

# Prospects and Challenges for Micro, Small and Medium Enterprises ( MSMEs ) in North Bengal – A Study

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## Abstract

*The role of industry in utilisation of natural resources and transforming backward regions into industrial areas is well accepted. Micro, Small and Medium Enterprises or MSMEs are extremely significant as drivers of industrial growth as they require minimum capital investment but provide great opportunity for entrepreneurial development. MSMEs offer countless benefits such as entrepreneurial development, employment generation, development of backward regions, balanced regional development, export promotion, etc. The region of North Bengal, the northern part of the State of West Bengal is strategically important but industrially backward. This has resulted in myriad problems in the region such as poverty, migration, human trafficking, separatist movements, etc. The present paper discusses the prospects and challenges for Micro, Small and Medium Enterprises in the industrial development of North Bengal. The paper concludes that the challenges relating to sustainable development of MSMEs in the region needs to be addressed for strengthening industrial development in the region.*

**Keywords :** Prospects Challenges Industrial Development Micro, Small & Medium Enterprises North Bengal

## INTRODUCTION

The region of North Bengal or the northern part of the State of West Bengal is endowed with a wide variety of natural resources, fertile agricultural land and forests. North Bengal has immense strategic importance as it joins the rest of India with the North East and shares geographical boundary with foreign countries such as Nepal, Bhutan and Bangladesh. Even though North Bengal is blessed with rich variety of natural resources, the region remains poor and economically backward. Industrialisation is the solution to addressing the myriad problems of North Bengal and, in this context, Micro Small and Medium Enterprises ( MSMEs ) have significant potential and importance in contributing to the industrial development of the region.

## MSMEs AND THEIR ROLE IN INDUSTRIAL DEVELOPMENT

Micro, Small and Medium Enterprises ( MSMEs ) play a significant role in industrial development and development of industrially backward areas. The Micro, Small and Medium Enterprises Development ( MSMED ) Act, 2006 defines the term MSME, which is as follows [ 1 ] –

In the case of enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries ( Development and Regulation ) Act 1951 as –

**Micro Enterprise** – A micro enterprise is an enterprise where investment in plant and machinery ( original cost excluding land and building and the items specified by the Ministry of Small – Scale Industries vide its notification No. S.O. 1722 ( E ) dated October 5, 2006 ) does not exceed Rs.25 lakh;

**Small Enterprise** – A small enterprise is an enterprise where the investment in plant and machinery ( original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notifications No. S.O. 1722 ( E ) dated October 5, 2006 ) is more than Rs.25 lakh but does not exceed Rs.5 crore

**Medium Enterprise** – A medium enterprise is an enterprise where the investment in plant and machinery ( original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification S.O. 1722 ( E ) dated October 5, 2006 ) is more than Rs.5 crore but does not exceed Rs.10 crore

The Government of India has revised the definition of MSMEs as part of the economic package of Aatmanirbhar Bharat Abhiyaan, which is as follows [ 2 ] –

**Micro Units** – MSMEs will now be called Micro Units if they have investments up to Rs.1 crore and turnover of less than Rs.5 crore

**Small Units** – For an MSME to be defined as a Small Unit, its investment limit has been raised from Rs.5 crore to Rs.10 crore with a turnover of less than 50 crore

