

**A STUDY ON THE PERFORMANCE OF MSMEs
IN LUNGLEI DISTRICT, MIZORAM**

**(A DISSERTATION SUBMITTED FOR THE AWARD OF THE
DEGREE OF MASTER OF PHILOSOPHY IN ECONOMICS)**

BY

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MZU/M.Phil./264 of 22.04.2016

TO

THE DEPARTMENT OF ECONOMICS

SCHOOL OF ECONOMICS, MANAGEMENT

&

INFORMATION SCIENCES

MIZORAM UNIVERSITY



2016

MIZORAM



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DECLARATION



I, C.Lalroluahpuia, do hereby declare that this M.Phil Dissertation entitled, "**A Study of the Performance of MSMEs in Lunglei District, Mizoram**" is an original study that was carried out by me under the supervision of Prof. Vanlalchhawna, Professor, Department of Economics, Mizoram University.

I, further declare that this dissertation has not been submitted for any research degree in any other University or Institution.

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ACKNOWLEDGEMENT

Foremost, I am heartily thankful to my supervisor Prof. Vanlalchhawna for his valuable guidance and constant supervision of my research, enabling me to its completion.

I would like to express my special thanks to Dr. Lalhriatpuii for her helpful and valuable suggestions for the betterment of my work.

I am deeply grateful to General Manager(s), District Industries Centre, Lunglei for providing me with official records and data. Big thanks to all the respondents during the field survey who made this study a success.

I am truly indebted to my fellow batch mates in Economics Department who always encourage me and helpful to carry out my work successfully.

My sincere gratitude to my parents and family members. Words cannot express how grateful I am to my parents, who have given me strength and inspiration throughout, as always. Your prayer for me was what sustained me thus far.

Most of all, I wish to express my prayers and gratitude to my God, my Almighty Father, for letting me throughout all the difficulties. I have experiences your guidance and your right plan for me day by day. I will keep on trusting you for my future. Thank you, Lord.

(C. LALROLUAHPUIA)

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LIST OF ABBREVIATIONS

ARI	Agro and Rural Industry
CAGR	Compound Annual Growth Rate
CGTMSE	Credit Guarantee Fund Scheme Assistance to Micro & Small Enterprises
CII	Confederation of Indian Industry
CSO	Central Statistical Office
CWEI	Consortium of Women Entrepreneurs of India
DIC	District Industries Centre
EDP	Entrepreneurship Development Programme
EDPs	Entrepreneurship Development Programmes
EM-II	Entrepreneurs Memorandum Part-II
FASSI	Federation of Associations of Small Industries of India
FIEO	Federation of Indian Exporters Organization
GNP	Gross National Product
ICSI	Indian Council of Small Industries
IMC	Industrial Motivation Programme
KVIC	Khadi and Village Industries Commission
LUB	Laghu Udyog Bharti
MCI	Mizoram Chamber of Industries
MoMSME	Ministry of Micro, Small and Medium Enterprises
MSE-CDP	Micro and Small Enterprises - Cluster Development Programme
MSMEs	Micro, Small and Medium Enterprises
NBC	Net Bank Credit
NBMSME	National Board for Micro, Small and Medium Enterprises
NEIIPP	North East Industrial and Investment Promotion Policy

NISIET	National Institute of Small- Industry Extension Training
NLUP	New Land Use Programme
NSIC	National Small Industries Corporation
OTS	One Time Settlement
PMEGP	Prime Minister's Employment Generation Programme
PMRY	Prime Minister's Rojgar Yoyana
PPP	Purchasing Power Parity
REGP	Rural Employment Generation Programme
SEDF	Small Enterprise Development Fund
SEPTI	Small Entrepreneurs Promotion and Training Institute
SFCs	State Financial Corporations
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SIDBI	Small Industries Development Bank of India
SIDO	Small Industries Development Organization
SLVDP	State Level Vendor Development Programme
SME	Small and Medium Enterprises
SSI	Small Scale Industries
SSIB	Small Scale Industries Board
SSSBes	Small Scale Service and Business Enterprises
TREAD	Trade Related Entrepreneurship Assistance and Development
UIAI	Unique Identification Authority of India
UYEGP	Unemployed Youth Employment Generation Programme
VAT	Value Added Tax
WASME	World Association for Small and Medium Enterprises
WTO	World Trade Organisation

CHAPTER 1

INTRODUCTION

1.1. Introduction:

Enterprises in every country are playing a vital role in increasing the industrial sector as well as economic growth of country. A growing industrial sector is crucial to greater economic development and ensuring a steady industrial growth helps to compliment and sustain continued economic development. The experience of industrial economies shows that there is a direct relationship between the level of industrial development and the economic prosperity of a country. In most of the countries, majority of the products of large corporations consist of components from Small and Medium Enterprises subcontractors, and their economies of are supported by the activities of these sectors – mainly in the service industry, retail trade, and the construction industry. The MSMEs sectors play a part in revitalizing local economies and boosting employment opportunities. Developed countries like the USA, Japan, Russia and European countries owe due to their prosperity to highly developed industries.

According to Development Commissioner (MSME, GOI) "Imparting greater vitality and growth impetus to the Micro, Small and Medium Enterprises (MSME) in terms of output, employment and exports and instilling a competitive culture based on heightened technology awareness." The Micro, Small and Medium Enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Both the Eleventh (2007-2012) and Twelfth Five Year Plan (2012-2017) have initiated this strategy as the main objective of planning process with special focus on these enterprises. Since MSMEs sector industries involve lower investment and

are usually labour intensive, the promotion of industries are indispensable in India, and development of MSMEs can be regarded as one of the best options to achieve faster and more inclusive growth in our country.

The MSMEs in developing countries often act as ancillary industries for the large-scale industries providing them with raw materials, vital components and backward linkages. In view of abundance labour and scarcity of capital as in India, the MSMEs sectors suffer from a number of constraints and weaknesses, which have resulted in their retarded growth. Different social groups dominate different segments of the MSMEs sector in India. A number of women and children are found in unorganised sectors like weaving sector, power loom, and food processing for meagre wages. For many families, it is a source of livelihood, but for others, it supplements income. Since the largest source of employment is found in agricultural sector, the MSMEs sector are also suitable as a supplementary source of employment for Indian farmers who remain out of work during lean period of agricultural season.

The present study for the role and performance of MSMEs in Lunglei District also confirmed that the MSMEs sector provides job and employment and ultimately self- dependency, but they suffered with many problems, depending on their type of production or their location. The state government has to play a very important role in the growth and development of the MSMEs sector. Government policy should promote MSMEs by helping them to increase their efficiency and competitiveness, and should effectively deal various problems to facilitate rapid growth of MSMEs within the district, the state and the country.

1.2 Importance of Micro, Small and Medium Enterprises:

The Micro, Small and Medium Enterprises have long been the centre of attention of industrial policies by the Governments around the world, due to its contribution of small industrial units in industrial production, employment generation, contribution to Gross Domestic Product, poverty alleviation, balanced regional development and overall economic development of different countries. Thus, the manifest capacity of Micro, Small and Medium Enterprises (MSMEs) around the world for driving economic growth and development at regional, national and global levels cannot be overemphasized.

The Micro Small Medium Enterprise (MSMEs) or Micro and Small Enterprises (MSEs) constitute over 90 (ninety) per cent of total enterprises in most of the developing economies and credited with generating the highest rate of employment growth and accounting for a major share of industrial production and exports. Countries with strong industrial sector have showed more economic growth and development, and had improved the national income and promoted living standard of population. The path of moving gradually from agriculture to industry to services is a proven path for economic transition from developing to a developed country. The United States, Germany, Japan, Korea and Taiwan are outstanding examples of this development model.

The MSMEs sector has to play a major role in the economic growth and development of the developing countries like India, who possesses vast manpower and varied resources. In particular, the small scale and medium

scale industries in India can make significant contribution to achieve social and economic objectives such as labour absorption, eradication of poverty, reducing regional imbalances, ensuring equitable distribution of national income, rural development and growth of various development activities.

The sector has often been termed as 'engine of growth' for all developing economies including India, and act as power and spirit of economic growth in the 21st century. MSMEs are providing immediate large-scale employment, with lower investments and prove to be a second largest manpower employer after agriculture and occupy a position of prominence in Indian economy. The sectors play a significant role in the establishment of industrialization for rural and backward areas. The path of moving gradually from agriculture to industry is a proven path for economic transition from developing to a developed country. Migrating people from agriculture to industry should be the strategy for a sustainable growth and development of India.

MSMEs have been playing a momentous role in overall economic development of a country like India where millions of people are unemployed or underemployed and facing the problems of poverty. In India, the MSMEs sector generates the highest employment per capita investment. Besides, they have also been playing an important role in checking rural-urban migration by providing villagers and people living in isolated and remote areas with reliable source of employment. The dispersed, unorganised and often household-based micro and small enterprises are capital-saving, labour intensive and environment friendly.

The opportunities in these sectors in India are enormous due to the factors like Less Capital Intensive, Extensive Promotion and Support by Government, Reservation for Exclusive Manufacture, Funding by way of Finance & Subsidies, Reservation for Exclusive Purchase by Government, and Export Promotion. An inherent strength of the MSMEs sector is that these enterprises can be set up with very small amount of investments and have flexibility to be set up anywhere within the country. The MSMEs dominated in export of certain products like readymade garments and knitwear, plastic and leather product, woollen garments, food processed, etc.

In India like other developing nations, the business climate is more informal in nature. By 2020, the median of the age of India was expected to be 27 years of age; hence, young India needs enough jobs to feed this aspiring youth to maintain their living as well as a healthy family life. To take such an advantage of the age dividend, India needs to promote a better business climate. To evolve the businesses as part of culture, Indian Government already has taken many steps, including giving many incentives and subsidies to encourage youth to opt for business as another career option which would be a better or stable career option compared to doing jobs for others.

According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. In India, the Micro, Small and Medium Enterprise sector is decisive for the economy. It accounts for 29.8 million enterprises in various industries, employing 69 million people. With 38

per cent contribution to the nation's GDP and 40 per cent and 45 per cent share of the overall exports and manufacturing output, respectively, it is easy to comprehend the salience of the role they play in social and economic restructuring of India. Besides the wide range of services provided by the sector, the sector is engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items.

The development of the MSMEs sector particularly in Lunglei District, Mizoram has a special significance and can be used as a development tool to provide reliable employment to both educated and uneducated labour force, and help to improve the female work participation in Industrial units. Even though the geographical location and topography of the state is not suitable for industrial development, the sector has slowly made a significant contribution in the GSDP. The central and state government initiated various incentives scheme for enterprise; but many of the enterprise do not utilized the available scheme in the state of Mizoram. Keeping this importance of MSMEs in the inclusive development strategy and problems faced by the unit, the present paper has analyze the nature and performance of this sector, along with their weaknesses and various issues with particular reference to Lunglei District of Mizoram. It is no doubt that the MSMEs have to upgrade their skill, knowledge and have to adopt latest technologies and modern management practices to sustain and remain competitive in an increasingly globalized competitive environment. Government's role as a facilitator will help the sector to become more competitive and grow at a faster rate.

1.3 Conceptual Framework:

1.3.1 International Concept:

The criteria for defining the size of enterprises differ from country to country, with many countries having programs of business rate reduction and financial subsidy for Micro, Small and Medium Enterprises. In most of the countries, the criteria for defining small- scale enterprises are related to the size of employment. The classification of the industry as a small, medium or large scale is generally based on the criterion of capital investment, the rate of production and the number of employees. The small, micro, medium or large scale industries in India is based on the criterion of capital investment while many other countries like China, Germany, Indonesia, Iran, Turkey, etc., goes by the number of employees as the criterion for scale of industries. However, while some countries set the limit at about 200 employees, the United States considers Small and Medium Enterprises to include firms with fewer than 500 employees. According to the European Commission, there are three broad parameters, which define MSMEs are as follows:

- Micro-enterprises have up to 10 employees.
- Small enterprises have up to 50 employees.
- Medium-sized enterprises have up to 250 employees.

A World Bank Group study suggests there are 365 to 445 million Micro, Small and Medium Enterprises (MSMEs) in emerging markets: 25 to 30 million units are formal SMEs whereas 55 to 70 million are formal Micro Enterprises; and

285 to 345 million are Informal Enterprises. Moving informal SMEs into the formal sector can have considerable advantages for the SME (for example, better access to credit and government services) and to the overall economy (for example, higher tax revenues, better regulation). In addition, improving SMEs' access to finance and finding solutions to unlock sources of capital is crucial to enable this potentially dynamic sector to grow and provide the needed jobs.

1.3.2 National Concept:

Prior to the MSMED Act, Industrial units in India classified as small scale and large-scale units were based on investment ceiling on the installed plants and machinery. Within small-scale sector, there were sub-classifications such as ancillary units, tiny units, women enterprises, small-scale services and business units. The medium scale units were not defined in India. Till 2005, the term SSIs and MSMEs were used interchangeably, but from 2nd October 2006, MSME (Micro Small and Medium Enterprises Development) Act, 2006 became operational to give a greater clarity for defining this sector.

The Micro, small and medium enterprises in India as per MSMED Act, 2006 are defined based on their investment in plant and machinery for manufacturing enterprise and on equipment for enterprises providing or rendering services. The sector is no doubt a key component of India's economy and industrial sector. MSMEs including Khadi and Village enterprises provides employment

opportunities to millions of people across the country, and add extensively to India's Gross Domestic Product and export earnings of the country.

According to the Act published by the authority, the MSMED Act was an act to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto. The Act decisively defines the MSMEs by the level of by Plant and Machinery (P&M) investment. The earlier concept of Industries has been changed to Enterprises. By an act, 'enterprise' means (a) an individual undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act, 1951 or, (b) engaged in providing or rendering of any service or services. The new definition is as follows:

Manufacturing Enterprises:

- A micro enterprise, where the investment in plant and machinery does not exceed Rs. 25 lakh;
- A small enterprise, where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore;
- A medium enterprise, where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.

Service Enterprises:

- A micro enterprise, where the investment in equipment does not exceed Rs. 10 lakh;
- A small enterprise, where the investment in equipment is more than Rs, 10 lakh but does not exceed Rs. 2 crore;
- A medium enterprise, where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

The limit for investment in Plant and Machinery for manufacturing and Equipments for Service Sectors are as shown in Table 1.1

Table 1.1: Classification of enterprises under MSMED Act, 2006.

	Enterprises	
	Manufacturing enterprises	Service enterprises
Micro	Does not exceed Rs. 25 lakh	Does not exceed Rs. 10 lakh
Small	More than Rs 25 lakh, but does not exceed Rs. 5 crore	More than Rs 10 lakh, but does not exceed Rs. 2 crore
Medium	More than Rs. 5 crore, but does not exceed Rs. 10 crore	More than Rs. 2 crore, but does not exceed Rs. 5 crore

Source: The Micro, Small and Medium Enterprises Development Act, (2006).

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. The Act provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders,

particularly the three classes of enterprises; and with wide range of advisory functions.

Micro enterprises are generally artisan based including activities like handlooms, khadi, coir, embroidery, handicrafts, etc. These enterprises involve lower level of investment, and used local skills and resources and sell their products locally. Small and Medium enterprises use power driven machines and possess some technological sophistication. The market for these industries is relatively wide and quite often includes export market (Pooja, 2009).

1.3.2(a) Ministry of Micro, Small and Medium Enterprises (MoMSME):

The MSMED Act, 2006 has brought about comprehensive legal framework for the policies and promotional measures for Small & Medium Enterprises. On 9th May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, erstwhile the Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and Ministry of Small Scale Industries (Laghu Udyog Mantralaya) were merged into a single Ministry, namely, 'Ministry of Micro, Small and Medium Enterprises (Sukshma Laghu Aur Madhyam Udyam Mantralaya)'. The Ministry of MSME is having two Divisions called Small & Medium Enterprises (SME) Wing and Agro & Rural Industry (ARI) Wing, and the main role is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed

economic scenario. The Ministry of Micro, Small and Medium Enterprises is therefore, a branch of the Government of India, and is the apex body for the formulation and administration of rules, regulations and laws relating to micro, small and medium enterprises in India. Besides, making available facilities for technology modernisation; developing human resources through training; providing economic information services; promoting MSMEs through cluster-based approach; providing marketing support to MSMEs; facilitating credit flow to MSMEs, etc., are the major functions of the Ministry of MSMEs.

1.3.2(b) National Board for Micro, Small & Medium Enterprises

(NBMSME):

The National Board for Micro, Small & Medium Enterprises (NBMSME) was established / notified for the first time on 15th May 2007 consisting of 47 members with 20 non-official members. NBMSME is an apex advisory body constituted to render advice to the Government on all issues pertaining to the MSME sector. The Minister in charge of the Ministry or Department of Central Government having administrative control of the micro, small and medium enterprises shall be the Ex-Officio Chairperson of the Board. The Minister of State or a Deputy Minister having administrative control of the micro, small and medium enterprises shall be appointed by the Central Government to be the Vice Chairperson of the Board. The MSME Act, 2006 also provides for constitution of Advisory Committee for MSME, by

notification under the Chairmanship of Secretary, Ministry of Micro, Small & Medium Enterprises. The Member Secretary of National Board of Micro, Small & Medium Enterprises (NBMSME) is also the Member Secretary of Advisory Committee.

Meeting of the National Board for MSMEs are held regularly and discussions have been made on various issues relating to development of MSMEs. The board in consultation with the concerned department or agencies undertakes remedial measures for promotion of MSMEs in India. The NBMSME examines the factors affecting promotion and development of MSMEs, reviews existing policies and programmes and makes recommendations. The 14th meeting of NBMSME was held on 11th, August 2016 at New Delhi with minister in charge of MSME i.e., Shri Jogendra Behera.

The MSMEs in India comprised of both Registered and Unregistered sector. Subsequent to the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from October 2006, filing of Entrepreneurs Memorandum Part-II (EM-II) came into vogue. Enterprises registered with District Industries Centre in the state/UTs, Khadi and Village Industries Commission/ Khadi and Village Industries Board are considered to belong to registered sector. All the MSMEs engaged in the activities of manufacturing or in providing/rendering of services, not registered permanently or not filed EM-II with state Directorates of Industries/ District Industries Centre are called unregistered MSMEs.

