



MICRO, SMALL AND MEDIUM ENTERPRISES IN NORTH-EAST INDIA

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ABSTRACT The Micro, Small and Medium Enterprises (MSMEs) are very significant to an economy since they nurture entrepreneurial talent, create employment and also contribute to industrial development and GDP. The North Eastern Region of India is very resourceful but still this region is dependent on other states for fulfilling most of its needs. This shows that the abundant resources of the region are not utilized to the fullest possible extent which is the need of the hour. Development of entrepreneurship through establishment and growth of MSMEs is a noble way for industrialization of these states which are largely hilly. This study seeks to make a comparison between the MSMEs of the North Eastern Region with that of MSMEs in all India with the help of certain parameters.

KEYWORDS : Micro, Small and Medium Enterprises, entrepreneurship, resources

Introduction:

The North Eastern Region of India comprises of the states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim covering an area of about 2.62 lakh square kilometers or 8% of India's total area. The states in this region share certain similar characteristics such as topographical condition, land locked hilly terrain, geographical inaccessibility and remoteness, common climatic condition and rainfall pattern, high forest coverage, and rich flora and fauna. While Arunachal Pradesh, Meghalaya, Mizoram, Nagaland and Sikkim are largely hilly and sparsely populated; Assam, Tripura and Manipur have more plain land in proportion to the hilly area and relatively thickly populated.

The region is endowed with rich natural resources. Harnessing the rich natural resource base of this region should be focused on. This can be made possible by nurturing Micro, Small and Medium Enterprises in NE region which can ensure sustainable utilisation of the available abundant natural resources. Further the speedy development of MSME is a fundamental prerequisite on the premise that this region is dependent for the fulfillment of most of its needs on the other states of the country. The healthy growth of the MSMEs would enable the region to reduce this dependency to the extent possible.

Objectives and Methodology:

Table 1: NE State wise Distribution of number of EM-II filed by MSMEs during 2007-08 to 2015-16

NE States	Number of EM-II filed									Total
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Assam	1811	1711	1678	1506	1218	1451	1860	2629	1075	14939
Arunachal Pradesh	63	144	86	60	25	55	25	25	0	483
Manipur	54	138	81	122	122	181	178	198	15	1089
Meghalaya	403	397	1040	748	573	581	641	118	128	4629
Mizoram	226	478	500	198	131	122	213	278	101	2247
Nagaland	687	2498	1445	217	213	231	242	91	10	5634
Tripura	156	236	220	218	205	150	173	172	92	1622
Sikkim	14	71	18	40	30	11	8	7	9	208
Total	3414	5673	5068	3109	2517	2782	3340	3518	1430	30851
All India	172703	193026	213206	238429	282428	322818	362991	425358	217854	2428813
Percentage	1.98	2.94	2.38	1.30	0.89	0.86	0.92	0.83	0.66	1.27

Source: Compiled from the MSME Annual Report, 2015-16

Note: For year 2015-16, information is available only till September 2015

The above table shows the number of EM-II filed by the entrepreneurs in the North Eastern region and also India as a whole for a period of nine years from 2007-08 to 2015-16. It has been observed that in the NE Region there is an increase in filing of EM-II in 2008-09 from 2007-08 by 66.1% and then there has been a decline by 12% in 2009-10 which further steeply declined by 63% and 23.5% in the years 2010-11 and 2011-12 respectively. During years 2012-13, 2013-14 and 2014-

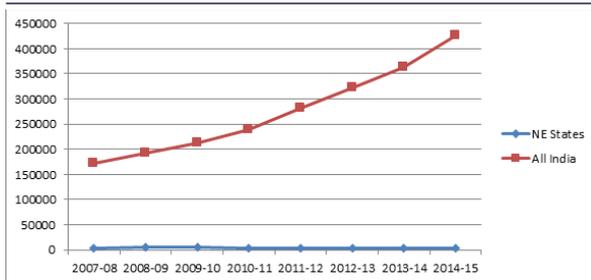
The present study has been done with the objective of making a comparison between the MSMEs of the North Eastern Region with that of MSMEs in all India. The parameters chosen to make this comparison are: number of EM-II filed, number of working units, investment in plant & machinery, output and employment as well as status of operation of MSMEs. The present study is based on secondary sources of data which include research papers, government publications, reports and books.

Analysis of the parameters- EM-II:

The growth of the number of MSMEs can be analysed by observing the Entrepreneurs Memorandum-II filed by the entrepreneurs. Since the implementation of the Micro, Small and Medium Enterprises Development Act in October 2006, filing of the Entrepreneurs Memorandum Part II or EM-II became prevalent. The provisions of the MSME Act, 2006 states that filing of EM-II by the entrepreneurs is totally discretionary or voluntary in nature. The entrepreneurs who want to get their enterprises registered with the respective District Industries Centre (DIC) can file for EM-II after commencement of their project. The EM-II filed by the each of the states in the North Eastern Region from 2007-08 to 2015-16 has been tabulated below along with the all India figures.

