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## EFFICACY OF INCENTIVES FROM CENTRAL GOVERNMENT FOR THE PROMOTION OF MICRO AND SMALL ENTERPRISES IN BARAK VALLEY ASSAM

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### ABSTRACT

*Micro and small enterprises play important role to develop the Indian Economy. To develop micro and small enterprises, the Central Government evolves their respective policies and design suitable incentives. The Central Government provides incentives to micro and small enterprises to overcome their financial problems and these incentives are important sources of finance for these enterprises. To get the incentives of Central Government, the enterprises must aware about the incentives and also apply for the incentives. Therefore, the present study has analysed the efficacy of incentives from Central Government for the promotion of micro and small enterprises in Barak Valley. The enterprises which are registered with District Industries and Commerce Centers of the three districts of the Valley namely Cachar, Karimganj and Hailakandi districts as on 31-3-2012 and which are functioning have been studied in the present study. Most of the micro and small enterprises in Barak Valley are not aware about incentives of Central Government and those are aware, most of the enterprises have not applied for the incentives of the Central Government.*

**KEYWORDS:** *Incentives, Aware, Micro and Small Enterprises.*

### INTRODUCTION

The micro and small enterprises play important role to the development of our country. To develop this sector the Government of India has formulated a series of industrial policy resolutions / statement since independence and designed suitable incentives for the development of micro and small enterprises in the country. The Central Government provides various incentives to micro and small enterprises to remove their financial problems and

these incentives are important sources of finance of micro and small enterprises (Rahman & Dey, 2010). The Central Government provides various incentives to micro and small enterprises in North East India under 'North East Industrial and Investment Promotion Policy (NEIIPP), 2007' (Department of Industries and Commerce, Government of Assam). The policy effected from 1-04-2007 and will be valid for 10 years. The North East Industrial Development Finance Corporation will continue to act as the central agency

for distribution of subsidies under NEIIPP, 2007. (North East Industrial and Investment Promotion Policy (NEIIPP) Report, 2007, Government of Assam). The present study has been made by taking Barak Valley of Assam as a base. Most of the enterprises of the Valley are micro and small enterprises and least of them are medium and large enterprises. Therefore, present study addresses the efficacy of incentives of Central Government for the promotion of micro and small enterprises in Barak Valley of Assam.

**OBJECTIVES OF THE STUDY**

The study has been undertaken to study the efficacy of incentives from Central Government for the promotion of micro and small enterprises in Barak Valley, Assam. With this aspect the broad objectives of the study are:

1. To analyse the perceived level of awareness of micro and small enterprises

about incentives of Central Government in Barak, Assam.

2. To analyse the application and receiving status of incentives of Central Government by micro and small enterprises in Barak Valley, Assam.

**METHODOLOGY**

The study is basically based on primary data. The sampling technique of the study is ‘convenience sampling’. Population has been identified particularly for micro and small enterprises on consultation with District Industries and Commerce Centre (DICC) officials and permanent registers of DICCs of the three districts viz., Cachar, Karimganj and Hailakandi district. Total number of registered micro and enterprises which is the population of the study is 3161. Sample size of the study is 246 which is calculated through sample size calculator macorr with 95 percent confidence level and 6 percent sampling error.

**Table 1: District-wise Distribution of Population and Sample Size**

Districts	Population (No. of registered enterprises as on 31-3-2012)	Sample size
Cachar	1862	145
Karimganj	766	60
Hailakandi	533	41
Total	3161	246

Source: Registers, General Managers, DICCs, Cachar, Karimganj and Hailakandi district.

Of the 246 sample enterprises, 145, 60 and 41 enterprises have been selected from Cachar district, Karimganj district and Hailakandi district respectively through ‘proportionate stratification method’. The

primary data has been collected by field survey of the existing micro and small enterprises of Barak Valley by personal interview method.

**Table 2: Distribution of Sample Enterprises**

Type of Enterprises	Number of Enterprises	Per cent
Micro	201	81.71
Small	45	18.29
Total	246	100.00

Source: Field Survey

Of the 246 sample micro and small enterprises 81.71 % are micro enterprises and 18.29 % are small enterprises (table-2).

