

## CHAPTER 7

### SUMMARY OF FINDINGS AND CONCLUSION

#### 7.1 Introduction

This chapter brings together the key findings of the study, provides suggestions for betterment of the MSME sector in Nagaland and scope for further research.

#### 7.2 Findings of the Study

##### 7.2.1 Comparative Analysis of State Industrial Policy of Nagaland with the other NE States

- i. Except for Nagaland and Sikkim, all the other 6 NE States have reviewed and formulated New State Industrial Policies since the passing of the MSMED Act, 2006.
- ii. Common objective of all the policies is to facilitate sustainable industrial development through provision of better infrastructural facilities, attractive incentive packages and utilization of the existing resources.
- iii. While the importance for establishment of medium and large enterprises is acknowledged, due consideration is also given to the micro and small enterprise sector, through the provision of special incentive schemes and subsidies as well as creation of industrial estates and industrial parks, where critical infrastructural facilities such as power, water, transport and communication etc. are provided.
- iv. Identification of sick units and their rehabilitation through special incentive packages is also one of the objectives, except for Manipur which has made no mention of it.
- v. Encourage border trades and also engage in processing and manufacturing of medicinal herbs as well as handicraft and handloom.
- vi. The information technology sector has also been identified as one of the thrust areas.
- vii. Provisions for maintaining the ecological balance of the region, with the States of Assam, Manipur, Mizoram and Sikkim specifically mentioning the promotion of eco-friendly industries in their objectives.
- viii. Coming to the incentive schemes provided, under power subsidy, except for Arunachal Pradesh whose subsidy limit is regulated by the State Power Policy and NEIIPP 2007, remaining 7 States have set the limit for the connected load, subsidy rate and ceiling amount per year. Mizoram has, however, not mentioned the ceiling of subsidy. Nagaland and Sikkim offers the lowest subsidy ceilings. Assam, Manipur and Meghalaya offer the highest subsidy ceiling.

- ix. Except for Tripura, the remaining 7 NE States also offer power line subsidy. Mizoram and Sikkim offers the lowest subsidy ceiling. Nagaland State Industrial Policy does not offer any fiscal incentive for power generating set as compared to Manipur, Meghalaya, Mizoram and Sikkim.
- x. Subsidy for feasibility study cost is provided by 6 States except for Assam and Tripura. However, as Nagaland is yet to revise its policy even after the passing of the MSMED Act 2006, the said subsidy specifically targets the manufacturing enterprises.
- xi. Only Nagaland and Sikkim offers subsidy for employment of local tribal youths. Once again, the subsidy ceiling of Nagaland is based in the old definition of small scale industries and large scale industries.
- xii. In case of subsidies related to manpower development Nagaland, Sikkim, Assam, Manipur and Mizoram have made provisions and with regard to quality control measures all 8 States have made provision.
- xiii. All 8 States have made provision for either price or purchase preference and also provided for tax concessions to encourage industrial development in the region.
- xiv. Nagaland State's Industrial Policy does not make provisions for participation in trade fairs, nor does it provide subsidies for capital, interest and transport other than the ones that was available under NEIIPP 2007.
- xv. Out of the four subsidy schemes available under NEIIPP-2007, only two were being availed by the enterprises in Nagaland, namely transport and capital investment subsidy.
- xvi. Under central transport subsidy, based on the data collected from the Directorate of Industry and Commerce, Nagaland, beneficiaries had applied only during the periods 2008-09 and 2009-10 after which no data was available.
- xvii. Under central capital investment subsidy, although there were applicants from 2007 till 2011, payment is yet to be received from NEDFi. Data from 2011-12 till 2015 was however not available.
- xviii. The awareness level of these central subsidy schemes is very low because when the respondents of the study were asked if they knew about the schemes, majority of them said they did not.
- xix. As per Nagaland State Industrial Policy, out of the 10 incentive schemes available, only 4 were availed by the enterprises in the State, namely, manpower subsidy, power subsidy, drawal of powerline and EDPs.