1.4 Significance and Scope of the study:

The Micro, Small and Medium Enterprise (MSME) sector can be recognized as the engine of economic growth and has been accepted for promoting equitable development. The sectors are the largest job creators in the country because of its employment potential at low capital cost. Despite constituting more than 80 per cent of the total number of industrial enterprises, many MSMEs in India have problems such as inadequate and timely credit, high cost of credit, collateral requirements, access to equity capital and rehabilitation of sick enterprises, increasing, fund shortages, change in strategies manufacturing and uncertain market scenario.

Mizoram is an industrially underdeveloped state with no industry label at national level (Lianzela, 1994). The development of this sector particularly has a special significance and can be used as a development tool to empower women by providing employment, and for uneducated workers to obtain a reliable job within their areas. The government has now recognized the significance of industries for developing the economic condition of the state. Various efforts have been made for the improvement of the condition of the MSME sectors. In the process of transforming the agricultural dominated economy into an industrialized economy, it faces acute problems with regards to its topography, market and lack of basic infrastructure facilities.

There are 372 micro units registered to the District Industries Centre, Lunglei District till August 2016, which enables a number of people to use their skills

for their source of livelihood or supplements of their income. Industrial enterprises in Lunglei District produced diversified products like handloomed cloth, furniture, agricultural equipment, woven textiles, different kind of food products, and service products. Majority of people in Lunglei District draw their livelihood from agriculture and allied sectors. However, the growth and balanced development of other sectors such as industry and services is necessary to sustain the growth and development of an economy.

The Micro enterprise is the only sector we possessed within the district. Enterprise having a low level of investment might not be expected to produce a huge amount of output and to earn a high level of income. It is not only in Lunglei district, but the State of Mizoram has witnessed a low scale of migration of workforce from agriculture to non-agriculture sector. Several problems like uncertainty of marketability of the product, scarcity of raw materials, lack of power, transport and communication, inefficiency of entrepreneurs' attributes are still the main problems faced by the MSMEs unit.

The study thus focussed on understanding the problems and the role played by the MSME units in Lunglei District of Mizoram. It is no doubt that Lunglei District, the largest district area in Mizoram suffered from a number of constraints and weaknesses that are being faced by the state, which are in terms of supply of raw materials, lack of infrastructural facilities, marketing problems and shortage of finance and credit. To know the current position and the role played by the MSMEs sectors in Lunglei District, the study is restricted to only in the area of Lunglei District.

1.5 Profile of the Study Area:

Lunglei District, the biggest District in area and second largest town in Mizoram lies on the southern most part of the state, covering an area of 4538km. The physical map of Lunglei District is shown in diagram 1.1(a) and diagram 1.1(b). Mamit and Serchhip District bound the district on the north, on the south by Lawngtlai and Saiha District, on the east by Myanmar and on the west by Bangladesh.

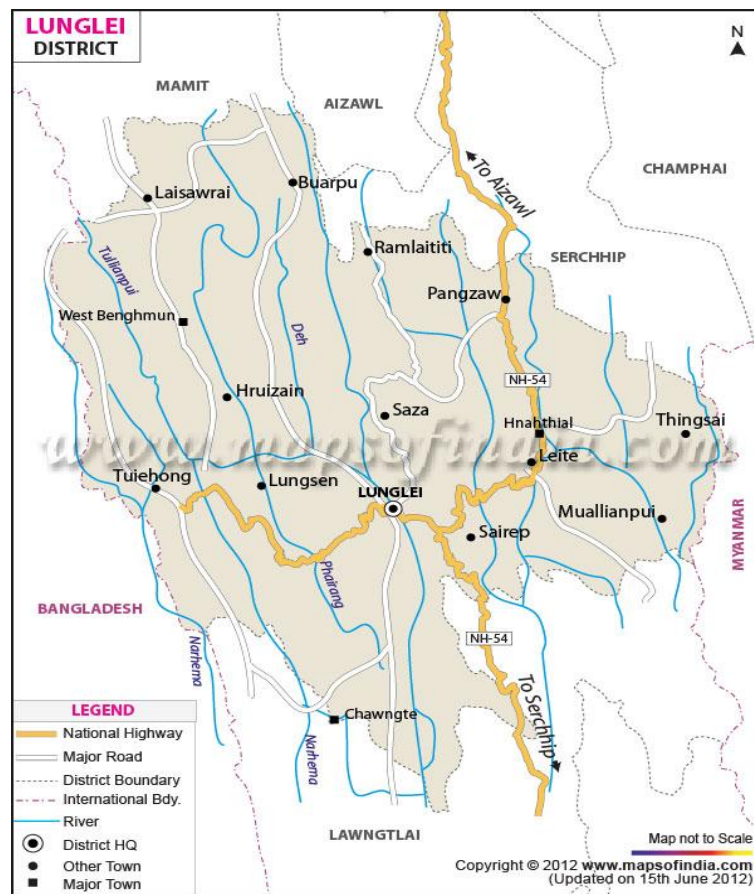
Lunglei town is the administrative headquarters of the district. There are three Civil Sub-Divisions namely – Lunglei Sadar Sub-Division, Tlabung and Hnahthial Civil Sub-Divisions. The District is also divided into four Rural Development Blocks – Lunglei, Hnahthial, Lungsen and Bunghmun RD Block.

According to 2011 census, the total population of Lunglei is 161,428 persons, out of which male and female population were 82,891 and 78,537 respectively. The composition of sex ratio thus stood at 947 female per 1000 male population. Out of the total Lunglei population, 42.59 per cent population lives in urban regions of district while 57.41 per cent of the population lives in rural areas of villages. The density of Lunglei district for 2011 census is 36 people per sq. km. Moreover, average literacy rates of Lunglei were 88.86 per cent of the total population. The male literacy rate was 92.04 per cent while female literacy rate accounted for 85.49 per cent. Total literate in Lunglei District were 121,122 of which male and female were 64,515 and 56,607 respectively.

Diagram 1.1(a) Map of Mizoram indicating Lunglei District.



Diagram 1.1(b) Map of Lunglei District.



1.6 Objectives of the study:

1. To highlight the nature and behaviour of MSMEs unit in Lunglei District.
2. To analyse the contribution of MSME sectors for generation of employment opportunities for the people in Lunglei District.
3. To reveal the structure of capital investment of MSMEs Unit.
4. To suggest the policy measures for the growth of MSMEs.

1.7 Research Hypothesis:

1. The growth of income in the state is positively correlated with the expansion of industrial enterprises.
2. There is a good scope for high labour absorption in the sectors of MSMEs.
3. The rate of female labour participation in the workforce is closely linked with the rise of MSMEs in rural sector.

1.8 Research Methodology:

Data Sources:

The present study was mainly focused on the MSMEs units located in Lunglei District, based on both primary and secondary data. The primary data for the analysis consists of a purposively collected sample of 52 units from both urban and rural enterprises located in Lunglei District. Data was collected through

field survey conducted by the researcher himself by canvassing questionnaires on the sample units to obtain necessary information about the profile of the entrepreneur, the labourers, their income, the investment pattern and problems faced by the enterprise. The questionnaire contained questions of both open-ended and close-ended questions, which was filled by the surveyor by having personal contact with the owner or entrepreneur to get more accurate data.

The secondary data was obtained from two broad sources; (i) Fourth All India Census of Micro, Small and Medium Enterprises; Annual report of the Ministry of MSME; published and unpublished records of District Industries Centre (which is the concerned department taking care of MSMEs in Lunglei District) and statements of other departments like Directorate of Industries, Department of Economics & Statistics. (ii) related research works published in journals and books, unpublished research works, and related websites and internet.

Analytical Tools:

The data obtained from primary and secondary sources was analysed in accordance with the objectives of the paper. The analysis was carried out by using some statistical tools like percentage, mean, coefficient of variation, regression, etc., which were employed to analyse the data as and when necessary.

1.9 Chapterization:

Chapter - I: Introduction.

Chapter - II: Review of Literature.

Chapter - III: MSMEs in India: An overview.

Chapter - IV: Performance and Role of MSME Sectors in Lunglei
District: An analysis.

Chapter - VI: Major findings, Suggested Measures and
Conclusion.

Bibliography.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction.

Before carrying out the study, a comprehensive literature has been reviewed and collected the existed findings of research/study regarding MSMEs and Small Scale Industries to get an idea about the work done in the past and the major bottlenecks faced by the sector. Most of the related literary work, survey and case study has demonstrated that the MSMEs are the most crucial sectors for achieving sustained economic growth and development of an economy. It also provides the actual conditions, problems and way of improvement for the sector in different areas of study and of Mizoram. Literatures were collected from various existing study with respect to employment, income, and case study of different areas. Some of the available literatures reviewed, which are relevant to the Micro, Small and Medium Sectors are discussed in this chapter.

2.2 Literature Reviewed.

Rualkhuma (1997) made a study on the industrial structure, distributional pattern and trends of growth of the Small Scale Industrial units in Mizoram. He stated that factors like uncertainty of marketability of the product, scarcity of raw materials, lack of power, transport and communication, inefficiency of entrepreneurs' attributes to the features of industrial sector in Mizoram. For his study, a stratified purposive sampling of 250 industrial units from every trade of different categories was selected and conducted a survey during the period of October 1992 to March 1993. From the secondary data he obtained,

he revealed that Mizoram has experienced a fast annual growth rate of industrial employment from 0.43 per cent to 2.82 per cent during the year 1961-1991. The study found that the entire industrial universe is dominated by four categories such as service based, food and allied industries, wood and wooden products, and textile based industry, employing more than 73 per cent of the total industrial employment in industrial sector in Mizoram. From the analysis, he also found that there is positive and highly significant relationship between the size of the urban centres and growth of SSI units in Mizoram.

Desai (2002) has made an intensive analysis of the varied aspects of management and working of small-scale industries in India. He has focused on the catalytic role played by the small-scale sector in the rapid development of the economy. He has highlighted the basic and inherent strength of the SSI sector in terms of its potentials for higher labour employment, low capital requirement, flexibility in adopting to demand from the consumer as well as production needs, capacity to help and promote regional dispersion of industrial activity low input content and environment friendly. He also pleaded for inducting greater competitive strength for SSIs in the context of the rapidly changing economic environment in the new WTO dispensation, globalization and liberalization.

Prasad (2004) presented the constraints and potentials of the SMEs sector and the required changes in the structure, policies and programmes so that the sector ultimately to be emerged as the engine of growth. He stated that challenges existed in the form of increased competition and opportunities exists

in the form of lower import duty, access to better technology, better raw material and a wide open market. In order to make the SMEs sector as the engine of growth, certain changes are required in the strategy of development and also in the policies and programmes and the sectors should remain competitive in the era of globalisation. He suggested that the future strategy of small enterprise development in India need to adopt the Cluster Development Programme Policy practised in Italy, which is the development of specialised products on a cluster basis. He therefore regards cluster can be utilised as a tool of employment generation if the emphasis is laid on skill development and full capacity utilisation.

Singh (2006) stated that the Small and Medium Industry is the largest segment of economic activity in developing countries though the Marketing has undergone a tremendous change in its policies and practices. He examined the marketing policies, practices and problems along with the growth and performance of SME units in Punjab and Haryana. From the study, the performance of market is determined by the interest and involvement of the intermediaries. In case of advertising behaviour, the wall writing and outdoor hoarding are the important method for promotion of their products. Branding is not popular, about 52 per cent in Punjab and 68 per cent in Haryana are not using any brand name. He made some suggestions like the government have to set up some agencies to purchase the product of this sector at reasonable price and liberalised the availability of credit to small and medium enterprise.

Bala (2007) examined the effectiveness of state sponsored development programmes and policies along with analysing the impact of economic reforms process on the growth and productivity of small-scale sectors. The study was based on the performance of small scale and large-scale industries in India during 1973-74 to 1996-97. He stated that the small enterprises often faced hurdles in getting financial support from various agencies because of paucity of technical competence of staffs of these agencies. The empirical results highlight that the lower tariff and Quantitative Restrictions regime had exerted competitive pressure on small enterprises and threaten their survival in the presence of a slow pace of technological modernisation, poor infrastructure, etc. However, the study also revealed that the small enterprises are no way inferior to large sectors in utilising the inputs of labour and capital.

Gumma (2009) analysed the impact of globalization on small-scale industries, and the structure and magnitude of SSIs in Raigad District of Maharashtra. His study was based on the SSI units in Raigad District, where 68 samples representing eight different fold categories out of 1147 units were selected for the purpose. He regarded that the key success factor behind the success of small scale industries are finance input, technology input, marketing input, additional input and infrastructural input. From the study, nearly 40 per cent of SSI units have closed down in the last fifteen years. The strategy of development of small-scale industries is believed to be most suitable to achieve the objective not only to the development of Raigad district, but also to national development within the shortest time. He therefore emphasised that top priority

should be given to financial support by the Indian government to small-scale sectors; otherwise the generation of rural employment cannot be achieved.

Pooja (2009) stated that the Micro, Small and Medium Enterprises can be recognized as engines of economic growth worldwide. He pointed out that MSME generate the highest employment per capita investment, and provides a sustainable source of employment for those people living in remote and isolated areas. He also made an empirical study on the characteristics of the SSI units in Kathua District of Jammu & Kashmir. He found that by manufacturing superior quality products, carrying proper assurance and reasonable price could assist in the growth and survival of SSIs in the competitive market. He expressed that an effective entrepreneurial must focus on analysing prospective markets and offering improved marketing-mix that offer a clear competitive advantage, and thus ensures long-term sustainability growth of Small Scale Industries in the Kathua District.

Asra et.al (2011) critically discussed the impact of liberalisation on small-scale industries in India. He found that that the increase in number of small-scale units in India was not significant in the post reform period. The study result shows that the growth rate during the post reform period (1992-93 to 2001-02) was lower than the growth rate of the pre-reform period (1982-82 to 1991-92). The standard deviation of the pre-reform period was 3.47 lakh units, which was increased to 3.84 lakh units in the post-reform period, indicating that there was more deviation from the average in the post reform period. The study also found that the compound annual growth rate for the production of SSI units in

India during the estimated pre-reform period was 17.71 per cent per annum, while it was 12.69 per cent per annum during the post-reform period. By their performance on export, the compound annual growth rate of the pre-reform period was 21.11 per cent while that of the post-reform period was 17.44 per cent per annum only.

Ponniah et.al (2011) studied the relationship between plant and machinery (manufacturing sector) and equipment (service sector) and the receivable management variables. The study was based on the MSMEs sectors, which were located in Tamil Nadu, and the Non-Parametric Chi-Square analysis was applied for the purpose. They found that the profile of receivable management depends upon the investment made by manufacturing sector and service sector in plant and machinery, and equipment respectively. They also mentioned that the number of customers, credit period allowed and advanced received are conspicuous in influencing investment strategies.

Carg et.al (2012) highlighted the growth rate of MSMEs in terms of number of unit, employment and investment from 2001-02 to 2008-09. The study from various secondary data revealed that the total number of MSMEs have increased from 105.21 lakhs in 2001-02 to 311.52 lakhs in 2010-11, which increased at the compound annual growth rate of 17.6 per cent per annum. The fixed investment, value of product and employment during the study period also increased at the CAGR of 24.1 per cent, 17.6 per cent and 15.5 per cent per annum respectively. They stated that the main responsibility of job creation

rests with unorganised sectors including small and medium, and the service sectors.

Kumar et.al (2012) analysed the impact of globalization and liberalization on the development of MSME in India, and compared the development process before and after the liberalization period. The reference period for the study was from 1992-93 to 2009-10, which they further divided into two eras, i.e., pre-liberalization (1991-92 to 200-01) and post-liberalization (2001-02 to 2009-10). The study found that the average growth rate of MSMEs in India in respect to number of units, production and employment were 4.07 per cent, 14.08 per cent and 4.12 per cent per annum respectively. The post-liberalisation period enjoyed a higher growth rate with 16.1 per cent, 16.2 per cent and 15.4 percent for number of units, production and employment respectively. While comparison is made between MSME sector with the overall industrial sector with respect to the compound annual growth rate of production, the MSMEs sector enjoyed a higher rate of 13.56 per cent per annum while the overall industrial growth rate was at the rate of 8.56 per cent per annum. The study also highlighted various development schemes for MSMEs sector in India along with the challenges faced by the unit.

Rajput et.al (2012) analysed the performance of MSMEs in Indian economy and brought out their strategic importance in terms of investment, employment and production. The study was conducted for a period of 18 years, starting from 1992-93 to 2009-10, and their relationships were tested by using Regression Analysis. The result form the study shows that the relationship

between the MSME sectors and employment generated by the sector is significant at 5 per cent level of significance. The relationship between the MSME sector and the contribution of GNP at T-Statistics was also found to be significant at the level of 5 per cent.

Ramarao (2012) highlighted the performances and contribution of the MSME sectors during the 10th Five Year Plan. His study from the secondary data during 2002-03 to 2006-07 indicated that the stagnant contribution of the MSE sectors to the industrial production was at about 39 per cent. He analysed the linkage between the reasons and relevant competencies. He put the reason for lack of competency into two dimensions i.e., internal and external, where the internal aspects were termed as competencies and external competencies as threats. He also pointed out the financial, marketing and operation competencies are the essential condition for more competitiveness globally and for sustained growth. The management of the MSEs sector in some countries like China, Germany, Japan and Taiwan. The study concluded that the MSEs in India with enhanced functional competencies would help the sectors for contributing the national development goals and would result in inclusive growth.

Nagaraja (2013) attempted to analyse the performance of MSMEs sector in North Eastern region. From his analysis, it was found that the number of the working enterprises in North Eastern states has increased from 34.3 thousand in 2006-07 to 55.3 thousand in 2010-11. The average amount of fixed investment during the period of 2006-07 to 2010-11 has not improved much in all NE

region, but the employment generated by the sector increased from 3.2 lakhs in 2006-07 to 5.3 lakhs in 2010-11. It was mentioned that Mizoram employed 26032 persons in 2006-07 has significantly increased to 37860 persons in 2010-11. The study also stated that majority of the MSMEs sector comprised of unregistered, informal and unorganised enterprises.