**RESULTS**

For the purpose of analysing the efficacy of various incentives from Central Government for the promotion of micro and small enterprises in Barak Valley all the six fiscal incentives of Central Government namely ‘excise duty exemption’, ‘income tax exemption’, ‘capital investment subsidy’, ‘interest subsidy on working capital loan’, ‘comprehensive

insurance scheme’ and ‘transport subsidy’ are considered in the present study on the basis of pilot survey. The efficacy of these incentives has been analysed on the basis of the perceived level of awareness of micro and small enterprises about incentives of Central Government and application and receiving status of incentives of Central Government by the enterprises in Barak Valley. The following table exhibits the perceived level of awareness of micro and small enterprises about incentives of Central Government in Barak Valley.

**Table 3: Perceived Level of Awareness of Micro and Small Enterprises about Incentives of Central Government**

Incentives	Aware	Not Aware
Excise Duty Exemption	84 (34.15)	162 (65.85)
Income Tax Exemption	83 (33.74)	163 (66.26)
Capital Investment Subsidy	87 (35.37)	159 (64.63)
Interest Subsidy on Working Capital Loan	79 (32.11)	167 (67.89)
Comprehensive Insurance Scheme	69 (28.05)	177 (71.95)
Transport Subsidy	73 (29.67)	173 (70.33)

*Note: Figures denote number of enterprises*

*Figures in parentheses denote percentage of total micro and small enterprises.*

*Source: Field Survey*

Table 3 reveals that 34.15% of the total micro and small enterprises are aware of ‘excise duty exemption’ while 65.85% of the enterprises are not aware of this incentive.

It further reveals that 33.74% of the total micro and small enterprises are aware of ‘income tax exemption’ while 66.26% of the enterprises are not aware of this incentive.

It is found that 35.37% of the total micro and small enterprises are aware of ‘capital investment subsidy’ and 64.63% of the enterprises are not aware of this incentive.

The table exhibits that 32.11% of the total micro and small enterprises are aware of ‘interest subsidy on working capital loan’ while 67.89% of the enterprises are not aware of this incentive.

It also exhibits that 28.05% of the total micro and small enterprises are aware of ‘comprehensive insurance scheme’ and 71.95% of the enterprises are not aware of ‘comprehensive insurance scheme’.

The above table displays that 29.67% of the total micro and small enterprises are aware of ‘transport subsidy’ for purchase of raw materials and finished goods while 70.33% of the enterprises are not aware of this incentive.