- xx. Except for manpower subsidy, the other two subsidies, power and drawal of powerline had very few beneficiaries. Although the subsidy amounts have been released, except in the case of Manpower subsidy for the year 2012-13, there are no beneficiaries from 2013 for manpower subsidy and drawl of powerline and nil applicants for power subsidy from 2011.
- xxi. Respondents of the study were asked if they were aware of these incentive schemes to which majority of them knew about manpower subsidy, followed by power subsidy and lastly drawal of powerline.
- xxii. The reasons given for why they were unaware about the schemes, both central as well as state schemes, were that they had heard that subsidies were available but did not know what the subsidy scheme was called. Others also cited lack of proper education as one of the reason why they had not applied for the schemes. The most interesting answer, however, was that, if one were to apply for such schemes, it required having good contacts with the officials in-charge and constant follow ups about the status of the applications, even after which it did not guarantee that one would receive the subsidy.

### **7.2.2 Problems Faced by the MSMEs in Nagaland**

In order to study the problems faced by the enterprises, the schedule contained questions about the general profile of the enterprise as well as the owner and the problems were categorised into problems of finance, marketing, production and labour.

- i. Beginning with the profile of the enterprise, among the selected MSMEs, majority of them, 87 percent are micro enterprises, 12.5 percent are small enterprises and 0.5 percent, medium enterprises, out of which, 85.2 percent are involved in the manufacturing sector, while only 14.8 percent belonged to the service sector (section 5.1, Table 5.1).
- ii. Sole proprietorship is the common form of ownership, with a majority of 95.3 percent. Partnership and SHGs form of ownership occupied 3.8 percent and 0.8 percent respectively (section 5.1, Table 5.2).
- iii. Most of the enterprises, 70.8 percent, are established during the period 2000-09 and 23.7 percent during the period 2010-13. This can be related to the establishment of the MSMED Act, 2006 which brought in policy initiative to safeguard and promote MSMEs (section 5.1, Table 5.4).

- iv. With regard to the ownership of the building or space the enterprise is located in, 54.7 percent rented it while 45.3 percent own the building (section 5.1, Table 5.5). for majority of the respondents who paid rent, 69.4, the rent amount fell in the range Rs.1000-5000 and the highest range is Rs.21,000-25,000 with only 1.6 percent enterprises under this category (section 5.1, Figure 5.1).
- v. Majority of the enterprises, 96 percent, maintain their books of accounts manually, with only 1.3 percent using computers and 2.7 percent maintain their accounts both manually as well as in a computerised form (section 5.1, Table 5.6).
- vi. Coming to the profile of the respondents, 72.3 percent are male out of which 61.7 percent belong to micro enterprises, 10.2 percent to small enterprises and 0.5 percent to medium enterprises. 27.7 percent of the respondents are female out of which 25.3 percent belong to micro enterprises and 2.3 percent to small enterprises (section 5.2, Table 5.8).
- vii. Maximum number of respondents, 42 percent, belongs to the age group 31 to 40 years followed by 35.3 percent belonging to the 41 to 50 years age group. From this, we can infer that individuals are more enthusiastic to be involved in business when they are young (section 5.2, Table 5.9).
- viii. 80.5 percent of the respondents are married and only 19.5 percent are unmarried. With regard to educational qualification, 36.8 percent have studied till HSSLC, 33.8 percent upto HSLC, 25.3 percent are graduates, 2.2 percent have no educational qualification and only 1.8 percent are post-graduates and above (section 5.2, Tables 5.10 and 5.11).
- ix. 57 percent of the respondents had some prior work experience and 43 percent had none. Out of the total number who answered that they had some work experience, 34.2 percent said that it was in the same sector while the remaining 65.8 percent said that their work experience was in a different area (section 5.2, Table 5.12). 39.5 percent of the respondents feel that prior work experience is important while 22 percent feel that it is not necessary.
- x. With regard to the reason for starting their own business, livelihood, desire to earn more money, need to be independent, no suitable job, interest in the particular trade and as subsidiary income are the highest ranked reasons (Section 5.2, Table 5.13).
- xi. Coming to the financial problems, majority of the respondents ranked 'own funds' as the major source of financing the start-up capital followed by borrowings from family

and friends. Bank loans and borrowing from other sources are ranked the least (section 5.3, Table 5.14).

