CHAPTER TEN
SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY IMPLICATIONS

10.1 The purpose of this chapter is to infer the conclusions from their findings and derive the various policy implications emerging from it. To facilitate the process, the findings presented in the earlier chapter are briefly recapitulated in the next section.

10.2 PRINCIPAL FINDINGS:

10.2.1 Status of Rural Non-Farm Micro Enterprises in Assam.

- There were 4.04 lakh rural enterprises in the State in 1998. By 2005, number of enterprises in rural areas of the State increased to 6.33 lakh. About 95 per cent of the enterprises are non-agricultural enterprises. The compound average annual growth rates of rural enterprises in the State during 1998-2005 have been found to be 6.62 per cent.

- In 2005, the number of rural non-farm enterprises in the State was 5.98 lakh of which about 5.3 lakh units were micro enterprises constituting about 88 per cent of the total rural non-farm enterprises in the state. Out of the total rural non-farm micro enterprises, about 3.9 lakh units were own account enterprises and remaining 1.4 lakh enterprises were micro establishment.

- Out of 2.5 lakh rural non-farm own account enterprises in the state in 1998, about 5.51 per cent were seasonal, 75.02 per cent were with premises.
The three predominant activities of own account rural non-farm micro enterprises in Assam during 1998, were trading with 61.1 per cent, community and personal services with 19.2 per cent and manufacturing with 9.8 per cent. But only 10.82 per cent of rural non-farm own account enterprises were using energy of any kind in their operation. In the case of micro establishment, the predominant activities are community and personal services followed by trading and manufacturing.

So far as the percentage share of rural non-farm own account enterprises by social groups are concerned, about 9.24 per cent are owned by scheduled castes, 8.49 per cent by scheduled tribes and 20.62 by other backward classes.

In 1991, there were 6.2 million rural main workers in the state of which 1.2 millions rural non-farm workers, constituting 18.6 per cent of the total rural main workers. In 2001, the share of rural non-farm workers stood at 45.5 per cent of rural main workers (including workers engaged in allied activities).

In 1998, about 6,51,166 workers were employed in rural non-farm micro enterprises of the state, of which about 68 per cent workers were from own account enterprises and remaining 32 per cent workers from micro establishment. Whereas, about 13.3 per cent of the total workers engaged in own account enterprises were female.

The district wise distribution of own account enterprises reveals that Kamrup district accounted for largest percentage share of nearly 12.6 per cent followed by Nagaon with 8.5 per cent and Sonitpur with 5.9 per cent.

In 1999-2000, the micro enterprise sector in the state contributed slightly more Rs 3,000 crores annually to Gross State Domestic Product of...
the economy, of which slightly more than Rs 1,700 crores comes from rural micro enterprises.

10.2.2 Rural Non-Farm Micro Enterprises in Sonitpur District:

- In Sonitpur district, there were about 21,604 rural non-farm enterprises in 1998, of which 88.4 per cent were rural non-farm micro enterprises. Out of the total 19,100 rural non-farm micro enterprises, about 15,004 units were own account enterprises and 4,096 units were micro establishment.

- In 2005, rural non-farm enterprises in Sonitpur district stood to 40,164 units, of which 35,366 units were micro enterprises. Out of 35,366 micro enterprises, about 27,939 units were own account enterprises and 7,427 units were micro establishment. The compound annual growth rate of rural non-farm micro enterprises in the district during 1998 to 2005 was 9.2 per cent as against 6.6 per cent in the state as a whole.

- In 1998, about 39,330 workers were employed in rural non-farm micro enterprises in the Sonitpur district, of which about 28,958 workers were from own account enterprises and remaining 10,372 workers were from micro establishments.

- In 2001, the district has 4.03 lakh rural main workers of which about 2.13 lakh were engaged in rural non-farm activities, consisting of 52.9 per cent of the total rural main workers of the district as against 45.5 per cent in the state.