**Figure 1: Perceived Level of Awareness of Micro and Small Enterprises about Incentives of Central Government**

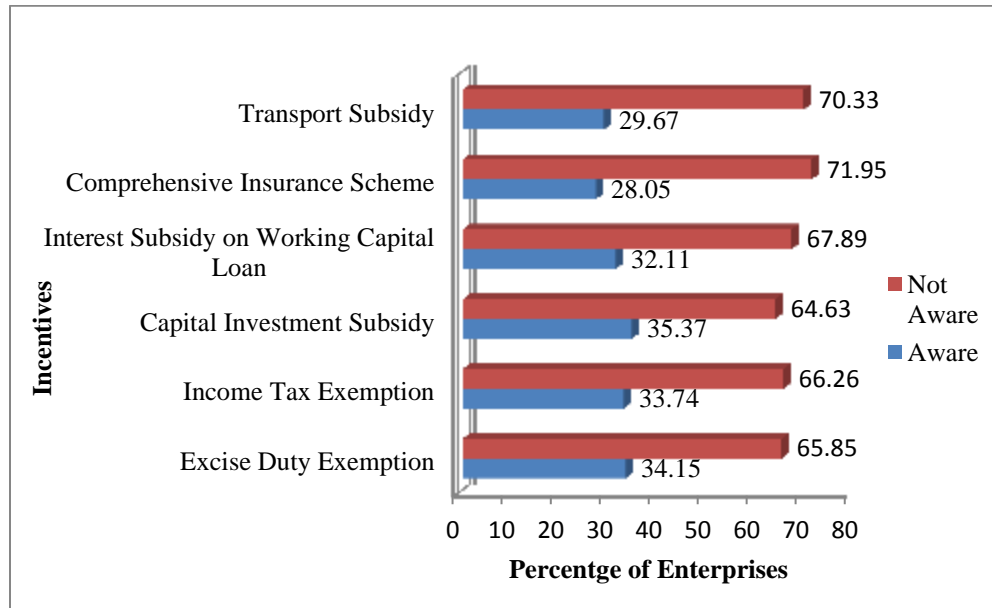


Figure 1 shows perceived level of awareness of micro and small enterprises about incentives of Central Government.

The following table exhibits the application and receiving status of incentives of Central Government by micro and small enterprises in Barak Valley.

**Table 4: Application and Receiving Status of Incentives of Central Government by Micro and Small Enterprises**

Incentives	Aware but not applied	Applied but not received	Applied and received	Total Aware
Excise Duty Exemption	63 (75.00)	8 (9.52)	13 (15.48)	84 (100.00)
Income Tax Exemption	54 (65.06)	18 (21.69)	11 (13.25)	83 (100.00)
Capital Investment Subsidy	53 (60.92)	17 (19.54)	17 (19.54)	87 (100.00)
Interest Subsidy on Working Capital Loan	45 (56.96)	11 (13.93)	23 (29.11)	79 (100.00)
Comprehensive Insurance Scheme	50 (72.46)	10 (14.49)	9 (13.05)	69 (100.00)
Transport Subsidy	57 (78.08)	8 (10.96)	8 (10.96)	73 (100.00)

Note: Figures denote number of enterprises  
 Figures in parentheses denote percentage of total aware micro and small enterprises.

Source: Field Survey

Table 4 reveals that 75.00% of the micro and small enterprises who are aware of ‘excise duty exemption’ but have not applied for the incentive. Only 25.00% of

the enterprises have applied for ‘excise duty exemption’ of which 15.48% have received the incentive and 9.52% have not received the incentive.

It further reveals that 65.06% of the micro and small enterprises who are aware of ‘income tax exemption’ but have not applied for the incentive. Only 34.94% of the enterprises have applied for ‘income tax exemption’ of which 13.25% have received the incentive and 21.69% have not received the incentive.

It has been found from the table that 60.92% of the micro and small enterprises who are aware of ‘capital investment subsidy’ but have not applied for the incentive. Only 39.08% of the enterprises have applied for ‘capital investment subsidy’ of which 19.54% have received the incentive and 19.54% have not received the incentive.

The table exhibits that 56.96% of the micro and small enterprises who are aware of ‘interest subsidy on working capital loan’ but have not applied for the incentive. Only 43.04% of the enterprises have applied

for ‘interest subsidy on working capital loan’ of which 29.11% have received the incentive and 13.93% have not received the incentive.

It further exhibits that 72.46% of the micro and small enterprises who are aware of ‘comprehensive insurance scheme’ but have not applied for the incentive. Only 27.54% of the enterprises have applied for ‘comprehensive insurance scheme’ of which 13.05% have received the incentive and 14.49% have not received the incentive.

It has been observed from the above table that 78.08% of the micro and small enterprises who are aware of ‘transport subsidy’ but have not applied for the incentive. Only 21.92% of the enterprises have applied for ‘transport subsidy’ of which 10.96% have received the incentive and 10.96% have not received the incentive.