- xii. 60.1 percent of the respondents found it difficult to raise the capital for starting their venture, while only 11 percent said that it was easy. 28.8 percent gave the response “can’t say”. Reason for difficulty is mostly because they hardly have any savings, unstable jobs paying very low wages and difficulty in getting the required amount from one single source (section 5.3, Table 5.15).
- xiii. The top five units that responded that raising of capital was difficult belonged to units dealing with manufacturing of fabricated products, followed by wood and woodcraft units, handlooms, stone crushers and bakery units. For units that answered raising of capital was ‘easy’, once again fabrication units formed the majority, followed by bakery units, cement craft units, floriculture units, handloom, wood and woodcraft units and tyre rethreading units (section 5.3, Figures 5.3, 5.4 and 5.5).
- xiv. Only 23.5 percent of the respondents had approached banks for loans while the remaining 75.2 percent did not. Out of this 23.5 percent, 41.1 percent said that the banks had approved their total loan amount, 57.4 percent said that only a part of the amount was approved while 1.4 percent said that their loan applications were still in process (section 5.3).
- xv. 32.8 percent feel that banks in Nagaland are willing to provide loans to entrepreneurs while 19 percent disagree. 47.2 percent choose to answer “can’t say”. When the respondents were asked for the reason behind their opinion, 31.7 percent said that they had never tried to apply for a business loan either because they did not feel the need to or because they were reluctant as repayment would be a huge burden. 18.5 percent said that provided one is financially stable, have assets to offer as collateral and good contacts with the bank officials, banks will willingly provide loans. Some other reasons are long procedure with unclear instructions, need for guarantor, being discouraged as friends had tried to apply for loans but their applications got rejected. 36.6 percent of the respondents provided no reason for their response (section 5.3).
- xvi. Demands from informal groups, unavailability of funds for purchase of assets, no cash reserve for emergency situations, books of accounts not maintained in a professional manner, subsidies not provided to genuine entrepreneurs as well as officials in charge of subsidies not being honest and sincere were rated negatively by the respondents. However, bank interest rates, dues paid by customers on time and availability of funds for daily use were not seen as problems (section 5.3, Figure 5.7).

- xvii. Independent sample t-test results to find if there are any significant differences in the mean opinion regarding the financial problems between the two genders prove significant for eight problems. It was found that female enterprise owners are more likely to maintain cash reserves, possess funds for daily use and also face comparatively less problem when it comes to delay in payment of dues by customers as compared to male enterprise owner. Male enterprise owners are more critical about the financial problems as compared to females (section 5.3.1, Table 5.18).
- xviii. One-way ANOVA results to find if there is any significant differences in the mean opinion regarding financial problems across micro, small and medium enterprise proved significant for three problems. It was observed that, medium enterprises are more professional when it comes to maintaining the books of accounts and have a positive perception regarding banks willingness to provide loans to enterprises. However, this category of enterprises is most affected by demand from informal groups (section 5.3.2, Table 5.19).
- xix. One-way ANOVA results to find if there are any significant differences in the mean opinion regarding financial problems across the various educational groups proved significant for nine variables. It was observed that enterprise owners belonging to PG & above educational group not only were most likely to maintain cash reserve but also maintain the books of account properly and were least likely to deal with customers who delayed payments. They were also the most positive in their opinion that banks do disburse loans on time. HS and HSS category were the complete opposite. Undergraduates and HSS category were also the most dissatisfied about the subsidy schemes and the officials handling it. While the no education category struggled most with the problem of inadequate funds for purchase of assets (section 5.3.3, Table 5.20)
- xx. Coming to the production aspect of the enterprises, 33.2 percent sector deals with fabricated products, 16.8 percent in wood products, 11.8 percent in handloom, 10.8 in stone crushing business, 6.5 in the food sector, 4 percent in floriculture units, 3.7 percent in tyre rethreading services, 2.2 percent deals with electronic products 2 percent printing units, 1.5 percent workshops, 1.3 percent beauty parlours. The remaining share is spread amongst tailoring and apparel enterprises, cement craft units, stationery units, engineering houses, tent houses, dish TV services (section 5.4).
- xxi. 80.5 percent of respondents answered that they use some machine/ equipments. Out of this, 52.4 percent said that it was sufficient for the present, 44.4 percent said that it

was not sufficient and 3.3 percent answered “can’t say”. Respondents who said that it was not sufficient were further asked if there was any factor stopping them from purchasing the necessary asset, to which 89.5 percent answered yes and 10.5 percent said no. The major reason was the lack of finance followed by unavailability of machine/ equipment in the State, space constrain and lack of time (section 5.4, Tables 5.21 & 5.22).

- xxii. Out of the twelve production problems, the mean values for usage of primitive machines/equipments, availability of suitable machines in the State and sufficient power supply leaned were found to be the major problems (section 5.4, Figure 5.8).
- xxiii. Independent sample t-test results to find if there are any significant differences in the means of the opinion regarding the production problems between the two genders prove significant for eight problems. Female owned enterprises were found to be more satisfied with the quantity and quality of raw materials but less satisfied with credit period offered by suppliers. Male owned enterprises were found to be better at handling customer complains but these enterprises were also more critical about usage of primitive machines, unavailability of machines and power supply (section 5.4.1, Table 5.24).
- xxiv. One-way ANOVA test results to find if there are any significant differences in the means of the opinion regarding production problems across the type of enterprises proved significant for seven problems. Medium enterprises were found to be least satisfied with quality of raw materials and credit period offered by suppliers. Micro enterprises were least able to handle complains and were more affected by problems of machine repairs and unavailability of parts in the State (section 5.4.2, Table 5.25).
- xxv. One-way ANOVA test results to find if there are any significant differences in the mean opinion regarding production problems across the various educational groups proved significant for seven problems. HSS and HS were found to be least satisfied with delivery of orders by suppliers. PG & above were least satisfied with the credit period offered by suppliers. Usage of primitive machines and inadequate power supply affected under graduate category the most while no education and HSS category suffered from unavailability of suitable machines and parts (section 5.4.3, Table 5.26).
- xxvi. With regard to marketing problems, respondents were first asked as to how they sell their products, to which 81 percent answered that it was sold directly to the

customers, 1.2 percent said they used middle man and 17.8 percent answered selling both directly as well as indirectly (section 5.5).

- xxvii. 75.7 percent of the enterprises sold goods on credit to their customers. For 52.6 percent of the respondents, the credit period ranged from 1 week to 1 month, 47.4 percent from 1 week to 1 year and sometimes upto two years. 57.4 percent said that non-payment by customers had minor affect on the working of their enterprise, 21 percent said it had moderate affect, 18.9 percent said that it did not affect them and only 1.6 percent said that such delays affected them strongly (section 5.5, Table 5.27).
- xxviii. Out of the twelve marketing problems, the mean values for only two variables have a leaning towards the negative response. They are ease in fixing the products/ service price and bargaining by customers (section 5.5, Figure 5.9).
- xxix. Independent sample t-test results to find if there is any significant differences in the means of the opinion regarding the marketing problems between the two genders prove significant only for two variables. Male respondents were found to have lesser demand for their product or service in comparison to female respondents and also faced higher cost of transportation (section 5.5.1, Table 5.29).
- xxx. One-way ANOVA test results to find if there are any significant differences in the means of the opinion regarding marketing problems across type of enterprises proved significant for nine problems. Medium enterprises were found to be the most satisfied with the quality and demand of their products having a better understanding of their customer needs. They were also able to compete with their competitors and were satisfied with their location and prices as well. On the other hand, micro enterprises were found to be least satisfied in all the aspects (section 5.5.2, Table 5.30).
- xxxi. One-way ANOVA test results to find if there are any significant differences in the means of the opinion regarding marketing problems across the various educational groups proved significant for eleven problems. Enterprise owners belonging to PG & above category were found to be the most satisfied while no education category were found to be least satisfied with their product quality, location and also had difficulty in fixing the prices of their products/service. Product packaging also affected this category the most while UG category considered cost of transportation to be high in comparison to the rest of the groups (section 5.5.3, Table 5.31).
- xxxii. With regard to labour, majority of the enterprises, 67.5 percent and 40.5 percent employ around 1 to 5 permanent skilled and unskilled labour. The percentage of enterprises employing above 11 is very low. In case of temporary employees,



majority of the enterprises employ no such labour. 13.3 percent and 9.3 percent of enterprises employ temporary skilled and unskilled labour, respectively, in the range 1 to 5 employees (section 5.6, Table 5.33).

- xxxiii. The highest number of employees at the beginning of the venture lies in the range 11 to 15 employees whereas the highest current number of employees lies in the range 26-30. It should be mentioned, however, that the percentage of enterprises falling under the mentioned two ranges is very low (section 5.6, Tables 5.33 & 5.34).
- xxxiv. 56.7 percent of enterprises employed no Naga employee. 32.7 percent answered that they employed around 1 to 5 Naga employees while 9.2 percent said that they employed around 6 to 10 Naga employees. Only 1.4 percent of enterprises had Naga employees in the range above 10 to 25 (section 5.6).
- xxxv. Out of the nine labour problems, the mean values for only two variables lean strongly towards the negative response. These are problem in finding employees and skilled labour (section 5.6, Figure 5.10).
- xxxvi. The independent T-test results to see if there is any significant difference in the means of the opinion regarding labour problems between the two genders showed significant for five problems. Female enterprise owners have slightly less difficulty in finding employees than the male enterprise owners. They also consider their employees to be more sincere and hardworking and also face fewer problems with labour retention and health problems. (section 5.6.1, Table 5.35).
- xxxvii. One-way ANOVA test results to find if there are any significant differences in the means of the opinion regarding labour problems across the type of enterprises proved significant for five problems. Small enterprises had the hardest time in finding employees at the start of business and also skill labour. Micro enterprises had more problems with employee absenteeism (section 5.6.2, Table 5.36).
- xxxviii. One-way ANOVA test results to find if there are any significant differences in the means of the opinion regarding labour problems across the various educational groups proved significant for six problems. Employees belonging to PG & above category are considered the most hardworking as well as skilled and HS, the least. Availability of skilled as well as unskilled labour is considered a major problem by enterprise owners with no education. The problem of labour retention affects enterprises belonging to owners who have studied till HS the most and Labour health problems affects HSS the most (section 5.6.3, Table 5.37).

- xxxix. Respondents were reluctant to reveal their actual average monthly expenditure and sales amount, therefore, they were asked to provide an approximate value. The minimum approximate monthly expenditure in the study is Rs.41,500.51 and maximum is Rs.83,785.33. With regard to sales, the minimum approximate monthly sale per month is Rs.69,925.21 and the maximum value is Rs.1,51,934.17 (section 5.7, Table 5.38).
- xl. Out of the total 600 respondents, 96 percent said that they were currently not receiving any assistance while a mere 4 percent said that they were receiving some kind of assistance from the government. However, they had faced problems such as long waiting period to receive the subsidy, unhelpful government officials as well as long procedure, had to spend around Rs. 30,000 before receiving the subsidy and amount received for 2 years but none for the remaining 3 years (section 5.7).
- xli. For those respondents who answered no, they were further asked if they had applied for any, out of which 33.5 percent said that they have applied for some subsidy but again, majority of them, 66.5 percent said that they had not applied for any (section 5.7, Table 5.40).
- xlii. When asked if they were satisfied with the facilities and programmes of the government for upcoming and existing entrepreneurs, majority 52.7 percent answered 'can't say' while 38.1 were dissatisfied and 9.1 percent were satisfied (section 5.7, Table 5.41).
- xliii. When asked to rate the financial stability of their units, majority of the respondents, 64.1 percent, were of the opinion that they were quite stable, while 11.4 percent felt that they were not financially stable. The remaining 24.5 percent answered 'can't say' (section 5.7, Table 5.42).
- xliv. When asked to rate the success of their enterprise, 64.7 percent felt that they were successful, while only 2.5 percent felt that they were unsuccessful (section 5.7, Table 5.43).
- xlv. When asked if they would quit their business if they were given a better job opportunity, majority of the respondents, 84.2 percent said that they would not, while only 5 percent said that they would. The remaining 10.8 percent answered 'can't say' (section 5.7, Table 5.44).
- xlvi. With regard to business expansion plans, 68.1 percent said that they had plans for expansion while 31.9 percent answered in negative (section 5.7, Table 5.44).

- xlvii. The above findings prove that majority of the respondents are optimistic about their ventures despite the problems encountered, showing that MSMEs are a permanent solution and not a temporary one for growth and development of an individual as well as the society (section 5.8).

### **7.2.3 Policy Framework for MSMEs in Nagaland**

The policy recommendations are proposed under four main issues, namely, creating a conducive environment for business, entrepreneurship development, access to finance and innovation and technology.

- i. Creating a conducive environment for business:
  - Develop a portal website exclusively for MSMEs containing all information, from registration to available schemes and programmes offered by the Government, to be 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.
  - Carry out annual surveys to keep track of the existence and performance of enterprises which will not only assist in identifying potential units but also sick units, depending on the status of which necessary assistance or action can be taken. Also such a database will help in preparation of reports and evaluation studies related to the sector.
  - Promotion of rural industrialisation through MSMEs.
  - Provision for purchase of machines/equipments.
  - Constitution of a committee specifically to address genuine issues of the sector with a minimum redressal period.
  - Provision for proper channel for enterprises that wish to exit.
  - Provisions for medium enterprises as these have the potential of becoming large enterprises.
  - Feedback mechanism between MSMEs and policy makers to ensure the sector is truly benefited from the policies framed.
  - Top priority should be to ensure the presence of industrial estates or parks in the districts of Nagaland which have the potential for setting up industries, which should be provided with uninterrupted power supply as well as adequate road and rail connection.

- Identify locations for the creation of cold storage, packing houses, warehouses, etc.
- ii. Entrepreneurship development:
- Develop loan programmes in consultation with financial institutions for uprisng entrepreneurs.
  - Identify if gender imbalance exists in business and provide remedies to encourage female entrepreneurship.
  - Emphasis on manpower training to ensure availability of skilled labour in the State.
  - Exposures for deserving entrepreneurs through exhibitions, trade fairs, study tours, be it state level, national or international level.
- iii. Access to finance:
- Lower the interest rates for loans taken by the MSME sector, 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.
  - Sensitising MSMEs as well as banks towards better understanding of the problems each party faces.
  - The policy should make provision to provide training to the MSMEs on the importance of cash-flow management.
  - Emphasis on the importance of maintaining and reporting reliable financial information which will help in assisting banks and other financial institutions at the time of providing subsidies or other financial assistances.
- iv. Fiscal incentives:
- Continuation of power subsidy, drawal of power line and manpower subsidy with an increase in the ceiling limit.
  - Increase in the stipendiary support for entrepreneurs undergoing EDPs.
  - Sales tax and stamp duty exemption should continue while the ceiling limit of subsidy for quality control measures should be increased.
  - Special incentives in the form of land allotment, tax concession and additional subsidies to encourage setting up of large industrial units.

- Formulation of special incentives for sick enterprises and their rehabilitation.
- v. Innovation and technology:
- 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.
  - The policy should also make provisions for financial assistance for the cost incurred in R&D.

### **7.3 Conclusion**

In conclusion we can say that, with regard to the State Industrial policy, it is vital that the State Government takes necessary steps to revise it as it has been in place since 2000, revised only once in 2004. It is imperative to ensure that the policy initiatives are focused on promotion and development of the MSME sector on one hand and large scale industries on the other. As the study revealed the incentive schemes are still based on the old definition of the SSIs. Also out of the ten incentive schemes available, only four were said to be availed. While the continuation of the said schemes is proposed, the subsidy ceilings need to be raised and most importantly, the citizens should be aware of all the schemes and facilities that the Government is offering, be it State or Central schemes. Creation of awareness of the incentive schemes is of utmost importance if we want the policy initiatives to reach the targeted sector and make a positive impact.

