

CHAPTER 1

INTRODUCTION

At the very onset of the study, it should be mentioned that the micro, small and medium enterprises (MSMEs) were earlier known as Small Scale Industries (SSIs) in India. Recognising the contribution and potential of the sector, the Government of India decided to broaden the definition and coverage of the SSIs, which led to the passing of the Micro, Small and Medium Enterprises Development (MSMED) Act-2006. It was only after the passing of the Act that the sector came to be known as what it is presently called, MSMEs. This chapter will, therefore, in the first section talk about the scenario of the SSIs in India. In the second section, following the passing of the MSMED Act, it talks about the MSME sector. In the third section, it talks about the scenario of the sector in North-East Region (NER) of India and in the fourth, about the sector in Nagaland.

1.1 Small Scale Industries in India

One of the key factors for the economic progress of a country lies in the development of its industrial sector. India has come a long way from being a country that was ruled, to a Nation that is now considered as one of the fastest growing economy in the world. Even though our country got her independence only in 1947, India declared her first Industrial Policy in the year 1948 and also launched the Planning Commission in 1951 with the introduction of the First Five Year Plan. The Industries Development and Regulation Act of 1951 provided the basic framework post independence. Development of industries has, thus, been not only indispensable but also an integral part of the economy. One of her significant achievement is the growth and development of the small scale industries (SSI) sector that our country has witnessed since then.

In view of the importance of the sector, each new Government has made the effort to frame policies and programmes that not only protects but also nurtures and helps ensure its rapid growth. Acknowledging the contribution of the medium and small scale industries towards the Indian economy, due support was given to these sectors from time to time in the form of reservation policy, revision of investment ceiling, technological upgradation, fiscal and marketing assistance etc. However, with the opening of the Indian economy in the year 1991, it was feared that the SSIs would perish as the common consensus was that these small industries would not be able to compete with the multinational companies (S. Antonyraj 239).

The resilience of the small enterprises, however, prove everybody wrong and this sector has continued to advance since then.

Most SSIs do not require high capital but have the potential for employment generation and also ensuring the dispersion of industries in all regions. The sector was earlier divided into three categories: cottage and tiny industry, agro-based industry and small scale industry. There were two separate ministries, namely, the Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries which were constituted to handle the affairs of this sector. Over the years, the operational definition of the SSI sector has undergone a number of changes. Faced with increased competition from its bigger compatriots and also keeping in mind the dynamic nature of the sector, the investment ceiling has been revised from time to time. This change is presented in brief in Table 1.1.

Table 1.1: Changes in Definition of SSIs in India

Year	Investment Limit	Employment Criterion
1955	Up to Rs.5 lakhs in fixed assets	Less than 50 if using power and up to 100 without power
1960	Up to Rs.5 lakhs in fixed assets	No condition
1966	Up to Rs.7.5 lakhs in plant and machinery for SSI unit and Rs.10 lakhs for ancillary units	No condition
1975	Up to Rs 7.5 lakhs for SSI units and Rs.15 lakh for ancillary units	No condition
1980	Up to Rs.20 lakhs for SSI units and Rs.25 lakhs for ancillary units	No condition
1985	Up to Rs.35 lakhs for SSI units and Rs.45 lakhs for ancillary units	No condition
1991	Up to Rs.60 lakhs for SSI units and Rs.75 lakhs for ancillary units	No condition
1997	Up to Rs 3 crore in plant and machinery for both SSI and ancillary units	No condition
1999	Up to Rs.1 crore in plant and machinery for both SSI and ancillary units	No condition
2003-04	Up to Rs. 1 crore to Rs.5 crore in plant and machinery	No condition
2004-05	Up to Rs.5 crore in plant and machinery	No condition

Source: Industries (Development and Regulation) Act. 1951 and Reserve Bank of India

1.1.1 Growth of Small Scale Industries in India

Industrialisation in India can be traced back to the time before the country came under the British rule. The Indian artisans were famous for their variety of arts and handicrafts, in the form of cotton and silk goods, exquisite jewellery works of gold, brass and copper, carvings made of wood, ivory, stone etc. The industrial development of the country was hence considered no less inferior to that of the more advanced European nations (Report of the Indian Industrial Commission, 1916-18 6). In order to get a glimpse into the performance of the SSI sector before the passing of the MSMED Act 2006, let us study the following Tables 1.2, 1.3, 1.4 and 1.5. The performance indicators include number of units, production, number of employment and exports.

