

A Study of Inclusive Growth in North East Region of India through MSME's

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Abstract:

The North East Region (NER) of India is an exclusive bio-diverse region worldwide loaded with natural resources and rich soil. However, the growth of NER has been thwarted due to a lack of infrastructure facilities, a low rate of savings and investments, and underdeveloped rural areas. The MSME sector in India can utilize the latent resources of the region in the attainment of financial inclusion and overall growth in NER by creating job opportunities and expanding the manufacturing base. The Ministry of MSMEs along with the Government and other bodies has taken several initiatives and measures to develop the MSMEs in the North East Region. Considering the vital position of NER demographically and geographically the Ministry of MSMEs has given special emphasis on tapping the unused resources of the region and also contributing towards inclusive growth of the region.

Keywords: Inclusive Growth, MSMEs, NER

Introduction:

Micro, Small, and Medium Enterprises (MSMEs) are an important pillar of the Indian economy like every other developing economy as they work towards ending poverty by providing employment opportunities to rural and economically backward areas at a relatively low capital cost. They encourage innovation and industrialization which leads to more regional parity and equitable distribution in North East Region (NER). They also produce a diverse range of products and offer services across different sectors of the economy. MSMEs have shown exponential growth despite infrastructural, technological, transportation, and communication issues. According to Rajpal, 2015, the NER remains backward due to its topographical condition and remoteness, adverse climatic conditions, poor infrastructure, political disturbances, local dominance, and unavailability of enabling market conditions. But, MSME sector provides new hope in creating new employment opportunities and in bringing overall balanced growth.

Study Area:

The eight states, namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura are part of the North East Region (NER) of India covering about 2.62 lakh sq. km. area which constitutes 7.9 percent of the country's total geographical area but holds only 45 million population or about 3.8 percent of the total population of the country. (Source: Population Census, 2011). Out of the total population of NER, 80 percent lives in rural area whereas 20 percent live in urban area.

MSME and North East Region:

The MSME sector contributes nearly 30% of the GDP and employs over 11 crore people. It accounts for over 49% of India's export. Due to the rich culture, unique tribes, and distinctive handicrafts of NER, it becomes unique from other States and has more growth prospects for MSME. However, it currently comprises only 1.5 percent of total MSMEs in India. The ecosystem of the region is very conducive to the growth of horticulture, quality spices, and medicinal and aromatic plants which enables to development of unique products like Eri Silk, Muga Silk, Naga Mirchi, and handicrafts. Its geographical location and proximity serve as a gateway to the south and south-eastern nations giving a trading privilege to the region. The contribution of women in North East Region makes MSMEs in the region special because they are more involved in organic farming and value-added natural fibers.

According to the World Bank Report, India's rank improved by 23 positions and now it is placed 77th rank among 190 countries of the World. The NER has started gaining attention due to the expansionary business policy of India across geographical regions. The North Eastern Industrial and Investment Promotion Policy was reviewed in 2017 with a view to attracting investors to the NER. In order to enhance business collaborations between India and its neighboring nations the Summit Destination Assam was organized In February 2018 in Guwahati.

The "North East India Industrial Policy" (NEIP) was introduced in 1997 to strengthen the manufacturing sector. However, it has been allocated inadequate funds of Rs. 15 crores, along with an investment grant of up to Rs. 30 lakhs; tax immunities; subsidies on transportation to develop the region. In 2007 announcement was made regarding the revision of NEIP due to many problems attached to it. It elevated the investment subsidy ceiling up to Rs. 1.5 crores but does not produce the required change. Accordingly, NEIP has revised again in 2017, focusing more on the monetary, fiscal, and infrastructural development of the northeast. The North East Industrial Development Scheme introduced in the year 2018 has injected Rs. 3,000 crores in capital for creating employment in the NER and to encourage MSMEs.

Objectives Of The Study:

1. To study the role MSMEs in the overall development of North East Region of India.
2. To study the effect of special schemes targeted for the North-East Regions by the Government of India.

Research Methodology:

The given study is of descriptive nature and based on secondary data only which is composed of various sources like research papers, journals, and magazines of national and international publications, various issues of RBI, annual reports from the Ministry of MSME, handbook of statistics of the Indian economy. The collected data is processed, tabulated, and represented using graphs, diagrams, and maps. The topic is concluded on the basis of analysis performed using the above described methods.

