

ROLE OF EMERGING SMALL SCALE INDUSTRIES IN THE RURAL DEVELOPMENT OF NORTH-EASTERN STATES OF INDIA—An Analytical Approach

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Introduction

The development of Small Scale Industrial sector has been viewed as a powerful instrument for realising the twin objectives of achieving 'Accelerated Industrial Growth' and creating 'Productive Employment Opportunities' in an economy. In fact, the Small Scale Industries (SSIs) have contributed significantly towards the national economies all over the world and are considered to be the engine of growth in most of the developed and developing countries. They also play an important role as producers of consumer goods and absorbers of surplus labour thereby addressing the problems of poverty and unemployment to some extent. Small-scale industries also have a merit of being agents that help in mitigating regional imbalance, act as a nursery for entrepreneurship and facilitate mobilisation of local resources and skills, which might have otherwise remained unutilised. In recent years, the SSI Sector has emerged as a dynamic and vibrant sector of the Indian economy displaying its phenomenal growth in the varied fields of production, employment, and dispersed development in general and exports in particular.

There had been several attempts to analyse the development and role of SSIs in India's economy at national as well as regional

level. Sandesara (1988) reviews the Indian experience of promoting small-scale industry over the last four decades based on official reports and academic studies on the subject. It traces the changes in the growth and diversity of small industry in terms of definitions, employment share in the manufacturing its structure. According to Nath (1998) persistent efforts have been made to promote small-scale industries in India as a source of large-scale employment generation and equitable distribution of income. There has been substantial growth of these industries over last few decades. Whether this growth has achieved the intended goals is subject to empirical scrutiny. However it has been observed that the growth and expansion of the small-scale sector have been uneven across the states. Dutta and Singh (2003) argue that the small-scale industry is a key to India's growth and alleviation of poverty and unemployment in the country. Therefore, promotion of such enterprises in developing economies like India is of paramount importance since it brings about a great distribution of income and wealth, economic self-dependence, entrepreneurial development, employment and a host of other positive, economic uplifting factors. Shah (1994) found that along with the growing industrial sector, functional complementarities between large- and small-scale enterprises have become a widely prevalent phenomenon. Expanding the base of the industrial production leads to division of processes where large- and small-scale units operate as complementary to each other. Such complementarities and division of labour between the different sized firms' results into cost minimization, and acceleration in growth of the manufacturing sector. Ghose (2001) observed that over the years the concept of small-scale industries has undergone periodic changes and the definition of small-scale industries has been modified from time to time in view of the government policies and overall economic environment. Even the criterion used to define small-scale industries has also undergone changes with investment being the sole criterion and dropping power and employment criterion.

Dealing with the industrial development and process of industrialisation in North-Eastern region of India Neog (1988) emphasised that in a broad sense, the process of industrialisation in India has started with the Second Five Year Plan, under which expansion of capital goods industries was given more priority. But till the present day, the country with its multi-regional economy is far from achieving equal regional development. Rather while some states or regions have achieved more development, certain other

regions are lagging behind. Accordingly the Central Government still declared the entire North Eastern Region as industrially backward and is offering a host of incentives to industrialise it. Vepa (1997) have noted the importance of the small-scale sector not merely for providing employment at reasonable cost but also as a dynamic engine of growth for the national economy. It was pointed out that the major problems of small-scale industries are geographic isolation and limitation of market. The same is also true in the case of North-East India in spite of its unique set of favourable circumstances like high literacy rate and a marked degree of entrepreneurship. These favourable conditions must be accompanied with proper investment, marketing assistance and accountability.

Keeping this in view the present study analyses the status and development of small-scale industries in the North-Eastern states of India. This study has two basic objectives: (1) to analyse the structure of the Small Scale Industrial (SSI) sector, and (2) to review the status of SSI sector in rural areas in comparison to urban areas. The plan of this paper is as follow: section 2 deals with the data set and scope of the study, section 3 analyses the development of small-scale industries in the North-Eastern states of India. The last section is devoted to the major findings and conclusions.

Data Set and Scope of Study

This study is based on up-to-date and relevant statistics collected from a number of secondary sources. This is presented at various levels at national, state and district level mainly arranged from the Reports of All India Census of SSIs, Basic Statistics of North Eastern Council and publications of the State Directorate of Industries, State Directorate of Economics and Statistics etc.

The Second and the Third All India Census of SSIs are two major data sources, which were considered important and relevant for this study. These two Censuses were conducted during 1989-90 and 2002-03 respectively. Though the First Census was conducted in 1973-74 but for the purpose of the study it was not considered because some smaller states of the region had just got their statehood and hence data available was not adequate enough for the purpose of comparative analysis. The analysis of statistical information obtained from the two consecutive census reports not only indicates the distribution pattern of the industrial units in the state but also indicates the nature of sampling that need to be chosen in order to give proper representation to each segment of the overall industrial structure of the north-eastern states.