**Medium Units** – Enterprises with investments up to Rs.20 crore with a turnover of less than Rs.100 crore

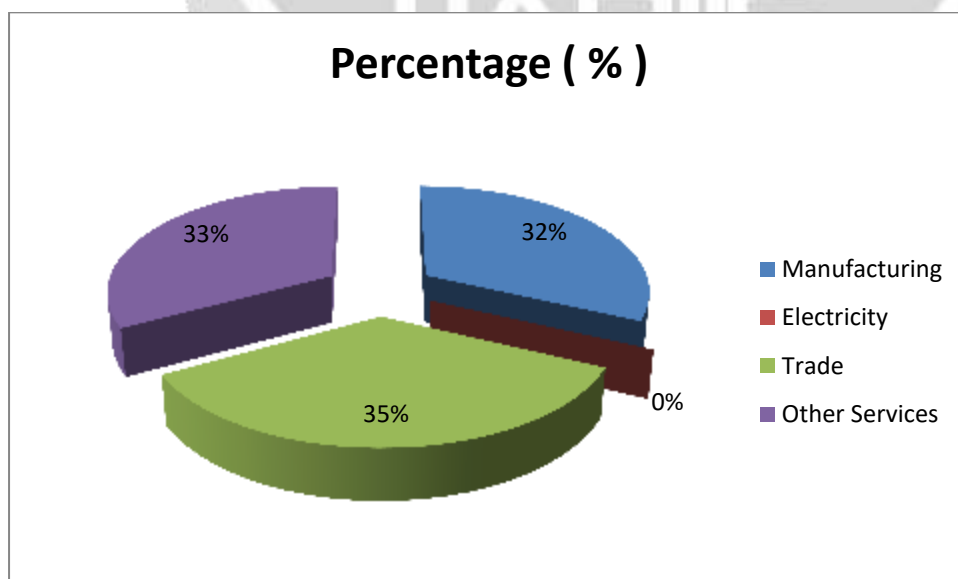
Micro Small and Medium Enterprises ( MSMEs ) are drivers of industrial growth. They make significant contribution to the nation's export.

Micro Small and Medium Enterprises ( MSMEs ) are extremely important in employment generation both in the rural and urban parts of the country in various category such as Manufacturing, Electricity, Trade, etc. Therefore, MSMEs play an important role in addressing the problem of unemployment.

Broad Activity Category	Rural	Urban	Total	Share ( % )
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.07	-
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

\*Non-captive electricity generation and transmission

**Table – Estimated Employment in the MSME Sector ( Activity Wise )** ( Source – GOVERNMENT OF INDIA MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES ANNUAL REPORT 2019-20 )



From the above table and pie – chart we can observe that Trade generates the highest percentage of employment in the MSME Sector followed by Other Services and Manufacturing.

### THE ECONOMY OF NORTH BENGAL

North Bengal or the Northern Region of the State of West Bengal comprises of eight districts, which are Cooch Behar, Alipurduar, Jalpaiguri, Darjeeling, Kalimpong, Uttar Dinajpur, Dakshin Dinajpur and Malda. North Bengal abounds in natural beauty but is economically backward. The significant industries of North Bengal are tea and tourism. The region is predominantly rural.

Sl. No.	Districts	Percent Agricultural Workers	Agricultural labourers per cultivator	Percent workers in Manufacturing ( Household Sector )	Percent workers in Manufacturing ( Non – Household Sector )
1	Coochbehar	85.86	0.78	2.31	4.80
2	Darjeeling	29.43	0.70	0.62	6.59
3	Jalpaiguri	48.22	0.87	1.13	5.97
4	Malda	71.20	1.48	3.55	8.71
5	Dinajpur	89.13	1.27	1.94	4.01
	North Bengal	68.67	1.08	2.02	5.91
	Rest of the State	58.37	1.39	5.00	11.03
	Total State	60.49	1.31	4.40	10.00

**Table – Occupational Structure** ( Source – Census of India, 2001 )

From the above table, it can be observed that the percentage of agricultural workers in North Bengal is more than the remaining districts of West Bengal. However, the percentage of workers in the Manufacturing Sector is less in North Bengal in comparison with the rest of the State. This indicates the agrarian nature of the region of North Bengal. Moreover, the region of North Bengal has a high proportion of workers in agriculture as compared with the rest of West Bengal. The region has a large number of landless cultivators. [ 3 ].

Sr. No.	Districts	Deposit / Credit Ratio	Per Capita Deposit ( Rs. )	Per Capita Credit ( Rs. )
1	Coochbehar	3.33	2010	603
2	Darjeeling	3.64	9855	2706
3	Jalpaiguri	3.26	3337	1023
4	Malda	3.57	2205	617
5	Dinajpur	3.13	1647	526
	North Bengal	3.42	3119	912
	Rest of the State	5.73	4820	841
	Total State	5.25	4489	854

**Table – Institutional Credit, 2001** ( Source – Reserve Bank of India )

From the above table, it can be observed that regarding Institutional Credit, the Per Capita Deposit and Deposit / Credit Ratio in North Bengal is lesser than the Rest of the State of West Bengal. Due to the poor development of the secondary sector in the region of North Bengal, the per capita institutional credit for industries is very low in North Bengal districts [ 4 ].

