

Marketing Management and Entrepreneurship Development in a Tribal Dominated Economy: A Case Study of Small Scale Industries in East Khasi Hills District of Meghalaya

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The objective of this paper is to analyze the various emerging aspects of Small Scale Industries (SSIs) in the East Khasi Hills district of Meghalaya, a state located in the Northeastern region of India. The demography of this district is such that it is dominated by Khasi tribes. This district has the highest number of SSIs and is the most economically active district among all the seven districts of Meghalaya. This study is based on primary industrial field survey conducted during 2004-05. It reveals that most of the SSIs are adopting direct selling marketing strategy rather than indirect selling strategy and produce the product mainly to cater the local market demand. A majority of entrepreneurs are educated and first generation tribal entrepreneurs. More than one fourth of them are women entrepreneurs. Yet the SSIs are at the preliminary developing stage in the district and yet to make a significant contribution to the growth of the state economy in a significant way. It is recommended to develop additional industries in the district, in particular, and the state in general, which leads to economies of scale and technical advantage to take the state economy on rapid growth trajectories.

Introduction

The Small Scale Industries (SSIs) have a merit of being agents that act as a nursery for entrepreneurship and facilitate mobilization of local resources and skills, which might have otherwise remained unitized. The Small Scale Industrial (SSI) sector has been considered as a powerful instrument for realizing the twin objectives of achieving 'Accelerated Industrial Growth' and creating 'Productive Employment Opportunities' in an economy. This sector also plays an important role as producers of consumer goods and absorbers of surplus labor thereby addressing the problems of poverty and unemployment. In the 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. Realizing the importance of SSIs, this paper analyzes the development of this sector in East Khasi Hills district of Meghalaya. The demography of this

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district is such that it is dominated by Khasi tribes. This district has the highest number of SSIs and is the most economically active district among all the seven districts of Meghalaya. The objective of this paper is to analyze the entrepreneurship development in the emerging SSI sector in a tribal dominated economy of East Khasi Hills District of Meghalaya. Further, an attempt has also been made to study the process of marketing management of SSIs in the economy.

This paper discusses the literature review, the research questions and gaps, methodology and data, the economy of Meghalaya and its SSIs, especially SSIs in East Khasi Hills District, and marketing management and entrepreneurship development.

Literature Review

The number of studies conducted in the field of SSI are at international and national level and very few at regional/state level. These studies highlight the various issues related to SSIs, for example, their relationship with economic development, employment, capital, technology and inter-industrial linkages. Dealing with SSIs and their contribution to economic development, Staley and Morse (1965) in a classic textbook on small and medium industries in developing countries identified the areas in which the small scale industry could contribute positively to national economic development. A study conducted by United Nations Industrial Development Organization (UNIDO, 1969) asserted that the promotion of small and medium scale industries was justified because they helped in fulfilling the major social economic development objectives.

The Indian experience of promoting small scale industry over the last four decades was reviewed by Sandesara (1988) based on official reports and academic studies on the subject. Dealing with the industrial development and process of industrialization in Northeastern region of India, Neog (1988) in a broad sense denotes the organization of production in business enterprises, characterized by specialization and division of labor and involving the application of technology and mechanical and electric power to supplement and/or replace human labor. While discussing labor turnover refers to the inter-firm mobility of labor, Rao and Rao (1993) discuss the effects of labor turnover for the employer and the employee. Vepa (1997) noted the importance of the small scale sector not merely for providing jobs at reasonable cost but also as a dynamic engine of growth for the national economy. 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. 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.

Bhavani (2002) looked at firm level process of diffusion of new technologies for the small enterprises in developing economies. Shah (1994) found that along with the growing industrial sector, functional complementarities between large and small scale enterprises have become a widely prevalent phenomenon. The empirical evidences on the differences on social relationships between rural and urban communities are very weak. The social relationships do not differ all that much between rural and urban communities, and important differences tend to be related to size and distance. Family businesses in rural areas face obstacles because of their locations where distances from centers of business may impose additional costs for them.

It would be an important area of research to examine how spatial differences make social relationship to influence the behavior of family businesses. Ahmad (1987) traces the problems of varied nature both at the micro and macro levels faced by the small scale industries and

cottage industries in Jammu and Kashmir. Tiwari *et al.* (1997) highlighted the factors causing and contributing to the success and failures of the small scale industry on the one hand and those responsible for failure of the small scale units on the other. Vepa (1998) discussed the organizational issues and suggested the setting up of a department of small industry in the Ministry of Industries and the inclusion of all organizations and agencies relating to small scale industry.

Small scale industry and market are studied by testing the hypothesis that market structure will have an impact on within-industry differentials in efficiency or cost disadvantages of small firms. Doi (1992) tested this hypothesis with respect to the effects of market structure on the productivity (relative to industrial productivity) of small manufacturing firms in Japan. The results show that market structure elements such as concentration and capital requirements work to the disadvantage of small-firm efficiency. Hébert and Link (1989) highlighted the relationship between small scale industries and entrepreneurship by building a bridge between the popular and the academic usage of the terms entrepreneur and entrepreneurship and to identifying the raw materials needed to construct an interpretive framework capable of illuminating the nature of entrepreneurship and its role in economic theory. They advanced a synthetic definition of the entrepreneur as someone who specializes in taking responsibility for and making judgemental decisions that affect the location, the form, and the use of goods, resources, or institutions.

Vivarelli (1991) dealt with the birth of new enterprises both from a theoretical and an empirical point of view. The conventional economic wisdom is compared with some alternative approaches leading to multi-causal frameworks. Elaborating the results of 720 questionnaires filled by new Italian entrepreneurs, the importance of economic variables as income expectations and barriers to entry in shaping the diffusion of new enterprises is confirmed. On the other hand, personal backgrounds and motivations as well as environment factors turn out to have a crucial role, too. It would be relevant to identify the major problems faced by SSI from time to time. In this process, Ahmad (1987) traced the problems of varied nature both at the micro and macro levels faced by the small scale industries and cottage industries in Jammu and Kashmir. This is attempted on the basis of three factors, i.e., entrepreneurship development, quality upgradation and industrial sickness of three industrial units, viz., shawl weaving and embroidery industries, carpet and fruit preservation industries, and canning industry. These industries faced the problems of developing entrepreneurship and marketing.