As this study is mainly confine to northeastern states of India it is important to note that there are eight states in the region namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Out of which excluding Assam, Tripura and Manipur to some extent, the rest of the states are hilly in nature and are tribal dominated. The region can thus be divided into two groups—Tribal population dominated states, which include Arunachal Pradesh, Meghalaya, Mizoram, Nagaland and Sikkim and the Non-tribal population dominated states of Assam, Manipur and Tripura. These states share international boundaries with Bangladesh, Myanmar, China, Bhutan and Nepal.

Small-Scale Industries in North Eastern Region

A country or a region is said to be developed when both its primary and secondary sectors develop simultaneously and more or less equally. It is said that the relationship between agricultural development and industrial development is complementary to each other. After almost six decades of independence, the country has seen a lot of changes on various fronts and it has emerged much stronger than before in many critical front. But unfortunately, the North Eastern Region of India, with all its potentialities of development has not been properly and adequately exploited. As a result of this, the region continued to remain backward in almost every economic field and thus lags far behind the rest of the country.

The region presents a paradoxical picture so far as the availability of resources on one side and their utilisation on the other side are concerned. There are rich forests and mineral resources along with human resource that could encourage and develop significant industrial activity in the region. However, the state of industrial development in the region is abysmally poor except for the state of Assam, which does have a few numbers of large industries numbering 129 units besides 21,514 small-scale industries in the year 2002. The other seven states of the region have very little to show to the world their magnitude of industrial development particularly with respect to big industries. In fact, combining all the 49 large industries and 17,318 small-scale industries in the remaining six states, they still do not add up to the tune of the large or even the small-scale industries existing in Assam.

Data shows that the non-tribal dominated states are far ahead of the tribal dominated states in industrial progress. While the three non tribal states together accounts for 143 (80.37 per cent) of the total number of 178 large industries located in the region and 28789

(74.14 per cent) small-scale industries out of the total 39010 units.

Most of the states in the region attribute to their slow and poor standards of industrial development basically to the physical topography, political instability and the insurgency factor, which most often tend to hamper the process of development, more specifically, industrial development in those states. Nonetheless, an analysis of the industrial development in the region is important whether development is taking shape in the large-scale sector or in the small-scale sector. Whatever industrial activity is taking place in the states of the region, except to some extent in the state of Assam, has been largely confined to the small-scale sector only. Further, it may not be realistic enough for us to make any meaningful comparison between industrial development in the region with other parts of the country. Any kind of comparison would, therefore, be limited to comparison between states within the region only.

It can also be stated here that population per SSIs in North East India is 2.33 times greater than the same for India whereas per capita small industrial production in the region stands at only 27.44 per cent of the figure for the country as a whole. While effecting on the industrial development process, it was pointed out that when the nation developed on an average of 1.77 SSI per thousand hectares of land, the North East region could venture for only 0.37 SSI per unit of land.

Present Status of Small-Scale Industries in the North East Region

To begin with attempt has been made to highlight the share of agriculture, industry and service sector in total gross state domestic product (GSDP) in the respective state's of the region (Table 52.1). This gives an indication and synoptic view of the economic scenario of the region as a whole. It is evident that the service sector contribution towards the states GSDP is quite substantial. Thus, the high share of the service sector could be attributed to the large number of Small-Scale Service Business Enterprises (SSSBEs), which have increased tremendously over the last decade, particularly with the recent substantial changes in the pattern of development in India's economy after the implementation of the New Economic Policy of 1991. The various schemes announced by the Government of India such as the Prime Minister Rozgar Yojana (PMRY) have attracted many educated unemployed youth of the region to set up SSSBEs in their respective states. As mentioned earlier, industrial activity in the region is still leaves a lot to be desired and this is

reflected in the table which shows that industrial sector contribution towards the GSDP is lowest and even behind the agricultural sector.

Table 52.1, reveals the inter-state variations in terms of economic structure for the year 1999-2000. As far as agriculture is concerned, which also happens to be the sector where majority of the people derive their livelihood occupies second position in terms of its share in GSDP of most states except Sikkim where the share of this sector is 19.88 per cent only. The Agricultural sector in Assam with

State	Agriculture	Industry	Services
Arunachal Pradesh	34.11	23.29	42.60
Assam	35.80	25.02	40.21
Manipur	27.22	23.90	48.88
Meghalaya	25.48	22.06	52.46
Mizoram	N.A.	N.A.	N.A.
Nagaland	30.44	12.82	56.74
Tripura	29.48	14.68	55.84
Sikkim	19.88	22.77	57.35

Source: Domestic product of States of India 1960-61 to 2000-01, Economic and Political Weekly Research Foundation, Mumbai, June (2003), 38-39.

