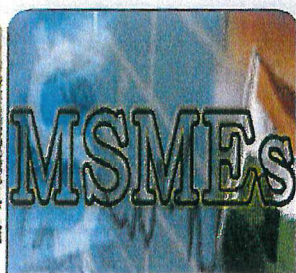


MSME and Sustainable and Inclusive Development of the North East An Evidence-Based Analysis

SUMMARY FOR THE POLICY MAKERS

The Micro, Small and Medium Enterprises (MSMEs) hold potential for sustainable socio-economic transformation of North East, leading to its harmonious and economically sound integration with the rest of the country. However, realization of this potential requires much more active policy intervention, leveraging instruments like The Micro, Small and Medium Enterprises Development Act, as well as technology infusion. The evidence-based analysis by CSIR - NISTADS identifies certain key challenges in developing MSME over North East and suggests a number of interventions to realize the transformative potential of MSME over North East.



MSME IN INDIA AT A GLANCE

Rightly known as the engine of economic growth, MSMEs play a very important role in India in terms of employment. In India MSMEs are more than just GDP earners they are instruments of inclusive growth and gender equity. The MSMEs, despite low investments requirements, is the second largest employer in India after agriculture. MSMEs constitute majority portion of industries in India and produce a large variety of value added products. Since, 1991 government has adopted policies to promote people's participation in this sector and enhance contribution to regional and the national economy.

The CSIR-NISTADS Project is aimed at assessments of potential, challenges and the status of development of MSMEs, along with a socio-economic profiling, to identify policy requirements as well as appropriate S&T interventions to strengthen MSMEs and to explore new types of entrepreneurship suited for North East.

Goal: *Design of evidence-based policy and S&T interventions for enhanced MSME over North East.*

A detailed Report with recommendations has been prepared based on primary and secondary survey and data analysis.

ENTREPRENEURSHIP AND THE NORTH EAST

The importance of MSMEs is all the more significant for North East India where large scale industries haven't come up yet due to several inherent constraints. Moreover, it is relatively easier to promote and develop MSMEs in the region due to intrinsic advantages of MSMEs such as flexibility, inexpensive labour and low overheads, owner management and favourable capital-output ratio, diverse natural and cultural settings of the region, low skill profile of the people, government support, etc. A well-developed network of MSMEs in the region would pave the way for its inclusive and sustainable development.

MSME AND WOMEN EMPOWERMENT IN NORTH EAST

MSME provides a very promising route for women empowerment in North East. The 4th All India Census of MSMEs (registered) revealed that nearly 24% of registered enterprises in North East are owned by women entrepreneurs, as against 13.70% at all India level. This trend can be encouraged through more pro-active schemes and hand-holding practices. MSME can lead to more economic independence and enhanced social status of women.

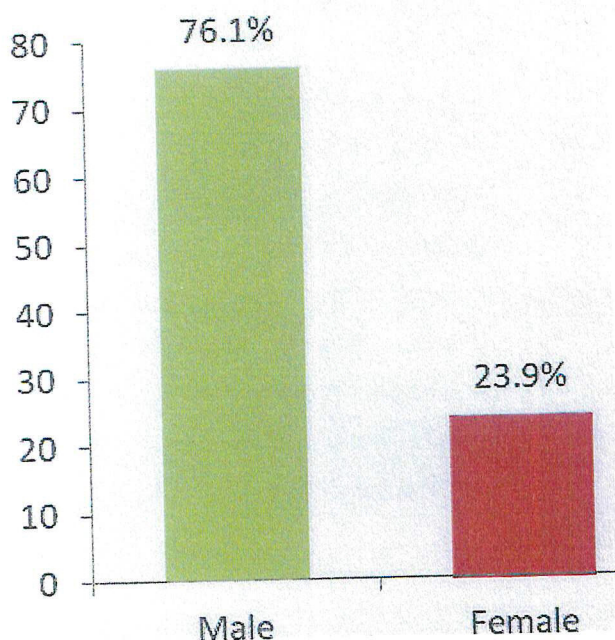


Fig. 1: Ownership profile by Gender

Source: 4th All India Census of MSMEs (regd.)

