

# Emergence of Small Scale Industries and Entrepreneurship in the Rural Areas of Northeastern States of India: An Analytical Approach

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*The main objective of this study is to make an indepth analysis of the development of Small Scale Industrial (SSI) sector in the rural areas of the states of Northeastern Region (NER) of India. The SSI sector is studied in terms of changes in the number of enterprises and employees, working status classification, firm size and types of organization in the region. It focuses specifically on the role and profile of entrepreneurs. The SSIs are broadly classified into following categories: manufacturing, assembling, processing; services; and repairing and maintenance. It is found that the manufacturing, assembling and processing activity is the dominant group among the various SSIs activities in the Northeastern (NE) states in rural and urban areas. The next category of activities is the services group followed by repairing and maintenance. In most of the NE states, the SSIs are growing significantly in rural areas. In some states, concentration and growth of SSI activities is higher in rural areas than in urban areas. Another important feature is the rising number of women and tribal entrepreneurs in the region. If this trend continues, then it will play an important role in rural development and transforming the economies of this region in future.*

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## Introduction

The development of Small Scale Industrial (SSI) sector has been viewed as a powerful instrument for achieving the twin goals of 'accelerated industrial growth' and 'creating 'productive employment opportunities' in an economy. In fact, the 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 labor, thereby addressing the problems of poverty and unemployment to some extent. Small scale industries

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also have a merit of being agents that help in mitigating regional imbalance, acting as a nursery for entrepreneurship and facilitating mobilization of local resources and skills, which might have otherwise remained unutilized. 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.

Keeping this in view, this study analyzes the status and development of SSI in the Northeastern states of India. This study has two basic objectives: (1) To analyze the structure of the SSI sector; and (2) To review the status of SSI sector in rural areas in comparison to urban areas.

## Literature Review

There had been several attempts to analyze the development and role of SSIs in India's economy at national as well as regional level. Sandesara (1988) reviewed the Indian experience of promoting small scale industry over the last four decades based on official reports and academic studies on the subject. He traces growth patterns of SSIs from the perspective of employment generation. According to Nath (1998), persistent efforts have been made to promote SSIs in India as it is a source of large scale employment generation and equitable distribution of income. There has been substantial growth of these industries over the 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. 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 independence, entrepreneurial development, employment and a host of other positive 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 industrial production leads to the division of processes where large and small scale units operate as complementary to each other. Such complementarities and division of labor between the different sized firms results in cost minimization, and growth of the manufacturing sector. Ghose (2001) observed that over the years, the concept of SSI has undergone periodic changes and the definition of SSI has been modified from time to time in view of the government policies and overall economic environment.

Dealing with the industrial development and process of industrialization in Northeastern Region (NER) of India, Neog (1988) emphasized that in a broad sense, the process of industrialization in India had 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. While some states or regions have achieved more development, certain other regions are lagging behind. Accordingly, the Central Government has declared the entire Northeastern Region (NER) as industrially backward and is offering a host of incentives to industrialize it. Vepa (1997) noted that the small scale sector is not only important for providing employment at reasonable cost, but is also a dynamic engine of growth for the national

economy. It is pointed out that the major problems of SSIs are geographic isolation and limitation of market. The same is also true in the case of Northeast India, in spite of its unique set of favorable circumstances like high literacy rate and a marked degree of entrepreneurship. These favorable conditions must be accompanied with proper investment, marketing assistance and accountability.

### **Data Set and Scope of the Study**

This study is based on up-to-date and relevant statistics collected from a number of secondary sources. This is presented at national, state and district levels, 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. The first census, which was conducted in 1973-74, was not considered because some smaller states of the region had just got their statehood, and hence, the available data was not adequate enough for the purpose of comparative analysis. The analysis of statistical information obtained from the two consecutive census reports not only indicate the distribution pattern of the industrial units in the state, but also the nature of sampling that need to be chosen to give proper representation to each segment of the overall industrial structure of the Northeastern states.

As this study is mainly confined to the Northeastern states of India, it is important to note that there are eight states in this 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 Northeastern 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 areas. But unfortunately, the NER of India, with all its potentialities of development has not been properly and adequately exploited. As a result of this, the region continues to remain backward in almost every economic field and thus lags far behind the rest of the states of the country.

The region presents a paradoxical picture as far as the availability of resources and their utilization are concerned. There are rich forests and mineral resources along with human resource that can 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 has a few large industries numbering 129 units besides 21,514 SSIs in 2002. The other seven states of the region have very little to show regarding their magnitude of industrial development particularly with respect to big industries. In fact, combining all the 49 large industries and 17,318 SSIs in the remaining six states, they still do not add up to the number of the large or even the SSIs existing in Assam.