- Micro entrepreneurs of the district are engaged in both traditional and non-traditional activities. The main traditional activities are weaving, local wine manufacturing, bamboo and cane works, wood curving, colliery and tea plucking baskets made of cane, etc and the most significant non-
traditional activities are beauty parlor, battery repairing /charging, repairing of electrical and electronic appliances, etc, which are coming up in the rural area of Sonitpur district.

10.2.3 Basic Features of Rural Non-Farm Micro Enterprises as Gathered from the Field Investigation:

(A) Nature and Performances:

- A total of 102 types of non-farm activities have been identified in fifteen sample villages of Sonitpur district. The break-up of 102 types of non-farm activities found in the sample villages were: 29 activities are related to manufacturing, 28 activities related to other services, 26 related to trade, 11 activities related to servicing and repairing and 8 activities related to transport.

- The number of rural non-farm micro enterprise units found to be in existence in the fifteen sample villages is 2,652. Out of total 2,652 units of micro enterprises, 24.89 per cent belongs to manufacturing sub sector, 32.62 per cent to trade, 27.90 per cent belong to other services, 8.56 per cent relates to transportation and 6.03 per cent to repairing and servicing sub sector.

- In the sample villages, it has been found that on an average 24 to 88 activities are practiced, indicating variation of activities in the sample villages. The least diversity of the non-farm activities has been observed in the villages where dominance of scheduled caste, scheduled tribe and ex tea garden workers prevails.

- Out of 140 sample RNF micro enterprise units, about 63 per cent are own account enterprises. Remaining 37 per cent are found to be micro establishments.
• Majority of the sample entrepreneurs do not possess agricultural land of any significance size, 55 per cent of the sample units have agricultural land less than 0.5 hectar.

• The growth of rural non-farm micro enterprises in the district is a recent phenomenon. As because, it was observed that 40 per cent of the sample units came into existence during last 5 years and about 47 per cent of the sample units emerged during last ten years and about 13 per cent emerged before ten years.

• It was observed that most of the entrepreneurs engaged in the enterprises are from young generation and there is dearth of female entrepreneurs in rural non-farm micro enterprise sector of the district. The statistical figures revealed that 84 per cent of the entrepreneurs are headed by males and 16 per cent are headed by female. It was further observed that about 66 per cent of entrepreneurs fall under the age of 40 years and remaining 34 per cent of the entrepreneurs are in the age group of above 40 years.

• It was observed that about 62 per cent of the entrepreneurs do not use power (electricity) in their operation. In manufacturing sub sector, about 36 per cent of the enterprises were using power in their operation. However, in the repairing and service sub sector 85 per cent of the entrepreneurs used power.

• It was observed that 41.43 per cent of the sample enterprises have backward linkages with farm sector and 12.85 per cent of the sample enterprises have forward linkages with farm sector. This suggests that policies for rural non-farm enterprises should not be made without consideration of their impact on agriculture nor should agriculture policies be made in isolation.
• About 61.43 per cent of the sample enterprise units have found to be effected by seasonality and remaining 38.57 per cent sample units were free from any seasonal fluctuations in their business.

• It was observed that about 49 per cent of the sample enterprise units have came into existence due to operation of push factors and 38 per cent sample units have emerged due to pull factors. Further, 13 per cent sample units have came up due to the impact of both push-pull factors.

• Within the manufacturing sub-sector, the ratio of gross value addition to total output is highest in pottery manufacturing units (0.89) followed by local wine manufacturing units (0.59), fish net manufacturing units (0.57) and cloth weaving units (0.53).

• As per gross to investment ratio, 24 per cent of the sample micro enterprise units are economically highly successful, 27 per cent of the sample units were moderately successful and 49 per cent of the sample units were barely successful. The percentage of highly successful units is highest in trade and lowest in repairing and services.

• It was found that given other things, male-headed entrepreneurs have better success than the female-headed ones. The level of education of the entrepreneurs also plays a vital role for the success of the enterprises. However, attending or not attending entrepreneurial training programmes has no significant association with the performance level of the entrepreneurs. This indicates that there is a need for re-orienting entrepreneurial training programmes to make them more relevant.