The study also revealed that the micro enterprises engaged in manufacturing activities covers the dominate share of the MSME sector in Nagaland, with the presence of small and medium enterprises quite low, especially in the case of medium units. From the study, we can infer that majority of the enterprises are owned by male entrepreneurs an issue which the policy should address to ensure that gender imbalance does not influence businesses. In general, most of the enterprise owners have had some kind of education with majority of them belonging to the age group 31 to 50. Livelihood has been ranked the topmost reason for starting of a venture and majority of the enterprise owners have found that raising of capital to start ones business is difficult. This is an issue which the policy should make provisions for so that genuine entrepreneurs are provided the necessary assistances in their business start ups. While the general opinion towards banks is that they provide loans only to those who are

financially stable, most of the enterprises have not approached banks for business loans. Banks as well as the business owners should be sensitised about the problems and difficulties that each sector faces to create a better understanding between the two parties.

In terms of finance, most of the units maintain their books of accounts manually and not in a professional manner, in the sense that they sometimes just write the transactions down in some slip or paper and fail to make the entries. Also problems such as disbursement of bank loans on time, long bank procedures, non maintenance of cash reserve for emergency situations, availability of funds for purchase of assets, subsidies not being provided to genuine entrepreneurs, lack of honesty and sincerity on the part of government employees in charge of subsidies and demands from informal groups were the major problems of finance identified. Most of the enterprises make use of some kind of machines or equipment as revealed by the study and for those enterprises that had requirements for more machine/ equipment, the major factor stopping them from purchasing it was usually the lack of finance followed by its unavailability in the State and for a few, space constraint. Use of primitive machines/equipments, availability of suitable machine in the State and insufficient power supply were the major problems identified.

Most of the enterprises in the State sell their products directly to their customers and for majority of them the concept of providing credit facility to their customers is a common practice. The two major problems identified under this were difficulty in fixing the prices of the product or service and bargaining by customers. With regard to labour, majority of the enterprises employ about 1 to 5 employees who maybe either skilled or unskilled. The highest number of employees lies in the range 26 to 30 employees, which however, is employed only by a miniscule percent. The major problems identified were difficulty in finding employees at the start of the venture and unavailability of skilled labour.

Therefore, a policy framework has been proposed wherein the issues identified are addressed under five main heads, namely, creating a conducive environment for business, entrepreneurship development, access to finance, fiscal incentives and technology and innovation. It is hoped that in the coming years, the State will witness more development in the MSME sector as well as in the creation of viable and sustainable large scale industries to be able to compete at par with the rest of the country.

## **Contribution to the Body of Knowledge**

- i. Comprehensive studies related to Nagaland, especially with regard to industrialisation and the MSME sector, is few in number. Hence, studies related to any aspect of industrialisation in the State propose to serve as a base for further studies.
- ii. By identifying the problems that affect the enterprises, this information can be used by the policy makers in framing more suitable policy initiatives for the MSMEs in Nagaland.
- iii. The study has also attempted to formulate a policy framework for the MSME sector in Nagaland based on the findings of the study, which can also be of help to the policy makers.

## **Scope for Further Research**

As Nagaland is an industrially backward State, it becomes necessary to ensure that the MSME sector is supported and promoted since this sector has the potential of bringing in economic development, as seen in the review of literature. And so, keeping this in mind, following are some of the areas where further research can be carried out:

- i Study the performance and problems of the unregistered sector in the State.
- ii Carry out a comprehensive study on the effectiveness of various schemes for MSMEs in Nagaland
- iii Study the sector on the basis of their location in rural and urban areas and compare their performance.
- iv Carry out a study on the problems and prospects of women entrepreneurship in Nagaland.
- v A comparative analysis between enterprises that have availed government assistance and those that have not and study their performance.
- vi Study the role of banks and financial institutions in the development of MSMEs in Nagaland.