Data shows that the non-tribal dominated states are far ahead of the tribal dominated states in industrial progress. The three non-tribal states (Assam, Manipur and Tripura) together accounts for 143 (80.37%) of the total number of 178 large industries located in the region and 28,789 (74.14%) SSIs out of the total 39,010 units.

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

It can also be stated here that the population per SSIs in Northeast India is 2.33 times greater than the same for India, whereas small industrial production per capita in the region stands at only 27.44% of the figure for the country as a whole. While elaborating on the industrial development process, it was pointed out that when the nation developed on an average of 1.77 SSI per 1,000 hectares of land, the Northeastern region could venture for only 0.37 SSI per unit of land.

### **Present Status of the SSI in the Northeastern Region**

To begin with, an attempt has been made to highlight the share of agriculture, industry and service sector to total Gross Domestic Product (GDP) in the respective states of the region (Table 1). This gives an indication and synoptic view of the economic scenario of the region as a whole. It is evident that the contribution of service sector to the states' GDP is quite substantial. Thus, the high share of the service sector could be attributed to the large number of Small Scale Service Business Enterprises (SSSBs), 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 SSSBs in their respective states. As mentioned earlier, industrial activity in the region still leaves a lot to be desired and this is reflected in Table 1, which shows that industrial sector contribution towards the GDP is the lowest and even behind the agricultural sector.

**Table 1: Shares of Agriculture, Industry and Services in Total GSDP at Constant (1993-94) Prices (As a Percentage of GSDP) for 1999-2000**

States	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	NA	NA	NA
Nagaland	30.44	12.82	56.74
Tripura	29.48	14.68	55.84
Sikkim	19.88	22.77	57.35

**Note:** GSDP means Gross State Domestic Product; and NA means not available.

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

Table 1 reveals the inter-state variations in terms of economic structure during 1999-2000. As far as agriculture is concerned, which also happens to be the sector where majority of the people derive their livelihood, it occupies second position in terms of its share in GDP in most states except Sikkim, where the share of this sector is 19.88% only. The Agricultural sector in Assam with 35.80% share of the GSDP can be said to perform much better than the other states like Arunachal Pradesh (34.11%), Nagaland (30.44%), Tripura (29.48%), Manipur (27.22%), Meghalaya (25.48%) and Sikkim, the least with 19.88%. Except for Sikkim, figures of other states show that the contribution of the industrial sector as a percentage of GDP, is the lowest among all the three sectors. As far as state-wise analysis of industrialization is concerned, it is revealed that Nagaland and Tripura are the least industrialized states in the region with percentage share of the total GDP being 12.82% and 14.68% respectively. Assam, which is one of the oldest states in the country, is the most industrialized state with 25.02% share of the industrial sector in GDP. 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 GSDP in all the states, the highest in the state of Sikkim (57.35%), followed by Nagaland (56.74%), Tripura (55.84%), Meghalaya (52.46%), Manipur (48.88%), Arunachal Pradesh (42.60%) and lastly Assam with 40.21%. 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 Assam to some extent.

It is a fact that the NER 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 low manpower development.

These factors impose severe constraints on the development of large and medium scale industries. These constraints along with volatile political situation and insurgency pose major obstacles to the economic development. However, there is no doubt that there has been some marked progress in the small scale industrial sector particularly after the national level economic reforms and economic liberalization along with the promotional support from both the Central and State governments since the 1990s.

In order to see various developmental trends in the small scale industrial sector that took place in the region, it is quite clear from Table 2 that the number of SSIs in each state of the region is increasing in number except in Tripura which shows a decline in the growth of SSIs. However, going by the percentages, this increasing trend is not so very prominent and encouraging.