**Figure 2: Application and Receiving Status of Incentives of Central Government by Micro and Small Enterprises**

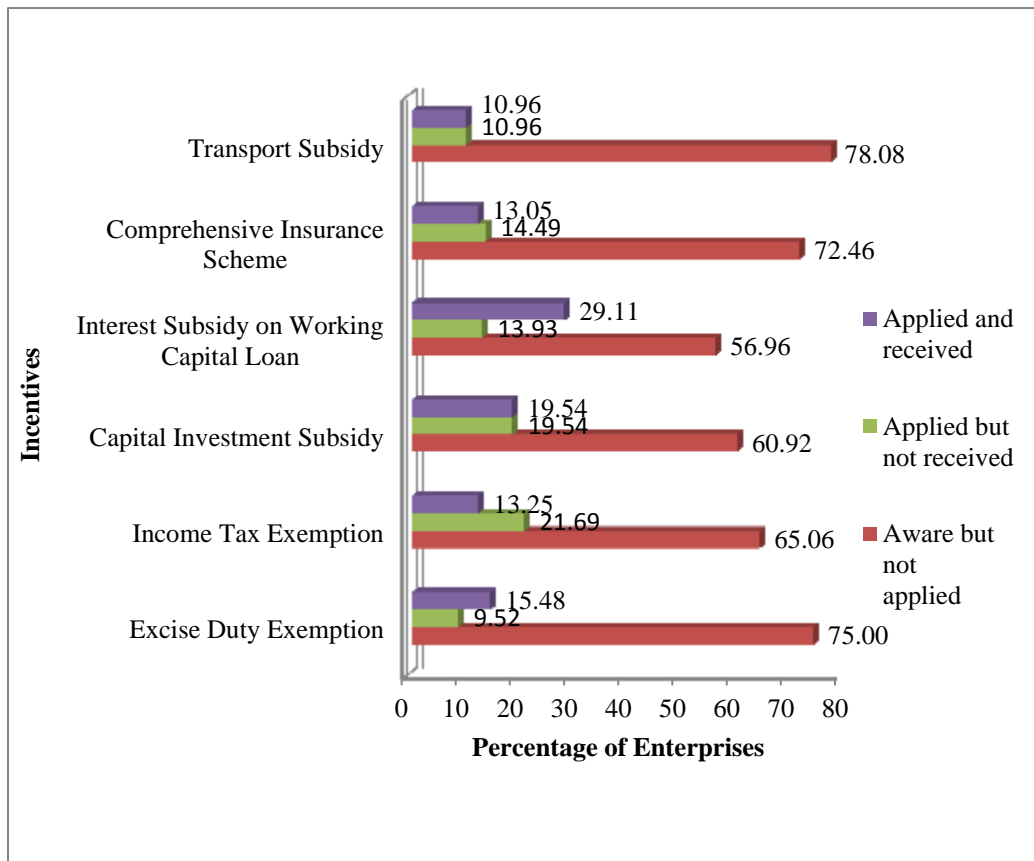


Figure 2 shows the application and receiving status of incentives of Central Government by micro and small enterprises.

On an overall, it has been found from the study that micro and small enterprises in Barak Valley who are aware about incentives of the Central Government but have not applied for 'excise duty exemption' (75.00%), 'income tax exemption' (65.06%), 'capital investment subsidy' (60.92%), 'interest subsidy on working capital loan' (56.96%), 'comprehensive insurance scheme' (72.46%) and 'transport subsidy' (78.08%).

**SUGGESTIONS**

The study suggests the following important suggestions:

1. The Central Government should aware the enterprises about the incentives through various awareness programmes especially through entrepreneurial development programmes in Barak Valley.
2. The owners and managers of micro and small enterprises in the Valley must aware about incentives of Central Government and they have to follow the websites namely [www.assam.gov.in](http://www.assam.gov.in), [www.msme.gov.in](http://www.msme.gov.in) and [www.industries.assam.gov.in](http://www.industries.assam.gov.in)
3. The officials of the DICC's of the three districts namely Cachar district, Karimganj district and Hailakandi district should properly co-operate

with the enterprises in sanctioning and releasing the incentives of Central Government.

**CONCLUSION**

Most of the micro and small enterprises in Barak Valley are not aware about incentives of Central Government. The perceived level of awareness of micro and small enterprises about incentives of Central Government in Barak Valley varies from 28.05% to 35.37%. It is very surprising that 64.63% to 71.95% of the total micro and small enterprises in the Valley are not aware about any of the incentives of Central Government. The enterprises who are aware about incentives of Central Government, most of them have not applied for the incentives. After discussion with the respondents, it is found that most important reasons for not applying the incentives of Central Government are procedural complicity, legal formalities, private payment to officials and delay in sanctioning and releasing the incentives.

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