35.80 per cent share of the GSDP can be said to perform much better than the other states like Arunachal Pradesh (34.11 per cent), Nagaland (30.44 per cent), Tripura (29.48 per cent), Manipur (27.22 per cent), Meghalaya (25.48 per cent) and Sikkim the least with (19.88 per cent). Except for Sikkim, figures of other states shows that the contribution of the industrial sector as a percentage of GSDP to be the lowest among all the three sectors. As far as state wise analysis of industrialisation is concerned, it is revealed that Nagaland and Tripura are the least industrialised states in the region with percentage share of the total GSDP being 12.82 per cent and 14.68 per cent respectively and Assam which is one of the oldest states in the country is the most industrialised state with 25.02 per cent share of the industrial sector in GSDP. These evidences clearly show why the region is considered industrially underdeveloped.

A significant feature of the economic structure of the region is that the service sector occupies top position in terms of its share in total gross state domestic product (GSDP) in all the states, the highest in the state of Sikkim (57.35 per cent), followed by Nagaland (56.74 per cent), Tripura (55.84 per cent), Meghalaya

(52.46 per cent), Manipur (48.88 per cent), Arunachal Pradesh (42.60 per cent) and lastly Assam with 40.21 per cent. The existing economic scenario that prevails in the region can be said to be one, which is not conducive to future growth and development. This is so because, any development strategy intended for future growth and development of a state might be negated by the lack of a sound industrial base. This is a problem, which states in the region will have because none of the states can boast of having a strong industrial base except for Assam to some extent.

It is a fact that the North Eastern Region of the country is abundantly endowed with natural and mineral resources but with inadequate industrial development. A variety of reasons contribute to this state of affairs. Some of the prominent ones are the lack of basic infrastructure, difficult terrain and isolated geographical location, underdeveloped and limited market, laws of the land particularly the land tenure system in the tribal dominated states like Arunachal Pradesh, Meghalaya, Mizoram, Manipur and Nagaland, limited facilities for technical education and training and the present low level of manpower development.

These factors impose severe constraints on the development of industries particularly large and medium scale industries. These constraints along with the volatile political situation and insurgency are seen as major obstacle to economic development. However, there is no doubt that there has been some marked progress in terms of growth in the small scale industrial sector particularly after the national level economic reforms and economic liberalisation together with the promotional support from both the Central and State governments since 1990s. This growth in SSI in the region is reflected in Table 52.2 where the number of small scale industries after the industrial liberalisation era is almost the same as the number of units that were there two decades ago prior to the industrial liberalisation era and pre-reforms era.

In order to see the various developmental trends in the small-scale industrial sector that took place in the region, it is quite clear from Table 52.3 that the number of small scale industries in each state of the region is increasing in number except in the state of Assam which shows a decline in the growth of small-scale industries. However, going by the percentages this increasing trend is not so very prominent and encouraging.

Furthermore, when one looks at the overall scenario of the small-scale industries in the region and compare it with the all India

States	1971	1981	1991	2000
Arunachal Pradesh	11	189 (94%)	525 (64%)	971 (84.5%)
Assam	1648	4152 (60%)	12805 (68%)	24109(88.2%)
Manipur	485	3422 (89%)	4059 (16%)	5538 (37.7%)
Meghalaya	165	393 (58%)	1368 (71%)	2711 (98.2%)
Mizoram	61	599 (90%)	2478 (76%)	4413 (78.1 %)
Nagaland	38	366 (90%)	615 (40%)	1059 (72.2%)
Tripura	246	1188 (79%)	4967 (76%)	6058 (21.6%)
Total: NE	2654	10309 (74%)	26817 (62%)	44909 (67.46%)
Total: All India	139577	526036 (47%)	19.48* (73%)	25.03(22%)

Source: Derived from Basic Statistics of North Eastern Region (year 1985, 1990, 1995 and 2002).

Notes: (i) Figures inside brackets indicate the percentage of growth over the previous decades.

(ii) *All figures are in lakh.

level, the region likewise in many other fields of economic activities have a long way to go. For instance the share of small-scale industries which is about 9330 units in the region at the all India

State	1996	1997	1998	1999	2000	2001
Arunachal Pradesh	525 (2.0)	1200 (3.2)	2280 (6.43)	3358 (8.64)	4478 (10.47)	4520 (10.22)
Assam	12805 (47.8)	18367 (48.98)	20035 (56.50)	21514 (55.40)	23132 (54.41)	23637 (53.47)
Manipur	4059 (15.1)	5034 (13.42)	51889 (14.63)	5578 (14.36)	5829 (13.63)	6000 (13.57)
Meghalaya	1368 (5.1)	1417 (5.27)	2079 (5.86)	2229 (5.74)	2514 (5.88)	2621 (5.92)
Mizoram	2478 (9.2)	2880 (7.68)	3466 (9.77)	3677 (9.46)	4028 (9.42)	4333 (9.80)
Nagaland	615 (2.3)	731 (1.94)	749 (2.11)	779 (2.00)	813 (1.90)	982 (2.22)
Tripura	4967 (18.5)	7311 (19.5)	1657 (4.67)	1697 (4.37)	1949 (4.55)	2114 (4.78)
Total	26817 (100)	37500 (100)	35454 (100)	38832 (100)	42743 (100)	44207 (100)

Source: Basic Statistics of North Eastern Region 2002.

