

Msmes In Arunachal Pradesh-Overview And Challenges

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ABSTRACT

The Micro, Small and medium enterprises of Arunachal Pradesh is an important driving factor for the growth of Arunachal Pradesh Economy. These MSMEs not only provide the employment opportunities but helps in the process of industrialization in rural areas simultaneously reducing the unequal income distribution among the residents. The MSMEs contribute significantly in the development of Arunachal Pradesh economy through export production, domestic production, low investment requirements, operational flexibility, technology oriented enterprises etc. In Arunachal Pradesh, after agriculture, small business is the second largest employer of human resources. MSMEs constitute more than 80 percent of the total number of industrial enterprises and support industrial development, 40 per cent of industrial output, 80 per cent of employment in the industrial sector, 45 per cent of value added by the manufacturing sector and 40 per cent of total exports. In this paper an attempt is made to know the growth and contribution made by Micro, Small and Medium Enterprises in Arunachal Pradesh and to understand the role of MSMEs in providing employment opportunities in Arunachal Pradesh. The various problems faced by these MSMEs in executing their operations have also been discussed in this paper.

Key words: MSMEs, Employment, Growth, Challenges of MSMEs.

INTRODUCTION

Micro, small and medium enterprises which is owned and run by one or few individuals are generally suffer from some instinctive deficiencies like weak capital base, lack of proper technical know-how, weak bargaining power, poor marketing capability etc. Thus the earlier chapters it is revealed that the micro, small and medium enterprises (MSMEs) plays an important role in the state's economy. It provides employment opportunities, generates income and substantially contributes to the state domestic product. But despite of their contributions and presence of new industrial policy, the enterprises in the district face problem from various fronts.

This sector has exhibited tremendous capacity for employment generation, greater resource use efficiency, and technical innovation, promoting inter-sectoral linkages, raising exports and reducing regional imbalances. But still there are many problems faced by entrepreneurs to establish themselves as a part of MSME sector. Small and Medium Enterprises (SMEs) play a vital role for the growth of Arunachal Pradesh economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Arunachal Pradesh and international markets. SME's Contribution towards GDP in 2017 was 17% which is expected to increase to 22% by 2020.

Definition of MSMEs

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro Small and Medium Enterprises are classified in two classes:

- A) Manufacturing Enterprises – Investment in Plant and Machinery
- B) Service enterprises- Investment in Equipment.

Classification	Investment Ceiling for Plant, Machinery or Equipment	
	Manufacturing Enterprises	Service Enterprises
Micro	Up to Rs. 25 lakhs	Up to 10 Rs. Lakhs
Small	Above Rs. 25 lakhs and Up to Rs. 5Crores	Above 10 Lakhs and Up to 2 Crores
Medium	Above Rs. 5 Crores and Up to Rs.10 Crores	Above Rs. 2 Crores and up to Rs. 5 Crores

Source: Ministry of MSMEs

REVIEW OF LITERATURE

Ghatak, Shambhu (2010) in his paper titled "Micro, small and medium enterprises (MSMEs) in Arunachal Pradesh: an appraisal highlighted that status of Arunachal Pradesh MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts where as about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Arunachal Pradesh SMEs have their bank accounts. He further stated that Arunachal Pradesh Govt. should accelerate its initiatives to provide further support to these Small scale industries. **D. Chobin (2002) "Problems and Prospects of Industrial Development in Arunachal Pradesh: A Case Study of Lower Subansiri and Papumpare District"** in his book he made an attempt to examine the industrial scenario and identify the factors which are responsible for slow growth of industries in Lower Subansiri and Papumpare district. Further he had attempted to identify the industries based on locally available resources, which have potentiality for development in both the districts. He also concluded in spite of government support the local industries did not grow to a large scale.

Objectives of the study

1. To study the overview of Micro Small and Medium Enterprises Arunachal Pradesh.
2. To know the problems faced by MSMEs in Arunachal Pradesh.

Research Methodology

The study is based on secondary data that has been collected from various secondary sources such as magazines, annual reports, department of MSMEs & various other published reports. The data has been presented in the form of table and interpretations have been made in light of the objectives of the study cited above.

A. MSMEs - IN Arunachal Pradesh - an Overview

Micro Small and medium industries form an important sector in the economy of Arunachal Pradesh. The industries are classified in different categories in different states, though the broad categories were mention by Indian Industrial Policy. According to Indian Industrial Policy, there are four broad categories of industries exist i.e. industries controlled by central government like production of arms and ammunitions, management of railways, etc; industries are planned and regulated by central government like cement industries, paper industries, etc; industries undertaken by state government like mineral oils, iron and steel plants, etc; and industries run by cooperative groups or private individuals.

In Arunachal Pradesh industries classified under Indian industrial policy do not exists but it has certain industrial classification of its own in private sector only.