In a study based on 120 samples of SSI units, which were more than five years old and classified into very successful units, successful units, average units and sick units, Tiwari *et al.* (1997) highlighted the factors causing and contributing to the success and failures of the small scale industry on the one hand and those responsible for failure of the small scale units on the other. This examines the various operational problems faced by small entrepreneurs in setting up and in the management of their units. These problems include fixed and working capital, water, power, labor, raw material, marketing, technology, and management.

Research Questions and Gaps

The foregone literature review reveals clearly that there is a dearth of studies on SSIs at regional/state level in India, especially on Northeastern states. We have not come across any systematic study on SSIs for Meghalaya. This study fills this research gap. The purpose of this paper is to make an indepth analysis of the entrepreneurship development in the

emerging SSI sector in a tribal dominated economy of East Khasi Hills District of Meghalaya. Realizing the importance of SSI sector, an attempt has been made to study the process of marketing management of SSIs in an economy. To begin with, it would be pertinent to raise a number of research questions. For example, whether small scale industrialization is positively associated with indigenous entrepreneurship? Whether external constraints outperform the internal constraints in limiting growth of SSI sector? Whether there exists a dual industrial structure, i.e., traditional versus modern industries within the SSI sector?

Need and Scope of the Study

Meghalaya, which became a full-fledged state in 1972, presently comprises seven districts. The state is endowed with rich resources in the form of minerals, forest, horticulture, power, particularly hydel power, manpower and a very pleasant and pollution free climate, which itself is an important resource for the development of hi-tech and service industries. These rich natural endowments with proper and timely planning can be exploited for industrial and economic development for the benefit of state and its people. However, even after three decades of statehood, the industrial activity in the state still has a long way to go. In fact, of the seven districts in the state, East Khasi Hills District is the most economically advanced district in the state even on the industrial front. This district is well-connected by road with the rest of the country, and the nearest rail head and airport are also located at a convenient distance. Along with transport and communication, the other infrastructural sectors are relatively more developed in this district than in any other districts of the state. On account of the several factors present in the district providing a more or less sound basis for any economic activity, this district provides an ideal condition for the setting up of industrial units, particularly the small scale industrial units which have a tremendous scope in the state, given the necessary infrastructure, raw materials, market, and a large number of educated (technical) job-seekers (youth) in the state.

The study analyzes only the registered small-scale industrial units in the state in general with an emphasis on the units located in East Khasi Hills District as a case study in particular. Statistically, it is observed that the East Khasi Hills District is the only district in the state which has the largest number of registered small scale industrial units accounting for almost 38% (746 units) of the total registered small scale industrial units in the state (1938 units) as per the Third Census (2001). Hence, it would be meaningful to take up the study about the development of small scale industrial units located in the East Khasi Hills district as a case study.

It proposes to study the nature and type of entrepreneurship that is present in the state as this is an important factor that can act as a catalytic agent of multi-dimensional change. The study highlights the various facts needed for an effective and efficient policy formulation suitable for the future development of the state economy in general and small-scale sector in particular in the state.

Methodology and Data

This study is based on statistics collected from various sources at national, state and district level—mainly from the reports of All India Census of SSIs, Basic Statistics of Northeastern Council and Publications of the State Directorate of Industries, State Directorate of Economics and Statistics, etc. Besides these, the primary data was collected for the East Khasi Hills District through an industrial field survey. This district was chosen as the largest numbers of SSIs are located in this single district within Meghalaya. As on 2001-02, there were 751 (38%)

registered small-scale industrial units located in East Khasi Hills District out of a total of 1938 units in the entire state. Furthermore, of all the seven districts in Meghalaya, this district is considered to be economically more developed and advanced than the other districts.

Sampling technique has been adopted by considering the key resource use as the basis of stratification in order to obtain a sample of 150 working registered industrial units of the district. For this purpose, the population of SSIs was first classified into 14 major groups as per the key resource used by the individual units and in the second stage individual enterprises were picked up on a random basis from all the 14 groups in a way that the ratio of members of a group to the total remains the same in both sample and population. A pilot survey was conducted by interviewing 50 entrepreneurs out of the sample SSIs. On the basis of the survey experience, the questionnaire was refined, improved and redrafted to give it a final shape.

In order to collect primary data from various industrial units included in the sample, a structured questionnaire was personally administered by the researcher to the owner of the enterprise (entrepreneur) by taking an appointment beforehand. During the administration of the questionnaire, an interview was conducted with the respondents. When required (due to any doubt or inconsistency in information), a second time interview was conducted with the respondents.

Using the firm level data has made this study unique in a number of ways. Firstly, very few studies are available which use unit record data. But we have not come across any study carried out so far for SSIs based on firm level data for any of the Northeastern states. Secondly, this study gives an opportunity to deal with the most disaggregated level data, along with a large number of observations. This makes statistical estimation more reliable and statistically unbiased. Thirdly, estimations are free from error that arises due to aggregation problem as pointed out by Fisher (1969). Lastly, using most recent statistics makes the present study most recent and expected to give most correct and up-to-date scenario of SSIs in Meghalaya.

