

CHAPTER 6

FORMULATION OF POLICY FRAMEWORK

As discussed in Chapter IV, where industrial policies of the eight NE States were studied and analysed, the State Industrial Policy of Nagaland has not been revised till date, even after the passing of the MSMED Act-2006. With hardly any industrial backbone to boast of, it is of key importance to encourage and promote the MSME sector in the State. This sector is heterogeneous in nature and so, policies and programmes formulated should reflect this heterogeneity. If the government wants to promote capital intensive enterprises, it needs to address the problems of capital and working capital through credit programmes. In case of labour intensive enterprises, technical trainings or business skills can be provided to assist the businesses. The policies so formulated should be clear and effective

Based on the findings of objective 1 and 2 and also in consultation with the officials the following policy framework has been developed.

6.1 Conducive Environment for Business

To provide a favourable environment for MSMEs to flourish and industrialisation to take place requires that the government policies facilitate enterprises and that necessary infrastructural facilities are provided for. This will help in creating a more effective environment for investment as well as business development. The following recommendations have been made in order to promote such an environment in the State:

i) Develop a portal website meant exclusively for MSMEs which contains detail and updated information of the sector, from how to register one's enterprise, benefits of registration, about the various subsidy schemes and incentives available including information about the beneficiaries. This should be maintained and supervised by the Directorate of Industry & Commerce, Nagaland, which also acts as the Nodal Promotion Agency for the promotion and development of the sector in the State (Brief Industrial Profile of Nagaland State 36).

ii) Carry out annual surveys of the registered enterprises so that the departments' in-charge would possess the updated data of the units with regard to their existence and performance. A database of such nature would help in filtering out units that have proven track records in terms of sales, employment, innovation etc so that these units can be considered for next level of subsidies or assistances. In addition to this, it will also help in identifying units that are not

doing well thus enabling the government to take proactive measures to assist them. It would also assist in the preparation of reports and evaluation studies with regard to the sector. Because at the very onset of the research study, even though the officials had the list of registered enterprises, they themselves stated that many units would be untraceable as they came into existence only to avail the subsidy scheme and shut their business down once the assistance is received.

iii) Rural industrialisation through the promotion of MSMEs should be encouraged. The Government should identify traditional as well as non-traditional clusters and provide common facilities to these clusters.

iv) Many of the machines and equipments needs to be purchased from outside the State. The policy, apart from offering support in terms of subsidy to the enterprises for purchase of such machineries/ equipments should also formulate measures wherein, the Government can form some collaboration with some business units outside the State, who are providers of quality machines and equipments, so that the enterprises who need machines/equipments can approach these business houses and also avail the said items at discounted rates.

v) During the course of the field survey, it was observed that many of the respondents conveyed the general opinion of dissatisfaction with the manner in which their concerns were handled. Therefore, it is necessary to constitute a committee meant specifically to address the genuine issues and problems that enterprises are facing, providing a minimum period for redressal of such issues.

vi) The policy should also provide for a proper channel for enterprises that wish to exit. Micro and small enterprises in the State, as mentioned by the officials, usually register to avail subsidies and then after receiving the subsidy amount close down without a trace. The policy should offer an approach where registered enterprises, be it micro, small or medium is required to intimate the DIC of the district of its intention.

vii) Special emphasis should be given to medium enterprises in the State. Their growth and performances should be monitored so that the Government can take proactive steps in case of any problems that the units are facing. These enterprises have the potential of becoming larger enterprises and therefore, special incentives should given to encourage the few towards expansion.

viii) Creating a feedback mechanism between the MSMEs and policymakers so that policies thus framed, benefits the sector to the fullest.

ix) Quality infrastructure is vital for industrialisation and therefore, the top priority should be ensuring the presence of industrial estates or parks in the districts of Nagaland which have the potential for setting up industries. These estates or parks should be provided with uninterrupted power supply as well as adequate road and rail connection.

x) Make provisions for the creation of cold storage, packing houses, warehouses etc at various identified locations in the State.