**Table 2: Trends of Development of SSIs in Different States of Northeastern Region from 1996 to 2001**

States	1996	1997	1998	1999	2000	2001
Arunachal Pradesh	525	1,200	2,280	3,358	4,478	4,520
	(2.0)	(3.2)	(6.43)	(8.64)	(10.47)	(10.22)
Assam	12,805	18,367	20,035	21,514	23,132	23,637
	(47.8)	(48.98)	(56.50)	(55.40)	(54.41)	(53.47)
Manipur	4,059	5,034	5,187	5,578	5,829	6,000
	(15.1)	(13.42)	(14.63)	(14.36)	(13.63)	(13.57)
Meghalaya	1,368	1,417	2,079	2,229	2,514	2,621
	(5.1)	(5.27)	(5.86)	(5.74)	(5.88)	(5.92)
Mizoram	2,478	2,880	3,466	3,677	4,028	4,333
	(9.2)	(7.68)	(9.77)	(9.46)	(9.42)	(9.80)
Nagaland	615	731	749	779	813	982
	(2.3)	(1.94)	(2.11)	(2.00)	(1.90)	(2.22)
Tripura	4,967	7,311	1,657	1,697	1,949	2,114
	(18.5)	(19.5)	(4.67)	(4.37)	(4.55)	(4.78)
<b>Total</b>	<b>26,817</b>	<b>37,500</b>	<b>35,454</b>	<b>38,832</b>	<b>42,743</b>	<b>44,207</b>
	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>

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

*Source: Basic Statistics of Northeastern Region 2002.*

Furthermore, when one looks at the overall scenario of the SSIs in the region and compare it with the all India level, the region, likewise in many other fields of economic activities have a long way to go. For instance, where the share of SSIs in the region is about 9,330 units, the share of SSIs at all India level is 582,368 units or 1.60% of the total (Table 3). 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.

**Table 3: Principal Characteristics of SSIs in Northeastern Region**

States	SSI Units (Nos.)	Employment (Nos.)	Fixed Investment*	Investment in Plant and Machinery*	Working Capital*	Production Capacity*	Utilization Capacity (%)
Arunachal Pradesh	326	2771	703	395	631	2624	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
North East	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
<b>Note:</b> * in lakh							
<i>Source: Basic Statistics of Northeastern Region, 2000.</i>							

The number of people employed in the small scale industrial units in this region is also low. They form just 1.87% of the total number of people employed in all SSI units in India. The picture is quite same for the other parameters as well, such as production capacity (1.25%), working capital (1.67%) except for capacity utilization (50.01%) which is almost at par with the all India level which is 50.89%.

It has been emphasized that SSIs are considered to be labor intensive in nature and it has the potential to provide employment opportunities to many, especially the educated unemployed youth. The percentages of people working in the SSIs in the rural areas of Northeastern states are higher than the all India level both for male and female workers. However, in urban areas, the percentage of male workers working in the SSIs is below the national average, while the female workers exceeds the all India figure. It is noted that in 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 urban areas, the percentage of male and female workers engaged in SSIs is less than the national average except for the states of Mizoram, Nagaland and Sikkim.

As far as the Northeastern states are concerned, employment generation in SSIs seems to be more in rural areas than in urban areas. More small scale industrial units in rural areas than urban areas could be the reason why there is a higher percentage of people employed in the SSIs located in rural areas than in urban areas. From Tables 4a, 4b and 4c, 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 SSIs in terms of male and female workers. There are more male workers than female workers who are working in SSIs of the region whether in rural or urban areas. Since most states in the Northeast are tribal dominated in terms of population particularly Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Sikkim, the percentage of Scheduled Tribe (ST) workers working in SSIs is more than the other states like Assam and Tripura and even at 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 SSIs.

SSIs in India have been widespread in both the rural and urban areas. Table 5 shows the distribution of both working and closed units in urban as well as in rural areas in the Northeastern region. It is observed that the ratio of working units to closed units is higher in urban areas than in rural areas in NE. 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 urban areas.

**Table 4a: Employment Profile (State-Wise)**

States	Rural		Urban	
	Male	Female	Male	Female
	Number/ Percentage	Number/ Percentage	Number/ Percentage	Number/ Percentage
Arunachal Pradesh	1,454 (39.43)	129 (3.51)	1,382 (37.47)	722 (19.58)
Assam	164,394 (38.32)	35,350 (8.24)	204,377 (47.64)	24,925 (5.81)
Manipur	54,519 (39.85)	19,646 (14.36)	55,499 (40.53)	7,210 (5.27)
Meghalaya	27,422 (41.81)	12,140 (18.51)	18,981 (28.94)	7,037 (10.73)
Mizoram	1,841 (7.45)	315 (1.27)	17,000 (68.41)	5,686 (22.88)
Nagaland	11,331 (19.95)	1,352 (2.38)	38,178 (67.22)	5,935 (10.45)
Sikkim	296 (22.40)	114 (8.65)	733 (55.42)	178 (13.44)
Tripura	28,373 (49.81)	19,470 (34.18)	7,627 (13.39)	1492 (2.62)
All NE States	289,630 (32.38)	88,516 (11.39)	343,777 (44.88)	53,185 (11.35)
All India	1,856,440 (30.12)	453,015 (7.35)	3,331,977 (54.06)	522,047 (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).*