Note: Figures in brackets shows the percentage share of the respective state in the total.

level which is 5,82,368 units or 1.60 per cent of the total (Table 52.4). Small-scale industries, which is considered to be a major source for providing job opportunities in an economy is not really reaching the expectation in this part of the country.

The number employed in the small-scale industrial units in the region is just 1.87 per cent at the all India level. The picture is quite the same for the other parameters as well such as production

Table 52.4: Principal Characteristics of SSIs in North Eastern Region

State	SSI Units ¹	Employment ¹	Fixed Investment ²	Investment in plant and Machinery ²	Working Capital	Production Capacity ²	Utilisation Capacity ³
Arunachal Pradesh	326	2771	703	395	631	2624	51.23
Assam	4430	34475	9369	5168	7746	30235	19.31
Manipur	2078	10216	2078	669	723	2988	65.37
Meghalaya	587	3780	888	478	765	2700	55.25
Mizoram	917	4223	1388	471	457	1470	71.88
Nagaland	183	3059	729	489	649	11247	46.29
Tripura	809	10069	1479	571	972	2957	40.76
North East	9330	68593	16634	8241	11943	54221	50.01
All India	582368	3665810	929603	554258	714808	4321907	50.89

Source: Basic Statistics of North Eastern Region, 2000.

Note: ¹ in numbers, ² in lakhs and ³ in percentages.

capacity (1.25 per cent), working capital (1.67 per cent) except for capacity utilisation (50.01 per cent) which is almost at par with that in the all India level which is 50.89 per cent.

It has been emphasised that SSIs are considered to be labour intensive in nature and it has the potential to provide employment opportunities to many especially the educated unemployed youth. As demonstrated in Table 52.5i the percentage of people working in the SSIs is quite high in both the urban as well as the rural areas of the North Eastern states. The numbers of male workers are much higher than the female workers. The percentages of people working in the SSIs in the rural areas of northeastern states are much higher than the All India level for both male and female workers. However in the urban areas the percentage of male workers working in the

Table 52.5i: Employment Profile (State-wise)

State	Rural		Urban	
	Male	Female	Male	Female
	Number / Percentage	Number / Percentage	Number / Percentage	Number / Percentage
Arunachal Pradesh	1454 (39.43)	129 (3.51)	1382 (37.47)	722 (19.58)
Assam	164394 (38.32)	35350 (8.24)	204377 (47.64)	24925 (5.81)
Manipur	54519 (39.85)	19646 (14.36)	55499 (40.53)	7210 (5.27)
Meghalaya	27422 (41.81)	12140 (18.51)	18981 (28.94)	7037 (10.73)
Mizoram	1841 (7.45)	315 (1.27)	17000 (68.41)	5686 (22.88)
Nagaland	11331 (19.95)	1352 (2.38)	38178 (67.22)	5935 (10.45)
Sikkim	296 (22.40)	114 (8.65)	733 (55.42)	178 (13.44)
Tripura	28373 (49.81)	19470 (34.18)	7627 (13.39)	1492 (2.62)
All NE States	289630 (32.38)	88516 (11.39)	343777 (44.88)	53185 (11.35)
All India	1356440 (30.12)	453015 (7.35)	3331977 (54.06)	522047 (8.47)

Source: Final Results: Third All India Census of Small Scale Industries 2001-02, Development Commissioner (SSI), Ministry of Small Scale Industries, Government of India, New Delhi (2004).

SSIs is much below the national average while the female workers exceeds the all India figure. It may be noted that in the rural areas of Assam, Manipur, Meghalaya and Tripura the percentage of male workers and female workers are higher than the regional and the national average. However, in the urban areas the percentage of male and female workers engaged in SSIs is less than the national average except for the state of Mizoram, Nagaland and Sikkim.

As far as the northeastern states are concern, employment generation in the SSIs seems to more in the rural areas than in the urban areas. The fact that there are more small scale industrial units in the rural areas than in the urban areas could be the reason why there is a higher percentage of people employed in the SSIs located in rural areas than in the urban areas. From Table 52.5ii it can be inferred that there is a similar trend between the northeastern states and the country as a whole with respect to the employment profile in the SSIs in terms of male and female workers. There are more male workers than female workers who are working in the SSIs in the region whether in the rural or urban areas. Since most states