• It was found that only about 32.1 per cent of the sample entrepreneurs maintained accounts. Only about one third of the entrepreneurs have organizational linkages either with SHG, NGO/trade
association or with both. So there is also a need for capacity improvement interventions to enable micro entrepreneurs to adopt better management practices.

10.2.4 Constraints to RNF Micro Enterprise Development:

- It was observed that only 8.6 and 1.4 per cent of the entrepreneurs received institutional finance for fixed capital and working capital respectively. This indicates that RNF micro entrepreneurs in the district have not been able to access institutional credit.

- Only 11 per cent of the sample entrepreneurs have received training programmes and a large majority of the sample units have not received technical assistance from the promoting agencies, mainly due to lack of awareness about the training and technical assistance programmes.

- Regarding physical constraints, 27.1 per cent of the entrepreneurs reported to inadequate supplies of raw materials as the main problem as against the poor road connectivity and power supply by 23 and 20 per cent respectively.

- Regarding main marketing related problems, about 21.4 per cent of the entrepreneurs face price competition from the large producers, 20 per cent of the entrepreneurs reported inability to maintain stock and about 10 per cent reported road linkages as a major marketing problem. However, about 18 per cent of the entrepreneurs do not have any marketing related problems.

10.2.5 Economic Contribution in Terms of income and Employment:

- The Gross value addition of RNF micro enterprises in Sonitpur district during 2005-2006 has been estimated to be Rs 680 crores. This
amounts to 31.37 per cent of the estimated gross district domestic product (GDDP) at current prices of Sonitpur district for the year 2005-2006. The contribution of rural non-farm micro enterprise sector to the total gross district domestic product (at current prices) is only 10 per cent less than the contribution made to GDDP by farm sector.

- Total employment generated by RNF micro enterprises in the district has been estimated to be 3, 90, 510, which constitutes for 63.16 per cent of the estimated total rural workers of Sonitpur district for 2005-06.

- The total fulltime employment generated by RNF micro enterprises in the district has been estimated to be 1,95,255, which constitutes for 44.54 per cent of the estimated total rural main workers of the district in 2005-06. This indicates that rural non-farm micro enterprise sector is a major employer of rural population of the district.

- Share of male and female employment to the total employment in rural non-farm micro enterprise sector of the district has been found to be 69.23 per cent and 30.77 per cent respectively. Manufacturing sub sector generates more female employment (44.23 per cent) followed by other services (31.37 per cent) and trade sub sector (15.71 per cent). Considering that, female workers constitute only 21.23 per cent of rural main workers in the district, the gender disparities in employment in the rural non-farm micro enterprise sector of the district is much less.

10.3 CONCLUSIONS:

From the study, it is clear that with the decline of employment elasticity in agricultural sector accompanied by rapid population growth in the district, the rural non-farm micro enterprise sector has emerged as a significance source of livelihoods for the rural population in the district.
Although many of the RNF micro enterprises in the Sonitpur district have developed mainly due to push factors, yet micro enterprises in the district have by and large manage to do well. The sector as a whole contributes substantially to generation of income and employment in the rural economy.

The emergence and expansion micro enterprises sector in the district is strongly embedded with the agricultural sector. A large majority of these non-farm activities have either forward or backward linkages with the farm sector. Therefore, the emergence and expansion of RNF micro enterprises cannot be yet treated as replacement or substitution of farm sector. In short, both the sector in the district interacts in complementary manner by reinforcing each other.

In the district, the RNF micro enterprise sector has emerged without much support of institutional finance. There are some physical, marketing and communication related constrains on the sector, which acts as a barrier on the growth and diversification of RNF micro enterprise sector.

Given the development of agriculture and allied activities, infrastructure availability, market facilities, institutional set up and availability of credit, the rural non-farm micro enterprise sector can became an even more dynamic part of rural economy.