**Table 4b: Employment Profile (State-Wise)**

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	0.10	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	25.10	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	0.10

*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).*

**Table 4c: 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	12.00	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: 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).*

**Table 5: Percentage Distribution of Working/Closed Units, State-Wise in Rural and Urban Areas**

States	Rural		Urban	
	Working Units	Closed Units	Working Units	Closed Units
Arunachal Pradesh	143 (44.17) <sup>1</sup>	182 (55.83)	111 (62.71)	66 (37.29)
Assam	6,947 (60.14)	4,632 (39.86)	7,442 (56.67)	5,706 (43.33)
Manipur	2,420 (73.10)	901 (26.90)	2139 (86.87)	325 (13.13)
Meghalaya	1,313 (52.98)	1,166 (47.02)	625 (45.72)	742 (54.28)
Mizoram	267 (58.01)	194 (41.99)	2,451 (68.78)	1,119 (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	11,778 (57.86)	7,585 (42.14)	13,669 (62.48)	8,809 (37.52)
All India	600,357 (64.39)	336,492 (35.61)	748,094 (58.18)	887,427 (41.82)

**Note:** <sup>1</sup> Number and Percentage in Parenthesis.

*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).*

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 rural areas of three states namely Arunachal Pradesh (44.17%), Meghalaya (52.98%) and Sikkim (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%.

The situation in the urban areas 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%. In these four states, the number of closed units is also much higher than the average for the entire region, which is 37.52%. Among the NE states, figures indicates that in rural areas of Manipur (73.10%) and Nagaland (66.28%) have a high percentage of working units, which is even higher than the all India level of 64.39%. In urban areas, 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%. 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 areas 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). According to Table 6, in the Northeast within the SSI sector, 19,563 (75.2%) out of the total of 26,014 units are SSIs, 6,117 (23.5%) of the total are SSSBEs and the remaining 334 (1.3%) are ancillary units for the year 2000-2001.

States	SSI		SSSBEs		Ancillaries among SSIs	
	No. of Units	Percentage	No. of Units	Percentage	No. of Units	Percentage
Arunachal Pradesh	230	1.18	25	0.41	4	1.20
Assam	11,098	56.73	3,355	54.85	89	26.65
Manipur	3,414	17.45	1,185	19.37	42	12.57
Meghalaya	1,382	7.06	557	9.11	7	2.10
Mizoram	2,020	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	19,563	100.00	6,117	100.00	334	100.00
All India	901,291	-	473,683	-	45,826	-

*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 all India picture for the same year shows that 901,291 (63.4%) of the total 1,420,800 units are SSIs, 473,683 (33.3%) are SSSBEs and 45,826 (3.3%) are ancillary units. Among the states in the Northeast, Assam has the largest share of SSIs and SSSBEs which is 56.73% and 54.85% respectively. It is very clear that among the Northeastern states, Assam is more industrialized 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% of the SSIs and 95% of SSSBEs are located in the states of Assam, Manipur, Meghalaya and Mizoram. However, most ancillary units i.e. about 91% 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. Except Assam to some degree, the other states like Manipur, Meghalaya and Mizoram also need to further the pace of industrialization by using the available resources.

Table 7 demonstrates a state-wise percentage distribution of SSIs by the type of organization. Most of the SSIs in the NER belong to the sole proprietorship form of organization. In fact more than 93% of the SSIs are under the ownership and control of a single person known as sole proprietor. The percentage of sole proprietorship form of organization in the NER is much more than at the all India level, which is about 89%. Further, except for Nagaland, more than 90% of SSIs in the NE states are in proprietorship form of organization with very few number of partnership organizations.

The private company form of organization 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 organization can be

**Table 7: State-Wise Percentage Distribution of Number of Units by the Type of Organization**

States	Type of Organization					
	Proprietary	Partnership	Co-operatives	Private Company	Others	Total
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	0.50	0.07	0.3	0.17	100
Meghalaya	98.92	0.21	0.36	0.41	0.10	100
Mizoram	98.96	0.50	0.07	0.30	0.17	100
Nagaland	76.58	1.94	7.22	1.76	12.5	100
Sikkim	93.10	2.30	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: 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).*

attributed to the fact that starting a sole proprietorship organization is much easier than a partnership form of organization or any other form of organization. Starting and establishing a sole proprietorship organization requires less capital, there is business secrecy, the proprietor is the sole owner of the organization besides having full control over its management. He enjoys all the profit of the firm, but at the same time he has to bear all the losses too if any.