Table 1.2 Number of SSI Units in India (in millions)

Year	Units	% Increase	Year	Units	%Increase
1973-74	0.42	-	1990-91	1.95	5.49
1974-75	0.50	19.05	1991-92	-	-
1975-76	0.55	10.00	1992-93	7.35	4.07
1976-77	0.59	7.27	1993-94	7.65	4.07
1977-78	0.67	13.56	1994-95	7.96	4.07
1978-79	0.73	8.96	1995-96	8.28	4.07
1979-80	0.81	10.96	1996-97	8.62	4.07
1980-81	0.87	7.41	1997-98	8.97	4.07
1981-82	0.96	10.34	1998-99	9.34	4.07
1982-83	1.06	10.42	1999-00	9.72	4.07
1983-84	1.16	9.43	2000-01	10.11	4.07
1984-85	1.24	6.90	2001-02	10.52	4.07
1985-86	1.35	8.87	2002-03	10.95	4.07
1986-87	1.46	8.15	2003-04	11.40	4.07
1987-88	1.58	8.22	2004-05	11.86	4.07
1988-89	1.71	8.23	2005-06	12.34	4.07
1989-90	1.82	6.43			
AAGR		9.39	AAGR		4.07

Source: GoI DC-MoMSME & MSME Annual Report 2011-12
AAGR= Annual Average Growth Rate

Table 1.2 shows the time series data for the number of SSI units from 1973 till 2007. The percentage increase from the period 1974 till 1991 shows a fluctuating trend, with the average

annual growth rate coming to 9.39 percent. When we look at the data from 1992 till 2006, the percentage increase stays constant at 4.07 percent, with the average annual growth rate for the period being 4.07 percent. The reason for the varied trends for the period 1973-1991 and 1992- 2006 may be partly because of liberalisation which took place in the year 1991. However, in general we can say that there is a steady increase in the number of SSIs. The SSI has grown exponentially from just 0.42 million units in 1973-74 to 4.07 million units in 2005-06, which is an increase of almost 9 times.

Table 1.3: Production of SSI in India (in crores)

Year	Production	%Increase	Year	Production	%Increase
1973-74	7200	-	1990-91	155300	17.46
1974-75	9200	27.78	1991-92	-	-
1975-76	11000	19.57	1992-93	84413	4.71
1976-77	12400	12.73	1993-94	98796	17.04
1977-78	14300	15.32	1994-95	122154	23.64
1978-79	15800	10.49	1995-96	147712	20.92
1979-80	21600	36.71	1996-97	167805	13.60
1980-81	28100	30.09	1997-98	187217	11.57
1981-82	32600	16.01	1998-99	210454	12.41
1982-83	35000	7.36	1999-00	233760	11.07
1983-84	41600	18.86	2000-01	261297	11.78
1984-85	50500	21.39	2001-02	282270	8.03
1985-86	61200	21.19	2002-03	314850	11.54
1986-87	72300	18.14	2003-04	364547	15.78
1987-88	87300	20.75	2004-05	429796	17.90
1988-89	106400	21.88	2005-06	497842	15.83
1989-90	132300	24.34			
AAGR		20.00	AAGR		13.98

Source: GoI DC-MoMSME & MSME Annual Report 2011-12

AAGR= Annual Average Growth Rate

Table 1.3 shows the time series data of production by SSI units from 1973 till 2007. Once again, the percentage increase from the period 1974 till 1991 shows a fluctuating trend, with the average annual growth rate coming to 20 percent. When we look at the data from 1992 till 2006, the percentage increase for the period also fluctuates but at a more steady rate as compared with the previous period. The average annual growth rate for the period comes to

13.98 percent. In this case also, we can say that there is a steady increase in the production level of the SSIs.

Table 1.4: Employment of SSI in India (in millions)

Year	Employment	%Increase	Year	Employment	%Increase
1973-74	3.97	-	1990-91	12.53	4.77
1974-75	4.04	1.76	1991-92	-	-
1975-76	4.59	13.61	1992-93	17.48	5.33
1976-77	4.98	8.50	1993-94	18.26	4.46
1977-78	5.40	8.43	1994-95	19.14	4.79
1978-79	6.38	18.15	1995-96	19.79	3.42
1979-80	6.70	5.02	1996-97	20.59	4.00
1980-81	7.10	5.97	1997-98	21.32	3.55
1981-82	7.50	5.63	1998-99	22.06	3.46
1982-83	7.90	5.33	1999-00	22.91	3.88
1983-84	8.42	6.58	2000-01	24.09	5.15
1984-85	9.00	6.89	2001-02	24.93	4.44
1985-86	9.60	6.67	2002-03	26.02	4.36
1986-87	10.14	5.63	2003-04	27.14	4.31
1987-88	10.70	5.52	2004-05	28.26	4.11
1988-89	11.30	5.61	2005-06	29.49	4.37
1989-90	11.96	5.84			
AAGR		7.05	AAGR		4.26

Source: GoI DC-MoMSME & MSME Annual Report 2011-12
AAGR= Annual Average Growth Rate

In Table 1.4, one of the most important indicators of performance of SSI is presented, i.e., employment. The percentage increase from the period 1974 till is quite steady except for the periods from 1974-79. The average annual growth rate for the period from 1973 to 1991 comes to 7.05 percent. When we look at the data from 1992 till 2006, the percentage increase for the period also fluctuates a little. The average annual growth rate for the period comes to 4.26 percent. In this case also, we can say that there is a steady increase in the employment level of the SSIs.