Rao et.al (2013) mentioned that the biggest problem of MSMEs is the unduly delayed payments by large industry players, and lack of infrastructure inputs and banking support. They found that MSMEs sector is facing the problem of obtaining the timely and affordable credit, and still neglected by the Banks and Financial Institutions in the Private Sector, which are neglecting the mandatory 40per cent priority sector lending. Another major constraint of information gap in MSME sector is now being addressed by SIDBI's newly launched website "www.smallB.in" which not only handholds a new entrepreneur to set up units, but also provides all necessary information to existing entrepreneurs to grow in future. The study concluded that SIDBI would continue to identify the gaps in the MSME clusters and address those gaps through innovative solutions viz. loan syndication, capacity building of MSME sector, common facility centre, cluster diagnostic studies, credit facilitation centre, credit counselling and advisory services including market information, supporting skill development institutes, supporting incubation and innovation centres, etc.

Ali et.al (2014) highlighted the problems and prospects related to the MSME sectors and suggested measures to tackle the problems. The data for the study were collected from secondary data and analysed the data during a period of

2005-06 to 2011-12. The study revealed that the employment per MSMEs increased from 2.2 per cent to 2.26 per cent during the study period. There was 28.29 per cent growth in the market value of fixed assets, while 27.81 per cent growth in output produced by the MSME sectors. They have pointed out a number of problems including lack of credit, competition from Multinational Companies, poor infrastructures, lack of advanced technology, lack of training and skill development, etc. They also recommended suggestions like mutual supply of technologies, determination of technological needs, training programmes, and availability of new credit, paper research and development, etc. for the growth and development of MSMEs in India.

Chakmaborty et.al (2014) examined the motivational factors of rural entrepreneurs in Sonitpur District of Assam. The study was confined to the district area based on primary data collected from sample of 288 entrepreneurs through structured questionnaires, which covers the period between April 200 to May 2010. The study hypothesised that the entrepreneurial development programmes and policies are inadequate to motivate rural entrepreneurs. They found that 32.3 per cent of the enterprises from the sample have started their enterprise to be self-employed, while 37.8 per cent of the rural entrepreneurs were found to be motivated by their own self. Concerning the reason for choosing their present activity, 29.9 per cent of the entrepreneurs considered their hometown for selecting the location of the enterprise. It was also found from the study that 44.8 per cent of the rural entrepreneurs found their initial source of finance to start their business from the family members, while the rest

are from government agencies, moneylenders, commercial banks, etc. They concluded that the entrepreneurship development programmes were found to be inadequate to motivate rural entrepreneurs.

Chandraiah (2014) critically analysed the role and performance played by the MSMEs sector during the period of 1992-93 to 2010-11, and highlighted the various government policies towards the sectors. During the study period, the number of MSME sector increased at the average number of MSME sector increased at the average rate of 16.1 per cent per annum. The organisational structure of Indian industry from 1947 to 2012 was also highlighted. He reported that the MSMEs sector is projected to employ about 73 million people in more than 31 million units of the sectors across the country during the planned period. As long as he pointed out various problems and hindrances for the growth of the MSMEs sector in India, he also mentioned that the MSMEs in India are acting as power and spirit of economic growth in the 21st century.

Daizova et.al (2014) analysed the nature and contribution of enterprises in Mizoram with respect to their activities, location, employment, source of capital and income. Their study was mainly based on the report of the Industrial Survey of Mizoram, 2012. By their study, 54.11 per cent of the enterprises were engaged in manufacturing sector, while 54.89 per cent were engaged in Service sector. They found that the sole proprietor managed 98 per cent, and 81.40 per cent of the unit invests their own capital for starting their business. In respect of collecting raw materials, 60 per cent of the unit procured raw materials within the state. They mentioned that majority of the MSMEs in

Mizoram are located within the urban area, income generated and employment in the sector was highest in Aizawl. It was said that more than 50 percent of income generated by the MSMEs sector is generated within Aizawl district. Since the district wise enterprise was also analysed by their study, it was clearly mentioned that Lunglei District hold the second position in all aspects of MSMEs in Mizoram, relating to income, employment and number of units available.

Khinda et.al (2014) analysed the various promotional and developmental activities of MSME Act, and highlighted the major problems and challenges found by the sector. Their study covered the performances of the MSMEs sector during 2001-02 to 2013-14. They found that the total number of working enterprises before the MSME Act was significantly lower than as compared to after enactment of the Act. The gross output also increased manifold during the period. They observed that the sector has shown a tremendous improvement in terms of employment, growth rate and productivity. A number of problems were highlighted, they suggested the government to be more rigorously educated and encircle the entrepreneurs about the latest programmes to become more competitive in the modern liberalised world.

Mirdamadi et.al (2014)) revealed that the availability of adequate and timely credit at affordable cost is an important determinant of the success or failure among small business enterprises. Their study examined the supply of bank credit to small enterprise sector under two distinct phases i.e., before the enactment of MSME Act and after the enactment. The period before the

enactment was between 2002-06 coverings only manufacturing sectors, while the period after the enactment was studied during 2008-2012 covering manufacturing and service sectors. The study revealed that the flow of credit to the MSME sector has improved during the post enactment of the MSMED act. In terms of lending pattern, from the study, the public sector banks credited to the SSI or MSE units increased at the compound annual growth rate of 13.48 per cent per annum, while that of the private sector banks credited increased at the rate of 4.88 per cent per annum during the pre-enactment period. It was also found that during the post-enactment, the credits to the MSME sectors has grown at a very fast rate of 27.28 per cent while the private sectors credited to the unit increased at a faster rate of 24.45 per cent per annum.

Pankaj (2014) compared the performance variables of MSMEs between the pre-liberalisation periods and examined the relationship among variables. He used to analyse the pre-liberalised period as the year between 1973-91 and post-liberalisation period as the year between 1991-12. The study found that the overall compound annual growth rate during the pre-liberalisation period was better than the post liberalisation period. The average percentage change value from the study revealed that all indicators during the pre-globalisation was better than the post-globalisation period.

Patil et.al (2014) mentioned that the small-scale industries in India have a higher rate of growth as compared to the overall industrial sector. Despite playing a vital role in development of an economy, the sector has been facing a number of problems. The study pointed out several problems being faced by

the SSI sectors in India, which includes lack of skilled manpower, inadequate credit assistance, irregular supply of raw material, lack of machinery and equipment, etc. They suggested that the MSMEs sector must be supported and empowered, so that more development progress within the SSI units must be achieved.

Poddar et.al (2014) stated that the MSMEs sector depends primarily on finance from banks and other financial institutions. Despite the flow of credit to this sector has been given high priority, scarcity of finance is a major obstacle in the development of small industries. The RBI set up the Working Group on Credit Delivery to the MSE sector in 2008 to look into various aspects of credit flow to the those sectors. The working group recommended that the RBI might announce a One-Time Settlement Scheme (OTS) for the MSE sector. The state government has to provide 50per cent subsidy on the capital cost of facilities like power plant. Simplified application cum sanction form be introduced for loans up to Rs.1 crore and working capital for micro enterprises under Nayak Committee norms. A system of integrated credit should be evolved to meet the long-term and short-term credit requirements of the small industries at reasonable rate of interest.

Posindhu et.al (2014) highlighted various schemes available for the development of women entrepreneurship through MSMEs sector. They mentioned that the government provides schemes and programmes such as TREAD, MSE-CDP, EDP, Technology upgradation and Marketing Development Export Promotion, which would help women to become more

competitive and productive. They also stated that well-supported aid efforts from all dimensions would pave the way for women contributing to the socio-economic development of three family enduring more income and thereby giving gender equality.

Prasath et.al (2014) studied various problems faced by the MSMEs sector in Coimbatore District of Tamil Nadu. Their study was based on the primary data collected from 200 MSMEs sector in Coimbatore District. From the study, it was pointed out that the major problems in the district are power fluctuations, unavailability of skilled manpower, frequent power cut, high cost of credit. They made suggestions for the improvement of the sectors like adoption of more operational cluster development programmes, and formation of loans and interest rate may be restructured so that they would be able to improve their financial position.

Pujar (2014) studied the role and performance of MSMEs sector in generating employment in India. His study was based on the fourth All India Census of MSME. The study revealed that the total working enterprise in India at Urban areas accounted for 55 per cent, while rural areas accounted for 45 per cent of the working enterprise. The MSMEs sector in urban areas employed 60.45 per cent of the total employment under MSME sector, while the percentage of employment in rural areas accounted for only 39.55 per cent. Among different sectors under MSME, the Micro enterprise dominated in terms of number of working enterprise and employment with 94.94 per cent of the total enterprises under MSMEs sector, employing 70.19 per cent of the total employment under

the sector. The Small and Medium enterprises were employing 23.43 per cent and 4.32 per cent of the total employment respectively under the MSME sectors in India.

Ramchandra (2014) studied the organizational structure and working of Small Scale Agro based industries in Ahmednagar District of Maharashtra. For the purpose of the study, 100 sample units of Micro enterprise were selected, and from which each of 30, 35 and 35 units of samples were selected from Dairy, Poultry and Food-based industries respectively. It was found that 84 per cent of male workers and 16 per cent of female workers were engaged in small-scale industries. An average workers engaged in the sector were 13 workers. It was also found that 39 per cent of the enterprises do not use any advertisement techniques. The study concluded that there is positive correlation between organizational structures of small scale agro based industry and their profits.

Shiralashetti (2014) analysed the growth, performances and contributions made by the MSME sectors to the growth of GDP, and highlighted the problems faced by the sectors in Dharwad District of Karnataka. The data for the study was collected from the industrial units located in Dharwad district and secondary data from the Ministry of MSME. From the study, it was found that the MSMEs have grown around 3 times in a span of 10 years, but the contribution of the sector to the overall industrial production has declined. The contribution of the MSME sector to overall industrial production has declined marginally from 39.74 per cent in 1999-2000 to 38.57 per cent in 2006-07, while the contribution of the MSME sector to the Gross Domestic Product

(GDP) has increased from 5.86 per cent to 5.94 per cent during the given year. He also pointed out that Absence of adequate and timely supply of bank finance, Limited capital and knowledge, Lack of power, Low quality inputs are the main problems faced by the MSMEs sector in the study area.

Suneetha et.al (2014) stated that the MSMEs sector faced generally problems such as financial, raw materials, marketing, efficient labour and infrastructural problems. The study was conducted by taking purposive sampling method as primary data, which comprised of 156 units out of 312 units located in Kadapa District of Andhra Pradesh. The study found that 66.2 per cent of the respondents are facing financial problems, which includes shortage of fixed capital, working capital, high rate of loan interest and meagre assistance from government agencies. He also found that there is no significant influence between the nature of the enterprise activities and level of financial problems faced by the enterprise.

Venkatesh et.al (2014) considered cluster development as an effective platform to enlarge production base, trigger growth, alleviate poverty and redress regional economic imbalances. They regarded that it is essential to cluster MSMEs in an effective manner to become more competitive and to survive in the global liberalised market. As a number of schemes and programmes were envisaged to be implemented on cluster and PPP approach, the Ministry of MSME laid special emphasis for development of cluster, and launched schemes for technology upgradation and management called UPTECH in 1998.

The study concluded that for the inclusive growth and sustained development, the inefficient MSMEs should be organised in a well-organised cluster.

Ramana (2015) presented the new investment project of Prime Minister Mr. Narendra Modi that 'Make in India' as the new mantra and he regarded the objective was to encourage the production of goods within the country and making India the manufacturing hub of the world economy. Since 'Make in India' is an initiative of the Government of India to encourage companies to manufacture their products in India, foreign investors were expected to invest more into the Indian economy with an intention of reviving manufacturing businesses. If this new initiative was implemented in an effective manner, more investment by free flow of capital will be ensured, which will therefore enhance the production of goods within the country.

Kale (2015) analysed the progress of employment and investment under MSMEs sector in Maharashtra. He stated that the state of Maharashtra has top position in industrial sector of India. There existed 181119 MSME units in the state, employing 23.34 lakhs people as on 31st, March 2013. The highest growth rate in terms of enterprise units was 21.85 per cent in 2010-11, and the highest investment rate was recorded at 83.71 per cent in 2010-11. The study indicated that there was continuous growth rate in terms of number of unit, employment generation and investment during the study period from 2007-08 to 2013-14. He regarded that the topmost priority should be given to the MSMEs sector to enhance employment and export of the state as well as the country.

Katyayal et.al (2015) studied the various contributions made by MSME sectors in Indian economy and critically discussed how the human resources (HR) contributes to the growth and sustainability of the MSME sectors. The data for the study was collected from various secondary till 2011-12, including confederation of Indian Industrial Production, Report of the Ministry of MSME. They found that a very less MSMEs have formal HR department and in new small business units, owners only handling the HR practices. It was only 8 per cent of the industries have formal HR taking care of HR administration and employee relations; and 91 per cent of the industries does not have empowerment to this function. They suggested that the business owners should ensure good HR practices in their industry to remain more competitive and sustained.

Aruna (2015) has made a comprehensive study about the performance and problems of the MSMEs in Vishakhapatnam of Andhra Pradesh. The study was confined to the area Vishakhapatnam by collecting 50 sample units from the MSME sector. From the study, 60 per cent of the correspondent expressed that they faced the problems in getting raw materials while 92 per cent of them faced a problem of marketing their products. It was said that due to acute power shortage, industrial units are managing only 50 per cent of the capacity and their situation turned from bad to worse. The empirical result of the study revealed that issues relating to power, raw material and marketing are the major problems faced by the industrial units in Vishakhapatnam.

Nayak et.al (2016) reported the details about sickness relating to MSME sectors in India and mentioned the causes sickness in MSME sectors. The study covered the period between 2004-2014 where it was found that the percentage of sick unit among the MSME sectors was 2.46 per cent in 2004 and increased to 3.13 per cent in 2006, and then declined to a level of 0.31 per cent in 2014. The total investment in the MSMEs unit was reported at Rs.133242 crores in 2004, and out of which the investment incurred on sick units worked out to 2.89 per cent. The study also clearly indicated that the investment in sick units increased years after years as long as there was increase in investment in the MSME units.

Jitender et.al (2016) examined the growth and performance of the MSMEs in India during the period of 2006-07 to 2012-13, with the enactment of MSME as the beginning of the study period. From the study, it was found that while the percentage share of MSMEs in GDP is constantly increasing from 2006-07 to 2012-13, the percentage share of MSME manufacturing output in the total manufacturing output is constantly decreasing from 2006-07 to 2012-13.

Jayalakshmi et.al (2016) outlined the role played by the District Industrial Centre (DIC) for the development process of MSMEs sector in Virudhunagar District of Tamil Nadu. They stated that DIC is an institution at district level, which provides all services and facilities to entrepreneurs at one place, so that the Micro, Small and Medium enterprises can be set up. The study was confined to various capital subsidy, generator subsidy and low power tariff subsidy given by DIC under PMEGP, UYEGP and NEEDS for MSMEs sector

in Virudhunagar district, covering the period between 2008-09 to 2014-15. It was found that DIC in the district achieved equally for competing with one another for generating subsidies, viz., capital, generator and low power tariff subsidies to the entrepreneurs very effectively during the study period.

Biswal (2016) highlighted the performances of MSMEs in North Eastern India and their contribution to the rest of India. The study conducted covered the period between 2006-07 to 2014-15 was based on secondary data. From the study, he found that the contribution of NER in terms of manufacturing enterprises to India's total enterprises stands at 2 per cent only. The region has shared only 0.38 per cent of the total employment in respect to India's employment generation under MSMEs sector. Assam holds the top position among the North Eastern states in terms of number of enterprises with 26887 units in 2010-11, which is followed by Meghalaya with 5497 units and Mizoram with 5403 units of enterprises. It was also mentioned that SIDBI plays a pivotal role in implementation of various schemes for MSME sector undertaken by the Government of India.

CHAPTER 3

MSMEs IN INDIA: AN OVERVIEW

3.1 Introduction:

In a developing country like India, the micro, small and medium scale industries can make significant contribution to achieve social and economic objectives such as labour absorption, eradication of poverty, reducing regional imbalances, ensuring more equitable distribution of national income and growth of various developmental activities. Such industries involve lower investment and labour intensive, which is greatly suited to the economies of less developed countries that are capital deficient and labour abundant. With keeping in mind about the huge contribution of the small and medium industries for Indian economy, the Government of India established a number of policies and regulations for the growth and development of these industries.

Since Majority of the people in rural areas draw their livelihood from agriculture and allied sectors, the government of India have been launching various programmes for an optimal use of local raw materials and skills as well as technological upgradation and expansion of their markets. For micro and small sectors to grow into medium enterprise and to remain competitive at global level, GOI provided a single legal framework MSMED Act, 2006 addressing issues relating to credit, marketing, modernization of technology, etc, concerning MSMEs sectors in India. The MSMEs in India provide livelihood, check rural-urban migration, generate export earnings and employment opportunities for the remotest and most marginalized people.

3.2 Background:

It is a well-known fact that the British Government never intended to develop the industries in our country during pre-independence period. Immediately after independence, it was realised that industrialisation was the only vehicle which could lead the shattered economy of the country on the path of progress and prosperity. Consequently, industry attracted special attention of plans and planners, and promotion of small-scale industries has been one of the major objectives of economic planning in India. The early post-independence period saw the establishment of the Small and Medium Enterprises Development Organisation, earlier known as Small Industries Development Organization (SIDO) in 1954 as an apex body for sustained and organised growth of the small industries in India. National Small Industries Corporation (NSIC), Small Scale Service and Business Enterprises (SSSBEs), Small Scale Industries (SSIs), Khadi and Village Industries Commission (KVIC) and the Coir Board were also set up to promote and foster the growth of small industries and industry related to micro, small and medium industries in India. The Small Industries Development Bank of India (SIDBI) and a Technology Development and Modernization Fund were created to accelerate finance and technical services to this sector.