Economy of Meghalaya

The economy of Meghalaya is basically agrarian and rural-based. Agriculture plays a predominant role in the economy of the state. It constitutes the main economic activity for about 80% of its population. The hilly surface and wet climate have made Meghalaya well-known for its extensive forest area with a wide variety of flora and fauna. Its rich forest reserve and products, such as industrial wood, fuel wood, bamboo, cane and thatch have helped a great deal in generating substantial revenue for the state. This state is popularly known as a storehouse of natural and mineral resources. The vast, splendid and overwhelming natural beauty of the state provides tremendous scope for developing tourism industry here and which could also be highlighted as one of the major tourist attraction areas. This would not only help in generating revenue for the state but provide gainful employment for a large number of educated unemployed in the state as well. With the lifting of the RAP (Restricted Area Permit) completely, the state along with some non-governmental organizations have taken steps in establishing infrastructure and facilities needed for promoting tourism in the State which has attracted tourists from within and outside the country.

Along with the other states in the Northeast region of the country, Meghalaya is also considered an industrially backward state. Industrialization in Meghalaya is lagging far behind as compared with the other states of the country. The growth and development of

the industrial sector in the state has, no doubt, been slow but steady with the growth in the number of SSIs, being higher in proportion than that of medium and large-scale enterprises. This is equally true in the case of the number of persons employed in the respective sectors too. The industrial activity in the state has been very slow. The state has, in fact, achieved very little on this front regardless of the potentialities that the state is endowed with for a healthy growth pattern. The state of Meghalaya is rich in mineral resources and by utilizing the locally available resources, several cement plants were set up both by the public as well as the private sectors.

The fact that this state is richly endowed with mineral resources such as coal, limestone, uranium and is the only state in India with surplus power generation opens up a great opportunity to set-up various resource-based as well as demand-based industries. However, in spite of its richness in terms of raw material, both mineral and natural resources, there are several constraints such as low capital formation, dearth of sophisticated machinery and modern technology, lack of technically skilled manpower, geographical isolation, and limited market, which thus limits the scope for development of large scale and even medium scale industries. The industrial activity in the state has been very slow and the state has, in fact, achieved very little on this front regardless of the potentialities that the state is endowed with for a healthy industrial growth pattern. Much of the industrial activity in the state since its statehood in 1972 has been in the small scale sector. Efforts have been made by the government through its industries department, central government agencies along with those in the private sectors to tap the resources and the potentials in setting up industrial units all over the state. Much of the industrial activity in the state since its statehood in 1972 has been in the small scale sector.

Small Scale Industries in Meghalaya

Table 1 presents the comparison between the overall scenario of the small scale industries in Meghalaya and its region with the all India level. This suggests that the NE region, likewise in many other fields of economic activities has a long way to go. For instance, the share of small scale industries which is about 9,330 units in the region at the all India level, which is 582,368 units or 1.60% of the total. The small scale industry, which is considered to be a major source

Table 1: Principal Characteristics of SSIs in Northeastern Region

State	SSI Units ¹	Employment ¹	Fixed Investment ²	Investment in Plant and Machinery ²	Working Capital ²	Production Capacity ²	Utilization Capacity ³
Arunachal Pradesh	326	2,771	703	395	631	2,624	51.23
Assam	4,430	34,475	9,369	5,168	7,746	30,235	19.31
Manipur	2,078	10,216	2,078	669	723	2,988	65.37
Meghalaya	587	3,780	888	478	765	2,700	55.25
Mizoram	917	4,223	1,388	471	457	1,470	71.88
Nagaland	183	3,059	729	489	649	11,247	46.29
Tripura	809	10,069	1,479	571	972	2,957	40.76
Northeast	9,330	68,593	16,634	8,241	11,943	54,221	50.01
All India	582,368	3,665,810	929,603	554,258	714,808	4,321,907	50.89

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

Source: Basic Statistics of Northeastern Region, 2000.

for providing job opportunities in an economy, is not really reaching the expectation in this part of the country. Small scale industrial units in the region have really not contributed much with respect to providing employment opportunities. The number employed in the small scale industrial units in the region is just 1.87% at the all India level. It is to be noted, however, that the population in this part of the country is also lower than the rest of the country. The picture is quite the same for the other parameters as well as production capacity (1.25%) and working capital (1.67%), except for capacity utilization (50.01%) which is almost on a par with that in the all India level, which is 50.89%.

Total output in 2001-02 was estimated to be Rs. 106.5 cr. Distribution of Principal characteristics by gross output given in Table 2 reveals that 82.55% of the units had gross output less than Rs. 10 lakhs. It can also be seen from this table that large output units (with output more than Rs. 1 cr) had a share of only 27.59% output, with a share of only 5.06% in the number of units. The top 20 economic activities are contributing 73.80% of Gross output, whereas 30 most important products are contributing 78.32% to the gross output in the registered SSI Sector.

**Table 2: Percentage Distribution of Principal Characteristics
by Gross Output Slabs in Meghalaya**

Gross Output Slabs (Rs. lakhs)	No. of Units	Employment	Fixed Capital	Orig. Val. of P & M	Gross Output
1	2	3	4	5	6
Up to 1	32.51	30.52	8.45	7.17	3.14
1 to 2	17.19	16.92	11.67	12.01	7.25
2 to 5	20.74	21.14	19.79	21.30	13.67
5 to 10	12.11	12.50	17.51	16.63	11.88
10 to 15	3.24	3.55	5.16	6.07	6.78
15 to 20	2.41	2.54	5.57	5.83	5.29
20 to 25	1.53	1.58	2.50	2.81	4.59
25 to 30	0.34	0.35	0.36	0.57	1.54
30 to 50	4.31	4.88	4.13	4.32	7.04
50 to 70	0.56	0.59	0.71	1.01	3.27
70 to 100	1.59	1.66	12.39	7.74	7.66
100 to 200	2.54	2.74	8.22	10.79	8.60
200 to 500	0.90	0.94	2.91	3.18	11.05
Above 500	0.03	0.09	0.64	0.57	7.94
Total	100	100	100	100	100

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).