Table 1.5: Exports of SSI in India (in millions)

Year	Exports	%Increase	Year	Exports	%Increase
1973-74	400	-	1990-91	9664	26.74
1974-75	500	25.00	1991-92	-	-
1975-76	500	0	1992-93	17784	28.10
1976-77	800	60.00	1993-94	25307	42.30
1977-78	800	0	1994-95	29068	14.86
1978-79	1100	37.50	1995-96	36470	25.46
1979-80	1200	9.09	1996-97	39248	7.62
1980-81	1600	33.33	1997-98	44442	13.23
1981-82	2100	31.25	1998-99	48979	10.21
1982-83	2000	-4.76	1999-00	54200	10.66
1983-84	2200	10.00	2000-01	69797	28.78
1984-85	2500	13.64	2001-02	71244	2.07
1985-86	2800	12.00	2002-03	86013	20.73
1986-87	3600	28.57	2003-04	97644	13.52
1987-88	4400	22.22	2004-05	124417	27.42
1988-89	5500	25.00	2005-06	150242	20.76
1989-90	7600	38.18			
AAGR		21.63	AAGR		18.98

Source: GoI DC-MoMSME & MSME Annual Report 2011-12
AAGR= Annual Average Growth Rate

In Table 1.5, data related to exports by the SSI is presented. The percentage increase from the period 1974 till is quite steady except for the periods from 1975-79. The years 1975-76 and 1977-78 shows a zero increase in growth rate. Also in 1982-83 we see an exponential decrease in the growth rate to a negative value, -4.76 percent from 31.25 percent in the year 1981-82. The average annual growth rate for the period from 1973 to 1991 comes to 21.63 percent. When we look at the data from 1992 till 2006, the percentage increase for the period also fluctuates a little. The average annual growth rate for the period comes to 18.98 percent. In this case also, we can say that there is a steady increase in the employment level of the SSIs

From the above data, we can come to the conclusion that, the study of the performance of the SSI sector based on the four parameters, namely, number of units, employment generated, production and export, shows that the sector has been steadily growing. It has come a long

way from being just a small player to a sector that now contributes toward economic development of the country. The data above also shows that the AAGR for the periods 1973-1991 are higher than for the period 1992- 2006. One major cause for the difference in the AAGR may probably be because of the opening up of the Indian economy, whereby, the industrial sector in India faced not only internal but external competition as well. However, it should also be acknowledged that the de-licensing and de-reservation policy, lowering of tariffs and removal of other restrictions etc., did make the process of doing business more simple.

1.2 Micro, Small and Medium Enterprises in India: A General View

Dr. Manmohan Singh, former Prime Minister of India rightly said that “We cannot depend only on a few large industrial houses and capitalists for driving our industrialisation process. The employment-intensive nature and greater regional spread of the MSEs makes them an attractive option for industrial growth” (Dasgupta). The SSI sector which is now currently known as Micro, Small and Medium Enterprise (MSME) sector plays a vital role in the development of a nations’ economy. A longstanding demand from entrepreneurs, small industry associations and related stakeholders for a single comprehensive legislation led to the passing of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

The Act was introduced to address the policy issues affecting MSMEs and also its coverage and investment ceiling of the sector. The salient features of the Act include establishment of National Board for MSMEs and setting up of advisory committees to support MSMEs, filing of memoranda, classification of enterprises, provision of credit facilities, formulating measures to promote, develop and enhance competitiveness of the sector, schemes to control delayed payments and also enactment of rules by State Governments to implement the Act in their respective States. This has been one of the important initiatives by the Government of India (GoI). It resulted in the integration of the heterogeneous segment of the non-agricultural sector by extending coverage to the service sector and also bringing the medium enterprise under its ambit (MoMSME Annual Report 2011-12 11).

Subsequent to the enactment of the Act, the Government of India (Allocation of Business) Rules, 1961, was amended on 9th May, 2007. In pursuant to this, the two ministries, i.e., Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries, were

merged to form a single Ministry, presently known as the Ministry of Micro, Small and Medium Enterprises (MoMSME). It was created “to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario” (MoMSME Annual Report 2013-14 4).

