds to reopen their units.

It is also observed from the study that 610 indirect job opportunities will be created if the closed units of the willing enterprises reopen and in that case 415 people will get direct job. This indicates that the reopening of the closed units creates lots of job opportunities, thereby eradicating poverty indirectly and thus promotes upliftment of the block level economy.

Government of India has taken some major initiatives to control the closures of the MSMEs Government of India has set up an India Opportunities Venture Fund (IOVF) with SIDBI from which the registered MSMEs can get loan facilities for running their production system. The Government has implemented Public Procurement Policy under which government organization and public sector enterprises would be purchased minimum of 20 percent of their annual purchase from MSMEs. To improve the productivity, competitiveness and capacity building of MSMEs, the Government of India has also adopted a cluster based approach by which the MSME units may get assistance in marketing their products and around 20 items have been reserved for exclusive manufacturing by MSMEs and large scale enterprises cannot produce these items. Credit disbursed to micro and small enterprises is considered part of priority sector lending by banks. In order to build the capacity of MSMEs, the Central Government has initiated a National Manufacturing Competitiveness Programme (NMCP) which helps the MSMEs in facing stiff competition from global MNCs.

Apart from the aforesaid measures, the most important prerequisite for the unbridled growth of MSMEs is ensuring the availability of an enabling environment and requisite infrastructure. If the government can ensure the double digit growth for the MSMEs, it would definitely help in achieving the long cherished goals of equality of income and promoting the growth in rural hinterlands and stop the avoidable migration to the urban areas.

Suggestions and Conclusions

Both internal and external causes are associated with the causes of closure. Inadequate management policy, bureaucratic barriers, lack of financial control, lack of proper information, poor marketing policy, political issues etc. is the internal causes of such closures. Again, lack of demand in the local market, decline of market demand, strikes etc. is the external causes. Although the present study suggests some of the measures for reopening of closed MSME units in Jalpaiguri C.D. block:

- Identifying the actual causes of closures
The actual reasons for closures of the closed units should be recognized as early as possible so that proper actions can be taken for revival of such units.
- Opening of information centre at block level:
Information centers should be opened at the block level so as to address the closed units and take immediate initiatives for their revival.
- Arrangement of quick measures
There should be proper arrangement of quick remedial measures for strengthening the position of the reopened units.
- Facilitating technical support
The central and state governments should come forward to encourage technical education for the entrepreneurs.
- Non-interference of external factors
There should be proper arrangement in the administrative unit of the body of the units so that no external factors like political factors could be able to interfere and interrupt the functioning of the units.
- Formation of tribunals to sort out the problems and take remedial measures
Tribunals should be created to release quickly the problems and take corrective actions as and when such problems occur so as not to affect the operational activities of the units.
- Transparency in sanctioning procedures
The state governments should bring transparency in licensing and in sanctioning procedures for the smooth functioning of the small scale and medium scale industrial units.
- Minimization of banking procedures
Many micro, small scale and medium scale enterprises face several problems while taking loans that create an obstacle in the up gradation of the units. This requires that the rigorous banking procedures should be nullified to the lowest extent possible. Further, the state government should also open special branches in backward areas for MSME sector to ensure the increased flow of credit.

Conclusion

In conclusion, it may be stated that the MSME sector is the gateway of global growth on the strength of competitive and quality product range. The MSME sector has often been termed the 'engine of growth' for developing economies, but at the same time industrial sickness is also a significant problem. The sickness in micro, small and medium scale enterprises is very much looming and large as compared to big industries. The study reveals that lack of demand and shortage of working capital was responsible for the magnitude of

sickness in registered units of Jalpaiguri C.D. block. Further, the analysis also exposed that the tendency of sickness is at the declining end over the years. However, facilitation from the State and Central Government is required to minimise the technological upliftment and modernisation of infrastructure of the closed MSME units of the study area. But at the same time these sectors need to adopt a proactive approach where the Government should propose a long term strategy to sustain in the changing economic scenario.

References

1. Annual Report. Ministry of Micro, Small and Medium Enterprises, Government of India, 2014-15.
2. Bala Subrahmanya MH. Small Industry and Globalization: Implications, Performance and Prospects, Economic and Political Weekly. 2004; 39(18):1826-1834.
3. Dixit A, Pandey AK. SMEs and Economic Growth in India: Cointegration Analysis, The IUP Journal of Financial Economics. District Statistical Handbook of BAES and Economic Review, Government of West Bengal, 2011-12. 2011; 9(2):41-59.
4. Final Results: Forth All India Census of Small Scale Industries, Edition, Ministry of Small Scale Industries, Government of India, 2004.
5. Mali DD. Development of Micro, Small and Medium Enterprises of India: Current Scenario and Challenges', SEDME (Small Enterprises Development, Management and Extension) Journal, 1998, 25(4).
6. Ministry of Micro, Small & Medium Enterprises, Micro, Small and Medium Enterprises in India: An Overview", Ministry of Micro Small and Medium Enterprise, Government of India, 2007.
7. MSME Development Act, Ministry of MSME, Government of India, 2006.
8. Mukherjee N. Small Scale Industries-Problems and Prospects in West Bengal with special reference to Darjeeling District', Progressive Publishers, Kolkata, 1999.
9. Murugan S, Edwin Gnanadhas, Thalavai Pillai N. Small-Scale Industries Maladies- Do They be Caused by Marketing Sickness, Indian Journal of Marketing. 2004; 34(5):15-18.
10. Rangacharya K. Role of SMEs in Development of Karnataka Economy, Indian Streams Research Journal, retrieved from www.isrj.net on 02.12.2016, 2014, 3(12).
11. Report ASSOCHAM. The Knowledge Architect of Corporate India, 2015.
12. Sathish A. Issues and Problems in the Growth of Micro, Small and Medium Enterprises in Goa: An Empirical Study, International Journal of Science and Research, retrieved from www.ijsr.net on 20.6.2016, 2014, 3(7).
13. SMERA. Rating Limited, Ministry of New and Renewable Energy, 2015
14. Verma R. Performance of Small Scale Industries (Pre and Post Reform Period)', Udyog Pragati. 2005; 29(2):1-12.