The MSME segment before an enactment of the MSMED Act was heterogeneous in nature and these enterprises were fragmented across various ministries or departments of the government of India for the purpose of

development schemes and concessions. While promotion for these sectors has been undertaken by the government, various sectors like handloom, power loom, handicrafts, khadi, coir, etc., suffered greater neglect than other manufacturing and service based enterprises in actual practice. In order to correct these discrepancies and neglect and to facilitate the development of these enterprises so as to enhance their competitiveness, the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 was enacted on 16th June, 2006.

3.3 Industrial Development in India:

The development of the economy can be measured with the help of different criteria, such as the growth rate in industrial output, industry's contribution to national income, and industry's contribution to employment. Industrial development in India can be divided into two phases. The Government successively increased its control over different economic sectors during the first phase (1947-1980). In the second phase (1980-97), it took measures to liberalise the economy between 1980 and 1992. After 1992, the whole process of liberalization became more focused and radically different in nature. During first forty years after independence, the Indian economy had diversified and expanded very fast. However, this growth was characterized by rigid controls and regulations.

The Industrial Policy Resolution of 1948 emphasised the responsibility of Government in matter of promoting, assisting and regulating the development of industry in the national interest. It declared that public sector would play an effective and dominant role in the future economic development of India. It envisaged for the public sector an increasingly active role, and a mixed economy for India. The Industrial Policy of 1956 stressed the role of small-scale, village and cottage industries in the development of the national economy. The resolution had classified industries into three schedules, i.e., schedule A, B and C. The state has been following a policy of supporting cottage and village industries by restricting the volume of production in large-scale sector by differential taxation, or by direct subsidies.

The Industrial Policy of 1973 and 1977 special stress on the promotion of small scale and cottage industries, both in urban and rural areas. The policy statement of 1973 identified high priority industries and permitted investment from large industrial houses and foreign companies. The statement of 1977 underlined an expanding role for the public sector and was lukewarm towards foreign private capital. The Khadi and Village Industries Commission was revamped to enlarge its area of operation.

The Industrial Policy Statement of 1980 emphasised the need for promoting competition in the domestic market, technological up gradation and modernization. The policy raised the limits of investment prescribed for small scale and ancillary units. It also liberalised and streamlined the industrial licensing procedures. Policy regarding marketing support to the decentralised

sector and reservation of items for small scale industries was reiterated in the interest of small scale industries.

The Industrial Policy Statement, 1991 ensures more competitions from domestic and foreign market, and special packages for small and tiny sectors of industry was provided separately. The policy announced a special package for village and small-scale industries with primary objective of imparting more vitality and growth impetus to this sector. With the introduction of New Industrial Policy, Indian industries are deregulated and enable to take decision on its own without the need for government approval for specific action. The policy for these sectors replaced the protection of industrial units with competitiveness to infuse more vitality and growth to micro and small enterprises in the face of foreign competition and open market.

At the time of independence, the economy was under-developed with agriculture contributing to more than 60 per cent of the GDP and most of the country's export earnings. A, systematic industrial planning under different five-year plans helped in establishing a large number of heavy and medium industries. The main thrust of the industrial policy was to remove regional imbalances and to introduce diversification of industries. Indigenous capabilities were developed to achieve self-sufficiency. It is due to these efforts that India has been able to develop in the field of industry. Today, we export a large number of industrial goods to various countries since there are numerous sectors in the economy where government allows 100 per cent Foreign Direct Investment was allowed.

Since India is still an agricultural country, it has developed various agro-based industries such as cotton textile, woollen textile, jute textile and sugar Industry. India is also endowed with various minerals, enabling the country to establish various mineral-based industries such as iron and steel, heavy engineering, automobiles, chemicals and petro chemical industry. The Government of India framed policies which have made India self reliant in various sectors of industries. Liberalization, globalization and privatization have helped in bringing foreign capital and modern technology into the country. Private enterprise is being allowed to enter into various core sectors. This has resulted into the faster growth of industrial sector.

3.4 National Perspective of MSMEs Sector:

After the enactment of MSMED Act, the legislation for promotion and development of micro, small and medium enterprises became operational from 2nd October, 2006. The three classifications of enterprises are clubbed into a single sector including Khadi, Village and Coir Industries. The Act has assimilated all varied industries and has expanded the coverage to include the service sector and medium enterprises. The Act provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Other feature of the Act includes establishment of specific funds for the promotion, development and enhancing

competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, etc.,

Some of the organizations that are associated with the MSMEs are Small Industries Development Organization (SIDO), Small Scale Industries Board(SSIB), National Small Industries Corporation (NSIC), Confederation of Indian Industry (CII), Associated Chamber of Commerce and Industry of India (ASSOCHAM), Federation of Indian Exporters Organization(FIEO), World Association for Small and Medium Enterprises (WASME), Federation of Indian Chamber of Commerce and Industry (FICCI), Laghu Udyog Bharti (LUB), Indian Council of Small Industries (ICSI), Federation of Associations of Small Industries of India (FASII), Consortium of Women Entrepreneurs of India (CWEI), Indian Institute of Entrepreneurship (IIE), National Institute of Small- Industry Extension Training (NISIET), Small Entrepreneurs Promotion and Training Institute (SEPTI), Small Industries Development Bank of India (SIDBI) etc.

Credit to the MSMEs in India is part of the Priority Sector Lending Policy of the banks. For the public and private sector banks, 40 per cent of the net bank credit (NBC) is earmarked for the Priority Sector. For the foreign banks, however, 32 per cent of the NBC is earmarked for the Priority Sector, of which 10 per cent is earmarked for the MSME sector. Any shortfall in such lending

by the foreign banks has to be deposited in the Small Enterprise Development Fund (SEDF) to be set up by the Small Industries Development Bank of India (SIDBI). To ensure better flow of credit to micro and small enterprises by minimizing the risk perception of banks/financial institutions in lending without collateral security, the Government launched Credit Guarantee Fund Scheme for Micro and Small Enterprises in August 2000. The scheme covers collateral-free credit facility extended by eligible lending institutions to new and existing MSMEs for loans up to Rs.100 lakh per borrowing unit. The guarantee cover is up to 75 per cent of the credit sanctioned. It was extended to 85 per cent in respect of loans up to Rs.5 lakh, and 80 per cent for loans provided to MSMEs owned/operated by women and all loans in the North- East Region.

The SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. SIDBI's major operations are in the areas of: (i) refinance assistance (ii) direct lending, and (iii) development and support services. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements. At the State level, State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the MSMEs sector.

Subsequent to the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from October 2006, filing of Entrepreneurs Memorandum Part-II (EM-II) came into vogue. Since September 2015, the same has been replaced with Udyog Aadhaar online filing system. As per the provisions of the MSMED Act, 2006 filing of EM-II is discretionary in nature. However, MSMEs file EM-II at District Industries Centres (DICs), after commencement of the project. The sector-wise i.e., Micro, Small, and Medium details of EM-II filed with the Directorates of Industries & MSME Development Institutes during 2006-07 to 2012-15 are listed down in Table 3.1.

Table 3.1: Distribution of Number of EM-II filed by type of enterprises.

Year	Micro	Small	Medium	Total
2007-08	153110	16730	467	1,72,703
2008-09	170262	18792	702	1,93,026
2009-10	185780	23870	1409	2,13,206
2010-11	205112	29125	1263	2,38,429
2011-12	242539	34225	2949	2,82,428
2012-13	275867	41502	5449	3,22,818
2013-14	296526	59127	7338	346206
2014-15	346206	70933	8219	4,25,358
CAGR	12.40%	23.36%	54.80%	13.54%

Source: The State/UT Directorates of Industries & MSME Development Institutes.

It is clear from table 3.1 that the number of MSMEs who filed EM-II at District Industries Centre has increased steadily in India from 1.73 lakhs in 2007-08 to 4.25 lakhs in 2013-14. It is no doubt that the Micro units are the dominant sector in terms of number of unit, with 81.39 per cent of the total unit in 2014-15. The small-scale enterprises accounted for 16.67 per cent and medium enterprises for 1.93 per cent. While estimating their compound annual growth rate, the CAGR of Micro during the given period was at the low level, with the rate of 12.4 per cent per annum. The CAGR of Small and Medium enterprises were 23.36 per cent and 54.8 per cent per annum respectively. The total compound annual growth rate was also estimated at the rate of 13.54 per cent per annum.

The performance of MSME sector is assessed by conduct of periodic All India Census of the sector. The latest census conducted was the Fourth All India Census of MSME, conducted with reference year 2006-07, wherein all data was collected till 2009 and result published in 2011-12. Besides, the Ministry of MSMSE has published the annual report of the performances of MSMEs sectors.

According to the annual report of the Ministry of MSME (2015-16), the MSMEs sector in terms of number of unit, employment and the investment during 2006-07 to 2014-15 are experiencing a steady growth rate. The growth and performances of MSMEs in India can be illustrated in a table as shown in table 3.2.

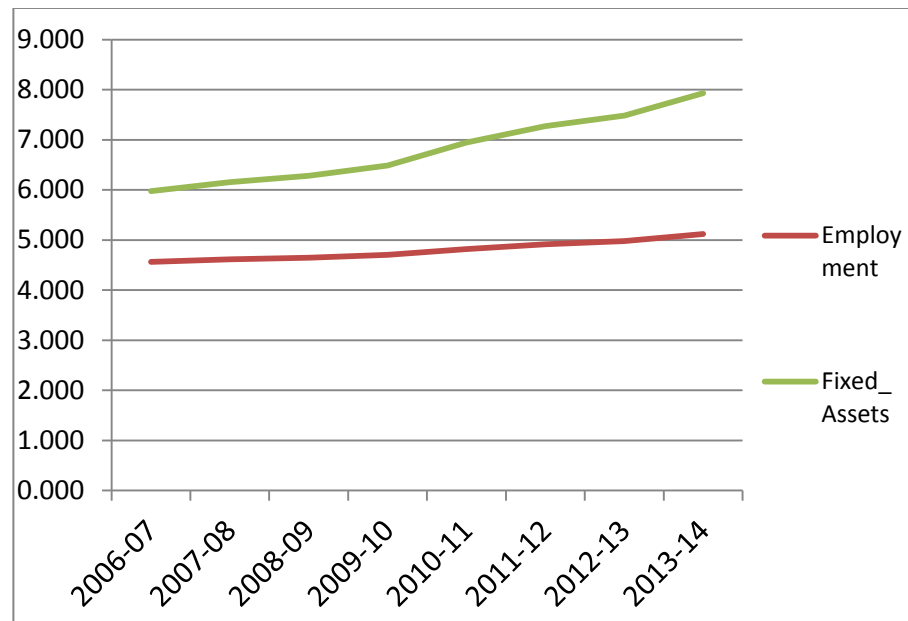
Table 3.2: Performance of MSMEs in Employment and Investments.

Year	Total Working Enterprises (in Lakh)	Employment (in Lakh)	Market Value of Fixed Assets (Rs. in Crore)
2006-07	361.76	805.23	8,68,543.79
2007-08	377.36	842	9,20,459.84
2008-09	393.7	880.84	9,77,114.72
2009-10	410.8	921.79	10,38,546.08
2010-11	428.73	965.15	11,05,934.09
2011-12	447.64	1,011.69	11,82,757.64
2012-13	447.54	1,061.40	1,268,763.67
2013-14	488.46	1,114.29	13,63,700.54
2014-15	510.57	1,171.32	14,71,912.94

Source: Ministry of Micro, Small & Medium Enterprises, Annual Report (2015-16), Government of India.

Table 3.2 indicated that the estimated compound annual growth rate for total working enterprises, employment and market value of fixed assets are 1.51 per cent, 4.81 per cent and 6.82 per cent per annum respectively. The amount of fixed assets value has shown the highest growth rate compared to number of units and employment generated. The trend of the annual growth rate in each category shown in diagram 3.1, which indicated that the number of employment generated under the MSMEs unit has been increasing at a faster rate than their value of fixed assets. The employment generated by MSMEs enterprises and the value of fixed assets have experienced a steady growth rate since 2006-07 to 2013-14.

Diagram 3.1: Trends of Growth Rate in terms of Employment and Fixed Assets.

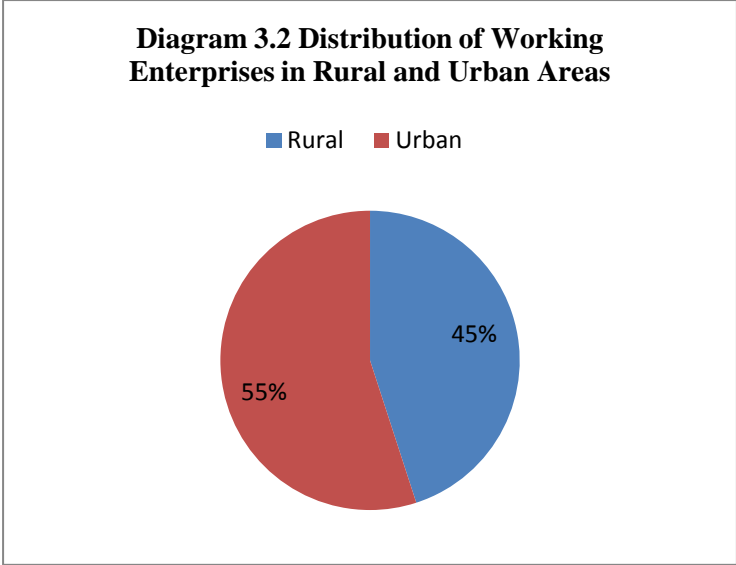


Source: Ministry of Micro, Small & Medium Enterprises, Annual Report (2015-16), Government of India (GOI)

With regards to distribution of working enterprises in rural and urban areas, the urban areas with 8.57 lakh of working enterprises accounted for 55 per cent of the total working enterprises in MSME sector whereas rural areas located 7.07 lakh working enterprises i.e., 45 per cent of the working enterprises in MSME sector. The distribution of working enterprises according to the Fourth census is shown in Table 3.2 and Diagram 3.2.

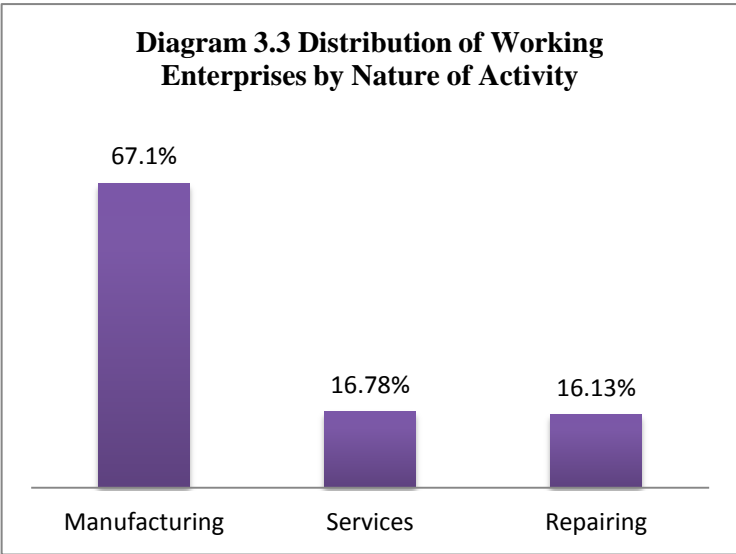
Table 3.3 Distribution of Working Enterprises.

	Micro (in Lakh)	Small (in Lakh)	Medium (in Lakh)	Total (in Lakh)
Rural	6.87	0.19	0.01	7.07
Urban	7.98	0.57	0.02	8.57
All	14.85	0.76	0.03	15.64



Source: Fourth All India Census of MSME 2006-07

Distribution of working enterprises by nature of activity is presented in Diagram 3.3. The classification of working enterprises by nature of activity indicated that 67.10 per cent enterprises were engaged in manufacturing activity, 16.78 per cent of enterprises were engaged in services and 16.13 per cent engaged in repairing and maintenance.



Source: Fourth All India Census of MSME 2006-07

From the census survey, it was revealed that the registered MSME sector provided employment to 93.09 lakh persons. Rural areas had a share of 39.55 per cent and urban areas had a share of 60.45 per cent. The Micro sector dominated by accounting for 70.19 per cent of the total employment in registered MSME sector followed by small sector and medium sector with 25.17 per cent and 4.64 per cent respectively. Table 3.4 (a) and table 3.4 (b) shows the distribution of employment by different sectors and their nature of activity.

Table 3.4 (a) Distribution of Employment by Sectors

Sector	Employment (In Lakh)	Percentage
Micro	65.34	70.19
Small	23.43	25.17
Medium	4.32	4.64

Table 3.4 (b) Distribution of Employment by Nature of Activity

Nature of Activity	Employment (in Lakh)	Percentage
Manufacturing	80.83	86.83
Service	6.28	6.75
Repair	5.98	6.42

Source: Fourth All India Census of MSME 2006-07

The Eleventh Five Year Plan launched a number of comprehensive programmes launched for the development of infrastructure. The total investment needed in infrastructure increased from an estimated 5 per cent of GDP in 2006-07 to almost 9 per cent by the terminal year of the eleventh plan. The Twelfth Five Year Plan, addressed that the sector must not be viewed as a weak sector requiring support and protection, but as an integral part of the industrial system with upward mobility for individual units.

The MSMEs are widely dispersed throughout the country and produce a diverse range of products catering to various segments of the market. The geographic spread, diverse product range and potential for innovation and employment generation make them extremely important in the context of economic growth with equity and regional balance. The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The MSMEs are regarded as an important tool for the national objectives of growth with equity and inclusion. Micro, Small and Medium Enterprises Development (Amendment) Bill, 2015 was introduced in the Lok Sabha on 20th, April 2015. The objectives of the proposed amendments are to:

- a) Enhance the existing limit for investment in plant and machinery considering changes in price index and cost of inputs consistent with the emerging role of the MSMEs in various Global Value Chains.
- b) Include medium enterprises apart from small enterprises in section 7(9) to enable the aforesaid category of enterprises to avail the benefits and become competitive.

- c) Empower the central Government to revise the existing limit for investment by notification, considering inflation and dynamic market situation.

On the basis of the data on Gross Domestic Product (GDP) published by Central Statistical Office (CSO), the Ministry of Statistics and Programme Implementation (MoSPI) and final results of the latest census of the Ministry of MSME, the percentage share of MSMEs in GDP has increased while its share in the total manufacturing output has been decreasing.