Till date, four censuses of the sector have been conducted. The First and Second All India Census of SSIs, conducted in 1973-74 and 1990-92 respectively, were carried out only for the registered SSI units involved in manufacturing activities. In the Third Census (2001-02), apart from studying the registered SSIs, a sample survey of the unregistered sector was also conducted for the first time (GoI DCMSME). However, with the passing of the MSMED Act, the scope of the sector, which was earlier known as Small Scale Industries (SSIs) and Small Scale Service and Business Enterprises (SSSBs), expanded to include a larger segment of the service sector and also medium enterprises. The Fourth Census, thus, encompassed these aspects and was carried out in a more defined manner, in the sense that enterprises were categorized into manufacturing and service units and further sub-divided into micro, small and medium enterprises based on their investment limit in plant and machinery for manufacturing sector and equipments for services. The present definition of the MSMEs is shown in Table 1.6.

Table 1.6: Current Definition of Micro, Small and Medium Enterprises

Classification	Investment in Plant & Machinery/ Equipment (excluding land and building)	
	Manufacturing Enterprises	Service Enterprises
Micro	Up to Rs.25 lakhs	Up to Rs.10 lakhs
Small	More than Rs.25 lakhs and up to Rs.5 crore	More than Rs.10 lakhs and up to Rs.2 crore
Medium	More than Rs.5 crore and up to Rs.10 crore	More than Rs.2 crore and up to Rs.5 crore

Source: GoI, MoMSME Annual Report 2015-16

The existing limit for investment in plant and machinery/equipment was fixed by the MSMED Act and the same is being followed till date. However, the need for change in the definition has been raised every now and then because of the changes in the price index and cost of inputs since 2006. As such, the MoMSME made a proposal to increase the investment

limit by introducing the MSMED (Amendment) Bill, 2015, which was laid before the Lok Sabha on August 5, 2015 (GoI, MoMSME Background Note). Table 1.7 shows the proposed definition:

Table 1.7: Proposed Definition of MSME

Classification	Investment in Plant & Machinery/ Equipment	
	Manufacturing Enterprises	Service Enterprises
Micro	Rs.50 lakhs	Rs.20 lakhs
Small	Rs.10 crore	Rs.5 crore
Medium	Rs.30 crore	Rs.15 crore

Source: GoI, MoMSME

MSMEs have been globally considered as engines of economic growth and social development (Sadakkadulla 28). This sector occupies a critical segment of every country's economy primarily because of its contribution to employment generation at low capital cost (Vepa 1581; Sandesara 647). It also helps in nurturing entrepreneurial talent as well as promoting equitable development by spreading wealth even at the grassroots level (Mathur i). For a developing country like India, where not only the problem of population but also that of unemployment and poverty is escalating, the role of MSMEs becomes very significant. Being less capital intensive and more flexible to changes as compared to its larger counterparts, this sector has the potential to reduce the regional imbalance that is existent in our country.

The fact that this sector requires low production cost because of lower overhead expenses is an advantage for them. They generally utilise the resources that are available locally which makes it less expensive. These enterprises provide individuals a platform to channel their skills and ideas into reality. The MSME sector in India is said to have consistently registered a higher growth rate compared to the overall industrial sector (GoI MoMSME Annual Report 2008-09). United Nations Industrial Development Organisation (UNIDO) in one of its studies estimated that MSMEs make up for over 90 percent of enterprises across the world, generating an employment of about 50-60 percent, especially in the developing world (Luetkenhorst 8).

As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the following are the key highlights of the MSME sector in india:

- This sector accounts for about 45 per cent of the manufacturing output and about 40 per cent of the total exports.
- Employs about 60 million persons in over 26 million enterprises across the country.
- Consistently registered a higher growth rate than the rest of the industrial sector.
- Manufactures over 6000 products, from traditional to high-tech items (GoI MoMSME 34-35)

1.2.1 Performance of the MSME Sector in India

Table 1.8 provides a general overview of the performance of the MSME sector in India in terms of number of working enterprises, employment and asset value. While it should be noted that from the year 2007-2015, the values are projected, a study of the data in the given table shows that, with regard to number of working enterprises, the figure is expected to have increased by 41.15 percent from 2006-07 to 2014-15. In case of employment, the percentage increase comes to 45.46 percent and for asset value, it is 69.47 percent. Overall, it can be agreed that the sector has been consistently performing quite well despite the inherent problems it faces.