The development of SSIs in Meghalaya was slow before 1985, picked up after 1986. During the 14-year period, 1987-88 to 2001-2002 these have grown by 18.24% annually. Manufacturing/Assembling/Processing sector of SSIs comprises the largest proportion of total SSI sector followed by services and repairing and maintenance sector. There are three basic changes in the resource-based structure of SSIs in the state during 1987-88 to 2001-02: (1) the proportion of Hoisery, Electrical and Electronics has increased; (2) the Small Scale Service Business Enterprises (SSSBEs), Agro-based industries have emerged in a significant manner; (3) food-based, forest-based, repairing and services, and electrical and electronics SSIs are growing by more than 10% average annual growth.

The proportion of SSIs located in urban area has declined, while its proportion in rural areas has increased. The number of small scale industries has swelled to four times in 2001-02 compared to the number in 1987-88 in the rural areas and more than double in the case of urban areas. In aggregate, the number and the percentage of SSIs in the rural areas are much higher than those in the urban areas during the same period. This may be attributed to the development of infrastructural facilities including power in some of the rural areas of the state. The predominance of sole proprietary SSIs (98.9%) and share of partnership, limited companies and cooperatives in the state is indicative of its simple economy with limited and localized market activities. The sole proprietorship unit's share of the total workers employed in the SSIs is the largest; its share has increased by 15% from 82.7% in 1987-88 to 97.7% in 2001-02. The number of SSIs in the state has no doubt increased almost four times from 1987-88 to 2001-02, correspondingly the number of workers engaged in these units have increased but not in the same proportion as the number of increase in the units.

During the period 1987-88 to 2001-02, the number of SSI units has increased four times, but employment has risen less than three times only. On the basis of fixed investment, 87.8% of SSIs are having fixed investment up to Rs. 1 lakh. Less than 1% of the SSIs have fixed investment higher than Rs. 5 lakhs. More than 50% of SSIs are using energy as a source of their input. Those who are using energy source are predominantly power or hydroelectricity based. The SSI units are mostly run by the indigenous tribal entrepreneurs of the state. More than 50% of the entrepreneurs are educated and 40% are 'first generation' entrepreneurs.

The prominent factors that influence the entrepreneurs to start their own enterprise include: personal and family experiences in the line, less competition in the trade/activity, high demand of product, and availability of raw materials. The entrepreneurs face a number of problems in running the enterprises. These problems are both external as well as internal. The external factors such as finance, technical help, procuring licenses, and getting power supply are dominating the major internal factors including marketing problems, management and labor problems. The total number of women enterprises in the total SSI Sector was estimated at 3,658 (16.24%). The estimated number of enterprises actually managed by women was 3,581 (15.9%). The districts of West Khasi hills and East Garo hills accounted for more than 50% share of women employment in the State. 17.5% of women-run enterprises are in the registered SSI sector and 82.5% are in the unregistered SSI sector.

Status of SSIs in East Khasi Hills District

This district is considered as the most advanced district among the seven districts of Meghalaya and also the seat of administrative capital of the state—Shillong. It is also found that a majority of the registered industrial units which are operational in the state are located in this district. Hence, this district is considered as the most appropriate to be chosen as the sample field area of investigation.

Structure of SSIs on the Basis of the Nature of Activity

Following the census classification, the SSIs are classified into three major categories namely manufacturing/assembly and processing, job work, repairing/servicing only and other services in East Khasi Hills District. It is found that manufacturing/assembly and processing (45.45%) and job works and repairing/servicing (50.91%) account for 96.36% of the total registered small scale units. The district is in contrast to the position in the entire state where the manufacturing/assembly and processing units account for about 70% of the total small scale industrial units in the state followed by other different combinations as described in Table 3.

**Table 3: Distribution of SSIs
on the Basis of their Nature of Activity**

Type of Activity	No. of Units	Percentage
Manufacturing/Assembly and Processing	25	45.45
Job Work, Repairing/Serviceing	28	50.91
Others/Services	2	3.64
Total	55	100.00

Source: Own field survey.

**Table 4: Classification of SSI Units on the Basis of their
Nature of Activity**

Nature of Activity	No. of Units	Percentage
Manufacturing	11	20.00
Processing	14	25.45
Job Works	19	34.55
Repairing/Serviceing	6	10.91
Painting of Bill Boards, Number Plates and Banner, etc.	1	1.82
Cable TV Operator	2	3.64
Furniture	1	1.82
Spare parts of Fabrication and Furniture	1	1.82
Total	55	100.00

Source: Own field survey.

**Table 5: Resource-Based Classification of Industries Within
East Khasi Hills District**

Type of Industries	No. of Units	Percentage
Agro Based	6	10.91
Forest Based	12	21.82
Mineral Based	3	5.45
Chemical Based	2	3.64
Livestock Based	8	14.55
Basic Metal Based	5	9.09
Food Products	1	1.82
Paper Product and Printing	1	1.82
Handicraft Unit	4	7.27
Repairing and Servicing Unit	8	14.55
Small-scale Service	4	7.27
Business Establishment		
Hosiery and Handicraft Unit	1	1.82
Total	55	100.00

Source: Own field survey.

The three broad classifications of small scale industries can further be subdivided in order to understand as to what are the major focused areas of activities. From Table 4, it is evident that most of the entrepreneurs are focusing their attention on four main activities namely manufacturing, processing, job works and repair, and servicing.

Structure of Small Scale Industries on the Basis of the Nature of Resources

The major role of establishing the SSIs has been to tap the locally available latent resources. In a state like Meghalaya, which is rich in natural and mineral resources, SSIs could be developed to take the lead in utilizing the locally available resources. We made an attempt to find out to what extent the existing SSIs are successful in using these available resources.

Table 5 shows how the resources are put to use by the various industrial units. The entrepreneurs have made use of the forest resources, agro-resources and even the resources from livestock. It is observed that the units, which are based on forest resources, are mostly beetle nut processing and also those engaged in making furniture and fixtures in order to meet local demand.