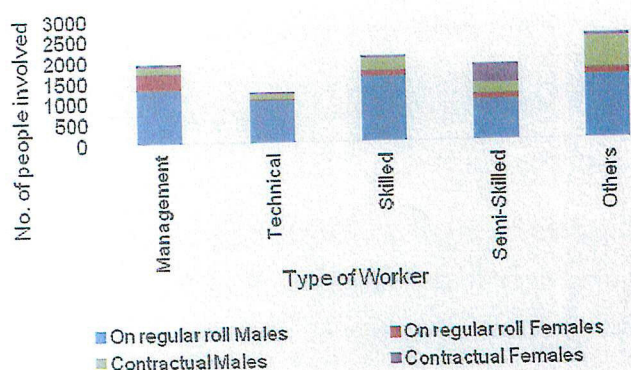


Fig. 2: Strength and profile of workers in MSMEs in North East Region

Source: NISTADS survey 2016

THE NISTADS SURVEY: HIGHLIGHTS

Existing secondary data on parameters critical for assessing status and potential of MSMEs for economic development in North Eastern States was found to be inadequate or inaccurate for comprehensive analysis. The NISTADS survey was carried out in all the eight North Eastern states, viz., Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

Survey was carried out by visiting MSEs in the NE to:

- Build techno-socio-economic profile of NE region.
- Assess the state of development of the MSEs in the region in terms of investment, employment generation, contribution to economic growth & production and identification of their problems and strengths.
- Support the existing MSEs through S&T interventions and viable business models
- Explore the potentials of establishing and promoting new types of MSEs keeping in view the natural and cultural endowments of the region.

MSME IN ECONOMIC DEVELOPMENT

MSMEs provide employment opportunities; contribute to the national income, export earnings, income distribution poverty reduction, increase competition and innovation, etc. In 2014-15, the contribution of MSMEs in GDP is 6%, 33% in manufacturing sector and 45% in exports (Min. o MSMEs). In the absence of large scale industries manufacturing in the NE Region is currently dominated by these MSMEs. So there is substantial contribution from the local MSMEs in the industrial output of the region.

MSME AND EMPLOYMENT IN NORTHEAST

In the region, MSMEs (both registered and unregistered) provide employment to 13.26 lakh people, out of which **2.99 lakh are women**. Of the total employment generated, 9.48 lakh people are in the rural areas. This accounts for 71.49% of the region as compared to 53.97% all India. The employment per registered working enterprise is 11.28 in rural against 6.34 in urban. It is thus seen that MSMEs cater to the employment needs of women and rural areas.

MSME AND FINANCIAL CONSTRAINTS

High cost of equipment and raw material are the most relevant financial hurdles followed by lengthy procedures faced by entrepreneurs of MSMEs in North East region in 2016.

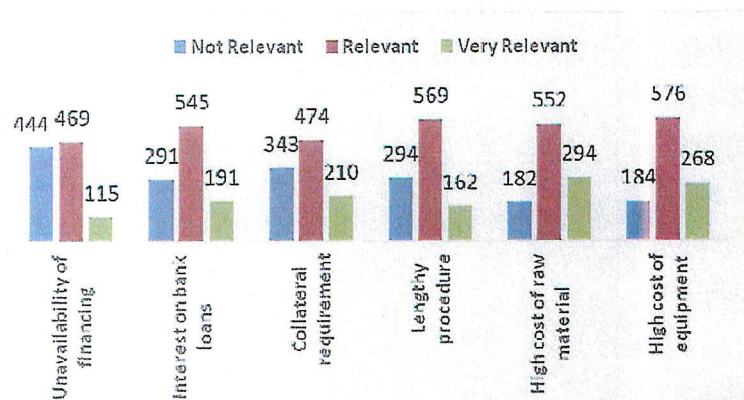


Fig. 3: Financial Constraints on Different enterprises in the NE region (Mizoram, Nagaland, Sikkim, Tripura) and its Relevance
Source: NISTADS survey 2016

“Rich Traditional Knowledge and close Proximity to the Nature makes NE Region a favourable destination for many small scale Industries”

MSME AND SOURCE OF FUNDING

Out of the 1024 samples studied in N.E states in the year 2016, Self financing is considered to be the preferred mode of funding followed by lending loans from nationalised or private banks. There is a huge gap between the two, possibly due to uninformed and unaware people.

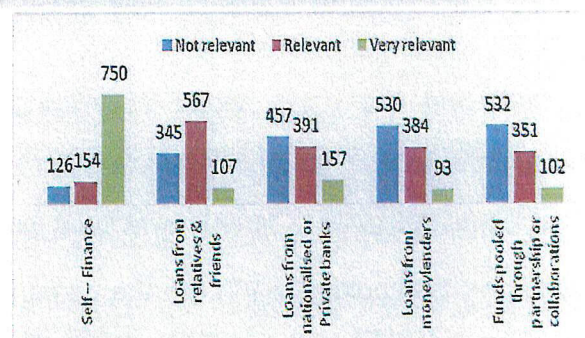


Fig. 4: Source of Funding for Production, Operations of MSMEs in North East Region
Source: NISTADS survey 2016