Table 1.8 Performance of the MSME Sector in India

Year	Working Enterprises (in lakh)	Employment (in lakh)	Market value of Fixed Asset (₹ in crore)
2006-07	361.76	805.23	868,543.79
2007-08*	377.36 (4.32%)	842	920,459.84
2008-09*	393.7(4.33%)	880.84	977,114.72
2009-10*	410.8(4.34%)	921.79	1,038,546.08
2010-11*	428.73(4.36%)	965.15	1,105,934.09
2011-12*	447.64(4.26%)	1,011.69	1,182,757.64
2012-13*	467.54(4.45%)	1,061.40	1,268,763.67
2013-14*	488.46(4.47%)	1,114.29	1,363,700.54
2014-15*	510.57(4.41%)	1,171.32	1,471,912.94

Data sources: GoI, MoMSME, Annual Report 2015-16

* - Projected

When we look at the figures in Table 1.9, it is encouraging to see that the contribution of the MSME sector, both manufacturing and services together, to the Gross Domestic Product (GDP) of the country has increased from 35.13 percent to 37.54 percent. However, if we look at the share of the two sectors individually, the service sector's share in the total GDP continues to increase slowly, except for the years 2008-09 and 2009-10 where the share is 28.60 percent for both years. The manufacturing sector on the other hand shows a decline in its share in the GDP of the country as well as the manufacturing output.

Table 1.9 Contribution of MSME Sector in GDP and Output (at 2004-05 prices)

Year	Gross Value of Output of MSME Manufacturing Sector ((₹ in crore)	Share of MSME Sector in Total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Data source: GoI, MoMSME, Annual Report 2014-15

Observing this less than robust performance of the manufacturing sector, the Government announced the National Manufacturing Policy in the year 2011 with the aim to enhance the share of the sector in GDP to 25% within a decade and also creating 100 million jobs (GoI DIPP National Manufacturing Policy). However, many of the proposed measures required long gestation period. Also through interactions with the MSME stakeholders, it was found that an unfriendly and complex business environment made small entrepreneurs shift towards the informal and unregistered sector. This unregistered sector is said to be growing five times faster than the organised sector and accounts for over 95 percent of all MSMEs (GoI MoMSME Accelerating Manufacturing in MSME Sector 18). Nonetheless, as per the Annual Report 2015-16 of the MoMSME, at present, the MSME manufacturing sector contributes around 45 percent to the total manufacturing output and about 8 percent to India's GDP (GoI MoMSME, 1).

In September 2014, Prime Minister Narendra Modi launched the Make in India Policy with the aim to “facilitate investment, foster innovation, enhance skill development and build a sustainable eco-system for the manufacturing infrastructure in the country” (Kapuria n.p). It is with the desire to make the MSME sector the cradle for this vision, where small businesses have the potential to rival their bigger counterparts.

1.3 General Overview of North East India and the MSME Sector

The Northeast region (NER) is a beautiful part of India and rich in resources, be it forest, minerals, oil and even human resource, etc. It comprises of eight (8) states, namely: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. It covers an area of 2.62 lakhs sq.km and accounts for 7.97 percent of the total land area of India. According to the population census 2011, the region has a total of 45 million people which forms 3.07% of India’s total population (GoI Ministry of Home Affairs North East Division n.p). It has its own distinct identity due to its unique characteristics in terms of physical, economic and socio-cultural. The region is located at a very strategic point, sharing international borders with Bangladesh, Bhutan, Myanmar and China.

But, despite these advantages, the region is considered as industrially backward, except in the case of Assam where industrialisation is progressing as compared to the other States in the NER. NER continues to witness regional imbalances between the states and even within the states. The region suffers from inadequate infrastructural facilities, geographical isolation, problem of law and order, low per capita income, lack of capital, reluctance of private investors to invest in the region, etc. The state governments are highly dependent on the central government for funds for the creation of both physical and economic infrastructure.

As per the latest census report, i.e., Fourth All India Census of both the registered and unregistered sector, it was found that micro enterprises dominated the scenario all over the country, providing highest employment with manufacturing being the major activity engaged in. According to the Annual Report (2011-12) of Ministry of MSME, the following is the performance of the registered MSME sector in NER from 2006-07 to 2010-11, where data for 2010-11 presents the projected figures. The variables used to study performance are: number of working enterprises, number of employment, fixed investment and production.