The detail classification of industries in Arunachal Pradesh is shown below

A) Agro-Based Industries

1. Paddy Dehusking Mill,
2. Tea Factory,
3. Mustard Oil Mill, etc.

B) Forest-Based Industries

1. Saw Mill,
2. Incense Sticks manufacturing unit,
3. Veneer & Plywood Mill, etc.

C) Mineral-Based Industries

1. Cement Factory,
2. Stone Crushing Unit,
3. Ferrous Alloy Unit, etc.

D) Demand-Based Industries

1. Barbed wire Unit,

2. Black Smithy,
3. Printing Press Unit,
4. Steel Fabrication Unit, etc.

Micro, Small and Medium Enterprises Development Act, 2006 which has come into force from 2nd October 2006, the entire concept of 'Industries' has been changed to 'Enterprises'. The industries which were called as Small Scale industries and Agro & rural industries are now come under single head called Micro, Small and Medium Enterprise. Now the enterprises have been classified broadly into:

1. Manufacturing Enterprises

The enterprise which is engaged in the manufacturing or producing goods to any industry called as manufacturing enterprises. The manufacturing enterprises have been defined in terms of investment in Plants & Machinery excluding Land & Building, and further classified into:

- a. Micro Enterprises: Investment upto Rs 25 lakh.
- b. Small Enterprises: Investment above Rs 25lakh and up to Rs 5 crore.
- c. Medium Enterprises: Investment above Rs 5 crore and upto Rs 10 crore.

2. Service Enterprises

The enterprise which is engaged in providing or rendering of services called as service enterprise. The Service enterprises have been defined in terms of their investment in equipment excluding Land & Building and further classified into:

- a. Micro Enterprises: Investment up to Rs 10 lakh.
- b. Small Enterprises: Investment above Rs 10 lakh and up to Rs 2 crore.
- c. Medium Enterprises: Investment above Rs 2 crore and upto Rs 5 crore (Government of India, 2007: 8-9)

The enterprises in Arunachal Pradesh are functioning according to the MSMED Act, 2006. The growth of small and medium enterprises in Arunachal Pradesh in the recent past has been significant. The district industries centers set up by the government has greatly contributed to the promotion of small and medium enterprises in the rural areas. The number of micro, small and medium enterprises significantly increased to 632. Their investment has also increased constantly. As per the data, the investment of MSME has increased to Rs 168612.04 lakh. Similar growth is observed in case of generation of employment by MSME sector. Their employment potential enormously increased to 4591 persons by the end of March 2020. A few more particulars are presented in table.

Table 1: District wise Small scale and Medium scale industries and their employment and investment in Arunachal Pradesh as on 31st March 2020.

Sl. No	District	No. of village and SSI units registered permanently	No. of Medium Industries	Total no. of Employment	Total Investment (during 2012-20)
1	Tawang	23	-	118	25.20
2	West Kameng	55	-	70	105.00
3	East Kameng	10	-	30	12.50
4	Papumpare	108	4	1500	2500.00
5	Lower Subansiri	46	-	60	50.00
6	Kurun kumey	4	-	20	11.00
7	Upper Subansiri	29	-	30	21.00
8	West Siang	61	-	125	151.00
9	East Siang	48	-	1251	300.00
10	Upper Siang	3	-	62	95.70
11	Dibang Valley	1	-	10	10.00
12	Lower Dibang Valley	74	2	679	350.00
13	Lohit	83	2	234	280.00
14	Anjaw	-	-	-	-
15	Changlang	24	5	350	582.37
16	Tirap	47	3	58	300.00
Total	616	16	4591	4793.07	

Source: Statistical report 2020

A good number of enterprises have come up after March 2020, so the total numbers of enterprises in current period of time may be somewhat different. As no updated data is available so it is very difficult to reveal the exact numbers of enterprise in every district in Arunachal Pradesh. Although, the exact numbers of enterprises in case study area i.e., Papumpare can be seen in upcoming chapter.

The table reveals that the highest number of permanently registered SSIs belongs to Papum Pare district with 18.53 percent, whereas with only 1 unit in Dibang valley district, having the lowest percentage of registered SSIs. The newly formed Anjaw district still has to start industrialization process. Coming with the medium

industries Changlang district is having 31.25 percent of total industries of state and next with 25 percent of total industries is Papumpare district.

While coming to the total investment during the year 2012-18, the highest share of 54.17 percent is with Papum Pare district as the numbers of industries is higher than the rest of the districts. The highest rate of employment is also in the Papum Pare district with 32.67 percent. The per unit employment is highest in the East Siang district with 26.06 percent whereas by leaving Anjaw district, the lowest per unit of employment is in the Upper Subansiri district with 1.03 percent.