The food habit of the majority of the population, which is tribal dominated belongs to non-vegetarian category. So, there is a huge demand for livestock, which, in

turn, has helped the entrepreneurs to establish industrial units using animal skin and hides for making leather and leather products. The potential for horticulture in the district and spices

in Jaintia Hills District have manifested in the establishment of a number of industrial units that are agro-based. Besides these, there are a number of units in the district that are based on basic metals which are procured outside the state such as iron and steel mainly because of the high demand by households for door and window grills for household construction works. The number of such industries has increased recently, particularly after the ban on cutting of timber; iron and steel have supplemented the wooden doors and windows. Besides this the subsidies in the form of transport, capital and power have encouraged the entrepreneurs to start such units, which are metal based even though the raw materials are not locally available.

A significant development in the small scale industrial sector in the district has been the growing number of Small Scale Service Business Enterprises (SSSBEs) which are mostly located in the district, and particularly, in Shillong town area. This development is the result of growing demand as the town is growing in terms of population as well as in terms of size. This can be attributed to the demand of various services such as desktop publishing units, photocopy facilities, cable television service providers, PCO booths, etc.

SSIs and Marketing Management

As per the third All India Census Report of SSIs for the state, it is mentioned that about 37% of the units consider marketing a product as one of the major problems faced by the SSIs. This is significant since failure on the part of the industrial unit to find a market for its products will ultimately lead to untimely sickness of that unit. We found that 35 (64%) respondents are engaged in direct selling of their products, 6 (11%) are engaged in indirect selling, and 11 (20%) market their products both directly and indirectly (Table 6). The higher proportion of direct method of selling adopted by SSIs is understandable because they cater to small market segment, where they are not in a position to have a long chain of intermediaries. In other words, most of the SSIs depend on their personal marketing skills to sell their products to a great extent.

Table 6: Methods of Product Marketing		
Method of Product Marketing	No. of Units	Percentage
Direct Selling	35	63.64
Indirect Selling	6	10.91
Both	11	20.00
Not Mentioned	3	5.45
Total	55	100.00
Source: Own field survey.		

It is a well-known fact that the quantum of production of SSIs is small, and in most cases, especially in an industrially underdeveloped state like Meghalaya, the target area of SSIs are usually the local market. The scale of operations of SSIs is small,, and therefore, the question of

mass production does not arise. Under the given premise, Table 7 provides a clear picture of the target market of SSIs. It is observed that about 23 % of units are actually having markets beyond the state boundary and one unit even exports its products abroad. Besides these 78% of the units are selling their products to the local market only. Around 49% units produce goods and services to meet the demands of the neighboring towns along with its immediate market and about 27% of them sell their products within the district. Finally, about 24% have been able to get access for their products across the state.

For well-known reasons, most of the SSIs still have to depend on their own ability to market their products, which in fact could take much of their time and efforts which could have otherwise been put to use in the production or manufacturing processes. In other words, the entrepreneur has to carry out all the functions upon his shoulder for the success of his enterprise.

Table 7: SSIs and their Marketing Targets

Market Area	No. of Units	Percentage (out of 55)
Local Area	43	78.18
Neighboring Towns	27	49.09
Within the District	15	27.27
Within the State	13	23.64
Within the Region	7	12.73
Outside Region	5	9.09
Abroad	1	1.82

Source: Own field survey.

Table 8: Target Customers under Direct Selling Marketing

Direct Selling: Main Buyers	No. of Units	Percentage
Government Organization	1	1.82
Mail Order	7	12.73
Door to Door	1	1.82
Show Room	12	21.82
Government Organization, Government Agencies, Mail Order, Door to Door and Show Room	8	14.55
Government Organization and Show Room	2	3.64
Government Organization and Government Agencies	1	1.82
Mail Order, Door to Door and Show Room	1	1.82
Door to Door and Show Room	1	1.82
Not Mention/No response	21	38.18
Total	55	100.00

Source: Own field survey.

Table 9: Target Customers Under In-Direct Selling Marketing

In-direct Selling: Product Sold Through	No. of Units	Percentage
Wholesalers	1	1.82
Retailers	2	3.64
Selling Agents, Stockists, wholesalers and Retailers	5	9.09
Stockists and Wholesalers	1	1.82
Wholesalers and Retailers	2	3.64
Selling Agents, Stockists and Retailers	2	3.64
Not Mention/No Response	42	76.36
Total	55	100.00

Source: Own field survey.

It has been stated that SSIs mostly follow the direct selling method of marketing to reach their ultimate buyers. However, in Tables 8 and 9, we examine who are ultimate buyers of the products of SSIs and who are its intermediaries. Most of these units as seen in Table 8 is either producing their goods or rendering their services to the local area and neighboring towns. In fact, many of the units have not even considered the district as their target market. Nonetheless, out of the total, only 34 respondents replied about the marketing aspects concerning their ultimate buyers. Among them, we found that their main buyer is the government (about 21%) and the customers who buy their products from the sales outlet. As a matter of fact, the Government stores purchase program has proved beneficial to SSIs in marketing their products. For example, the government-run emporium is one such mechanism that has greatly helped the SSI units to sell their products.

Besides direct selling, we have also found that a small percentage of their output is indirectly sold to the customers through stockists, wholesalers and retailers (Table 9).

The above discussions give a clear indication that with regard to marketing,

SSIs depend on direct selling methods to a great extent to ensure the sale of their products and even for their very survival and existence.

SSIs and Entrepreneurs: Some Features

An entrepreneur is one of the most important inputs in the economic development of a country/region. Entrepreneurial competence has a strong positive association with the rate of economic growth. As there is a close relationship between the economy and the entrepreneur, it has been found that as an economy reaches higher level of economic development so also will be the position of its entrepreneurs. The role of an entrepreneur becomes more relevant particularly when one looks at the current status of industrial development in the state. The main area of focus would be to highlight some basic features of the entrepreneurs associated with SSIs. The entrepreneurs are considered as those who own the small scale industrial units located in East Khasi Hills District of Meghalaya.