### **Development of Entrepreneurship**

Emergence of entrepreneurship in the region is evident from the following analysis of characteristics of SSIs. Tables 8a and 8b 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 Northeastern states. A comparison with the all India figure shows that male entrepreneurs running the enterprise are much less in Northeastern states. In fact, the percentage of enterprises run by male in both the rural as well as urban areas of the region taken together is 40.92% on an average which is very less compared to the all India level, which is 45.84%. On the other hand, enterprises run by female entrepreneurs in the region averages 9.09% which is much higher than the all India level whose average is 4.16%.

The fact that most states in the Northeast are tribal dominated, is reflected by the figures in the Tables 8a and 8b. About 53.08% of SSI units located in the rural as well as urban areas are managed by tribals, whereas at all India, only 3.52% of SSI units are run by tribal entrepreneurs.

States	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	18.10

*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).*

States	Percentage Number of Units					
	Male	Female	SC	ST	OBC	Others
Arunachal Pradesh	30.59	12.94	0.39	32.55	0.39	10.20
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	0.10	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	6.90	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: 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).*

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 have got a substantial percentage of male-run enterprises in both rural as well as urban areas. Among the Northeastern states, which has

**Table 9: State-Wise Distribution of Number of Units by Nature of Activity**

States	Rural			Urban		
	Manuf./ Ass./Pro.	Rep. and Maint.	Services	Manuf./ Ass./Pro.	Rep. and 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: 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).*

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 the enterprise in the tribal dominated states like Arunachal Pradesh, Meghalaya, Mizoram and Nagaland.

The SSIs are broadly classified into three categories (1) Manufacturing, assembling, and processing; (2) Services; and (3) Repairing and maintenance. The Manufacturing, assembling and processing activity is the dominant group among the various SSI activities in the Northeast as well as at the all India level whether it is in the rural areas or the urban areas (Table 9). The next category of activities is the services group followed by repairing and maintenance. In some Northeastern 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, it is seen that the percentage of manufacturing, assembling 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, assembling and processing activity.

When we look at the service activities, it is observed that this form of activity is almost 6% 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 not substantial in the region and even at the all India level. The presence of about 36.48% of manufacturing, assembling and processing activities in the rural areas can be 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 industrialization.

It is said that SSIs in general often use outdated 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. Table 10 shows the importance given to technology by the SSIs. In the Northeastern region we find that 72.02% of the SSIs are carrying out their activity without the use of any technical know-how. When this figure is compared with the all India figure of 85.38%, SSIs in the Northeast seem to be doing better in terms of the technical input.

**Table 10: Sources and Utilization of Technical Know-How (State-Wise)**

States	Number of Units in Percentage with Technical Know-How Obtained from			
	Abroad	Domestic Collaboration	Domestic Resident and Development Institution/Special Organization	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	27.70	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: 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).*

Most of the SSIs in the Northeast 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-driven as 54.10% 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 40.32%. Mizoram with 5.67% and Meghalaya with 18.88% are the two states in the Northeast that seem to be less dependent on using recognized technical know-how in the productive activities of SSIs.

## Conclusion

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 land

is progressively diverted towards the industrial and services sector for which the state has to embark upon industrialization for quickening the pace of economic development. In most of the Northeastern 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, geographical isolations, limited market, etc. While industrialization on the whole plays an important role in the development of economically backward economies, SSIs have a unique place from the point of view of economic development.

An overall analysis of SSIs sector in the NER shows that there exists untapped potential for economic development. The states in this part of India are indeed young compared to other states but they have performed much better in some fields. The region is 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 industrialization. It is seen that almost 92% of the SSIs and 95% of SSSBEs are located in the states of Assam, Manipur, Meghalaya and Mizoram combined together. However, most ancillary units, i.e., about 91% 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. Except Assam to some degree, the other states like Manipur, Meghalaya and Mizoram need to step up the pace of industrialization by using the available resources.

The present discussion brings to light the need to develop SSIs, which plays a vital role in contributing significantly to social and economic development objectives such as labor 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 SSIs has thus been recognized as one of the most important and appropriate means of industrialization 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 different Five Year Plans. This fact is well-reflected in various policy documents like the New Industrial Policy and other concessions in the Northeastern region, Government of India; Ministry of Industry, Department of Industrial Policy and Promotion (December 1997); Nagaland State Industrial Policy, Government of Nagaland; and Department of Industries and Commerce, Notification of December 2000. Besides the policies and programs, 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 (KVIBs), Indian Institute of Entrepreneurship (IIE). These institutions are playing a vital role in developing industrial activities in the region.©

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