

ABSTRACT

Title of the Thesis: MSMEs in Nagaland: A Critical Study into their Problems and Prospects.

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Periodicity of Research: The study covers a period 2011 to 2016

Statement of the Problem: During the Third Census of the SSI sector in Nagaland, out of a total of 1114 units surveyed, 534 units were found to be working and 580 units were found to be closed. In the fourth all India census for MSME, data for Nagaland State showed that out of a total of 2332 registered units, 64.26 percent of the units were found to be closed. Data from the Fourth Census also revealed that among the eight Northeastern states, Nagaland had the highest rate of closure of registered MSME units. The review of literature reveals that while MSMEs have proven their potential for bringing in economic and social growth in an economy, they are also hindered by a number of problems in terms of production, finance, labor, marketing and also interferences of government officials. It should be mentioned that in Nagaland, there is scarce availability of capital, production is mostly traditional and techniques are outdated. In addition, its geographical isolation, chronic insurgency problem and the terrain discourages potential investors from investing in the state. MSMEs on the other hand do not require huge capital but generates employment opportunities within a short period. The size and diversity of activities of MSMEs makes them highly adaptable, provided the environment in which they operate facilitates their growth and development. The research is, therefore, proposed to identify and study the problems encountered by such enterprises so that measures can be taken to support and assist them.

Objectives of the Research: The objectives of the study are:

- i) To carry out a comparative analysis of policies for MSMEs in Nagaland with the other North Eastern States;
- ii) To identify and study the problems faced by registered MSMEs in the State;
- iii) To formulate a policy framework for better working of MSMEs in the State.

Scope of the Study: The study was carried out in three districts of Nagaland:

- i) *Kohima* – It is the Capital of Nagaland and all major offices are located in this district. Thus, there is easy accessibility to the offices and financial institutions catering to the needs of MSME units.
- ii) *Dimapur* – Apart from having the maximum concentration of MSME units, this district is also the most accessible district of the State, connecting Nagaland to the rest of the country through roadway, airway and railway. It is also known as the “commercial hub” of the State.
- iii) *Phek* – It is considered as one of the backward region of Nagaland. The lower number of MSME units as well as its remoteness from the major offices and financial institutions made it important to consider this district.

MSMEs registered with the District Industry Centre (DIC) from the year 2006 to 2012 in the 3 selected districts were considered. The primary data was collected in Nagaland from September 2013 to December 2014.

Limitations of the Study: The study is likely to suffer from the following limitations:

- i) The primary study area is restricted to the State of Nagaland covering three districts namely, Kohima, Dimapur and Phek.
- ii) Due to lack of proper records of accounts as well as the respondents’ reluctance to disclose details of the enterprises’ sales, expenses information, only the approximate amounts could be collected.
- iii) The study has taken into account only the enterprises that are registered with the DICs.
- iv) Last but not the least, the study also suffers from the dearth of information on the MSME sector in Nagaland.

Research Methodology: The study is both exploratory and descriptive in nature. Primary data was collected with the help of a Schedule and secondary data sources were also used. A total number of 600 enterprises were selected from three districts of Nagaland, namely, Kohima, Dimapur and Phek. The enterprises were divided into micro, small and medium enterprises. As number of small and medium enterprises were few, all the units were selected, which totalled 78units. To determine the proportion of micro enterprises under each district, proportionate stratified sampling was used after which, with the help of simple random sampling, the enterprises were selected. Problems of finance, production, marketing and

labour, were identified with the help of literature review and preliminary research. Statistical techniques such as percentages, means, t-test and ANOVA were used find out the association amongst the variables with the help of SPSS version 16.

Findings & Suggestions: In order to fulfil the first objective which is *to carry out a comparative analysis of policies for MSMEs in Nagaland with the other North Eastern States*, the State Industrial Policies of all the eight (8) North Eastern States have been studied. It was found that except for Nagaland and Sikkim, the remaining six (6) States have reviewed and formulated their Industrial Policies taking into view the guidelines of the Micro, Small and Medium Enterprises Act-2006. The common objective of all the policies is, however, to facilitate sustainable industrial development through provision of better infrastructural facilities, attractive incentive packages and utilisation of the existing resources. The major differences were found with regard to the incentive schemes offered by each State, wherein a comparative analysis was carried out on the basis of type of scheme, period applicable for and rate of subsidy ceiling.

In order to fulfil the second objective which is *to identify and study the problems faced by registered MSMEs in the State*, primary data was collected from the respondents with the help of a schedule. Problems were classified into four categories, *financial, production, marketing and labour problems* and were measured using a five-point likert scale. Livelihood, desire to earn more money and need to be independent were the top 3 reasons for starting the business. Majority of the respondents, 60 percent, found it difficult to raise the capital as most of them were dependent on their own funds and borrowings from family and friends, with only a few, 5 percent, having taken loans from banks. Demands from informal groups, subsidies not provided to genuine entrepreneurs, lack of funds for purchase of assets were ranked highest with regard to financial problems. With regard to production problems, 80.5 percent of the enterprises were found to use some machines/equipments, out of which 42.7 percent of the respondents mentioned the insufficiency of the machines with lack of finance, unavailability of machines/equipments in Nagaland being the major constrains. Insufficient power supply, unavailability of suitable machines in the State and use of primitive machines were ranked as the major production problems. Coming to marketing, most of the enterprises, 81 percent, sold goods directly to their customers with 75.7 percent offering credit facilities as well. Interestingly, difficulty in fixing prices of the product/service and bargaining by customers were ranked highest with regard to marketing problems. This

mostly affected the manufacturing units. Finally, with regard to labour, majority of the enterprises, 67.5 percent, were found to employ around 1 to 5 permanent skilled labours, the highest coming to 26 to 30 labours, which, however, comprised only 0.3 percent of the total respondents. Majority of the enterprises, 56.7 percent, did not have any local labourers, namely Naga labourers, employed in their enterprises. Difficulty in finding employees at the start of business, lack of skilled labour and labour health problems were ranked highest with regard to labour problems. However, despite these problems, majority of the respondents were optimistic about their business ventures, with 68 percent considering their enterprise a success, 84.2 percent confident that they would prefer continuing with their business venture even if they were offered a better job opportunity and 68 percent with plans for further expansion of their enterprises.

In order to fulfil the third objective which is to *formulate a policy framework for better working of MSMEs in the State*, based on the findings of objectives 1 and 2, a policy framework has been formulated addressing five major heads:

- i. Conducive environment for business
- ii. Entrepreneurship development
- iii. Access to finance
- iv. Fiscal incentives
- v. Innovation and technology

Conclusion: It can be concluded from the study 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. 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 problems such as difficulty in raising capital, demands from informal groups, dishonest handling of subsidies, inadequate power supply, unavailability of machines/equipments, lack of skilled labour are some of the major problems affecting the MSMEs in Nagaland. However, despite these constraints, enterprise owners are optimistic about their ventures, which indicate that MSMEs are not considered just a temporary solution until better job prospects are found, but a permanent solution for the growth and development of not only the individual but also the society as a whole.

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:

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.