15 an increase of 9.5%, 16.7% and 5.1% respectively has been observed. Thus although there was an initial increase in the number of EM-II filed in the region, a steep fall has been observed and then again there is a gradual increase. Among the North Eastern states, Assam with 14939 has the highest number of EM-II filed during these nine years. Assam is followed by Nagaland, Meghalaya and Mizoram. Sikkim has the lowest number of EM-II filed by entrepreneurs.

Diagram 1: NE State wise Distribution of number of EM-II filed by MSMEs during 2007-08 to 2014-15



The total number of EM-II filed in the North Eastern region during these nine years is 30851 while all India figure for the same stands at 2428813. Thus the region includes only a minimum 1.27% of the EM-II filed in the country. The above diagram represents the number of EM-II filed in the North Eastern Region and in India year-wise from 2007-08 to 2014-15. A comparison between them depicts that filing of EM-II in the North Eastern region is quite negligible when compared to the EM-II filed in all India. It has been observed that although several programmes have been undertaken by the Government for promotion of MSMEs but new MSME application registration has remained very low in the North Eastern region compared to the Southern and Western part of the country. Only about 1.5% of the country's MSMEs have been set up in the region (Maisnam, 2015).

Table 2: Growth Index for year wise filing of EM-II in the NE states

Year	State-wise growth index							
	Assam	Arunachal Pradesh	Manipur	Meghalaya	Mizoram	Nagaland	Tripura	Sikkim
2007-08	100	100	100	100	100	100	100	100
2008-09	194	329	356	199	312	464	251	607
2009-10	287	465	506	457	533	674	392	736
2010-11	370	560	731	642	620	706	532	1021
2011-12	438	600	957	784	678	737	663	1236
2012-13	518	687	1293	929	732	770	760	1314
2013-14	620	727	1622	1088	827	805	871	1371
2014-15	766	767	1989	1117	950	819	981	1421

(Note: The growth index has been calculated from Table 1)

The growth indices calculated year-wise from the cumulative growth of EM-II filed in each state has been depicted in the above table. It can be observed from the above table that there has been growth for each state although the rate of growth more or less varies for all the years and for each state. Although there is growth to a certain extent what retards healthy development of enterprises is their unprecedented closure or winding up; in some cases during the initial years of starting an enterprise.

It is worth mentioning that since September 2015 the process of EM-II has been replaced with Udyog Aadhaar online filing system. This new online system of registration is simpler than the EM-II as it includes a simple one page registration form. It is an initiative of the government to avoid cumbersome process of registration of enterprises and promote ease of doing business for MSMEs in India.

Number of working units, Investment in plant & machinery, Output and Employment

Number of working units, investment in plant & machinery, output and employment have been together termed as the Principal characteristics of MSMEs. The principal characteristics of the North Eastern states have been given along with all India figures in a tabular form.

Table 2 State-wise distribution of Principal Characteristics

NE States	No. of working units				Investment in Plant & Machinery (Rs in Crore)	Output (Rs in Crore)	Employment (Nos.)
	Micro	Small	Medium	Total			
Assam	19238	599	27	19864	1070.39	9389.2	210507
Arunachal Pradesh	399	16	2	417	31.22	237.21	5411

Manipur	4480	12	0	4492	41.73	199.8	19960
Meghalaya	2972	37	1	3010	63.55	447.31	12700
Mizoram	3663	51	1	3715	91.57	309.9	26032
Nagaland	1298	33	1	1332	111.23	1396.04	16281
Tripura	1296	43	4	1343	94.24	608.3	23166
Sikkim	110	12	0	122	10.83	51.37	1159
Total	33456	803	36	34295	1514.76	12639.13	315216
All India	1484768	76523	2683	1563974	105024.61	707510.27	9309486
Percentage	2.25	1.05	1.34	2.19	1.44	1.8	3.4

Source: Compiled from the Final Report 4th Census MSME, Registered Sector

In the above table, the number of working enterprises has been shown under the micro, small and medium categories. It has been observed that the number of working micro enterprises is the largest followed by the small enterprises in all the North Eastern states. The presence of medium enterprises is minimal in the region where two NE states are devoid of any such medium enterprise. It has also been observed that all over India the presence of medium enterprises is the least while that of micro enterprises is the maximum. The percentage share of micro enterprises in NE region when compared to all India is only 2.25%, that of small enterprises is 1.05% and that of medium enterprises is 1.34%. In India while a total of 1563974 enterprises are functioning; in the North East a total of 34295 working enterprises or 2.19% is present.