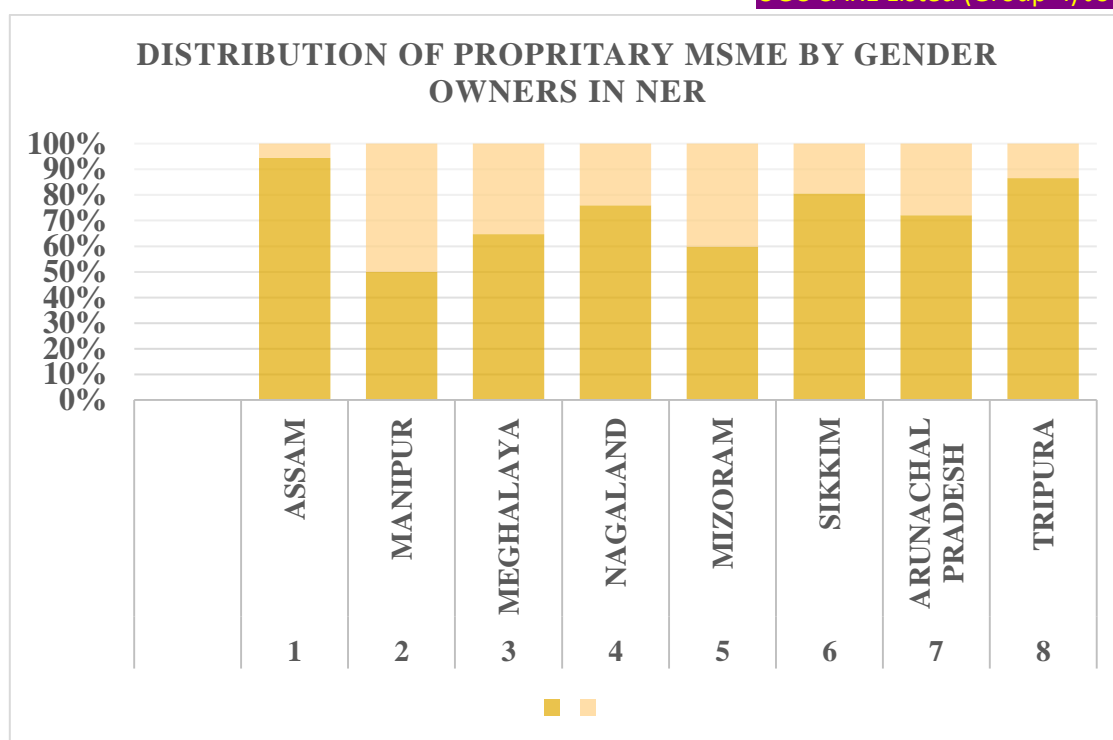
Presentation And Analysis Of The Study:

1.1 Distribution of Proprietary MSMEs by Gender:

In India, there are total of 6,08,41,245 Proprietary MSMEs among them 4,84,50,722 owned by Males and 1,23,90,523 owned by females. Out of the total MSMEs across India, 3.24% are male-owned proprietary and 2.16% female-proprietary in the North East States. (Source: NSS 73rd Round of NSSO).

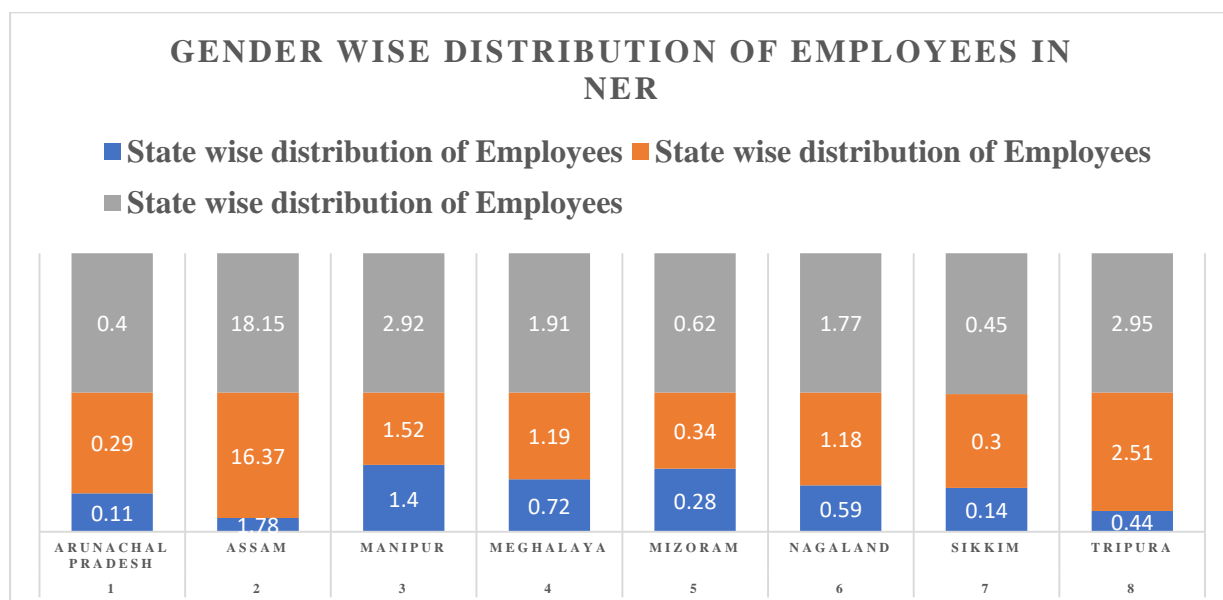
DISTRIBUTION OF PROPRIETARY MSMEs BY GENDER OWNERS OF NORTH EAST STATES (NSS 73RD ROUND)			
SR.NO	STATES/UTs	MALE	FEMALE
1	MANIPUR	86383	86604
2	MEGHALAYA	72191	39462
3	NAGALAND	65778	20865
4	MIZORAM	20439	13698
5	SIKKIM	20880	5036
6	ARUNACHAL PRADESH	16153	6274
7	TRIPURA	179169	28042
8	ASSAM	1128411	66665