States	Rural						
	Male	Female	SC	ST	OBC	Others	Children
Arunachal Pradesh	39.43	3.51	3.92	12.56	3.31	23.16	0
Assam	38.32	8.24	5.44	4.95	10.9	25.27	0.13
Manipur	39.85	14.36	0.55	19.65	2.67	31.34	0.01
Meghalaya	41.81	18.51	1.41	52.85	0.78	5.28	0.01
Mizoram	7.45	1.27	0.1	6.83	1.17	0.61	0
Nagaland	19.95	2.38	2.84	15.56	1.19	2.74	0
Sikkim	22.4	8.65	4.79	5.83	7.81	12.71	0
Tripura	49.81	34.18	17.25	15.29	26.34	25.1	0.44
All NE States	32.38	11.39	4.54	16.69	6.77	15.78	0.07
All India	30.12	7.35	6.17	2.78	14.95	13.57	0.1

Source: Same as in Table 52.5i.

in the North East are tribal dominated in terms of population particularly the hill states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Sikkim that is why the percentage of Scheduled Tribe (ST) workers working in SSIs is more in these states than in the other states like Assam and Tripura and even at the All India level. Unlike in the hilly states, Assam and Tripura depicts a different picture altogether with more Other Backward Caste (OBC) and Scheduled Caste (SC) category of workers dominating the total population working in the SSIs.

SSIs in India have been widespread in both the rural as well as urban areas. The Table 52.6 shows the distribution of both working and closed units in urban as well as in rural areas in the NE region (NER), it is observed that the ratio of working units to closed units is higher in the urban areas than in the rural areas in NER. On the contrary, the situation at the All India level is just the opposite with the ratio of working units to closed units being more in the rural than in the urban areas.

There is however a general trend which shows that there are more units which are in operation than closed units both at the All India level as well as in the NER as a whole. Among the states in the region, it is found that in the rural areas of three states namely Arunachal Pradesh (44.17 %), Meghalaya (52.98 %) and Sikkim

Table 52.5iii: Employment Profile State-wise

States	Urban						
	Male	Female	SC	ST	OBC	Others	Children
Arunachal Pradesh	37.47	19.58	4.73	20.86	3.44	28.02	0
Assam	47.64	5.81	7.11	4.61	9.64	32.09	0.18
Manipur	40.53	5.27	0.03	0.92	3.37	41.48	0.08
Meghalaya	28.94	10.73	1.68	33.05	0.39	4.56	0.02
Mizoram	68.41	22.88	2.62	80.34	1.11	7.21	0.02
Nagaland	67.22	10.45	19.11	38.68	7.89	12	0
Sikkim	55.42	13.44	8.02	13.02	21.67	26.04	0
Tripura	13.39	2.62	3.32	0.21	3.75	8.73	0.01
All NE States	44.88	11.35	5.83	23.96	6.41	20.02	0.04
All India	54.06	8.47	7.87	4.06	21.17	29.43	0.12

Source: Same as Table 52.5i.

(50 %), the percentage of working units is much lower than the average percentage for the region (57.86 %) as a whole and correspondingly the number of closed units is also much higher than the average which is 42.14 per cent.

The situation in the urban area is no different since four of the eight states i.e. Assam (56.67 %), Meghalaya (45.72 %), Sikkim (54.77 %) and Tripura (37.84 %) have shown that the number of working units is much less than the average, which is 62.48 per cent. In these four states, the number of closed units is also much higher than the average for the entire region, which is 37.52 per cent. Among the NE states, figures indicates that in the rural area only Manipur (73.10 %) and Nagaland (66.23 %) have a high percentage of working units which is even higher than the all India level of 64.39 per cent.

Table 52.6: Percentage Distribution of Working / Closed Units, State-wise in Rural and Urban Areas

State	Rural		Urban	
	Working units	Closed units	Working units	Closed units
Arunachal Pradesh	143 (44.17) ¹	182 (55.83)	111 (62.71)	66 (37.29)
Assam	6947 (60.14)	4632 (39.86)	7442 (56.67)	5706 (43.33)
Manipur	2420 (73.10)	901 (26.90)	2139 (86.87)	325 (13.13)
Meghalaya	1313 (52.98)	1166 (47.02)	625 (45.72)	742 (54.28)
Mizoram	267 (58.01)	194 (41.99)	2451 (68.78)	1119 (31.22)
Nagaland	109 (66.28)	58 (33.72)	425 (86.48)	71 (13.52)
Sikkim	59 (50.00)	65 (50.00)	88 (54.77)	90 (45.23)
Tripura	520 (58.21)	387 (41.79)	418 (37.84)	690 (62.16)
All NE States	11778 (57.86)	7585 (42.14)	13669 (62.48)	8809 (37.52)
All India	600357 (64.39)	336492 (35.61)	748094 (58.18)	887427 (41.82)

Note: ¹ Number and Percentage in parenthesis.

Source: Same as in Table 52.5i.

In the urban area, the states of Arunachal Pradesh (62.71 %), Manipur (86.87 %), Mizoram (68.78 %) and Nagaland (86.48 %) have a higher percentage of working units than the all India level of 58.18 per cent. Furthermore there is a large number of SSIs in the country but at the same time the number of closed units as a percentage of the total is also very high in both rural and urban area of the NE states and in the country at large. It can therefore be said that mortality rate in the Small Scale Sector is on higher side in general.