Table 1.10: No. of Working Enterprises in NER

Year	No. of working enterprises				
State	2006-07	2007-08	2008-09	2009-10	2010-11*
Sikkim	122	136	207	225	279
Arunachal Pradesh	417	480	587	698	829
Nagaland	1332	2110	4631	5602	9315
Manipur	4492	4530	4670	4759	4881
Mizoram	3715	3941	4419	4919	5403
Tripura	1343	1499	1711	1931	2180
Meghalaya	3010	3416	3826	4725	5497
Assam	19864	21618	23249	24927	26887
Total	34295	37730	43300	47786	55271

Source: North East and the Registered MSMEs (*2010-11 Projected), MSME Annual Report, 2011-12

Table 1.11: No. of Employment in MSME in NER

Year	Employment (Person)				
State	2006-07	2007-08	2008-09	2009-10	2010-11*
Sikkim	1159	1292	1967	2138	2651
Arunachal Pradesh	5411	6228	7617	9057	10757
Nagaland	16281	25790	56605	68473	113857
Manipur	19960	20129	20751	21146	21689
Mizoram	26032	27616	30965	34469	37869
Tripura	23166	25857	29514	33309	37604
Meghalaya	12700	14413	16143	19936	23193
Assam	210507	229095	246379	264162	284933
Total	315216	350420	409940	452689	532543

Source: North East and the Registered MSMEs (*2010-11 Projected), MSME Annual Report, 2011-12

Table 1.12: Fixed Investment of MSME in NE

Year	Fixed Investment (₹. in Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11*
Sikkim	27.82	31.01	47.20	51.31	63.62
Arunachal Pradesh	543.78	625.95	765.46	910.21	1081.04
Nagaland	718.33	1137.90	2497.44	3021.08	5023.46
Manipur	96.76	97.58	100.59	102.51	105.14
Mizoram	296.95	315.01	353.22	393.19	431.88
Tripura	326.57	364.50	416.05	469.55	530.10
Meghalaya	134.54	152.69	171.01	211.20	245.70
Assam	5867.40	6385.49	6867.26	7362.90	7941.84
Total	8012.15	9110.12	11218.25	12521.95	15422.78

Source: North East and the Registered MSMEs (*2010-11 Projected), MSME Annual Report, 2011-12

Table 1.13: Production of MSME in NE

Year	Production (₹. in Crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11*
Sikkim	51.37	57.26	87.16	94.74	117.48
Arunachal Pradesh	237.21	273.05	333.91	397.06	471.58
Nagaland	1396.04	2211.44	4853.65	5871.33	9762.85
Manipur	199.80	201.49	207.72	211.68	217.10
Mizoram	309.90	328.75	368.63	410.34	450.71
Tripura	608.30	678.96	774.98	874.63	987.41
Meghalaya	447.31	507.64	568.57	702.17	816.90
Assam	9389.20	10218.27	10989.20	11782.35	12708.79
Total	12639.13	14476.87	18183.83	20344.29	25532.81

Source: North East and the Registered MSMEs (*2010-11 Projected), MSME Annual Report, 2011-12

In Table 1.11 we have data showing the number of employment, wherein, once again Assam takes the lead, making up for almost 61% of the total share of employment in the region. The percentage share of Sikkim and Arunachal Pradesh is similar to the share as shown in Table 1.9. When we compare the data in Table 1.11 with that of Table 1.10 to study the average employment per unit for each state, it can be observed that Tripura has the highest number with 17.3 persons employed per unit, followed by Arunachal Pradesh, Nagaland, Assam, Sikkim and Mizoram. Also, although the number of working enterprises is least in Sikkim and Arunachal Pradesh, they have a higher average employment of 9.5 and 12.9 persons per

unit compared to Manipur and Meghalaya, the two states with the least employment per unit, 4.2 and 4.4 respectively.

A peculiar trend is observed in case of five states, namely Nagaland, Manipur, Mizoram, Tripura and Meghalaya. In 2006-07, Tripura which has only 1343 units (3.93%), employs 23166 persons (7.35%) which is higher than Manipur, with 4492 units (13.09%) employing 19960 persons (6.33%) and Meghalaya, 3010 units (8.78%) employing 12700 persons (4.03). Again in 2007-08, despite having the lowest number of units, Tripura once again employs more persons than Nagaland, Manipur and Meghalaya and only 0.5% less than Mizoram. For the following three years, with the increase in number of units, Nagaland takes the lead in terms of employment while Tripura continues at an even rate.

Table 1.12 and 1.13 shows the fixed investment and production of enterprises in the region. A study of the data shows an increase in values in both the tables. When we study the percentage increase from 2006-07 to 2010-11 for all the eight states, we find that even though Assam has the highest values in terms of both fixed investment and production, its percentage increase for both tables is only 35.36% which is lesser than all the other states, except Manipur. Manipur shows a very low increase, which is only 8.66% for fixed investment as well as production, whereas, Nagaland displays a singular characteristic by showing an increase of almost 6 times from 2006-07 to 2010-11.

A study of the secondary data available shows that the economy of the Northeast region is slowly opening up to the rest of the country. While one of the reasons for the increase in number of enterprises and employment of MSMEs in the region may partly be due to the expanding of the scope of the sector, this is not the sole reason. Number of programmes and schemes are being introduced by the ministry to encourage individuals to start their own businesses. With the economy growing more complex each day, it becomes necessary for such units to keep up with the changing scenario for its survival. Keeping in mind this vast pool of unexploited natural and human resources available as well as the limitations of the region, it therefore, becomes necessary to ensure that the schemes and incentives the Government and various institutions offer should be suitable and satisfy the requirements of the entrepreneurs.