Table 3.5: Share of manufacturing output of MSME in total GDP and total manufacturing output.

Years	Gross value of output of MSME manufacturing sector (Rs. in crore)	Share of MSME in total GDP (in %)	Share of MSME manufacturing output in total manufacturing output (in %)
2006-07	1198818	35.13	42.02
2007-08	1322777	35.41	41.98
2008-09	1375589	36.12	40.79
2009-10	1488352	36.05	39.63
2010-11	1653622	36.69	38.5
2011-12	1788584	37.97	37.47
2012-13	1809976	37.54	37.33

Sources:

1. *Fourth All India Census of MSME 2006-07,*
2. *National Accounts Statistics (2014), CSO, MOSPI.*
3. *Annual Survey of Industries, CSO MOSPI.*

The Gross value of output of MSME manufacturing units have increased at the rate of 7.465 per cent per annum as indicated in Table 3.6. The percentage

share of MSMEs in GDP is also increasing at a constant rate from 2006-07 to 2012-13 at the compound annual growth rate of 1.31 per cent per annum. The percentage share of MSME manufacturing output in the total manufacturing output is constantly decreasing, and the estimated compound annual growth rate is therefore negative with -2.27 per cent per annum during the given year. Thus, the sector is considered to have a major role in the Indian economy with almost 40 per cent share in the national industrial output along with about 80 per cent share in industrial employment.

The Micro, Small and Medium Enterprises (MSMEs) have emerged as an engine of growth in Indian economy. According to the ministry of MSME in India, this sector contributes around 37.54 per cent in GDP, 30.50 per cent in service sector and 7.04 per cent in manufacturing sector respectively. Governments at all levels have undertaken initiatives to promote the growth of MSME. The role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. This sector contributes significant role in GDP, industrial production, exports and employment.

Based on the export data maintained by Director General of Commercial Intelligence & Statistics, Ministry of Commerce and the information available with this Ministry about MSME products having significant export, the share of MSMEs in India's total export, for the year 2012-13, 2013-14 and 2014-15, has been estimated as 43.00 per cent, 42.38 per cent and 44.70 per cent respectively. Meanwhile, as per the Fourth Census, the total employment in the

sector increased to 805.24 lakh as compared to 249.33 lakh in the Third All India Census of Small Scale Industries, conducted with reference year 2001-02, which is seen growing at 26.42 per cent annually, taking into account additional coverage under the sector. The recent years financing of MSMEs shows that the PMEGP Programme, which generates income and employment, assisted 5851 projects during the year 2014-15. The estimated employment generated was 40, 915 while the Margin Money Subsidy released and utilized was Rs 1,01,900 lakh and Rs 14,474.87 lakh respectively.

3.5 Recent Development of MSMEs

Development and promotion of MSME in every segment is critically important as each of these sectors continue to contribute positively to GDP growth, employment generation as well as bring about socio- economic transformation in the country. 'Make in India' initiative launched by Prime Minister Narendra Modi in 2014, is one of the most aspiring and ambitious initiative to raise India's ranking up the global value chain. This initiative aims to increase manufacturing contribution in the Gross Domestic Product (GDP) from 14-15 per cent at present to 25 per cent by 2022. This provides an excellent opportunity for MSME sector to transform their fortunes and establish an unprecedented place in the global value chain and make the country as most promising global manufacturing hub. The vision of Make in India will enable MSMEs to gain the hallmark of global excellence. However, it requires broader vision for implementation strategies that involves the various stakeholders

involved in the global value chain and enhance SME development framework through their active participation.

Based on the Prime Minister's suggestion in his 'Mann Ki Baat', on 3th, October 2014, to simplify forms to enable ease of registration of MSME's, Ministry has notified a simple one-page registration form '*Udyog Aadhaar Memorandum*' on 18th September, 2015. The simplified one page registration form "Udyog Aadhaar" was made after consultations with the states and stakeholders, on recommendation made by the Kamath Committee and observations/approvals by Department Related Parliamentary Standing Committee, National Board and Advisory Committee etc.

The Ministry of MSMED has notified the Framework for revival and rehabilitation of MSMEs, 2006 on 29th, May 2015. The framework provides a mechanism for revival and rehabilitation with a definite voice to the entrepreneurs and is expected to balance the interests of debtors and creditors. MSME's can seek revival and rehabilitation benefit through a committee constituted by banks with representative from state Governments, experts and others. The Ministry of MSME also proposed to enhance the limit of investment in plant and machinery by way of an amendment to MSMED Act, 2006. The motion for consideration of the Bill was moved in Lok Sabha on 13th, May 2015, and was subsequently referred to Department related Parliamentary Standing committee on Industry on 21st May 2015 for examination.

In line with the Prime Minister's call for "Skill India Mission", the Ministry of MSME has been providing training to 89 lakh persons per year to enable them to create new enterprises or become job ready for industry. During the year 2015-16, Technology Development Centres and MSME Development Institutes would provide training to 4.39 lakh persons, national EDIs and partner institutions would cover 2.44 lakh persons, KVIC would train 2.74 lakh persons and 0.34 lakh persons by the Coir Board.

Ministry of MSMEs has recently launched digital employment exchange is in line with the Prime Minister's vision of Digital India wherein through this employment exchange for industries, job seekers can find employers and vice versa. Thus, this facility will enable industrial units find suitable manpower and job seekers find suitable jobs by using their website. The ministry has also opened interactive interfaces on Facebook and Twitter with the objective to disseminate information relating to programmes, schemes and to connect with public at large. Important activities have been informing to the people through these social media channels in addition to the websites of the Ministry and its field offices.

The Ministry of Micro, Small and Medium Enterprises promotes the development of micro and small enterprises in the country with its field MSME-Development Institutes with the objective of creating self-employment opportunities and upgrading the relevant skills of existing and potential entrepreneurs. In order to promote establishment of new enterprises and creation of new entrepreneurs, the ministry of MSME has been implementing

various schemes and programmes. Since Entrepreneurship Development is one of the key elements for promotion of micro and small enterprises, particularly, the first generation entrepreneurs, the Entrepreneurship Development Programmes (EDPs) are conducted through MSME-DIs, with focus on entrepreneurial development coupled with specific skills relating to trades like electronics, electrical, food processing, etc, which enables the trainees to start their own ventures.

3.6 MSMEs in Mizoram:

Mizoram is the fifth smallest state in India and it is one of the seven states in the North-East India. The economy of Mizoram is agriculturally dominated, where 55 to 60 per cent of the working population of the state is annually deployed on agriculture. As the importance of the industrial sector cannot be denied for the sustainable development of the state, attempts have been made to the growth and development of the industrial sectors. Industries in the state enjoy a unique location- specific advantage. Mizoram offers a gateway for engaging in international trade with South East Asian Countries, bordering Bangladesh & Myanmar.

In view of the hilly terrain of the State with underdeveloped infrastructure and entrepreneurship level of the people, there is limited scope for development of large enterprises. MSME with tremendous scope of employment will be encouraged. Thrust will be given for those industries based on value addition of locally available resources. Special incentives were formulated for speedy

development of industrial units engaged in any of the following thrust sector Enterprises. The thrust areas for industrial development, according to the New Industrial Policy 2012 in the Mizoram are:

- Bamboo based industries
- Food processing industries
- Animal & Poultry feed
- Plantation based industries
- Handloom & Handicrafts
- Mines & Mineral Tourism
- Packaging
- Entertainment / Music industries

Mizoram has a large opportunity to set up different kinds of agro-based industries since about 87 per cent of the entire state is covered by forests, which accounts for a total coverage of around 19,117 Sq.km areas. Activities like tailoring, furniture, automobile repairs, bakery, handloom weaving and black smithy accounts for more than 80 per cent of the total number of enterprises in the state. Even though the geographical location is not suitable for industrial growth and development, there is scope for development of plywood and paper industry with abundance of timber and bamboo besides handicrafts, village and cottage industries, agro-based industries and agro-processing units in the state.

The growth of enterprise sector was experienced in Mizoram only after obtaining state hood i.e., after 1987. The Industrial Policy of Mizoram, 1989 has been implemented from the Eight Five Year Plan giving priorities to small and cottage industries for socio-economic development. With the introduction

of New Industrial Policy of Mizoram 2000, a significant shift towards development of local resource base Industries has been achieved during 10th and 11th Plan. The State Government notifies industrial policies from time to time to address the constraints facing industrial development in the state.

The present Industrial Policy of Mizoram State was notified on 13th September 2012 to give direction to the strategy for Industrial development of the State. The main objectives of the new policy is to accelerate industrial development in Mizoram by maximizing investment, output, growth, employment and development of infrastructure, human resource, incentives and administrative support network. The State Government with its limited resources and geographical disadvantages had earmarked and developed industrial areas with basic infrastructure. Allotment of industrial plots in various industrial areas has been made as per the Mizoram Industrial Areas (Management, Regulation and Control) Act, and such industrial areas are:

- Industrial Estate at Zuangtui, Aizawl, Aizawl District;
- Industrial Estate at Bairabi, Kolasib District;
- Export Promotion Industrial Park at Lengte, Mamit District;
- Bamboo Technology Park at Sairang, Aizawl District;
- Integrated Industrial Development Centre at Pukpui, Lunglei District;
- Integrated Industrial Development Centre at Zote, Champhai District;
- Industrial Growth Centre at Luangmual, Aizawl District.
- Industrial Estate, Hmunhmeltha, Champhai District.

The primary responsibility of promotion and development of MSMEs is of the State Governments. The Government of India supplements efforts of the State Governments through various initiatives. However, most of the industrial centres in Mizoram faced number of difficulties in the advancement of the existing industries. Lack of transport infrastructure, shortage of electricity, capital, telecommunication and export market access are the major problems faced by industries in Mizoram.

The overall Industrial growth has been experienced though it is much lower than the National average. However, the state government has given an immense effort to developed entrepreneurship in the state. The New Industrial Policy was launched at 2012 to accelerated economic development of the state by maximizing investment, output, growth, employment and competitiveness through development of infrastructure, human resource, incentives and administrative support network. The Government of Mizoram also introduced New Land Use Programme (NLUP) to increase agriculture, horticulture and livestock produce, better utilization of forest resources, plantation and development of Micro Enterprises at the rural level.

The Branch MSME – Development Institute, Aizawl came into existence with a view to provide technical, managerial and economic support to the entrepreneurs of the State. The Aizawl Branch is looking after the promotion and development of Micro, Small and Medium enterprises in the districts of Aizawl, Kolasib, Lunglei, Saiha, Champhai, Serchip, Lawngtlai and Mamit. The institute is providing techno-managerial support to existing and

prospective entrepreneurs for selection of ventures, preparation of profiles etc. Beside this, the institute also provides active support to Khadi and Village Industries Commission (KVIC) in the implementation of Prime Minister Employment Generation Programme (PMEGP).

The Mizoram Chamber of Industries (MCI), established in the year 1995, is the leading organization of the State of Mizoram for promoting industry and entrepreneurship in the State. The Chamber has been playing key roles in creating awareness among active and prospective entrepreneurs, business communities, and among unemployed youth of rural and urban sectors on all matters connected with industry, commerce, trade and export opportunity of Mizoram. The Chamber actively interacts with State Government departments and their agencies, Ministries in Govt. of India, Banking Sectors and also gathers valuable inputs from its District Sub-Headquarters, located in four other District in Lunglei, Champhai, Kolasib, Serchhip and seeks policy interventions for the industry sector of Mizoram.

The Ministry of MSME has implemented various schemes like Prime Minister Employment Generation Programme (PMEGP), Cluster Development Programme (MSE-CDP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Credit Guarantee Fund Scheme Assistance to Micro & Small Enterprises (CGTMSE) through different agencies in the state of Mizoram. Policies and programmes such as Entrepreneurship Development Programme (EDP), Industrial Motivation Programme (IMC), Entrepreneurship Skill Development Programme (ESDP), State Level Vendor Development

Programme (SLVDP), and Udyog Aadhar Memorandum (UAM) for development of MSMEs sectors have been conducted through the MSME-Development Institute, Aizawl Branch. There has been a delayed in the implementation of Aadhaar under Unique Identification Authority of India (UIAI) in Mizoram. Therefore, UAM registration under various office of Industries Departments is not much progress in the State, still then the officials of concerned department are working hard, and the number of entrepreneurs' registration under UAM is expected to increase in near future.

In order to generate employment opportunities both in rural and urban areas of the country through setting up of new self employment enterprises, the Ministry of MSME has launched a new credit linked subsidy programme. The new programme called Prime Minister's Employment Generation Programme (PMEGP) was launched on 15th August 2008 by merging the Prime Minister's Rojgar Yoyana (PMRY) and the Rural Employment Generation Programme (REGP). At the state level, as in Mizoram, the Scheme is successfully implemented through State Khadi and village Industries Board (KVICBs), District Industries Centre (DICs) and Commercial Banks.

As per the report of the Fourth Census of MSME, the different sector comprised of manufacturing enterprises with 83.56 per cent, 9.79 per cent of service sectors and 6.65 per cent of repairing and maintenance service sectors. There are 3715 MSME units exists within the state, comprised of 3663 micro units, i.e., 98.6 per cent, 51 small scale sectors i.e., 1.37 per cent, and 1 unit of medium enterprise accounting 0.03 per cent. The percentage distribution of

working enterprises and employment provided by Micro, Small and Medium Sectors can be shown in table 3.6. The sector provides employment to 26032 employments, where micro units contributes 98.17 per cent of the total employment, while small scale contributes to 1.83 percent, and medium enterprises provides employment to only 3 persons.

Table 3.6 Distribution of Working Enterprises and Employment

Percentage Contribution	Micro	Small	Medium
No. of Units	98.6	1.37	0.03
Employment	98.17	1.82	0.01

Source: Fourth All India Census of MSME 2006-07

According to the data given by Mizoram Economic Survey 2014-15, the State economy is poised to growth at an impressive rate of 8.46 per cent during 2014-15 with base year 2004-05, which is significantly higher than projected national growth at 7.4 per cent during 2014-15 with base year 2011-12. The Industrial Sector, which comprises of Mining & Quarrying, Manufacturing, Construction and Electricity, Gas and Water Supply contributed Rs.268217 lakhs during 2013-14. The Sector thus contributed 26.05 per cent of Gross State Domestic Product, and Construction Sector is the main driving force of the industrial sector with a contribution of 22.01 per cent to the GSDP in the given year.

According to the record of the Statistical Handbook of Mizoram 2014, the flow of investment and generation of employment under industrial sector in

Mizoram as per the Entrepreneurs Memorandum filed at various District Industries Centres in Mizoram during 2007- 08 to 2013-14 is tabulated as in Table 3.7. There were fluctuations in number of units, persons employed and investment in Mizoram during the given period. The average employment generated by registered MSME sector is estimated at 6.48 per working enterprise during the period from 2005-06 to 2014-15. By calculating the Compound Annual Growth Rate with respect to registered units, employment and investment of MSME Units in Mizoram, only the amount of investment has the positive rate of growth.

Table 3.7: Number of MSME Units, Employment and Investment in Mizoram during 2005-06 to 2014-15.

Year	Units Registered	Persons Employed	Investment (in Lakh)
2005-06	315	1228	1686.36
2006-07	344	1376	791.2
2007-08	205	594	593
2008-09	487	4113	20806.87
2009-10	457	3977	1978.29
2010-11	203	1310	2137.42
2011-12	131	906	1072.99
2012-13	122	1032	2132.19
2013-14	213	1393	1675.54
2014-15	122	1032	2132.2

Source: Statistical Handbook, Mizoram: 2014

The number of Entrepreneurs Memorandum received has significantly increased during 2008-09 and 2009-10 because of the introduction of NEIIPP 2007. However, difficulty in availing incentives from NEIIPP due to regulatory requirement attached to the scheme has discouraged new industrial units thereby declining the EM filed at DIC during the last two years of the 11th Plan i.e., 2010-11 and 2011-12.

Industrialization in Mizoram is rather slow owing to absence of many necessary factors for industrial development. Even though the geographical location and topography of the state is not suitable for industrial development, the sector has slowly made a significant contribution in the GSDP.

Table 3.8: Contribution of Industrial sector to Gross State Domestic Product

Year	GSDP (in Lakh)	Industries (in Lakh)	Percentage contribution
2006-07	328998	64208	19.52
2007-08	381551	76345	20.01
2008-09	457711	95201	20.8
2009-10	525985	102729	19.53
2010-11	638788	110431	17.29
2011-12	688975	128546	18.66
2012-13	836292	184100	22.01

Source: Statistical Handbook, Mizoram 2014

The contribution of industrial sector to the Gross State Domestic Product has shown in the table 3.8, indicating the gross output from industrial sector has increased with the estimated CAGR of 16.76 per cent per annum, but its contribution to the GSDP has been fluctuated. The percentage contribution to the GSDP has negative growth during the year 2009-10 and 2010-11, but remains positive and increased its contribution from the following years. The estimated correlation also indicated that there is significant correlation between GSDP and output of Industrial production.

The role of the Ministry of MSME and its organisations is to assist the State governments in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The Government of India supplements efforts of the State Governments through various initiatives. It is a state government initiative to rejuvenate, give topmost priority and thrust for facilitating and co-ordinating the growth and development of the MSME sector.

Different schemes that are implemented by the Ministry of MSMEs through different agencies in the state of Mizoram are as follows:

- i) Prime Minister Employment Generation Programme (PMEGP): The Mizoram State introduces the scheme of PMEGP and the Nodal Agencies are District Industries Centre, Industries Department, Government of Mizoram and Khadi and Village Industry (KVI), Mizoram.

- ii) Cluster Development Programme (MSE-CDP): The Industries Department is the Nodal Agency of CDP in the State of Mizoram. There are three approved Cluster in Mizoram and another promising Clusters are diagnosed and proposal are submitted to the Ministry of MSME. The corpus fund for each Cluster is upto Rs. 15.00 Crores
- iii) Scheme of Fund for Regeneration of Traditional Industries (SFURTI): The KVIC directly implemented the scheme of SFURTI in the state of Mizoram. The maximum investment for any single unit under this scheme is Rs. 8.00 Crores.
- iv) Credit Guarantee Fund Scheme Assistance to Micro & Small Enterprises (CGTMSE): The scheme is directly implemented by Nationalized Banks in the State of Mizoram. A maximum limit is up to Rs. 1.00 Crore for single Unit.