A striking feature of the SSIs is the emergence of small-scale service business establishments (SSSBEs). In the North East with in the SSI sector, 19563 (75.2 %) out of the total of 26014 units are SSIs, 6117 (23.5 %) of the total are SSSBEs and the remaining 334 (1.3 %) are ancillaries units for the year 2000-2001. The All India picture for the same year shows that 901291 (63.4 %) of the total 1420800 units are SSIs, 473683 (33.3 %) are SSSBEs and 45826 (3.3 %) are ancillaries units. Among the states in the North East (Table 52.7), Assam has the largest share of SSIs and SSSBEs which is 56.73 per cent and 54.85 per cent respectively. It is very clear with in NE states, Assam is more industrialised than the rest. Further, the presence of ancillary units in Assam can be attributed to the presence of medium and large-scale units in that state.

It is seen that almost 92 per cent of the SSIs and 95 per cent of SSSBEs are located in the states of Assam, Manipur, Meghalaya and Mizoram combined together. However, most ancillary units i.e. about 91 per cent are located in Assam, Manipur, Mizoram and Nagaland. The industrial activity in the remaining states of Arunachal

State	SSI		SSSBEs		Ancillaries among SSIs	
	No. of units	Percentage	No. of units	Percentage	No. of units	Percentage
Arunachal Pradesh	230	1.18		0.41	4	1.20
Assam	11098	56.73	3355	54.85	89	26.65
Manipur	3414	17.45	1185	19.37	42	12.57
Meghalaya	1382	7.06	557	9.11	7	2.10
Mizoram	2020	10.33	713	11.66	67	20.06
Nagaland	550	2.81	18	0.29	105	31.44
Sikkim	139	0.71	35	0.57	2	0.60
Tripura	730	3.73	229	3.74	18	5.39
All NE States	19563	100.00	6117	100.00	334	100.00
All India	901291		473683		45826	

Source: Same as in Table 52.5i.

Pradesh, Nagaland, Sikkim and Tripura is still very poor. Excepting Assam to some degree, the other states like Manipur, Meghalaya and Mizoram also need to step up the pace of industrialisation by using the resources available.

Table 52.8 demonstrates a state-wise percentage distribution of SSIs by type of organisation. The most of the SSIs in the NER belong to the sole proprietorship form of organisation. In fact more than 93 per cent of the SSIs are under the ownership and control by a single person known as a sole proprietor. The percentage of sole proprietorship form of organisation in the NER is much more than at the All India level which is about 89 per cent. Further, except for Nagaland, more than 90 per cent of SSIs in the NE states are in proprietorship form of organisation with very few number of partnership organisations.

State	Type of organisation					Total
	Proprietary	Partnership	Co-operatives	Private company	Others	
Arunachal Pradesh	97.25	0	0.39	0	2.35	100
Assam	92.69	3.27	3.57	0.25	0.21	100
Manipur	98.96	0.5	0.07	0.3	0.17	100
Meghalaya	98.92	0.21	0.36	0.41	0.1	100
Mizoram	98.96	0.5	0.07	0.3	0.17	100
Nagaland	76.58	1.94	7.22	1.76	12.5	100
Sikkim	93.1	2.3	4.02	0.57	0	100
Tripura	89.78	6.15	1.88	0.63	1.56	100
All NE States	93.28	1.86	2.20	0.53	2.13	100
All India	88.85	7.21	2.42	0.34	1.17	100

Source: Same as in Table 52.5i.

The private company form of organisation is very less in number even in the state of Assam, which can be considered the most industrially advanced state in Northeast India. The reason why there are more sole proprietorship form of organisation can be attributed to the fact that starting a sole proprietorship organisation is much easier than a partnership form of organisation or any other form of organisation. Starting and establishing a sole proprietorship organisation requires less capital, there is business secrecy, the proprietor is the sole owner of the organisation besides having full control over its management and he also enjoys all the profit of the firm at the same time he has to bear all the losses too if any.

Development of Entrepreneurship

The emergence of entrepreneurship and their characteristics features can give us an insight to analyses current and prospective of industrial development inclusive of SSIs in the region. Tables 52.9i and 52.9ii show the state-wise entrepreneurship profile in rural and urban areas. It clearly reveals the fact that there are more male as well as female entrepreneurs in urban areas than in the rural areas of the NE States. A comparison with the all India figure shows that male entrepreneurs running the enterprise are much less in NE States. In fact the percentage of enterprises run by male in both the rural as well as urban areas of the region taking together is 40.92 per cent on an average which is very less in comparison to the all India level which is 45.84 per cent. On the other hand enterprises run by female entrepreneurs in the region averages 9.09 per cent which is much higher than the all India level whose average is 4.16 per cent.