Therefore, with a view to gain a better understanding of the sector in the NER, the State of Nagaland has been selected wherein the problems and prospects of the MSME sector will be studied. The next section provides a brief introduction of the State and the sector.

1.4 Nagaland and the MSME Sector

Nagaland, one of the Northeastern States of India, was earlier a part of the Assam and North East Frontier Agency (NEFA). However, in the year 1963, it attained Statehood and became the 16th State of India. It lies between 93°20' E and 95°15' E longitudes and 25°6' and 27°4' N latitudes covering an area of 16,579 sq.km. It is surrounded by Assam in the West, Myanmar on the East, Manipur in the South and Arunachal Pradesh and part of Assam to the North. It is one of the beautiful and culturally vibrant hill States of North East India. Earlier, Nagaland had only eight administrative districts, namely, Kohima, Dimapur, Mokokchung, Tuensang, Mon, Wokha, Zunheboto and Phek. However, in January 2004, three (3) new districts, namely, Peren, Kiphire and Longleng were established making it a total of eleven districts. It is connected with the rest of the country by road, rail and air ways through Dimapur, which is considered as the commercial hub of the State.

Christianity is the predominant religion in Nagaland with English as the official language and Nagamese as the commonly spoken dialect. There are 16 major tribes in Nagaland along with their sub-tribes. The major tribes are: Ao, Angami, Chang, Konyak, Lotha, Sumi, Chakhesang, Khamniungam, Kachari, Phom, Rengma, Sangtam, Yimchungrü, Kuki, Zeliang and Pochury. Each tribe has its own unique characteristics in terms of language, customs and attire. The State is also known as the “Land of Festivals” for the very reason that throughout the year, the different tribes celebrate their tribal festivals, the biggest of which being the Hornbill Festival, which is jointly celebrated by all the tribes. The economic development of Nagaland started only after it attained statehood in 1963. The economy was agrarian in nature and continues to be so till date (Morung Express n.p).

Like the rest of NER, Nagaland has a vast pool of natural resources such as flora and fauna, petroleum and natural gas, coal, marble etc. Also as per Census 2011 of India, the literacy rate of the State was found to be 80.11%, which is above the average literacy rate of the country, 74.04% (www.censusindia.gov.in). This indicates the presence of an educated human resource, who, if equipped with the necessary skills and resources can create an environment where entrepreneurship thrives. They can, in turn, utilize the available wealth to generate more job opportunities. While it cannot be denied that the State has innate disadvantages, one can say that the Naga society has been a consumerist society as it is dependent on central funding, being declared a special category state since 1969. Due to the absence of large industrial establishments, the State Government continues to be the biggest

employer. But with the increase in population and the inability of the State Government to absorb the same by providing gainful employment, it has led to an increase in the number of educated unemployed youth (Govt. of Nagaland Year of Entrepreneur 3).

With the growing realization of the importance of entrepreneurs towards economic development, the Government has been making efforts to promote the culture of entrepreneurship in the State through MSMEs. However, the concept of entrepreneurship and enterprise promotion is quite new when viewed from the States' perspective. There has always been and there still exists the preconceived notion that securing a Government job is the best and most reliable career high. Nevertheless, the effort of the Central as well as the State Government to encourage more and more people to start their own enterprise is slowly paying off. A number of subsidy schemes and programmes have been introduced at the national level as well as the state level, with special emphasis placed on the North East States of India.

The task to industrialise Nagaland is, however, a difficult one mainly for the following reasons: its geographical remoteness, land laws that restricts transfer of land to non-locals, low capital formation, infrastructural disadvantages and also the problem of law and order. The State Government has however been working to overcome these constraints and change the situation. The State Industrial Policy provides a number of incentive packages such as tax exemption, subsidies etc. Efforts have also been made to create industrial infrastructure in the form of growth centres, mini tool room and training centre, industrial park. In addition to these, exposures of the youth and enterprise owners through seminars, workshops, fairs and expos are also organised.

Some of the recent programmes that the State witnessed for the promotion of entrepreneurship and development of the MSME sector included the declaration of the year 2010-11 as the "Year of Entrepreneur" by the State Government. It was further extended till 2012. This programme was, however rife with controversies regarding delay in selection of beneficiaries and delay in disbursement of the financial assistance. In 2013, YouthNet, an NGO in collaboration with the Government of Nagaland launched "Impact 5000 by 18", a five-year programme on entrepreneurship, skill development and employment which aims to produce 5000 young and skilled entrepreneurs by 2018. This programme also received the special mention award under the 'social innovations in youth development' in the year 2015

in an event organised by National Foundation of India in partnership with the North East Development Foundation held at NEDFi House, Guwahati (YouthNet ‘Impact5000 by 18’).