### MSMEs IN NORTH BENGAL

The region of North Bengal is poor and economically backward. The region is not suitable for heavy industries but MSMEs. The important industries in certain districts of North Bengal are Fertilizer Industries, Jute Twine and Weaving Industry, Electrical Casing Industry, Mustard Oil and Fruit Processing, etc in Coochbehar, Tea and Tourism Industry in Darjeeling, Agro based, Cotton Textile, Woolen Silk and artificial thread based clothes, etc in Malda, Leather, Chemical, Mineral based, Electrical Machinery and transport, Equipment and Wollen, Silk and artificial thread based clothes in Jalpaiguri<sup>5</sup>

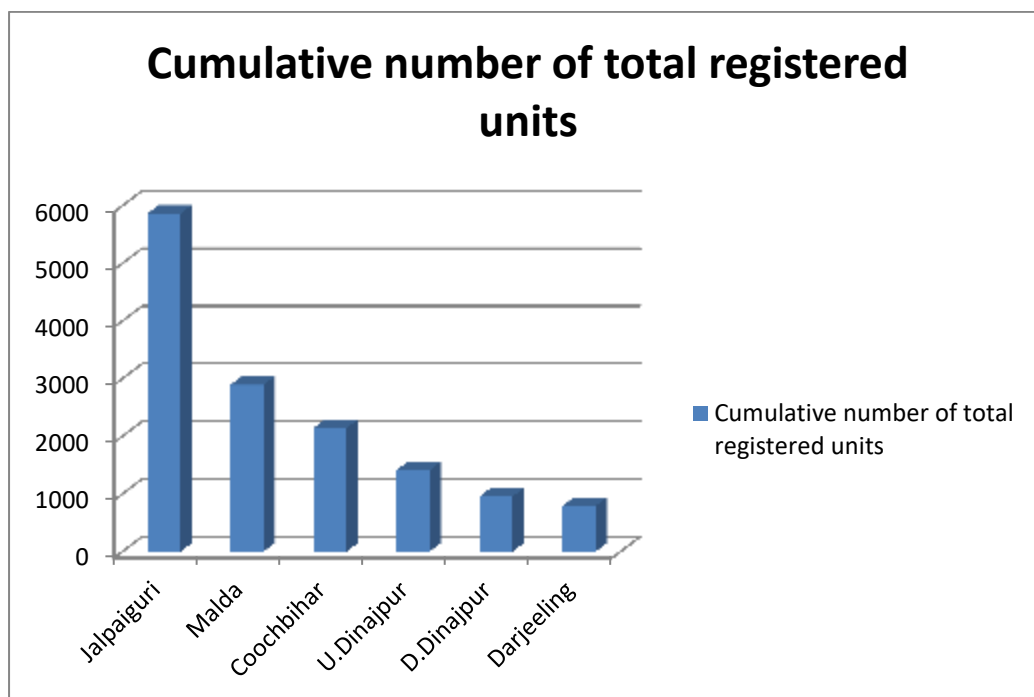


Figure – Cumulative Number of total registered units from 2006 – 07 to 2013 – 14 ( Source – Directorate of Cottage and Small Scale Industries; Directorate of Micro and Small Scale Enterprises, Govt. Of West Bengal from Sen, Krishna & Salim, Seikh ( 2016 ) “ Micro, Small and Medium Enterprises in West Bengal – An Inter – District Analysis” *International Journal of Science and Research ( IJSR )* Vol.5, Issue 2 )

From the above figure regarding the Cumulative Number of total registered units from 2006 – 07 to 2013 – 14 of MSSE / MSME units in North Bengal, it can be observed that the cumulative number of registered MSME units is highest in Jalpaiguri district followed by Malda and Coochbehar districts.