State	Percentage Number of units					
	Male	Female	SC	ST	OBC	Others
Arunachal Pradesh	49.41	7.06	0.39	49.41		6.67
Assam	40.46	7.85	4.01	3.85	8.86	31.58
Manipur	41.77	11.24	0.67	22.72	3.63	25.96
Meghalaya	44.01	23.74	0.26	66.10	0.05	1.39
Mizoram	7.69	2.12	0.07	9.55	0.04	0.18
Nagaland	18.52	2.12	1.06	18.87		0.71
Sikkim	34.48	5.75	2.87	12.07	3.45	22.41
Tripura	52.45	2.92	6.05	1.46	10.53	37.33
All NE States	36.10	7.85	1.92	23.00	3.32	15.78
All India	39.83	4.50	4.94	2.06	19.24	18.1

Source: Same as in Table 52.5i.

The fact that most states in the North East are tribal dominated is also reflected by the figures in the Tables 52.9(i) and 52.9(ii). About 26.50 per cent of the enterprises located in the rural as well as urban areas of the region are run by tribal entrepreneurs while the all India figure shows only 1.26 per cent of the enterprises are run by tribal entrepreneurs.

Except for the states of Mizoram, Nagaland and Sikkim in the rural areas and Arunachal Pradesh, and Meghalaya in the urban areas where the male run enterprises are much less than the average for the region the other states has got a substantial percentage of male run enterprises in both rural as well as urban

State	Percentage Number of units					
	Male	Female	Sc	ST	OBC	Others
Arunachal Pradesh	30.59	12.94	0.39	32.55	0.39	10.2
Assam	46.07	5.63	4.11	1.85	6.03	39.69
Manipur	42.27	4.72	0.33	1.22	4.22	41.25
Meghalaya	22.96	9.29	0.77	28.74	0.1	2.63
Mizoram	65.63	24.56	0.33	87.74	0.18	1.94
Nagaland	68.08	11.29	7.05	68.61	0.35	3.35
Sikkim	48.28	11.49	6.9	19.54	9.77	24.14
Tripura	41.92	2.71	2.61	0.42	5.64	35.77
All NE States	45.73	10.33	2.81	30.08	3.34	19.87
All India	51.85	3.82	2.91	1.46	19.27	32.02

Source: Same as in Table 52.5i.

areas. Among the states in the region which has a considerable number of female run enterprises in the rural areas are Manipur (11.24 %) and Meghalaya (23.74%) while in the urban areas it is the Arunachal Pradesh (12.94 %), Mizoram (24.56%), Nagaland (11.29 %), and Sikkim (11.49 %). Obviously, tribal entrepreneurs mostly operate in the tribal dominated states like Arunachal Pradesh, Meghalaya, Mizoram and Nagaland the enterprise.

The SSIs are broadly classified into following three categories (1) Manufacturing, assembling, processing; (2) Repairing and maintenance and (3) Services. The Manufacturing, assembly and processing activity is the dominant group among the various SSIs activities in the North East as well as at the All India level whether it is in the rural areas or the urban areas (Table 52.10). The next category of activities is the Services group followed by Repairing and maintenance. In some NE states, the concentration of industrial

activity is more in the rural areas than in the urban areas. In states like Arunachal Pradesh, Manipur, Meghalaya and Tripura, we see that the percentage of Manufacturing, assembly and processing activity is more in the rural areas than in the urban areas. While in the remaining states namely Mizoram, Nagaland and Sikkim there is more industrial activity in the urban areas than in the rural areas particularly in the Manufacturing, assembly and processing activity.

When we look at the Service activities, it is observed that this form of activity is almost 6 per cent more in the urban areas than in the rural areas. This can be attributed to the fact that this type of activity gained importance only in the last two decades. Repairing and maintenance on the other hand do exist but their number is

State	Rural			Urban		
	Manuf./ Ass./Pro.	Rep. & Maint.	Services	Manuf./ Ass./Pro.	Rep. & Maint.	Services
Arunachal Pradesh	52.16	0.39	3.92	35.69	1.96	5.88
Assam	35.99	0.70	11.61	38.97	1.13	11.60
Manipur	42.18	0.50	10.31	30.46	1.09	15.46
Meghalaya	51.60	0.36	15.79	18.73	0.57	12.95
Mizoram	7.43	0.11	2.27	65.08	1.28	23.83
Nagaland	19.58	0.71	0.35	72.13	4.41	2.82
Sikkim	37.57	0.00	2.31	41.62	1.16	17.34
Tripura	45.30	1.36	8.66	28.71	0.63	15.34
All NE States	36.48	0.52	6.90	41.42	1.53	13.15
All India	27.07	0.82	16.44	36.38	1.28	18.01

Source: Same as in Table 52.5i.

not substantial in the region and even at the All India level. The presence of about 36.48 per cent of Manufacturing, assembly and processing activities in the rural areas can be an indicative of the increasing importance of the secondary sector in the rural areas. This may be seen as a healthy trend in the direction of rural industrialisation.