Socioeconomic Background of the Entrepreneurs

Gender-wise analysis suggests that 72.73% of units are owned by male entrepreneurs and the remaining 27.27% by female entrepreneurs. Though a majority of the industrial units are owned by men, the fact that more than one fourth of the SSIs are owned by female entrepreneurs shows their competence and capability to venture into this arena. This is a welcome sign. It is required to further strengthen the promotional policies of the government to provide incentives, opportunity and concessions to encourage women enterprises.

The demography of the state is such that it is a tribal dominated state. This demographic status of the state is reflected even in the statistics of ownership of SSIs. About 91% of the industrial units are owned by the indigenous tribal entrepreneurs of the state and the rest are owned by people from non-tribal communities. This fact accepts and supports the hypotheses that small scale industrialization is positively associated with development of indigenous entrepreneurship. Again the role of the government in promoting SSIs through several policy statements over the last two decades particularly after 1987 with the announcement of the First Industrial Policy for the state and again in 1997, has surely helped and encouraged local entrepreneurs to come out of their shell and become more industrious.

Small scale industrial sector is considered to be an important instrument that is expected go a long way in encouraging the growth of entrepreneurship and in turn helping the state to develop a strong industrial base. In Meghalaya, where there are no big public sector undertakings or large scale industries and with generation of white collared jobs having reached almost a saturation point on the one side, while on the other side, the number of educated youth always on the rise every year, the only alternative employment opportunity for the youth is to turn themselves from 'job seekers' into 'job providers'.

As a result, a significant number of educated youth, of late, have established their own enterprises. It is observed that 93% of the entrepreneurs have had some form of education. In fact, almost 50% of the entrepreneurs have passed their High School Leaving Certificate (HSLC) examination and they are the ones who have established their own enterprise because the scope for decent alternative jobs in other forms of organization is very remote.

We saw that many entrepreneurs after having completed some degree of formal education have started their own enterprise. This can further be extended to examine the background of the entrepreneurs other than their educational background. It will further strengthen the argument that saturation in government jobs results in the growth of entrepreneurship

especially in Meghalaya. We found that 40% of these entrepreneurs come from families with no business background, and thus they can be considered as the 'first generation' entrepreneurs, while the rest have had some family experience in the line. These 'first generation' entrepreneurs come from service, agriculturist and laborers family background. This development can be attributed to the fact that unemployment problem has forced many of the educated youth to start their own enterprise.

Analyzing the occupational status of the entrepreneurs prior to establishing their enterprise, we found only 25.5% of the entrepreneurs were actually employed before they went on to start their own industrial units, while the rest 74.55% were never employed in their life. This implies that a majority of entrepreneurs are young, and running their own enterprise is their first job of the life. This is indeed an encouraging sign because by way of indigenous entrepreneurship development the state has a future in terms of industrial development. None can dream of industrial development without developing the indigenous entrepreneurs who can play the role of the catalyst for industrial development and growth, particularly in the case of an industrially backward state like Meghalaya.

A further in-depth examination of the entrepreneurs reveals that out of the eleven (25.5%) entrepreneurs who were employed elsewhere before they started their own industrial unit, seven of them had some experience of working in an industrial units or some form of business organization while the remaining four entrepreneurs came from non-industry or a non-business enterprises. This reveals the fact that it is also not always necessary for a person to really have some experience in the business line to become an entrepreneur. Further, it is found that eleven entrepreneurs who were earlier employed left their previous jobs because they wanted to start their own industrial units, while two entrepreneurs left their jobs because they did not find any satisfaction in their previous jobs, while one of them left the job because there was no job security in the earlier job.

Influencing Factors Leading to the Establishment of their Own Enterprise

At present, there is a severe problem of unemployment all over the country. In Meghalaya too, there is a huge gap between the number of jobs required for the educated employable youth and the generation of additional employment opportunities. The government from time to time announces various schemes and incentives besides providing institutional and infrastructural support to encourage the growth of entrepreneurship. This study also attempts to find out the factors that influence and encourage the entrepreneurs to start their units. For this purpose, various possible factors were identified and the respondents were asked to arrange them in ascending ranking order on a 10-point scale. The ranking has been done in such a way that the most influencing factor given the rank 10 and the least influencing factor ranked as 1.

It is found that there are different influencing factors that led to the establishment of the different activities (Table 10). In the case of manufacturing activity, the entrepreneurs revealed that they decided to venture into this activity because of the following two main reasons:

1. Personal experience in the line; and
2. Family influence as well as family experience in the line.

Besides these the other factors also included availability of raw materials and high demand of product.

For processing activity, Table 11 reveals that the top four highest ranked influencing factors are: (1) Less competition in the trade/activity; (2) Family experience; (3) Relatives; and (4) High demand.

Table 10: Influencing Factors Leading to the Establishment of Manufacturing Enterprise

Attributes	Ranks										Percent
	1	2	3	4	5	6	7	8	9	10	
Family	9.09	-	-	-	9.09	9.09	-	9.09	18.18	45.45	100.00
Relatives	9.09	9.09	9.09	9.09	27.27	9.09	18.18	-	-	9.09	100.00
Friends	18.18	9.09	27.27	18.18	9.09	9.09	-	-	-	9.09	100.00
Government Incentives and Schemes	27.27	27.27	18.18	9.09	9.09	-	-	-	-	9.09	100.00
Low Capital Requirement	27.27	18.18	18.18	-	9.09	9.09	-	-	-	18.18	100.00
Availability of Raw Materials	9.09	-	-	9.09	9.09	9.09	36.36	18.18	9.09	9.09	100.00
Family Experience	27.27	-	-	18.18	9.09	-	-	-	36.36	9.09	100.00
High Demand	-	-	-	9.09	36.36	9.09	9.09	27.27	-	9.09	100.00
Experience in the Line	9.09	-	-	-	-	9.09	-	18.18	9.09	54.55	100.00
Less Competition	-	18.18	-	18.18	-	27.27	9.09	18.18	-	9.09	100.00

Source: Own field survey.

Table 11: Influencing Factors Leading to the Establishment of Processing Enterprise

Attributes	Ranks										Percent
	1	2	3	4	5	6	7	8	9	10	
Family	42.85	-	-	-	7.14	28.57	-	-	14.29	7.14	100.00
Relatives	-	7.14	7.14	7.14	14.28	-	35.71	-	-	28.57	100.00
Friends	7.14	21.42	35.71	14.28	-	-	-	7.14	-	14.28	100.00
Government Incentives and Schemes	28.57	7.14	14.28	35.71	-	-	-	7.14	-	7.14	100.00
Low Capital Requirement	7.14	14.28	14.28	21.42	21.42	-	-	-	7.14	14.28	100.00
Availability of Raw Materials	-	14.28	-	14.28	7.14	42.85	-	7.14	-	14.28	100.00
Family Experience	7.14	-	-	-	7.14	-	21.42	-	28.57	35.71	100.00
High Demand	-	-	7.14	-	14.28	-	14.28	35.71	7.14	21.42	100.00
Experience in the Line	-	7.14	-	-	-	14.28	14.28	35.71	21.43	7.14	100.00
Less Competition	7.14	-	14.28	7.14	14.28	14.28	-	-	7.14	35.71	100.00

Source: Own field survey.

Table 12: Influencing Factors Leading to the Establishment of Job Works Enterprise

Attributes	Ranks										
	1	2	3	4	5	6	7	8	9	10	Percent
Family		5.26		5.26	5.26	31.57	10.52	10.52	—	31.57	100.00
Relatives	10.52	—	21.05	5.26	15.78	5.26	10.52	10.52	10.53	10.52	100.00
Friends	5.26	21.05	5.26	15.78	5.26	10.52	15.78	5.26	5.26	10.52	100.00
Government Incentives and Schemes	36.84	26.31	—	—	5.26	5.26	5.26	5.26	5.26	10.52	100.00
Low Capital Requirement	15.78	10.52	31.57	5.26	15.78	10.52	—	—	5.26	5.26	100.00
Availability of Raw Materials	—	5.26	10.52	10.52	10.52	5.26	—	26.31	5.26	26.31	100.00
Family Experience	10.52	15.78	5.26	10.52	—	10.52	5.26	5.26	15.79	21.05	100.00
High Demand	5.26	5.26	5.26	—	5.26	5.26	26.31	10.52	21.05	15.78	100.00
Experience in the Line	10.52	5.26	5.26	5.26	5.26	—	5.26	10.52	15.79	36.84	100.00
Less Competition	—	—	10.52	31.57	21.05	—	15.78	5.26	5.26	10.52	100.00

Source: Own field survey.

Source: Own field survey.

Table 13: Influencing Factors Leading to the Establishment of Repairing/Servicing

Attributes	Ranks										
	1	2	3	4	5	6	7	8	9	10	Percent
Family	-	-	-	16.66	16.66	-	-	16.66	-	50	100.00
Relatives	-	-	-	-	16.66	-	33.333	16.66	-	33.33	100.00
Friends	-	-	-	-	-	66.66	-	-	-	33.33	100.00
Government Incentives and Schemes	-	16.66	16.66	-	-	-	33.333	-	-	33.33	100.00
Low Capital Requirement	33.33	-	16.66	-	-	-	-	-	16.67	33.33	100.00
Availability of Raw Materials	-	33.33	-	16.66	-	-	-	-	-	50	100.00
Family Experience	16.66	-	-	33.33	16.66	-	-	-	-	33.33	100.00
High Demand	-	-	-	-	-	-	-	16.66	33.33	33.33	83.33
Experience in the Line	16.66	-	-	-	-	-	-	16.66	-	66.66	100.00
Less Competition	-	16.66	16.66	-	16.66	-	-	-	16.67	33.33	100.00

Source: Own field survey.

Source: Own field survey.

In the case of job works, Table 12 reveals that the top four highest ranked influencing factors affecting the entrepreneurs are: (1) Experience in the line; (1) Family; (3) Availability of raw materials; and (4) Family experience.

The major influencing factors leading to the establishment of repairing/servicing units as revealed from Table 13 are: (1) Experience in the line; and (2) Availability of raw materials.

In brief, the personal experience in the line, family influence as well as family experience in the line, availability of raw materials, and high demand of product and less competition have emerged as the most important influencing factors which encourage the entrepreneurs to establish the SSIs in the district.

Major Problems of SSIs

It has been observed that a majority of SSIs in the state are in the sole proprietorship form of organization. Such type of organizations have their own advantages and disadvantages and how these disadvantages get reflected in the form of problems faced by them will be the main focus of discussion in this section. The problems faced by SSIs have been identified as per the response of respondents. These problems have been classified into two main categories namely external and internal problems. By external problems, we actually refer to those problems faced by the entrepreneurs which come from outside and are beyond the direct control of the entrepreneurs. Internal problems are those which often crop up from within the organization and can be controlled and tackled by the entrepreneurs to some extent.

The figures presented in Table 14 give a clear indication that the external problems dominate the internal problems. In an indepth discussion on the external problems as expressed by the entrepreneurs on a 10-point scale reveals that financial problem is the major problem that far exceeds the rest. Financial problem in this context actually relates to the problem faced by the entrepreneurs while seeking financial assistance from outside sources such as banks, financial institutions, and informal lending institutions. The difficulty associated in getting financial assistance from the above-mentioned sources particularly from the formal institutions is because of the lengthy and time-taking procedures—such as too many paper works, long list of enclosures such as certificates and undertakings, and collateral security—that an entrepreneur often fails to comply with.