In its pursuit to promote entrepreneurship and address the issue of inaccessibility of local skilled workers in the State, YouthNet in collaboration once again with the Government of Nagaland also launched “DailNagaland”. It is a classified directory of local skilled workers, accessible to the public in Nagaland for services such as plumbers, carpenters, electricians, masons, painter etc (YouthNet Impact 5000). Another major headway was the announcement of the provision of 6 crore rupees for the development of the Khadi Plaza in Nagaland and also the sectors development (Funds, Employment for Nagaland). Recently, the MoMSME made it mandatory for procurement of 20% under the Public Procurement Policy for Micro and Small Enterprises from micro enterprises, with effect from 1st April, 2015 (DC-MSME). These are a few of the initiatives undertaken.

Studies relating to the MSME sector and entrepreneurship development Nagaland are few when compared with the rest of the country. Insufficient data, lack of proper records, reluctance on the part of government employees to provide the necessary information are some of the reasons why conducting comprehensive studies becomes difficult. Therefore, any contribution to the body of knowledge will be considered useful and utilised for further studies.

Chapter Summary

To summarise the chapter, we can say that the SSI/MSME sector has been an integral part of the Indian economy. The inherent advantages it possess, such as low capital requirement, employment generation, flexibility to adapt to changes, promotion of entrepreneurship and dispersion of wealth even to the grassroot level not only makes it an attractive prospect but also contributes to the economic development of a region. Industrialisation can, thus, be traced back to the time before the British rule. Post independence, the Industries Development and Regulation Act of 1951 laid the basic framework for the conceptual and legal aspects of SSIs in the country. The definition of SSI/MSME has always been defined on the basis of the investment in plant and machinery and the dynamic nature of the sector as well as increased competition has necessitated the revision in this investment ceiling from time to time. The performance of the SSI sector from 1973 up till 2006 has shown a steady increase in terms of number of units, production, employment and export.

With the passing of the MSMED Act, 2006, the concept of 'enterprise' was introduced and the sector came to be known as the micro, small and medium enterprise. The Act not only addressed the policy issues faced by MSMEs but also redefined the definition of the sector and brought the medium enterprises under its ambit. The Ministry of Micro, Small and Medium Enterprises was subsequently created by merging the Ministry of Small Scale Industries and Ministry of Agro and Rural Industries for the promotion and development of entrepreneurship and MSMEs in the country. The sector has shown a consistent growth rate as compared to the rest of the industrial sector. Apart from contributing to around 45 percent of the total manufacturing output and about 40 percent of total exports, it also provide employment to over 60 million persons in over 26 million enterprises across the country.

While the sector, in general, has been performing quite well across the country, the North-east region of India, which comprises of 8 States, still lags behind when it comes to industrialisation, except in the case of Assam which is considered the most industrialised as compared to the other NER States. Despite the availability of natural resources and the strategic position it occupies, because of its geographical isolation, inadequate infrastructural facilities, lack of capital, problem of law and order, etc, industrial development has been slow in the region. However, keeping in mind the fact that for a country to develop and grow, requires that every State progresses equally, the Central and State Government have been working to bring the region to par with the rest of the country. MSMEs being engines of economic developments, the Government of each State have been working to promote and encourage development of the sector through policy initiatives, subsidy programmes, financial incentives, etc.

One such State of the NER is Nagaland, covering an area of 16,579 sq.km and surrounded by Assam in the West, Myanmar on the East, Manipur in the South and Arunachal Pradesh and part of Assam to the North. The State has eleven districts, with Kohima as the capital and is connected to the rest of the country by road, rail and air ways through Dimapur, which is considered as the commercial hub of the State. Although the concept of entrepreneurship is quite new in the State, the efforts of the Central as well as the State Government to develop the sector as well as encourage the spirit of entrepreneurship is paying off as more people are starting their own businesses instead of running after a government job. The setting up of industrial growth centres, mini tool room and training centre, industrial park, exposure of the

entrepreneurs through seminars, workshops and fairs are some of the initiatives taken up by the State Government.

However, despite the efforts made by the Central as well as the State Government, Nagaland is still far behind when it comes to industrialisation. It is, therefore, imperative that the MSME sector is promoted and developed as this sector has the potential of bringing in economic development. While inroads need to be made in bringing the State at par with the level of progress and development with the rest of the country, we can say that provided the Government and the citizens themselves continue to work actively together, it won't be far before the goal is achieved.