It is said that SSIs in general often use out dated technology in their production process and this results in low quality output. In a quality conscious world quality is an important factor to be considered in order to do well in the local, national and even international market. The poor quality output of the SSIs is indeed an important factor why their products are not able to compete in the market. The Table 52.11 shows the importance given to technology by the SSIs. In the North East we find that 72.02 per

cent of the SSIs are carrying out their activity without the use of any technical know how. When this figure compared with the All India figure of 85.38 per cent, SSIs in the North East seems to be doing better in terms of the technical input.

Most of the SSIs in the North East that incorporate some technical know-how in their production process are assisted by some domestic research and development institutions. Among the states in the region, the SSIs in Manipur are very much technology

State	Number of units in percentage with technical know-how obtained from			
	Abroad	Domestic Collaboration	Domestic Resident and Development Institution/Special Organisation	None
Arunachal Pradesh	0.39	7.84	18.04	73.73
Assam	0.44	10.87	11.33	77.35
Manipur	0.8	25.59	27.7	45.90
Meghalaya	0.88	9.85	8.15	81.12
Mizoram	0.51	2.23	2.93	94.33
Nagaland	0	25.18	15.14	59.68
Sikkim	1.15	3.45	31.03	64.37
Tripura	0.83	2.19	17.31	79.67
All NE States	0.63	10.90	16.45	72.02
All India	0.97	7.54	6.11	85.38

Source: Same as in Table 52.5i.

driven as 52.10 per cent of the SSIs in the state are associated with some research and development institutions while carrying out their production/service activities. Nagaland is another state, which has made use of technical know-how and incorporated in the activities of the SSIs with 59.68 per cent. Mizoram with 5.67 per cent and Meghalaya with 18.88 per cent are the two states in the North East that seems to be less dependent on using recognised technical know-how in the productive activities of SSIs.

Concluding Remarks

In the development of economically backward states of the region improvement in the agricultural sector cannot proceed beyond a point unless the surplus working force on and is progressive, deemed towards the industrial and services sector for which the state has to embark upon industrialisation for quickening the pace of

economic development. In most of the NE states the scope for the development of large and medium scale industries is bounded by several severe constraints like low capital formation, difficulties of communication, deficiencies of technical education and training facilities, lack of technical skill and professional manpower, isolated geographical isolations, limited market, etc. While industrialisation on the whole plays an important role in the development of economically backward economies, small-scale industries have a unique place from the point of view of economic development.

An overall analysis of the state of affairs of SSIs sector in the North Eastern Region of the country clearly is the reflection of their levels of economic underdevelopment. The states in this part of India are indeed young compared to other states in the country but they have performed much better in some fields. The region is surely endowed with rich mineral resources, plentiful energy resources — some of these are yet to be exploited, such as the river Brahmaputra and its tributaries, forming the largest perennial water system in India which has immense potential for energy, irrigation and also transportation. These factors can play an important role in leading the states on the path of rapid industrialisation. It is seen that almost 92 per cent of the SSIs and 95 per cent of SSSBEs are located in the states of Assam, Manipur, Meghalaya and Mizoram combined together. However, most ancillary units i.e. about 91 per cent are located in Assam, Manipur, Mizoram and Nagaland. The industrial activity in the remaining states of Arunachal Pradesh, Nagaland, Sikkim and Tripura is still very poor. Excepting Assam to some degree, the other states like Manipur, Meghalaya and Mizoram also need to step up the pace of industrialisation by using the resources available.

The foregone discussion brings to light the need to develop small scale industries which plays a vital role in contributing significantly to social and economic development objectives such as labour absorption, income distribution, rural development, poverty eradication, regional balance and promotion of entrepreneurship. The NER states have been industrially underdeveloped for which makes it somewhat irrational to compare with the rest of the country.

The promotion of small-scale industries has thus been recognised as one of the most important and appropriate means of industrialising to develop this region of the country. The efforts undertaken on this front is clearly reflected in the policy announcements made by the

different governments from time to time and supportive and promotional measures taken during the different Five Year Plans. This fact is well reflected in the various policy documents like the New Industrial Policy and other concession in the North Eastern Region, Government of India, Ministry of Industry Department of Industrial Policy and Promotion of December 1997, Nagaland State Industrial Policy Government of Nagaland, Department of Industries and Commerce; Notification of December 2000. Besides the policies and programmes, there is an institutional support mechanism that has been built both by the Central and State Governments through several agencies and institutions like the Directorate of Industries, District Industries Centres (DICs), Small Industries Development Banks (SIDBI), State Industrial Development Corporations (SIDCs), Small Industries Service Institutes (SISIs) including the Branch SISIs, Khadi and Village Industries Board (KVICs), Indian Institute of Entrepreneurship (IIE). These institutions are playing a vital role in developing industrial activities in the region.

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