(Source: MSME Report, 2021-22)



(Source: MSME Report, 2021-22)

The NER has witnessed limited industrialization which has been centred around the Micro resource-based and Micro household industries. The following figure shows the distribution of employees in North East Region according to the 73rd NSS round, 2015-16. The number is highest in the state of Assam whereas it is lowest in the case of Arunachal Pradesh for both males and females.



(Source: NSS 73rd Round, 2015-16)

1.2 Targeted activities for the North East Region (NER):

The MSME Ministry have announced many activities specially designed for NER. The following table shows that during 2017-18 to 2021-22 out of the total budgetary allocation 10% of the funds are allocated exclusively for the implementation of schemes/ projects dedicated to NER.

Year	Budget Allocation	10% Budget Allocation to NER	Expenditure NER
2017-18	6481.96	643.85	590.36
2018-19	6552.61	670.05	671.85
2019-20	7011.29	755.26	720.55
2020-21	7572.20	758.93	482.07
2021-22	15699.65	1608.61	1016.03

(Source: NSS 73rd Round, 2015-16)

1.3 The schemes towards the promotion of MSME's in NER:

Mini Technology Centres:

To set up new and modernize prevailing Mini Technology Centres financial aid is provided to the State Government which should not be more than Rs.10.00 crore and equal to 90% of the cost of their capital assets.

Establishment of New and Expansion of Existing Industrial Estates:

To establish New and develop Existing Industrial Estates 80% of the cost of infrastructure facilities is sanctioned up to a maximum limit of Rs. 8.00 crore.

Capacity Building of Officers:

The government of India along with the Governments of respective States provides financial assistance for various technology enhancement and management programs for the officers.

North East Industrial Development Scheme (NEIDS):

In order to enhance employment and incentivize eligible industrial units engaged in the manufacturing and service sectors in NER, the "North East Industrial Development Scheme" was launched for industrial units. This scheme aims to promote sustainable industrialization and employment generation. The units engaged in the manufacturing and service sectors will be granted a package of fiscal incentives under this scheme.

Under the North East Industrial Development Scheme following initiatives are taken:

Corporate Finance to be provided for strengthening the financial health of the firms.

Equipment Finance of a minimum of Rs. 25 lakh is provided to the firms having good credit records in the NE States for acquiring specific machinery or equipment.

Initiative for Development of Entrepreneurs in Agriculture (IDEA) composite loan comprising term loans and working capital is provided to graduates and post-graduates in agriculture and related activities to promote agri-business ventures and also to provide supplementary sources of input supply and services in the North-East Region.

Micro Finance is provided to cater to the financial requirements of small and medium size agriculturalists, and entrepreneurs in NER.

NEDFi Equity Fund is provided to individual entrepreneurs or groups of entrepreneurs having sound business ideas with high growth potential for a single project ranging from Rs. 50-300 lakhs.

North East Entrepreneurs Development (NEED) Scheme provides loans term loans up to a maximum of 75% of the project cost to the first generation entrepreneurs having qualifications in the relevant field who are short of equity funds.

North-East Handloom Handicrafts (NEHH) Scheme aims to promote local artisans and thereby achieve economic growth in handlooms and handicrafts sectors in NER.

Women Enterprise Development (WED), financial assistance is provided for taking up business ventures and also for expansion, modernization, and diversification of existing businesses of women entrepreneurs in NER.