Table 14: Major Problems of SSIs

External			Internal		
Nature of Problems	Rank	%	Nature of Problems	Rank	%
Financial	1	85.45	Labor	1	38.18
Finding Suitable Site	2	30.91	Marketing	2	37.00
Procuring Land	3	29.09	Delayed Payment	3	27.27
Machines	4	23.64	—	—	—
Getting Labor	5	21.82	—	—	—
Procuring Licenses	6	16.36	—	—	—
Power	7	14.55	—	—	—

Source: Own field study.

From the discussions with the entrepreneurs, it was found that the procedural delays in granting the loans by the formal lending institutions often put a strain on the efficiency of the entire project. On the other hand, the easy finance that could be obtained from informal institutions comes with a very high interest rate and the entrepreneurs always

restrain themselves from such sources. The problem in finding a suitable site for the establishment of the industrial unit refers to getting a convenient site that is in close proximity to the product as well as raw materials market besides easy road accessibility. The growing environmental protective awareness has created a problem to the prospective entrepreneurs in acquiring land in the urban areas which would be more beneficial to the unit in many respects.

The external problem relating to procurement of machines faced by the entrepreneur is on account of getting it in time and experts to install, maintain and repair them. It was expressed by the entrepreneurs that most machines had to be brought from outside the region and there is a big time lag between placing the order and installation of the machine. There is also the problem of getting experts to repair the machine and this has an adverse impact on production. The entrepreneurs have also expressed their concern of not getting skilled labor which is needed particularly in case of modern industrial units who have adopted new technology and methods of production.

A number of entrepreneurs have highlighted power as one of the external problems. This problem has two aspects, first is the difficulty in getting power connection for the unit; secondly irregularity in power supply especially in rural areas due to poor service and maintenance.

Three major internal problems that have been identified are labor, marketing and delayed payment. One of most common features of SSIs regarding labor is their inability to retain them. There is a high degree of 'job-hopping' by the laborers with the objective of earning higher wages and getting better facilities. As we have noted earlier, wages in these units are extremely low and so entrepreneurs find it difficult to retain the workers who are always on the lookout for better pay and opportunities. The loyalty among the workers is very low even when the entrepreneurs have sent them for skill training and development, and the probability that they continue in the same unit is very low. This type of behavior of the workers greatly affects the entire function of a system. This problem is thus becoming a major internal problem which can only be controlled by offering reasonably higher wages and other benefits.

The other internal problem relating to marketing is one which is closely associated with the nature of the business. SSIs have several limitations when it comes to marketing and marketing related issues. For instance, the technology that most of the SSIs are employing in a majority of the cases is not up-to-date, and therefore, the output produced is also not likely of a good quality which conforms to the market expectations. The entrepreneur does not have the resource, particularly a strong sales force to help in marketing his product and he has to depend to a great extent on his own marketing skills and his market chain that comprise mainly the retailers who have their own limitations such as keeping huge stock of goods. The benefits of advertising and sales promotion are having very limited scope in giving framework of the SSIs. Further the scale of operations of these units is so small that their products have very limited market, and therefore, the advantages of large scale operations like economies of scale are out of the question.

Finally, another internal problem faced by the entrepreneurs is regarding the recovery of debts from the customers. Most SSIs often sell their product on cash as well as on credit basis. The credit basis of selling has put many entrepreneurs in difficult situations on a number of occasions. The buyers do not make their payments in time and by not doing so, the working capital of the unit gets affected and this results in a heavy burden on the entrepreneur to maintain his day-to-day operations.

In short, it can be said that though establishing a SSI is much easy than a medium or a large scale industry yet their operation and survival are not as easy as it seems. We have seen that SSIs are facing many problems which are both external as well as internal. With the external problems exceeding the internal problems, it demands a lot of effort and time of the entrepreneur particularly if the industry is a sole proprietorship. Thus, the hypothesis that external problems far exceeds internal problems holds true in the present case.

Conclusion

The development of SSIs in Meghalaya is indeed very important, particularly when the scope of establishment of large scale industries is very limited. At the same time, the state needs to progress industrially and advance economically. This can take place only through developing SSIs. As a case study based on a primary survey of the 150 SSIs in East Khasi Hills District reveals, most of the units are engaged in either manufacturing or processing or job works and services units. These units have been established mainly using the locally available resources, though some of them are also brought from outside thereby showing that some interregional linkages do exist. Further, the contention that SSIs are labor-intensive in nature is questionable. In this study, it is found that the number of labor absorption by the SSIs per unit is very low. For that contention to hold true, the population size of SSIs must also increase in numbers since each unit on an average employs five persons only.

The entrepreneurs who are operating on a small scale have so far catering to the needs of the local market. In fact, they are yet to expand their market even beyond the boundaries of the district. This clearly shows how small these units are in terms of size and their influence in the market. Further, it is found that a majority of the units in the district belong to the "tiny units" category.

It can be remarked that SSIs in the district as a whole are yet to create an impact on the economy inspite of the rich factor endowments. In order to be able to achieve the benefits that are associated with SSIs, an entrepreneur has an important role to perform. The strong need is felt to develop an entrepreneurial class within the state. It is heartening that a growing number of 'first generation' entrepreneurs are coming up in the district. The emergence of a large number of indigenous tribal entrepreneurs is an indication of the emergence of an entrepreneurial class within the society. This point needs further research because the emergence of such entrepreneurs could be circumstantial.

The state is richly endowed with resources and the availability of resources has influenced a majority of entrepreneurs to start their own-units. The family experiences in a particular activity, and the high demand for the products are the major influencing factors that have encouraged the entrepreneurs to establish their units. The SSI sector faces a number of external and internal problems. The external problems are exceeding the internal problems. Hence, the state government and financial institutions should come forward with more industrial-friendly policies and schemes for the balanced development of the SSI sector in the state as a whole.©

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