As for the research questions taken up for the study, the answer have been obtained with the following conclusions:

1. For fixed capital and working capital requirement most of the micro entrepreneurs are forced to rely either on their own funds or on their friends and relatives. For financing fixed capital investment, 62.9 per cent of the sample units used their own funds, about 26.5 per have managed funds
from informal sources as well as own funds and only about 8.6 per cent of entrepreneurs managed to get funds from institutional sources. For financing working capital investment, 77.1 per cent of the entrepreneurs used their own funds, 22.9 per cent units borrowed funds from informal sources as well as own funds and only 1.4 per cent of the entrepreneurs received institutional finance.

2. Marketing problems in the rural areas can be largely solved by developing road connectivity for the existing enterprises. As the sector and enterprises grow in the future, it will be necessary to access distant market.

3. It has been found that majority of the entrepreneurs in the district have came into existence due to push factors. This however does not imply that these enterprises are in barely survival stages. A large majority of the enterprises now stands in a robust footing.

4. From the sample findings, it has been found that only 10.7 per cent of the entrepreneurs have received government training and schemes and about 7.14 per cent of the entrepreneurs have organizational linkages with NGO's. This indicates that the action of government and non-governmental organizations have so far failed to reach out to the rural poor micro entrepreneurs. Moreover, there is no separate policy and programmes for micro enterprises.

10.4 POLICY IMPLICATIONS:

From the study, it is clear that rural non-farm micro enterprise sector have come to occupy an important position in the rural economy of Sonitpur district and the sector has obtained its present position without specific and significant support measures. But from the above given findings and the conclusions drawn thereof suggest that there are areas for
interventions for further strengthening the sector. Some of the critical areas of intervention are as follows:

- To create more favorable market condition for rural micro enterprise development, government intervention is urgently required for better rural road connectivity. By developing rural road connectivity, most of the marketing related constraints of the micro entrepreneurs can be largely solved to a great extend. Better road connectivity will naturally widen the rural markets and provide easy access to raw materials, which will help to create more favorable conditions for developing rural marketing network to a great extend along with market exposure. These micro enterprises if properly networked can work more efficiently earning more profits and avoiding wastages. Moreover, networked micro enterprises can even evolve into the concept of 'syndication'.

- To sustain and stimulate the growth of non-traditional rural non-farm micro entrepreneurial activities, efficient and affordable power supply is necessary in the rural areas. Indeed, as Rogerson (1997) concludes that, access to electricity encourages the 'modernization' of existing rural micro enterprises and has an impact on survivalist activities. Allerdice (2000) finds, access to even limited amounts of electricity for micro enterprises in non-grid-connected areas can be important to the establishment and growth of micro business. Thus, for the growth of non-traditional rural non-farm micro entrepreneurial activities, it is necessary to take measures for enhancing access to power supply in the rural economy.

- There is also a need to support micro entrepreneurs in the rural non-farm sector in organizing themselves in a more professional manner. This can be achieved through re-orienting entrepreneurial training programmes for micro entrepreneurs to make them more relevant, particularly in the
field of adopting better management practices. In order to get desired impact of training programmes, the role of the trainers and the components of the training programmes have a significant role to play.

- As found in the study, the RNF micro enterprise sector has come up to its present state virtually without any support of institutional credit. It is arguable that enhancing institutional credit to this sector will capacitate it to grow and evolve faster. Typically the commercial banks have not penetrated as much as into the rural economy as to the urban centers. Additionally in case of micro enterprises it is often stated that dealing with the large number of low volume credit to entrepreneurs would entail prohibitive transaction cost for the banks. Reluctance and or inability of financial institution to provide service, sectors like micro enterprise have seen emergence of mechanism like micro finance and associated micro level institutions, such as self-help-groups. Banks seem to have founded more convenient to facilitated credit delivery such sectors by linking up directly of indirectly with such groups. While there are many instances of such delivery mechanism worked effectively (Dasgupta/2005). There are parallel instances where the system has not worked as effectively (Saha/2007). In the context of Assam in general and Sonitpur district in particular, there is a case for intensification of micro finance operations, but in pursuing such programmes of intensification it is necessary to learn from failures and limitations of similar programmes else were, so that their repetition can be avoided and the programme becomes more effective.
REFERENCES:


