

A comparative analysis of economic characteristics of registered micro and small enterprises run respectively by backward and forward classes in India

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Abstract. One of the major features of Indian economy is inequality in income and asset distribution. A comparative study of principal characteristics of micro and small enterprises owned by backward classes which include Scheduled Caste, Scheduled Tribe and Other Backward Class and Others belonging to forward class in India reveal this phenomenon. It is a well-known fact that small industry sector provides lively hood to large number of people across India through ownership of small business enterprise. However, with respect to their performance, they differ significantly. This paper tries to study the inequality existing in the principal characteristic among registered enterprises owned by backward classes and Others respectively.

Key words: Micro, Small and Medium Enterprises (MSME), registered enterprise, employment Intensity and productivity, Fixed assets, plant and machinery, gross output, export

1. Introduction

Micro, Small and Medium Enterprises (MSME) sector occupies a prominent place in the economic map of India. According to 4th MSME census held in 2006-07, there were more than two crores MSMEs providing employment to more than five crores people in India. Most of these enterprises are not registered with any government agency. Only 15.64 lakh units representing 7.3 per cent of total number of units are registered enterprises. If we look at the class/caste division in ownership of these units, the ownership pattern looks like this - SC 1.19 lakhs, ST 0.45 lakh, OBC 5.99 lakhs and forward class 8.01 lakhs.

The objectives of the present paper are –

- (1) To compare the economic characteristics of the enterprises owned by the social groups combined with that of others with respect to following:
 - (i) Market Value of Fixed Assets (MVFA)

- (ii) Original Value of P & M (OVPM)
 - (iii) Employment
 - (iv) Gross output (GO)
 - (v) Export
- (2) To find out two important Economic Ratios such as – Employment Intensity and Productivity of the enterprises.

Major sources of data for this analysis are reports of the 3rd and 4th MSME census of India pertaining to years 2001-02 and 2006-07 respectively.

Description and Discussion

Performance of small enterprises in terms of production, generation of employment, export capability etc depend on amount of investment in plant and machinery and equipment, possession of fixed assets in the form of land, building etc. Table 1 and 2 provide data on percentage distribution of these principal characteristics of MSMEs owned by different castes such as SC, ST, OBC and Others. The data pertain to registered enterprises for the year 2001-02 and 2006-07 respectively.

Table 1: Percentage Distribution of Principal Characteristics by Type of Management, Registered Sector, 2001-02

Social Group	No. Of Working Units	Market Value of Fixed Assets	Original Value of P & M	Employment	Gross Output	Export
SC	7.85	1.67	1.93	4.29	1.14	0.94
ST	3.53	1.32	1.55	2.49	0.75	0.08
OBC	38.50	17.70	19.45	30.20	12.15	14.41
SC+ST+OBC	49.88	20.69	23	37	14	15
Others	50.12	79.31	77	63	86	85
All India	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated by using Report of 3rd All India Census of the MSME sector, Govt. of India.

Table 2: Percentage Distribution of Principal Characteristics by Type of Management, Registered Sector, 2006-07

Type of Management	No. Of Working Units	Market Value of Fixed Assets	Original Value of P & M	Employment	Gross Output	Export
SC	7.6	3.8	3.18	4.92	3.04	5.11
ST	2.87	3.02	1.92	2.18	2.35	1.87
OBC	38.28	14.64	15.07	26.07	13.68	16.45

SC+ST+OBC	48.74	21.47	20.18	33.17	19	23.43
Others	51.26	78.53	79.82	66.83	81	76.57
All India	100	100	100	100	100	100

Source: Calculated by using data given by 4th MSME Census, 2006-07

Market Value of Fixed Assets (MVFA)

In the year 2001-02 shown in Table 1, the share of SC and ST in total MVFA was 1.67 and 1.32 percent respectively i.e. only 3 percent combined. The OBC owned enterprises had share of 17.70 percent. But the other groups/forward class commanded 79.31 percent. In 2006-07 (Table 2), the share of SC and ST increased to 3.80 and 3.02 respectively. But the share of OBC and others decreased to 14.64 and 78.53 respectively. The combined share of SC, ST and OBC taken together increased from 20.69 in 2001-02 to 21.47 in 2006-07 while the share of Others was more than 78 in both the years.

Original Value of P & M

In 2001-02, the shares of SC, ST, OBC and others in original value of P & M in registered enterprise sector were 1.93, 1.55, 19.45 and 77.06 per cents respectively. In 2006-07 while the share of OBC fell to 15.07, shares of SC, ST and Others increased to 3.18, 1.92 and 79.82 respectively. The combined share of SC, ST and OBC in OVPM has decreased and happened to be much below than that of Others. SC, ST and OBC combined had a share of 23 as against 77 for Forward Group in 2001-02 while the respective figures were 20.18 and 79.82 in 2006-07.

Employment

Shares of SC, and Others in employment increased from 4.29 and 63.02 in 2001-02 to 4.92 and 66.83 in 2006-07 respectively while shares of ST and OBC decreased during the same period. SC gained only marginally, but the other groups gained substantively. Here also the forward class people contributed more than all backward classes combined as the ratio was 37 to 63 in 2001-02 and 33 and 67 in 2006-07 which was even worse.

Gross Output

Others had share of 86 in total gross output of the registered MSME sector in 2001-02. SC, ST and OBC controlled only 14 percent with 1.14, 0.75 and 12.15 respectively. There is little increase in this share in 2006-07 for SC, ST and OBC to 3.04, 2.35 and 13.68 respectively, showing a total of 19 while share of Others was 81 percent.

Export

The share of forward class in export of registered MSME sector in 2001-02 was 85 per cent. There was some improvement for the social groups in export performance in 2006-07. The combined share of the backward classes increased from 15 in 2001-02 to 23.43 in 2006-07 but remained well below the share of Forward Class which was 76.57.

One of the reasons for lower share of SC, ST and OBC separately as well as jointly can be traced to the fact that the number of working units owned and managed by them happen to be significantly less than that of the forward class. In 2001-02 the share of SC, ST and OBC in total ownership was 7.85, 3.53 and 38.5 respectively which adds up to 49.88, less than the share of 50.12 held by forward class. The situation worsened in 2006-7 as there was a marginal fall in individual share of SC, ST, and OBC. Their combined share was 48.74, well below the forward class share of 51.26.

Employment Intensity

Employment intensity is measured in terms of employment per unit (crore) of Fixed Assets (FA)/Investment; Employment per unit (crore) of original value of Plant and Machinery (P & M) and employment per unit (Crore) of gross output to understand employment per crore of Investment, original value of P & M and Output respectively. Higher the value of employment intensity greater the ability for generation of employment. Table 3 shows all the three employment intensity parameters in SC, ST and OBC owned units respectively are higher than that in units run by forward caste as well as All-India average. The high labour intensive nature of MSMEs owned by SC, ST and OBCs also implies forced substitution of cheaper labour in place of costlier capital.

Table 3: Employment Intensity by Social Group in the registered sector, 2006-07

Social Group	Employment/P&M	Employment/FA	Employment/Output
SC	137.26	26.84	21.30
ST	100.42	14.95	12.22
OBC	153.30	36.90	25.07
Others	74.21	17.63	10.86
All	88.64	20.73	13.16

Source: Calculated by Using Report of 4th Census on MSME, 2006-07

Conclusion

Study of economic characteristics of registered MSMEs owned and managed by different social groups in India, namely, SC, ST, OBC and Others point to existence of wide spread inequality in their distribution. The share of Others (Forward Class) in total fixed assets, plant and machinery installed, employment, gross output and export respectively is far above that the individual as well as combined shares of SC, ST and OBC. One reason for this is the higher number enterprises owned by the forward class people. Even if the units owned by the backward class show higher employment intensity, it does imply forced substitution of labour as employment of capital is a costlier proposition.

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