In view of the large-scale change in global Industrial scenario, the Govt. of Mizoram feels necessary to announce new Industrial Development Policy for accelerated economic development of the State. The Government recognizes that lack of technical, managerial and entrepreneur skill among the people is one of the major problems in the process of Industrialization. Impetus will be given for skill development training and for improvement of training facilities in the State. An Empowered Committee will be set up under the Chairmanship of Industries Minister; Secretaries of all concerned department of this policy will be a member and Secretary. This Committee will continuously monitor the progress of implementation of the resolutions under this policy.

According to the New Industrial Policy, Mizoram 2012, The Government will consider formulation of up-front loan scheme with 2 per cent to 5 per cent interest for those MSME in the thrust sector. The state government had allowed all the materials used as raw material and manufactured by manufacturing Micro and Small Enterprises will be exempted from VAT for a period of 7 years from the date of commercial production in general and 10 years for thrust sector enterprises. Such exemption will be subject to fulfilment of the following conditions and other condition prescribed by the Govt. from time to time - (i) the raw materials procured and goods manufactured by the unit should be that listed in the EM - II and accepted by the DIC; (ii) the unit should be registered under Mizoram VAT Act; (iii) the unit should invariably file returns on purchase of raw material and productions both at DIC and Taxation Department.

As per the Industrial Survey 2012 report, there were 1198 registered and 454 unregistered units in Mizoram, out of which 1234 units were located in urban areas, 413 units were located in rural areas where only 9 units were in semi urban areas. It can be observed that the majority of the units 54.11 per cent were engaged in manufacturing, and 45.89 percent were from the service sector. Aizawl district has the maximum concentration of small-scale enterprise units in the state of Mizoram, the district accounts 40.217 per cent to the total MSME units. The second largest distribution of small-scale enterprise units come to Lunglei district that constitute 17.21 per cent of the total units.

CHAPTER 4

ROLE AND PERFORMANCE OF MSMEs IN LUNGLEI DISTRICT AN ANALYSIS

4.1 Introduction:

The MSME's sector plays a vital role in Lunglei district where poverty and unemployment is a serious problem. The MSMEs sector in Lunglei District not only plays a crucial role in providing large employment opportunities, but also creates demand for goods and services that leads to inclusive and balanced growth of the economy, might also helps to reduce social imbalances. The study area i.e., Lunglei District does not have much enterprises, amongst them majority of the enterprise units belongs to the local based enterprise only. They are mainly for the purpose of profit generation. The secondary and empirical analysis are presented in this chapter.

4.2 Status of MSMEs units in Lunglei District:

According to the secondary data collected from the District Industries Centre, Lunglei, there are 372 MSME units permanently registered up to August 2016. The classified list of MSME units registered under the District Industries Centre, Lunglei are listed in table 4.2.1. The secondary data from the report of District Industries Centre, Lunglei indicated that there are 188 units of the enterprises out of 372 registered units (50.54 per cent) located in the town area of Lunglei, which considered being at urban area. Whereas, 184 units (49.46 per cent) were located outside Lunglei town, considered to be at rural areas.

Lunglei District Enterprises holds the second in terms on number of units, employment generation and investment after Aizawl district. The enterprise

consists of 324 manufacturing sector, which is 87.10 per cent, while the service sector accounts for 48 units, i.e., 12.90 per cent of the registered units. All of the enterprises registered within the district were considered as Micro Enterprises, having a low level of investment. While estimating the Compound Annual Growth Rate, the CAGR for the MSMEs unit during the period 2008 to 2015 was 20.44 per cent per annum.

Table 4.2.1: List of Permanently Registered MSME Units in DIC, Lunglei.

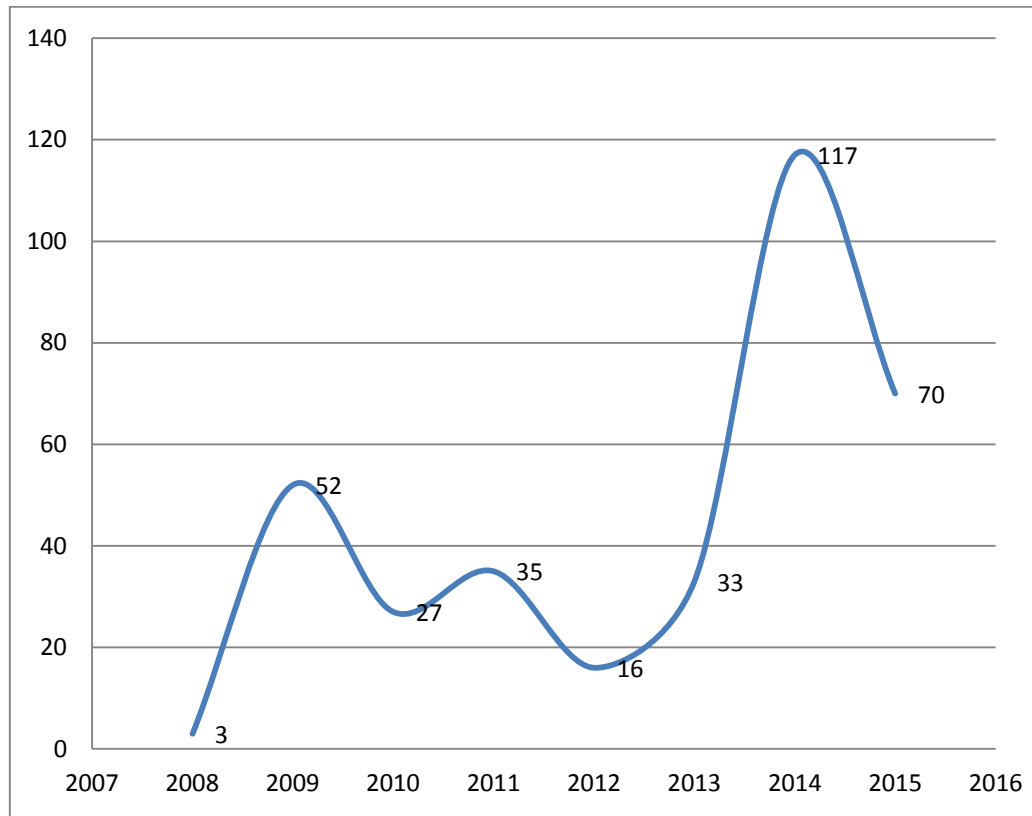
Sl.no	PRODUCT ITEMS	Number of Units
1.	Hosiery & Garment	190
2.	Wood & Bamboo Product	73
3.	Food Product	27
4.	Repairing Service	27
5.	Metal product	17
6.	Personal Service	11
7.	Non Metallic Mineral Product	10
8.	Printing & Services	9
9.	Miscellaneous Manufacturing Industries	7
10.	Hotels & Restaurants	1
Total		372

Source: Registration Book of MSME, Office of the District Industries Centre, Lunglei.

The registration of MSMEs units under DIC, Lunglei was recorded since 2008. There has been a fluctuation in the number of units registered till the present

year. Diagram 4.2.1 indicates the trends of registered MSMEs unit in Lunglei District during 2008 to 2015.

Diagram 4.2.1: Trends of MSME units registered in Lunglei District



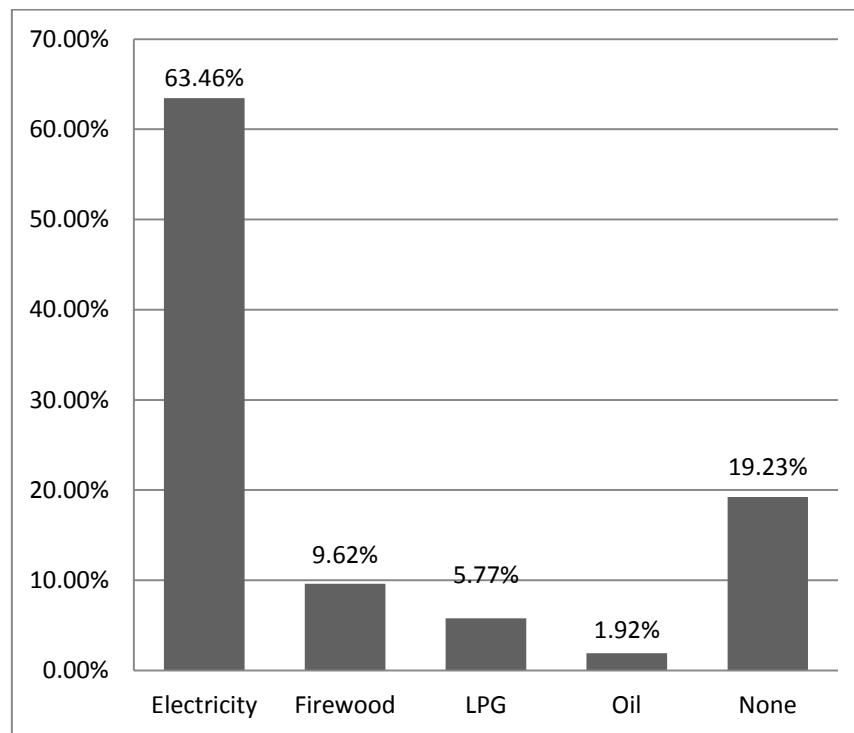
Source: Analysis of Secondary Data

4.3 Identification of the Enterprises:

4.3.1 Sources of Power:

Most of the enterprises in the MSMEs sector, Lunglei District used the power of electricity for the maintenance of their productivity, accounting more than 60 per cent of the enterprises. The percentage composition of sources of power for enterprises is presented in diagram 4.3.1.

Diagram 4.3.1: Sources of Power



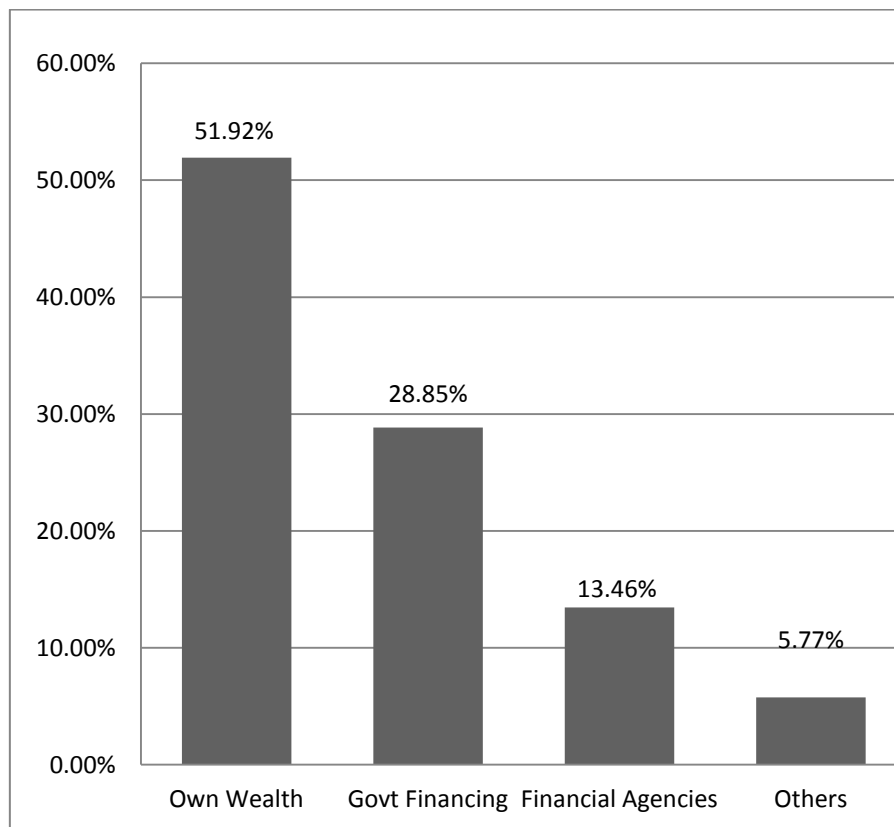
Source: Field Survey; 2016

Table 4.3.1 revealed that 63.46 per cent of the enterprises were using electricity as the main source of power, whereas 19.23 per cent were not using any kind of power. Other sources of power contributed to 17.30 per cent only. The other sources of power include Firewood, LPG and Oil, which accounted for 9.63 per cent, 5.77 per cent and 1.93 per cent respectively.

4.3.2 Source of Finance for Establishment:

Majority of the enterprises in Lunglei District were started by the owners' own accumulated wealth. Besides, assistance from the government and loans provided by banks also help them to start their business. The various sources of finance for establishment of enterprises is shown in diagram 4.3.2

Diagram 4.3.2: Source of Finance for Establishment



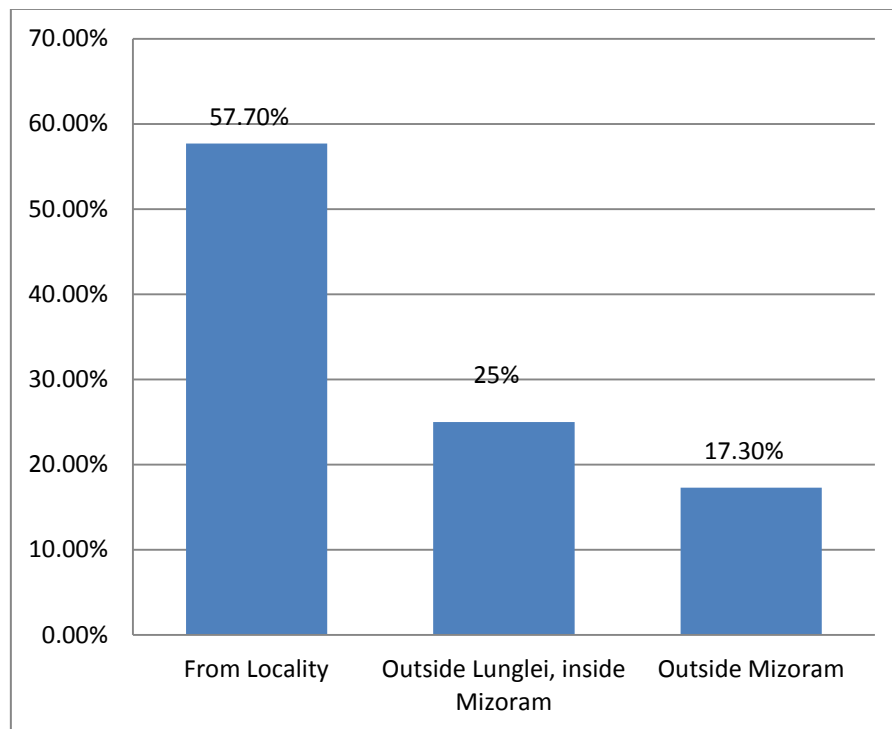
Source: Field Survey; 2016

It is observed from diagram 4.3.2 that 27 units i.e., 51.92 per cent started the enterprise by their own finance, while 15 units i.e., 28.85 per cent started with the financial support from Central Government in terms of loans provided under PMEGP or KVI. The rest of the enterprises, which is 19.22 per cent found their beginnings with the help of loan provided by Financial Agencies like Mizoram Rural Bank, Mizoram Cooperative Apex Bank; and also from their relatives or friends. The financial agencies contribution accounted for 13.46 per cent of enterprises establishment.

4.3.3 Procurement of Raw Material:

Majority of the enterprise procure raw materials from their own locality while only a few of them collect it from outside Mizoram. Different procurement of raw materials for MSMEs unit is shown in diagram 4.3.3

Diagram 4.3.3 Sources of Raw Material



Source: Field Survey; 2016

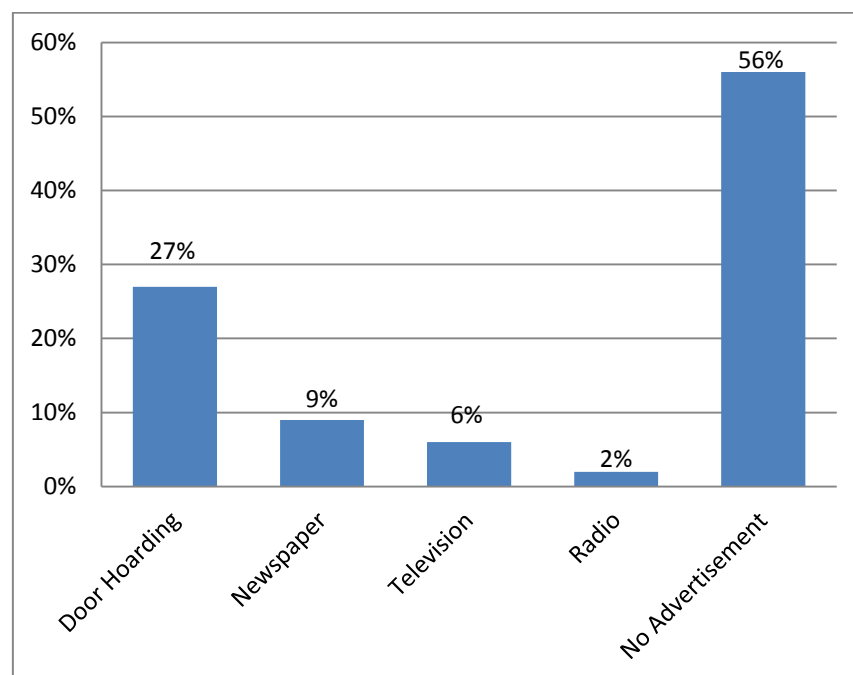
Majority of the enterprise that accounts 30 units (57.70 per cent) of the firm procure Raw Materials from their own locality or town, while 13 units (25 per cent) obtained it from outside Lunglei district area, but within Mizoram. It was only 9 units (17.30 per cent) of the units procure from outside Mizoram, but within India.

4.3.4 Advertisement Behaviour:

The MSMEs sector in the study area does not find the effectiveness of performing advertisement activities for the promotion of their enterprises.