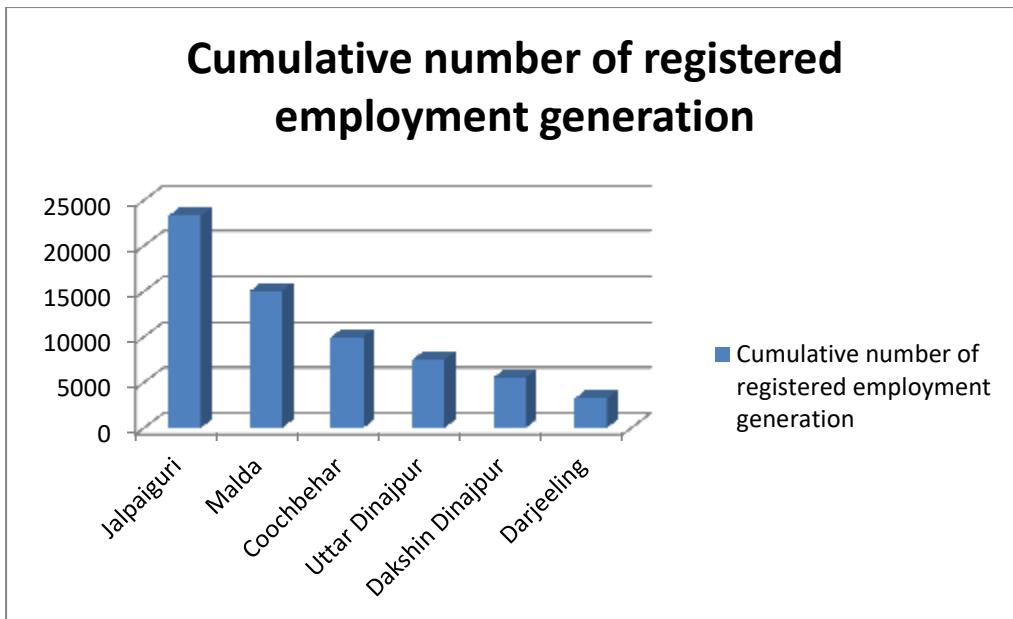


Figure – Cumulative Number of registered employment generation from 2006 – 07 to 2011 – 12 ( Source – Directorate of Cottage and Small Scale Industries; Directorate of Micro and Small Scale Enterprises, Govt. Of West Bengal from Sen, Krishna & Salim, Seikh ( 2016 ) “ Micro, Small and Medium Enterprises in West Bengal – An Inter – District Analysis” *International Journal of Science and Research ( IJSR )* Vol.5, Issue 2 )

From the above figure regarding the cumulative number of registered employment generation through MSSE / MSME units in North Bengal from 2006 – 07 to 2011 – 12, it can be observed that the cumulative number of registered employment generation through MSSE / MSME units has been highest in Jalpaiguri district followed by Malda and Coochbehar districts.