In terms of all the principal characteristics, Assam stands higher when compared to all the other NE states. The investment in plant and machinery in India is Rs. 105024.61 crores while that in the NE is 1514.76 crores which is only 1.44% of all India investment. The output of MSMEs in the region is Rs. 12639.13 crores while that of all India is Rs. 707510.27 crores that represent a share of only 1.8% in total output of MSMEs in India. The MSME sector in India has employed 9309486 persons while in the North Eastern region a total of 315216 persons have been employed by this sector which is only 3.4% of the employment generated by MSMEs in India.

Status of operation of MSMEs

A crucial aspect of the growth of MSMEs is the status of operation of these enterprises. This has been analysed here on the basis of units that are closed and units that are non-traceable in the region in relation to their working units.

Table 3: Status of operation of MSMEs

NE States	Working Units	Closed units	Non-Traceable units
Assam	19864	6266	4209
Arunachal Pradesh	417	167	31
Manipur	4492	929	0
Meghalaya	3010	665	467
Mizoram	3715	669	595
Nagaland	1332	2395	0
Tripura	1343	424	138
Sikkim	122	86	0
Total	34295	11601	5440

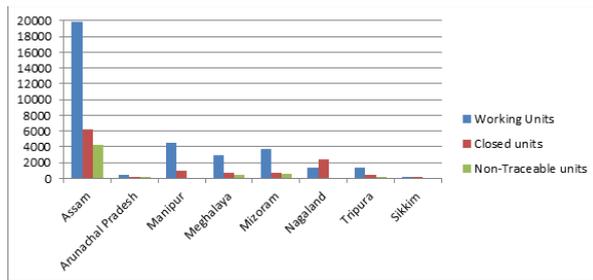
Source: Final Report 4th Census MSME, Registered Sector

A closed enterprise is one whose owner, manager or occupier declares cessation of production and the unit being wound up. Non-traceable units are those which have been registered with respective DICs but their existence could not be found at their latest address. Such enterprises are supposed to be closed down and left no trace of activity to be located. Closed and non-working enterprises together form the non-working enterprises. A higher number of closed and non-traceable units display the lack of sustenance of these enterprises. In all the states of North East, a sizeable number of MSMEs has been closed down as disclosed by the 4th census of Registered MSMEs, 2006-07.

A total of 11601 units have been closed down and 5440 units are non-traceable in NE as per this census report. Assam tops the list in both closed and non-traceable units while Sikkim has the least number of closed units. In the states of Manipur, Nagaland and Sikkim there are no non-traceable units. Such closed and non-traceable units are

definitely a hindrance to the healthy growth of entrepreneurship. It has been analysed that percentage share of closed enterprises stands at 33.8% of the working enterprises. The percentage share of non-traceable units stands at 15.9% of the working enterprises in this region. Closure of enterprises in this sector is very common which do not signify a healthy growth. Therefore, sustenance of enterprises should gain emphasis for industrialization of this region.

Diagram 2: Status of operation of MSMEs State-wise



The above diagram represents the status of operation of enterprises in the North Eastern Region. The foremost reason for closure of enterprises is that the MSME sector in this region has been encountering a tough fight against its own counterparts (i.e. other MSMEs) as well as from the large and organised sector of the country and also from the MNCs. Further there are some inherent problems specific to the region that makes entrepreneurship all the more tedious. A few of such **problems** have been presented below:

- The hilly terrain, remoteness from the mainland, poor infrastructure (power, logistics) in most parts of the region, transport and communication bottlenecks hinders the development of MSMEs in NER.
- Due to lack of adequate assistance from banks and financial institutions, MSMEs in the region starve for the want of long term and working capital needs for their firms. They try to meet these needs either from personal savings or approach friends and relatives.
- Lack of entrepreneurial zeal, lack of innovative initiatives and awareness are a few reasons why the region is lagging behind rest of the country in this sector. People generally do not want to become entrepreneurs by choice. Hence spreading awareness among youth about entrepreneurship to utilize the untapped natural resources of the region is of utmost importance.
- Problems related to labour in the form of non availability of skilled labour, problem of absenteeism and labour turnover, non availability of unskilled labour at times when big orders are received leads to delay or total stoppage in production in these enterprises.
- Lack of marketing skills, limited knowledge and expertise in digital and new age marketing has constrained the growth of this sector. Due to poor market linkages MSMEs are unable to shape themselves to compete in the market.

Conclusion:

The MSMEs in the North Eastern region is at a nascent stage when compared with India. In this study, while making comparisons of the various parameters between the region and all India, the share of the eight North Eastern states has been found to be at a very low level. Therefore this scenario needs improvement. For developing MSMEs in the region the foremost way is to build up entrepreneurial attitude among people of this region. Secondly, there should be proper dispensing and implementation of schemes directed by the government towards this sector especially in the NE Region. Infrastructural facilities shall also provide the much needed thrust to the mushrooming and sustenance of MSMEs in North East India.

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