Diagram 4.3.4 clearly indicated the advertisement behaviour of the MSMEs sectors from the study area.

Diagram 4.3.4: Advertisement Behaviour of MSMEs sectors.



Source: Field Survey; 2016

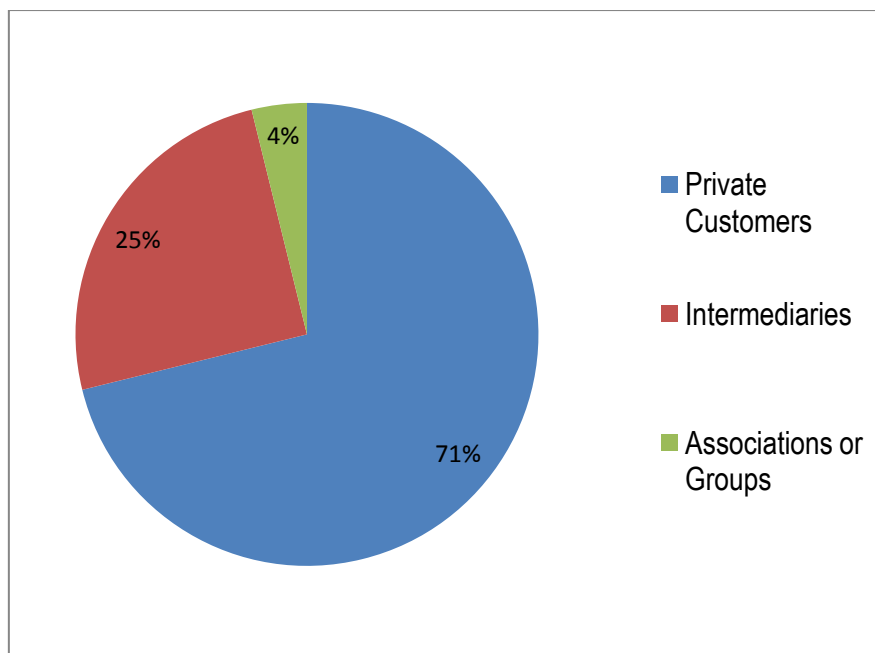
The advertisement method includes Door hoarding, Newspaper advertisement, Radio and Television advertisement. Almost 45 per cent, i.e., 44.23 per cent of enterprises, which promote their marketing process through some kind of advertisement as shown in diagram 4.3.4. Among various advertisement practices, door hoarding was the most common advertisement among, where 60.87 per cent of the whole advertisement was based on this practice. Twenty-

nine enterprises, which is 55.77 per cent of the total enterprises does not used any type of advertisement. Other advertisements like Newspaper, Television and Radio advertisement contributes 9 per cent, 6 per cent and 2 per cent respectively for the advertisement of MSMEs in Lunglei district.

4.3.5 Marketing:

With respect to the market, the private customers were the largest buyers of the MSMEs products. Diagram 4.3.5 (a) shows the composition of different buyers, both primary and secondary buyers of the MSMEs products

Diagram 4.3.5 (a): Primary buyers

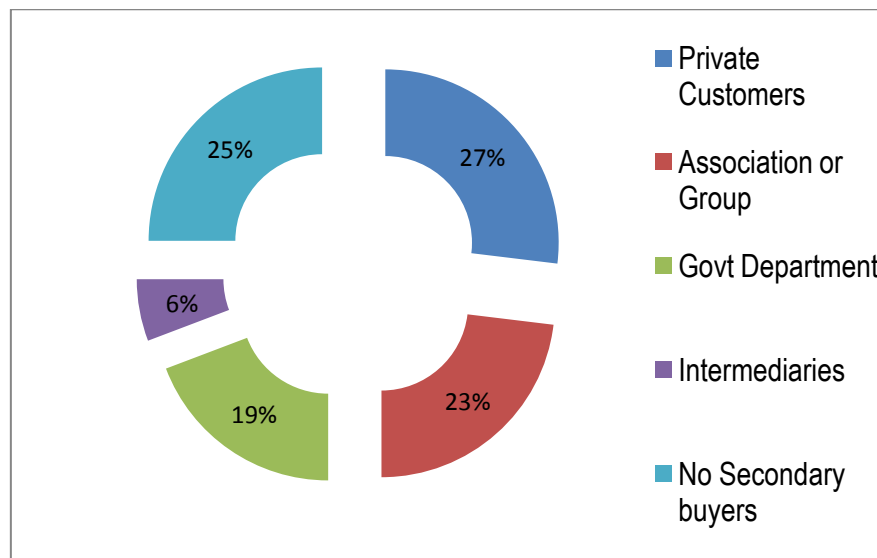


Source: Field Survey; 2016

From the study, 37 units from 52 samples, i.e., 71.15 per cent found their basic customers from the private consumers. As presented in diagram 4.3.5 (a), other

primary customers contribute for 29.85 per cent only. The primary customers besides private buyers include the intermediaries, associations or groups, which accounted for 25.3 per cent and 4.5 per cent of the primary customers respectively.

Diagram 4.3.5 (b) Secondary Buyers



Source: Field Survey; 2016

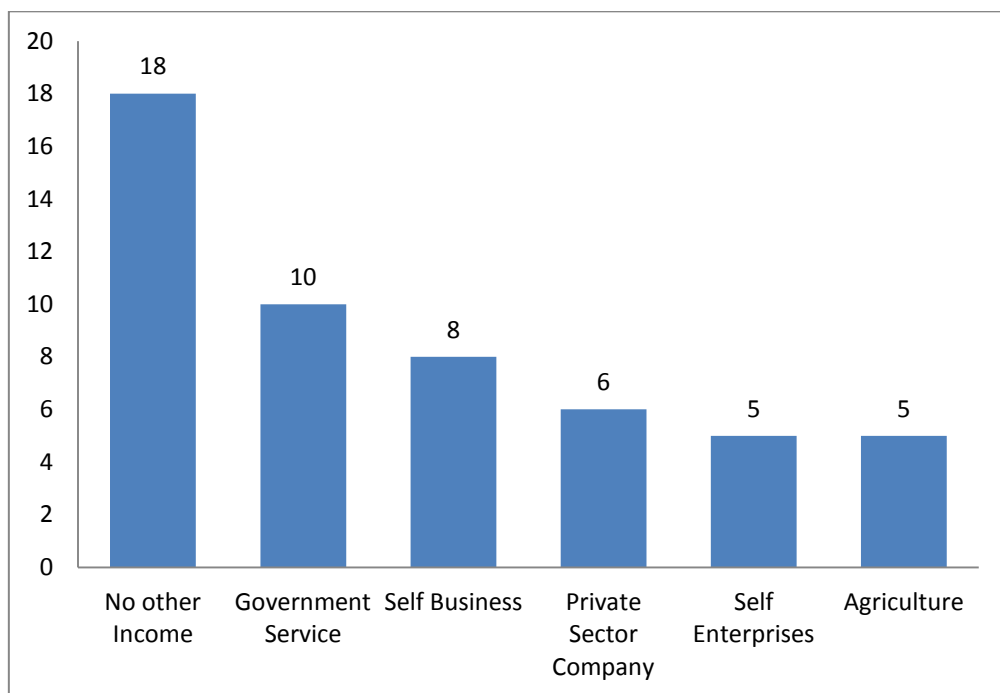
There are some enterprises who do not have secondary customers, which accounts for 25 per cent. About 75 per cent of them stated that they have secondary or alternative buyers. Those secondary buyers consist of the private customers, association, intermediaries, and departments of government, in which some of those customers were the private customers for other enterprises. From table 4.3.5 (b), the largest contributor of secondary buyers was from the private customers. It is because of the enterprises who do not have private customers as their major buyers also revealed that the private customers were their secondary buyers. The private customers, association,

departments of government and intermediaries also contributed with 27 per cent, 23 per cent, 19 per cent and 6 per cent respectively for the secondary customers.

4.3.6 Contributions to Households Income:

A number of enterprises' incomes are not merely enhancing the family income, but they used to be the main source of their family income. The composition of various sources of family income is presented in diagram 4.3.6

Diagram 4.3.6: Indicator of Enterprise Owners` Family Occupation



Source: Field Survey; 2016

It is observed from diagram 4.3.6 that almost 35 per cent of the enterprises become the only source of income for the family. It was about 65 per cent of the enterprises, whose other family members apart from the entrepreneur

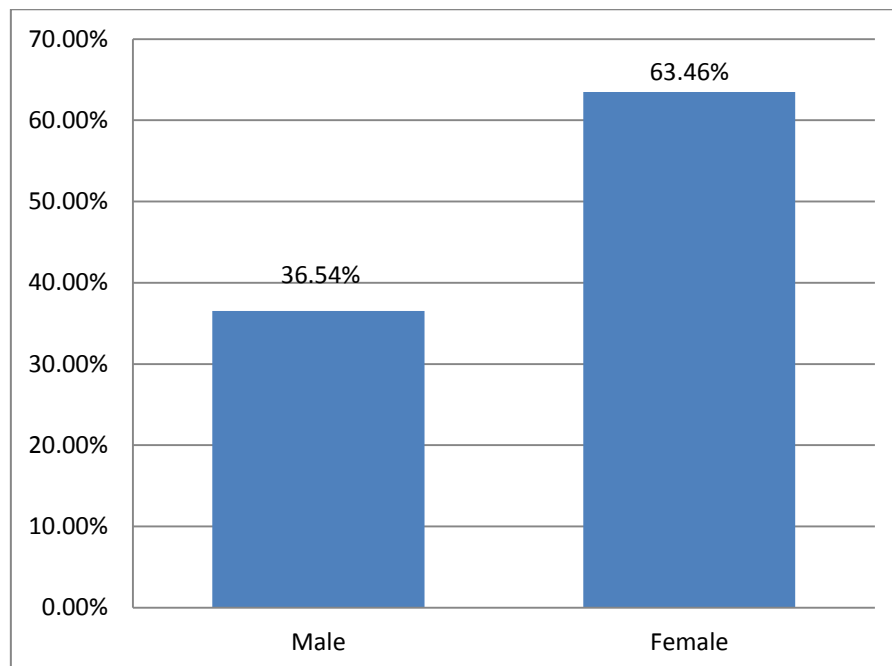
possesses other source of income. The other sources of income includes government service, family owned business, or enterprises, workers in some private sectors company, and in agricultural sectors.

4.4 Profile of the MSMEs Entrepreneurs in Lunglei District:

4.4.1 Entrepreneurship by Gender:

From the selected sample of 52 units of enterprises, 33 of them were owned and managed by female entrepreneurs, which accounted for 63.46 per cent; while only 19 enterprises belongs to male entrepreneurs, accounted for 36.54 per cent of the total sampling units. The percentage distribution of gender entrepreneurship is indicated in diagram 4.4.1.

Diagram 4.4.1 Entrepreneurship by Gender



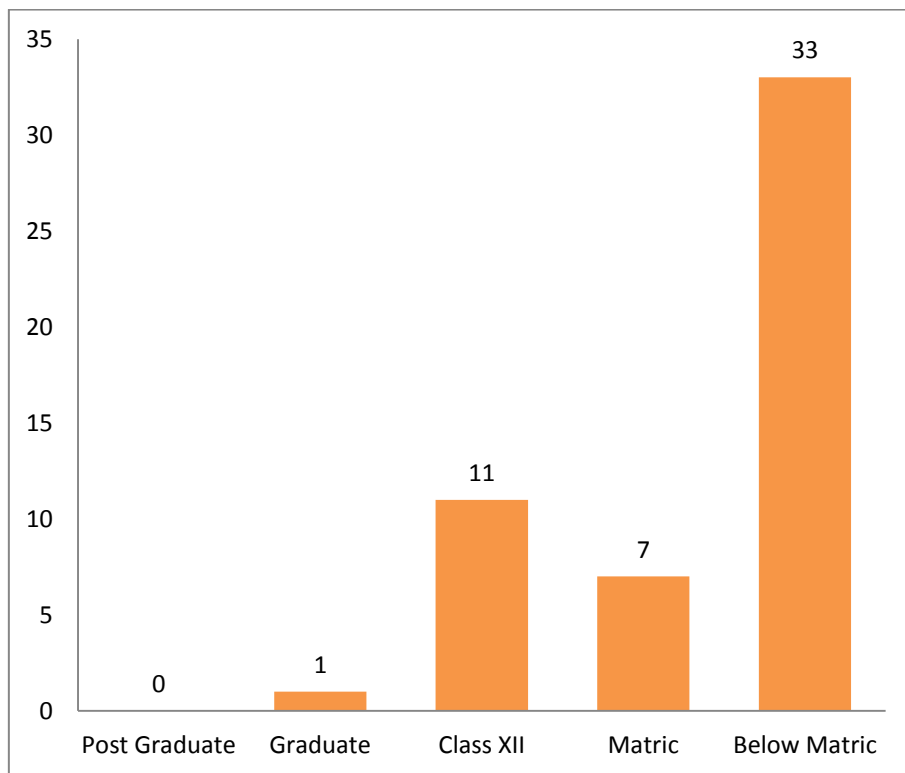
Source: Field Survey; 2016

Since a number of self-supported industries like handloom and tailoring belonged to the female workers and entrepreneurs, which raises the females' participation in entrepreneurs' level. The total average age of the entrepreneurs as on 2016 was 42 years of age. The female entrepreneurs' average age was 30.66 years of age, while the average age of male entrepreneur was 44.31 years of age. All of the enterprises of the study belong to an individual entrepreneur, which may includes some of the units owned, managed and employed workers only from their own family members.

4.4.2 Educational level of Entrepreneurs:

Majority of the entrepreneurs of MSMEs sectors in Lunglei District were under matriculate; and most of them the owner and the worker in his/her own industry. The educational level of the entrepreneurs is presented in diagram 4.4.2 Form the diagram, 33 entrepreneurs, i.e., 63.46 per cent were below matriculate, while 19 reached above matriculations i.e., only 36.54 per cent of the entrepreneurs. It shows that the success of the enterprises might not depend on the educational attainment of the entrepreneur. It was the skills and genuineness of the entrepreneur that the growth and development of the enterprise depends on, as most of the entrepreneurs were not only the manager, but also the workers of his/her own industry.

Diagram 4.4.2: Educational level of Entrepreneurs.



Source: Field Survey; 2016

4.5 Employment under MSMEs in Lunglei District:

4.5.1 Employment by Gender:

The study found that the MSMEs sectors in Lunglei District provide gainful employment opportunities to uneducated and female workers. According to the survey, the MSMEs sectors of 52 sample units provide employment to 184 persons. Average employment generated by registered MSME sector is estimated at 3.54 per working enterprise. Survey data revealed that the female workers were the dominant workers in Lunglei District MSMEs enterprises.

Diagram 4.5.1 Employment by Gender

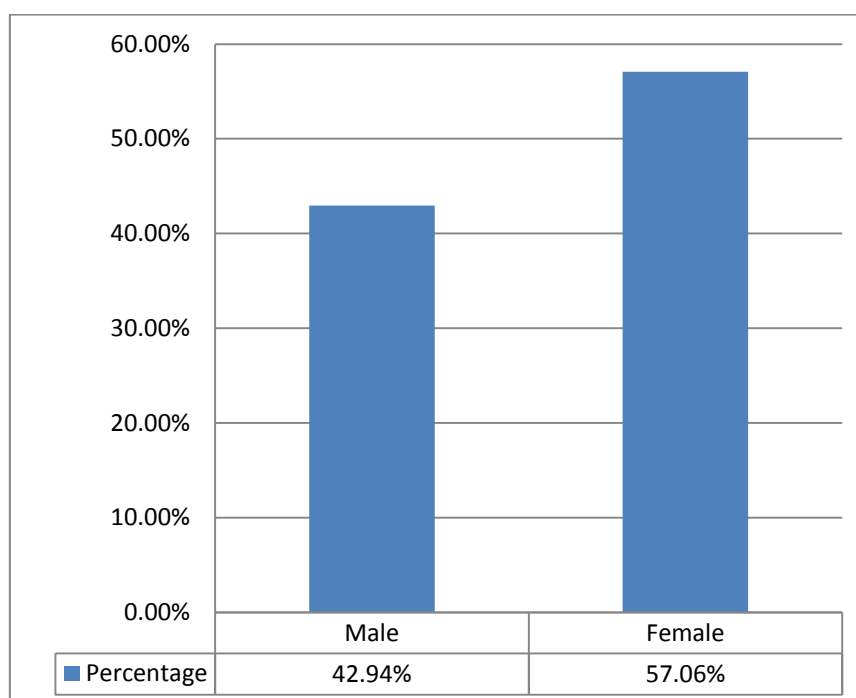


Table 4.5.1 Employment by Gender

Gender	Workers in number	Workers in Percent
Male	79	42.94
Female	105	57.06

Source: Field Survey; 2016

As presented in diagram 4.5.1 and table 4.5.1, it was the female workers, who contributed 105 employments from the total employments, which accounted for 57.06 per cent. The male workers were only 79 in number, accounted for 42.94 per cent from the total employment.

Since the hypothesis states that the rate of female labour participation in the workforce is closely linked with the rise of MSMEs in rural sector, the MSMEs sectors in Lunglei District provides employment opportunities for female workers is found significant at 5 per cent level. As the calculated Z Value under the hypothesis that the female workers are more than 40 per cent (i.e., $H_0: P \geq 0.4$ & $H_1: P \leq 0.4$) turned out to be 4.74, and P Value is $0.00001 < 0.01$, which is therefore, significant at 1 per cent level.