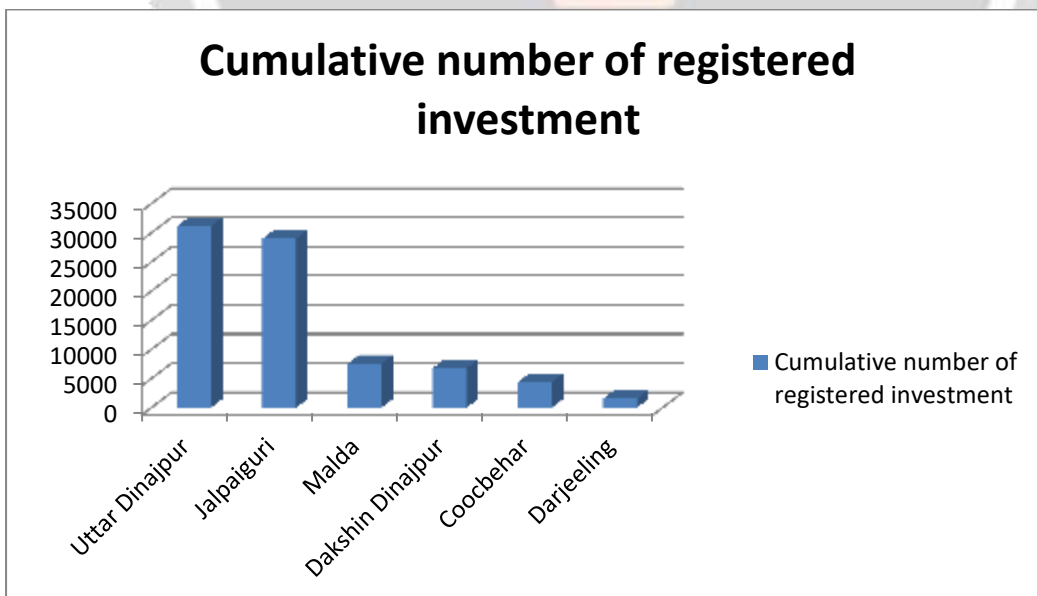


Figure – Cumulative Number of registered investment from 2006 – 07 to 2011 – 12 ( Source – Directorate of Cottage and Small Scale Industries; Directorate of Micro and Small Scale Enterprises, Govt. Of West Bengal from Sen, Krishna & Salim, Seikh ( 2016 ) “ Micro, Small and Medium Enterprises in West Bengal – An Inter – District Analysis” *International Journal of Science and Research ( IJSR )* Vol.5, Issue 2 )



From the above figure regarding cumulative number of registered investment through MSSE / MSME units in North Bengal from 2006 – 07 to 2011 – 12, it can be observed that the district of Uttar Dinajpur attracted the highest amount of registered investment followed by Jalpaiguri and Malda.

## PROSPECTS

The region of North Bengal offers plenty of opportunities for the development of MSMEs. A wide variety of natural resources, fertile agricultural land and its immense strategic importance makes North Bengal an attractive destination for investors. Therefore, the prospects for development of MSMEs in North Bengal is bright provided some significant challenges in this regard are addressed.

## CHALLENGES

The Micro, Small and Medium ( MSME ) Enterprises in North Bengal face many challenges which are hindering their progress. The important challenges faced by MSMEs in North Bengal are as follows –

1. **Climatic adversities** – Various climatic adversities like floods affect North Bengal almost every year, which creates extreme problems for the region. This detracts the entrepreneurs from investing in the region.
2. **Access to Finance** – The MSMEs in North Bengal face major problems in raising low cost funds due to poor market conditions and inadequate institutional support. The MSMEs have to function with limited working capital and are dependent on most occasions on public sector banks for finance<sup>6</sup>
3. **Access to Markets** – Although North Bengal is gateway to North East India and is surrounded by foreign countries like Bangladesh, Nepal and Bhutan, the MSMEs of the region find it difficult to have access to markets of these places. The MSMEs of North Bengal have no marketing organizations. Due to inferior quality and price, their products are unable to compete with products made from large scale units<sup>7</sup>
4. **Poor Entrepreneurial base** – The region of North Bengal is primarily agricultural. It lacks the necessary base for entrepreneurship and the entrepreneurial spirit to start and run business enterprises. The poor entrepreneurial base in conjunction with poor quality of infrastructure has adversely affected the growth of MSMEs in the region.
5. **Closure of MSMEs** – An important challenge facing MSMEs in North Bengal is their closure and shutdown due to primarily financial and managerial problems. There has been closure of many registered MSMEs in Jalpaiguri district of North Bengal due to financial, managerial, marketing, infrastructural and other problems<sup>8</sup>.
6. **Other problems** – The progress of MSMEs in North Bengal are hindered by many other problems such as lack of government support through various fiscal and non fiscal measures, absence of adequate number of institutions to support entrepreneurship, lack of entrepreneurial spirit among people of the region.

## CONCLUSION

The region of North Bengal, despite being industrially backward, has positive prospects for the growth and development of MSMEs. However, it is the responsibility of the government, both at the Centre and the State of West Bengal to address the various challenges which MSMEs in the region faces through appropriate policy measures. Moreover, the government of West Bengal must take urgent steps to remove the disparity which exists in the development of MSMEs in North Bengal with the rest of the districts of the state. The need of the hour is to create an appropriate entrepreneurial environment in the region through manpower and managerial training, application of technology, financial and marketing support so that MSMEs in North Bengal gets the necessary handholding for sustainable development.

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