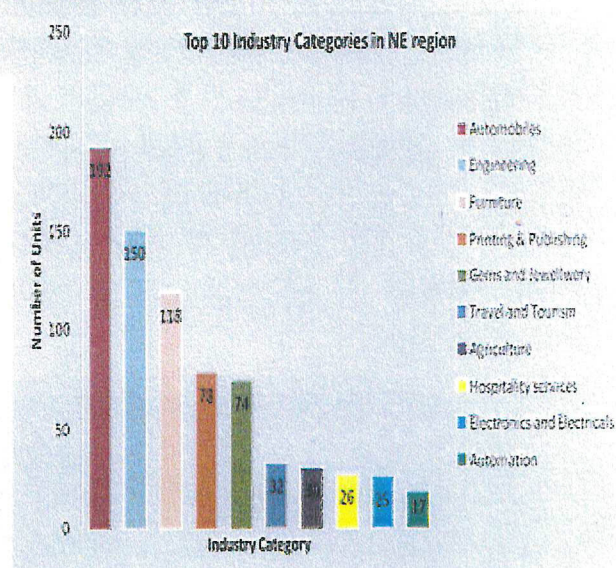


Fig. 5: MSME and Industry Category in North East Region
Source: NISTADS survey 2016

ENABLING MSME IN NORTH EAST THROUGH S&T

Only 10.43% of the surveyed MSEs had plans to change the present technologies/ machineries and acquire new ones. About 14% of the firms, in the past one year, had introduced improved products/ services, production process/ method, new way of management or selling goods or services. Similar proportion of them had expressed their plans to introduce new products in the future.

These indicated the great scope of utilizing S&T in enabling MSMEs being productive and competing.

S&T FOOTPRINTS IN MSME IN NORTH EAST

Science and Technology (S&T) are the primary factors for enhancing MSME sector in India. In NE Region 200 youths are being trained under IT Entrepreneurship Development Training Programme at Aizawl, Mizoram, IT Education Infrastructure has been extended to 140 Schools and 7 Colleges. State Wide Telemedicine has been successfully launched in 6 districts of Arunachal Pradesh. In addition to this a great progress has been observed in the field of Agriculture, Communication and Transport with the support of S&T. (Source-Annual Report, Ministry of Development of North eastern region, 2008-09)

MSME GROWTH POTENTIAL IN NORTH EAST

The export value/ quantity from MSEs in NE is very low. The region has just 1.15% of India's exporting enterprises which contributed to 0.07% export value of all exporting enterprises in India. Given its unique proximity to the SE Asian countries and the conducive environment created by Indian Government's Look East Policy, exports to these countries can be enhanced in multiple ways. In the North East, proportion of women entrepreneurs compared to the national figure is more. This entrepreneurial spirit among the women in the region could be harnessed and further developed through entrepreneurship development programs specially designed for this group.

CHALLENGES

The major challenges being faced by MSMEs are

- Poor infrastructure, lack of awareness of Govt. funds & Schemes
- Lack of entrepreneurial zeal & innovative capability
- Lack of marketing skills to compete globally
- Lack of skilled manpower, difficulty in accessing institutional finance

OUTCOMES OF THE SURVEY

- A 23.9% of the entrepreneurs in NE region are women (Fig. 1)
- Institutional financing appears to be non-relevant for the entrepreneurs. Their financial constraints pertain to high cost of equipment and raw materials. (Fig. 3)
- Self-financing by entrepreneurs is the major mode of funding for production operations. (Fig. 4)
- With the exception of Furniture, Tours and Agriculture, the top ten industry categories under which the MSEs in NE fall are not sustainable to the natural and manpower resources of the region. (Fig. 5)

REALIZATION OF MSME POTENTIAL IN THE NORTH EAST: MAJOR RECOMMENDATIONS

1. Significant number of NE enterprises are owned by women. The open society and lack of employment opportunities in the formal sector could have driven the women to be enterprising. Women entrepreneurship should be promoted as this is a niche area.
2. Relatively less technical and skilled manpower are employed in the enterprises. These categories of workers should be encouraged and increased by the firms in order to promote innovations and to increase productivity.
3. Institutional finances in the form of attractive loans and credits have to be promoted among the entrepreneurs as this would help them expand in production (volume and product types).
4. Enterprises that can thrive on the regional resources are to be further promoted in view of considerations such as carrying capacity and the unique natural endowments of the region.
5. Careful and quantitative mapping of regional MSME potential in terms of complete production and supply cycle.
6. Identification and prioritization of MSME in terms of sustainability and ecological carrying capacity of the region.
7. Creation of complete MSME ecosystem in terms of energy, water, logistics, etc. in North-East.
8. Implementation of Policy and framework for connecting with the national and international markets.

FOR FURTHER INFORMATION

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