6.2 Entrepreneurship Development

As proven by the review of literature, entrepreneurship is an important factor for economic development. A dynamic entrepreneurial climate not only creates new jobs but also promotes healthy competition and novel ideas. And therefore, in order to promote and encourage entrepreneurship, the following recommendations have been made:

i) As was found through the field survey, raising capital to start the business was difficult for majority of the enterprise owners. Also most of them did not approach any banks for business loans. Therefore, it is important that the State Government provides support to the financial institutions in developing loan programmes which will assist and encourage rising entrepreneurs as well as existing ones to approach banks for business loans.

ii) To carry out studies to identify if there is any gender imbalance existing in business and find remedies to encourage female entrepreneurship.

iii) Skilled labour is difficult to find in the State and therefore, the policy should also emphasis on providing trainings and creating awareness of such opportunities.

iv) Provide a supporting environment that encourages and promotes entrepreneurs who are capable of producing quality products by exposure through exhibitions, trade fairs, study tours, be it state level, national or international level.

6.3 Access to Finance

As per the findings of the study, finance is one of the major problems for the MSME sector in the State. And therefore, in order to address this issue, following are the recommendations:

i) It would be unfair to expect banks to provide loans to the sector without collateral for those units that have not availed any subsidy schemes or assistance of the Government. Therefore, in order to address this issue, the interest rates charged on bank loans to MSMEs can be lowered whereby, micro enterprises are charged the lowest interest rates, slightly higher rates for small enterprises and so on for medium enterprises. These rates can be made applicable for the first three years after which the normal rates can be charged.

ii) Also, to create an awareness of the problems that the MSMEs face due to lack of finance and problem banks face due to non-repayment of loans, the State Government should conduct regular interactions between the two parties. This will help in sensitising both sides to better understand the crux of the matter and help in finding a solution to resolve the problem.

iii) The MSME units should be provided trainings by experts on the importance of cash-flow management.

iv) The importance of maintaining and reporting reliable financial information should be emphasised as this would further assist the banks and other financial institutions at the time of providing subsidies or other financial assistances.

6.4 Fiscal Incentives

Subsidy schemes and incentives are major contributors towards supporting and promoting the MSME sector as well as industrialisation of a region. It is, therefore, necessary that the policy makes provision for such incentives schemes and upgrade the current schemes as per the present day needs. The following are some recommendations under this head:

i) Continuation of the State incentive schemes, that is, power subsidy, drawal of power line and manpower subsidy. However, the ceiling limit should be increased to keep up with the guidelines of the MSME Act as well as with the hike in prices.

ii) The stipendiary support for entrepreneurs undergoing EDPs, which at present is ₹500 per month per trainee can be increased to ₹1000 per month per trainee or more as per the present needs.

iii) Continuation of sale tax and stamp duty exemption as well as subsidy for quality control measures. However, once again, the ceiling limit for quality control measures should be

increased, which at present is ₹50,000 for small enterprises and ₹1,00,000 for large and medium units.

iv) Also in order to encourage the setting up of large industrial units in the State, the policy should provide special incentives in the form of land allotment, tax concessions for a certain period of time as well as subsidies to attract investors.

v) Special incentives should also be formulated for sick enterprises and their rehabilitation.

6.5 Innovation and Technology

It is of primary importance that innovation and technology becomes an integral part of the MSME sector in the State. With the ever increasing competition and dynamic nature of the business environment, it is necessary that the MSME sector of Nagaland is not left behind this progress. The following recommendations have been made to provide assistance under this head:

i) One of the important factors that influence the development of a new product is the availability of technology. It is also important to understand that the cost factor involved in importing such technology is high because the probability of such product or idea being non-viable or slow to be accepted is high. However, the opposite also holds true in the sense that the same can be a success. And so, in order to encourage and promote innovation amongst the entrepreneurial community, the Government can provide subsidies wherein the ideas or newly developed products can be tested in institutes or laboratories which own the necessary technology. Eg. Collaborations with Indian Institute of Science (IISc) and Council of Scientific and Industrial Research (CSIR).

ii) In order to encourage innovation, the policy should provide financial assistance for the cost incurred in R&D. Such incentive will be granted only on production of documentary proof.