B. Problems of MSMEs in Arunachal Pradesh

The North East Region (NER) States comprises of eight states Arunachal Pradesh, Assam, Meghalaya, Mizoram, Nagaland, Manipur, Tripura and Sikkim, which cover 263179 Km² of area that is 8% of India's total area face a number of critical developmental challenges. The North East region is characterized by low per capita income, low capital formation, inadequate infrastructural facilities, communication bottleneck and geographical isolation from the mainstream. It is also characterized by inadequate exploitation of the natural and human resources, for which industrial activities are very low in the entire region and high unemployment rate among the relatively highly literate people. The biggest problem facing the NER is the lack of adequate and reliable infrastructure. Industrial backwardness of this region is reflected in the fact that the contribution of the manufacturing sector to the state domestic product of the region is much smaller than the contribution of this sector to the national product in the country. Despite of different policies and supports provided by the Government, benefits to the north east economy is extremely marginal. It cannot attract much of the investment and also entrepreneurs. It may be noted that private capital is yet to be interested in investing in infrastructure development in the North East. This sector can stimulate economic activity and is entrusted with the responsibility of realizing various objectives generation of more employment opportunities with less investment, reducing regional imbalances etc. The MSMEs are not in a position to play their role effectively due to various constraints. The problems of MSMEs Arunachal Pradesh are not much different from that of the problems of MSMEs in the national level are facing, yet following are some of the specific problems faced by the MSMEs of these two region. The MSME sector face problems at every stage of their operation, whether it is buying of raw materials, manufacture of products, marketing of goods or raising of finance. The various constraints, the various problems faced by small scale industries are as under:

1. Lack of credit from banks- The banks are providing on an average 50% total capital employed in fixed assets. The cost of credit is also high. Interest rates on MSME loans are between **8.65% to 16.25%.**

2. Competition from multinational companies- In present era of globalization, the MSME'S are facing the great from the international manufacturing companies who are proving quality goods at cheapest price.

3. Poor infrastructure- Though, MSME'S are developing so rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.

4. Unavailability of raw material and other inputs- For MSME's required raw material skilled work force and other inputs, which are not available in the market. Due to unavailability of these essentials, it is very difficult to produce the products at affordable prices.

5. Lack of advanced technology- The owners of MSME'S are not aware of advanced technologies of production.

6. Lack of distribution of marketing channels- The MSME'S are not adopting the innovative channels of marketing. The ineffective advertisement and poor marketing channels leads to a very poor selling.

7. Lack of training and skill development program-

The owners are not aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient.

Findings

1. Growth of MSMEs in rural areas i.e. 51% are more when compared to urban areas i.e., 49%.
2. Growth of Medium enterprises i.e., 0.05 lakhs are very low when compared to Micro and Small enterprises i.e., 630.52 lakhs and 3.31 lakhs.
3. Male owned MSMEs i.e., 79.63% as compared to female owned MSMEs i.e., 20.37%.
4. Male owned enterprises are more in case of small and medium enterprises i.e., 95% and in case of micro enterprises their dominance is 80%.
5. Employment generation is more in Urban areas i.e., 55% when compared to rural areas i.e., 45%.
6. Male employees are 76% and female employees are only 24% in MSMEs sector.
7. Out of 1109.89 lakhs no. of MSMEs, the growth of medium enterprises are only 1.75 lakhs.
8. In case of service sector, registration of MSMEs under UAM is 55%, whereas manufacturing sector it is 45%. Till May 2019, 68.25 lakh MSMEs have been registered under UAM.

Suggestions

1. MSMEs in urban areas need to be improved to create more employment opportunities for the development of economy.
2. Opportunities must be provided to women in terms of employment and business both in urban and rural areas through proper training.
3. Government of India must take necessary steps to encourage medium enterprises too.
4. Bank credit and interest rates must be flexible according to the requirements of MSMEs.
5. Proper training must be provided to the MSMEs both in rural and urban areas in terms of technology and innovation.

Conclusion

The MSME sector in India is growing at good pace & even is providing employment opportunities to masses of the people. The contribution of Manufacturing Sector as well as Service Sector of MSMEs is significant to the total GDP of the Country. The Govt. of India has taken number of initiatives & is in the process of gearing up the growth of Micro, Small & Medium Enterprises in the country.

Small and Medium Enterprises (SMEs) contribute to economic development in various ways such as creating employment opportunities for rural and urban population, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole. SMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology; ineffective marketing due to limited resources and non-availability of skilled manpower. There is no denying of the fact that the MSMEs can be aptly identified as the facilitator of sustainable growth. They can grow in areas of relative backwardness and become the rope for bridging the inequality. They can grow in areas of relative backwardness and become the rope for bridging the inequality. In short, the MSMEs can be nurtured to cause positive transformations in the socio-economic milieu of a society. Therefore, the need of the hour is to devise a national policy for nurturing and strengthening the MSME ecosystem in the state.

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