1.4 Initiatives to enhance Export Competitiveness through Capacity Building Programs:

EXIM and NER: The EXIM Bank has taken the initiative to appreciate the strategic importance of the MSME sector in NER and collaborated with the United Nations Development Program (UNDP) seeks to strengthen MSME units in the region by leveraging on opportunities emerging from the Government of India's Act East Policy, as well as growing recognition of the long-term advantages of export-led growth in alleviating poverty and sustainable development. The initiative supplements India Exim Bank's existing financing programs and Grassroots initiatives for facilitating export promotion in the region.

Skill Development: The Government has initiated various skill development programmes in North East Region such as the Entrepreneurship Development Institute of India, MSME-Development Institutes, and MSME-Tool Room (Tool Room & Training Centre). For promoting the development of MSMEs in the states of Assam, Meghalaya, and Arunachal Pradesh the MSME Development Institute, Guwahati was established in 1958. Also, to increase productivity and income levels various training and academic institutions and vocational training centres were set up.

North-East Rural Livelihoods Project (NERLP): The NERLP is targeted to develop rural livelihood focusing on vulnerable sections of four NE states that is Mizoram, Nagaland, Sikkim, and Tripura to have social and economic empowerment in this region. This project is funded by International Development Association (IDA) to develop community institutions for natural resource management, microfinance, market linkage, and sectoral economic services.

1.5 THE INITIATIVES TO ENHANCE ENTREPRENEURSHIP IN NER:

The Indian Institute of Entrepreneurship (IIE), three Indian Institutes of Information Technology (IIIT), Institutes of Hotel Management, Film and Television Institute, and National Institute of Design (NID) have been working rigorously to develop and promote entrepreneurial skills and thereby making a favorable environment to boost entrepreneurship in North East Region.

Further, Krishi Udaan Scheme was introduced in NER to relinquish locally produced goods, 586 Van Dhan Vikas Kendras, Zoram Mega Food Park, etc. were established.

The PMYUVA Pilot is implemented in the state of Assam and Meghalaya, in selected ITIs, Polytechnics, Pradhan Mantri Kaushal Kendra (PMKKs) centers, and Jan Sikshan Sansthan (JSS) to encourage Entrepreneurship Development.

1.6 CREDIT SCHEMES FOR ENTREPRENEURSHIP DEVELOPMENT IN NER:

Under *Stand-Up India Scheme*, for underprivileged categories like SC/ST/Women Rs. 714.83 crores amount of loans were sanctioned for 3,449 loan accounts.

Under *Pradhan Mantri Mudra Yojana* is implemented in 8 states and a total of Rs. 48,868 crores were sanctioned in 1,07,26,209 loan accounts.

Under the *Prime Minister's Employment Generation Programme (PMEGP)* total of 1,95,640 employment was generated and 24,455 units were set up between the period from 2017-18 to 31st December 2020.

Under *Interest Subvention Scheme for Incremental Credit* to MSME an amount of Rs. 21.26 crore was given to 83,393 beneficiaries.

Under the *Start-Up India Initiatives* 408 start-ups have been recognized aiming at fostering entrepreneurship and promoting innovation in the region.

North East Development Finance Institution (NEDFI) has extended financial assistance to enable the capital formation of around Rs.15922 Cr. from 1995 to 2020.

The first dedicated *Venture Fund for North East*, the NEVF covered the major sectors by providing investments worth Rs 59.52 Crore.

Under *North East Industrial Development Scheme (NEIDS)* almost 202 units have been registered in 2017 in order to boost the process of industrialization to generate new employment and income opportunities.

The various E-Commerce portals have been launched by Organizations such as NEHHDC, TRIFED, and KVIC like purbashree, tribes India, and ekhadi India enabling entrepreneurs from NER to market their products on a larger scale. The Zonal office and other field offices have also been established for the effective execution of the Khadi and Village Industries program in NER. KVIC has also created employment opportunities in NER through PMEGP.

The organizations like NEHHDC and TRIFED are also creating a way to promote products produced by NER through other e-commerce platforms.

Conclusion:

The MSMEs have a greater role in achieving the objective of Inclusive Growth as most of the population in NER lives in rural areas. MSME Ministry with the help of cluster development and skill development programs, by setting up Industrial Estates and providing better Marketing facilities can create a conducive environment to strengthen the manufacturing base in NER. The MSME Ministry has been taking constant efforts in the form of various initiatives and measures to facilitate inclusive

growth of the NER which is a demographically and geographically weaker section of the country despite its well-endowed resources. The government is also taking various steps to provide a more secure financial environment; better infrastructure facilities in the form of digital and physical connectivity, uninterrupted power supply; special plans for underdeveloped rural areas; accelerating savings and investments; etc. which are prerequisites for the inclusive growth of NER.

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