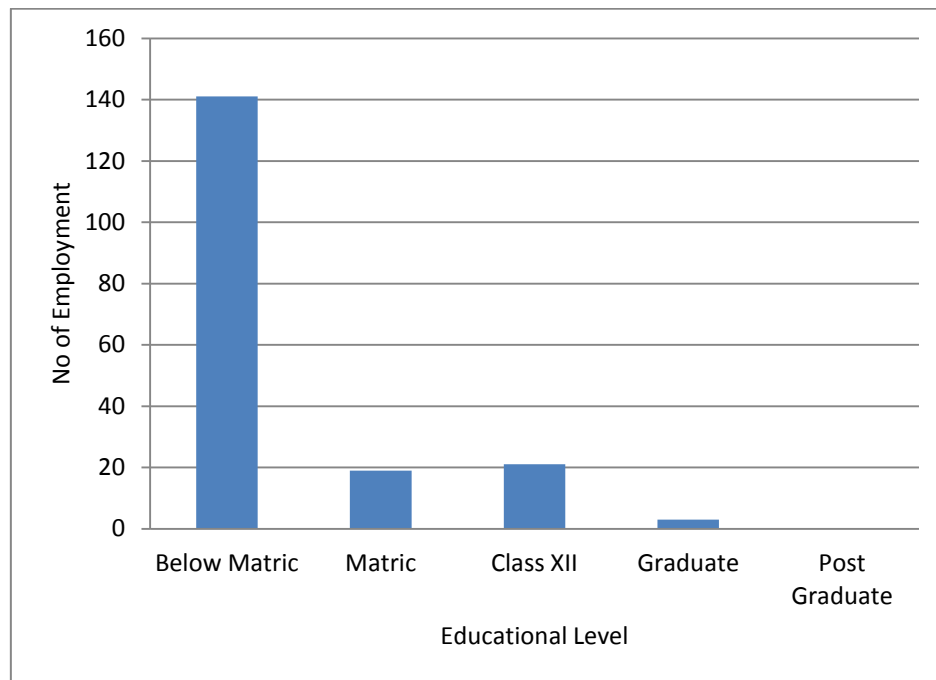
4.5.2: Educational attainment level of workers:

The MSME sectors in Lunglei district have provided employment opportunities for uneducated workers when the study found that majority of the workers were below matriculate. The number of workers and their educational attainment level is presented in table 4.5.2 and diagram 4.5.2. As shown in table 4.5.2, about 77 per cent i.e., 141 workers completed their educational level at below Matriculation. It was only 43 workers (23.36 per cent) were attaining their educational level at above Matriculation. From the sample, there are no post graduate workers engaged in the MSMEs sectors

Table 4.5.2: Educational attainment level of workers.

Education	Below Matric	Matric	Class XII	BA
Number of workers	141	19	21	3
Percentage	76.63	10.33	11.41	1.63

Diagram 4.5.2: Educational attainment level of workers.



Source: Field Survey; 2016

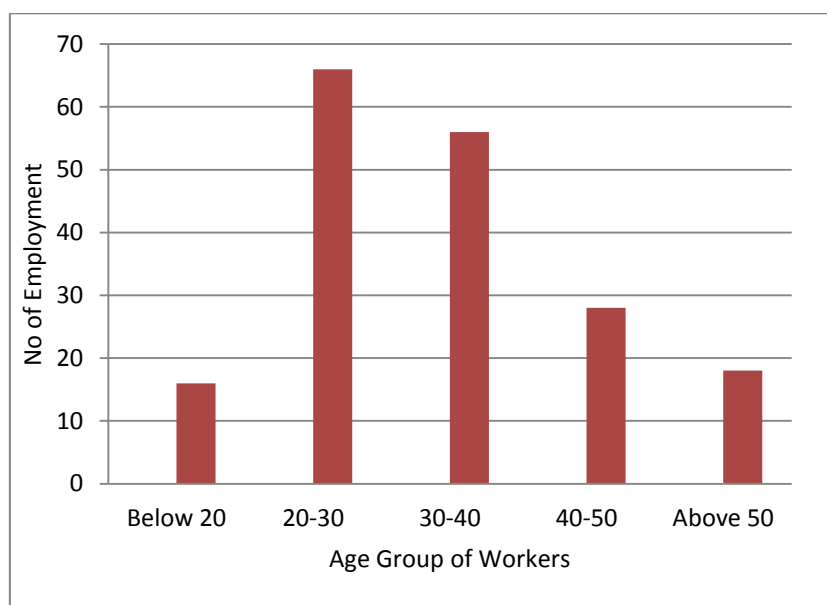
The hypothesis of the study stated that there is a good scope for high labour absorption in the sectors of MSMEs. The MSMEs unit provides employment opportunities for uneducated workers and the calculated Z value under the hypothesis that $H_0: P \geq 0.6$ and $H_1: P \leq 0.6$ is 4.62. The P value is 0.0001, which is less than 0.01, and hence the calculated Z-statistic is found significant at 1 per cent level.

4.5.3 Employment by Age Group:

The highest contributing workers were from the age group of 20-30 years, which contributes 66 labourers i.e., 37.87 per cent of the total employment. The number of workers belonging to different age group is presented in diagram

4.5.3, where it is observed that the highest contributing age group i.e., 20-30 was followed by the age group 30-40. The age group below 20 years of age hold the least contributing age group of the workers.

Diagram 4.5.3: Workers of different age group.



Source: Field Survey; 2016

4.5.4 Working Hours and Native Workers' Employment:

The average labour working hours in Lunglei District was found to be 6.5 hours per day. The average labour wages was also measured by calculating their mean, which resulted in Rs.5208 per month. The study also found that 166 workers (90.22 per cent) were the native workers, while 18 workers (9.78 per cent) were from outside Mizoram. Industries like Steel fabrication, baking industries and ice cream factories lacked skilled native workers, which compelled them to employ labours from outside Mizoram.

4.6 Investment and Output:

4.6.1: Investment pattern.

Investment under MSMEs unit consists of the fixed capital and working capital investment. The value of fixed investment was estimated by computing the present value of their fixed capital assets. The value of working capital investment was estimated by calculating the value of daily expenditures for production including wages of labours, cost of raw materials, transportation cost, rent, etc. The total amount of investment and the average investment by MSMEs unit can be illustrated in table 4.6.1.

Table 4.6.1: Investment analysis of MSMEs.

Identification	Total (Rs)	Average per Unit (Rs)
Fixed Capital	98.94 Lakh	1.90 Lakhs
Working Capital	1.57 Lakhs	3013.5

Source; Field Survey; 2016.

From the table 4.6.1, it can be clearly stated that the amount of fixed investment estimated from a sample of 52 MSMEs unit was Rs. 98.94 lakhs, with the average fixed capital investment of Rs. 1.90 lakhs per unit. The urban areas dominated in terms of share of fixed investment with 77.55 per cent, whereas the share of rural areas was only 22.45 per cent. The total working capital invested in the sampling unit was estimated at Rs. 1.57 lakhs per day,

with the average working capital of Rs. 3013.5 per unit per day. The average working capital invested in urban and rural area was Rs. 3678 and Rs.1375 per day respectively.

4.6.2 Cost, Output and Profit analysis.

While estimating the output and incomes earned by the enterprises, the statement for the month of September was taken for analysis. It is no doubt that the MSMEs sectors in Lunglei District contributed to the economic growth and supplement to industrial production of the state. From the sample selected, the sector enhanced the income as the total income generated by the sector was estimated at Rs. 21.40 per month. Table 4.6.2 presented the cost, output and profit analysis of the MSMEs unit in Lunglei District.

Table 4.6.2: Cost, Output and Profit analysis of MSMEs

Identification	Total (in Rs)	Average per Unit (in Rs)
Gross Output	58.94 lakh	1.13 lakh
Profits	21.40 lakh	41147.5
Labour Cost	7.91 lakh	15204

Source: Field Survey; 2016

It is observed from table 4.6.2 that the gross output of the MSMEs enterprises from 52 sampling units was estimated at Rs. 58.94 lakhs per month. When the inputs for production like cost of raw materials, labour wages and working capital were deducted, the profits earned from the study area accounted for Rs.

21.40 lakhs per month. The average gross output per unit can be estimated for Rs. 1.13 lakhs, while the average net profit or real income obtained from each enterprises will be Rs. 41147.50 per month. The total expenditure spend for hiring labour was also estimated at Rs. 7.91 lakhs, with the average of spending Rs.15204 for acquiring labour forces by each unit.

4.6.3 The MSMEs sectors' Income Distribution Analysis.

Income distribution is the smoothness or equality with which income is dealt out among members of such entrepreneurs. The total profits earned by the entrepreneurs from the MSMEs sector generate his/her income. Their income distribution, i.e. profit earned from the industry was analysed and shown in table 4.6.3.

As represented in table 4.6.3, the income group of Rs. 20000 - Rs. 40000 hold the largest group with 42.3 per cent, with Rs. 25812.27 average and Standard deviation is Rs.5454.66 from the mean. Income group 1000-20000, 40000-60000, 60000-80000, 100000-200000 and 200000-300000, followed this group. There are no unit found on the income group Rs.80000 - Rs.100000. All of the income group have lower standard deviation than the mean, which indicates that data are clustered closely around the mean, which is more reliable than large standard deviation.

Table 4.6.3: Income Distribution of MSMEs Entrepreneurs

Income Group	Frequency	Mean	Standard Deviation
1000-20000	16	10860	3734.167
20000-40000	22	25812.27	5454.66
40000-60000	6	44041.67	3979.374
60000-80000	3	63666.67	6350.853
80000-100000	0	0	0
100000-200000	3	161083.3	17917.05
200000-300000	2	228500	13435.03

Source: Field Survey; 2016

4.7 Reliability of the Job.

The survey data collected also tells us information about the entrepreneurs' idea about the reliability of the industry. Most of them believed that they have been acquiring business which could be sustained over a long period. Data can be revealed in table 4.7.

Table 4.7 Reliability of the Enterprise.

Respondents	Frequency	Percentage
Reliable	49	94.23
Unreliable	3	5.77

Source: Field Survey; 2016

From table 4.6 shows that only 3 respondents said that their enterprises should not be last long. About 94 per cent of them regards their own enterprises to be sustained, and expected to raise their business.

4.8 Proof of Hypothesis:

The estimated coefficient of correlation and linear regression between GSDP and output of Industrial production also shows the following result.

$$Y = 70924.69192 + 4.414395657X$$

Where, Y is the State Gross Domestic Product and X is Industrial Output.

The Linear regression shows that the intercept is Rs 70924.69 lakhs, and every lakh rupees increase in output of Industrial production results in the Gross State Domestic Product increases with Rs 4.41 lakhs. The Analysis of Variance (ANOVA) is also estimated as in table 4.8.1.

Table 4.8.1 ANOVA Table

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.82E+11	1.82E+11	66.21892	0.000455
Residual	5	1.37E+10	2.74E+09		
Total	6	1.95E+11			

Table 4.8.1 for the analysis of variance stated that the significance F is 0.000455, which indicated that the relationship between GSDP and output of Industrial production is significant at 0.01 level.

The estimated linear regression analysis between GSDP and output industrial production is also presented in table 4.8.2.

Table 4.8.2 Regression Analysis between GSDP and Industrial output

Model	R	R Square	Adjusted R Square	Std. Error
1	.964 ^a	0.93	0.916	52388

It is observed from table 4.8.2 that the value of R (the correlation coefficient) is 0.964, which is almost +1, indicating that there is significant correlation between GSDP and output of Industrial production. Since R Square is 0.93, which indicates that 93.0 per cent of the total variation in Gross State Domestic Product is explained by the output of industrial units.

CHAPTER 5

FINDINGS, SUGGESTIONS

AND

CONCLUSION

5.1 Major Findings of the study:

The present study was mainly focused on the MSMEs units located in Lunglei District, collected from both primary and secondary data. As already mentioned in the research methodology, the primary data for the analysis consists of a purposively collected sample of 52 units from both urban and rural enterprises located in Lunglei District. Data was collected through field survey by canvassing questionnaires on the selected MSMEs unit. Based on the analysis and discussion on the performances of MSMEs in Lunglei District, the following finding have been drawn:

- There are 372 MSME units that are permanently registered under the District Industries Centre, Lunglei till August 2016. The estimated growth rate of registration during the period of 2008 to 2015, which is the Compound Annual Growth Rate during the period of 2008 to 2015 was 20.44 per cent per annum.
- All of the enterprises registered were Micro units, having a low level of investment. The enterprise consists of 324 manufacturing sector, which is 87.10 per cent, while the service sector accounts for 48 units, i.e., 12.90 per cent of the registered units. It was 50.54 per cent i.e., 188 units were in the town area of Lunglei, which considered being at urban area. Whereas, 49.46 per cent i.e., 184 units were located outside Lunglei town, which are considered to be in the rural areas.
- Electricity is the main source of power for enterprises in the study area. It was revealed that 63.46 per cent of the enterprises used electricity,

whereas 19.23 per cent were not using any kind of power. Other sources of power like LPG, Firewood, Oil has also been used in some manufacturing industries, which altogether accounted for only 17.30 per cent.

- Majority of the enterprises in Lunglei District were started by the owners' own accumulated wealth. 51.92 per cent of the respondents started the enterprise by their own finance, while 28.85 per cent started with the financial support from Central Government in terms of loans provided under PMEGP or KVI. The rest of the enterprises, which is 19.22 per cent found their beginnings with the help of loan provided by Financial Agencies like Mizoram Rural Bank, and also from their relatives or friends.
- Majority of the enterprise that accounts 30 units (57.70 per cent) of the firm procure Raw Materials from their own locality or town, while 13 units (25 per cent) obtained it from outside Lunglei district area, but within Mizoram. It was only 9 units (17.30 per cent) of the units procure from abroad.
- The MSMEs sector in the study area does not find the effectiveness of advertisement for the promotion of their enterprises. The 29 enterprises, which is 55.77 per cent of the total enterprises does not used any type of advertisement. Only 44.23 per cent of enterprises promoted their marketing process through some kind of advertisement.

The advertisement method includes Door hoarding, Newspaper, Radio and Television advertisement.

- The private customers were the largest buyers of the MSMEs products. The customers for the 37 units are mainly the private consumers, which constituted 71.15 per cent. Other primary customers include the intermediaries, associations or groups, which accounted for 29.85 per cent only. Their secondary customer consists of the private customers, association, intermediaries, and various departments of government.
- It was found that the products from different micro enterprises in Lunglei District were just enough to meet the local demand, and is usually inefficient to have their export outside Mizoram or India. Only three units of the respondents exported their products to outside Mizoram, but within India.
- A number of enterprises' incomes are not merely enhancing the family income, but are the main source of their family income. For almost 35 per cent of the unit, their enterprise is the only source of income for their family.
- The study found that the female entrepreneurs dominated the entrepreneurship in the study area. A number of self-supported industries like handloom and tailoring belonged to the female workers and entrepreneurs, which leads to an increased in females' participation in entrepreneurship level. 63.46 per cent of the total unit were owned and managed by female entrepreneurs.

- It was found most of the entrepreneurs are uneducated. From the study, 33 out of 52 entrepreneurs, i.e., 63.46 per cent finished their educational career at below matriculation, while only 19 entrepreneurs completed their matriculations and above i.e., 36.54 per cent of the entrepreneurs.
- The study revealed that the rate of female labour participation in the workforce is closely linked with the rise of MSMEs in rural sector. The 52 units of enterprises provide employment opportunities to 184 workers, both male and female. The female workers were the dominant workers in the study area, contributing 57.06 per cent of the total employment in the study area. The hypothesis that the female workers are more than 40 per cent is tested, and found significant at 1 per cent level. (Hypothesis no.3)
- MSME sectors in Lunglei district have provided gainful employment opportunities for uneducated workers since the research study found that 76.63 per cent of the workers were below matriculate. The hypothesis which stated that there is a good scope for high labour absorption in the sectors of MSMEs is found to be significant. Under the hypothesis, the uneducated workers engaged in MSMEs units are more than 60 per cent is tested, and found significant at 0.01 or 1 per cent level. (Hypothesis no.2)
- The average labour working hours in Lunglei District was found to be 6.5 hours per day. The average labour wages was also measured by

calculating their mean, which resulted in Rs.5208 per month, which is Rs.208.32 per day by taking 25 working days in a month.

- The study found that 18 workers i.e., 9.78 per cent were from outside Mizoram, who usually engaged in industries like steel fabrication, baking factories and ice cream factories.
- The amount of fixed investment estimated from a sample of 52 MSMEs unit was Rs. 98.94 Lakh, with the average fixed capital investment of Rs. 1.90 lakh per unit. The urban areas, i.e., enterprises located in Lunglei town area dominated in terms of share of fixed investment with 77.55 per cent, whereas the share of rural areas was only 22.45 per cent of the total fixed investment.
- The study revealed that the gross output of the MSMEs enterprises from 52 sampling units was estimated at Rs. 58.94 lakh per month. When the inputs for production like cost of raw materials, labour wages and working capital were deducted, the profits earned from enterprises in the study area accounted for 21.40 lakh rupees per month. The average gross output per unit can be thus, estimated for 1.13 lakh rupees, while the average net profit or real income obtained from each enterprise was Rs. 41147.50 per month.
- The estimated coefficient of correlation and linear regression between Gross State Domestic Product and output of Industrial production shows that $GSDP = 70924.69192 + 4.414395657(\text{Industrial Output})$. The GSDP and output of Industrial production are significantly

correlated at 0.01 level of significance, and 93.0 per cent of the total variation in Gross State Domestic Product is explained by the output of industrial units. (Hypothesis no.1)

- The study highlighted the different problems faced by the MSMEs unit. The major problem, which retards their growth of production and productivity are listed below.
 - i. Lack of financial support
 - ii. Power inadequacy
 - iii. Marketing problem
 - iv. Lack of advanced machineries
 - v. Collection of raw materials
 - vi. Lack of efficient workers
 - vii. Transportation problem.

5.2 Suggestions:

It is no doubt that the MSME's provide job and employment and ultimately self-dependency, but they suffered with many problems, depending on their type of production or their location. With keeping in view about their present problems, some suggestions have been made for the growth and development of MSMEs sector in Lunglei District.

- Provision of banking facilities does not provide sufficient amount of credit to fulfil the requirement for establishment of MSME and as well as not for the operational activities. Therefore, there must be availability of credit according to the requirement at cheaper rate.
- The entrepreneurs must be aware and should be more actively involved in the advertising practices, so that their products become more

attractive and adorable for the customers, which might solved their marketing problems, and thus enhancing their production and income.

- There is a need to enlighten the rural entrepreneurs on the various management skills so as to increase their production and productivity. They need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.
- Different kinds of training centres and programmes must be conducted so as to provide efficient skilled to indigenous workers. The problems of inadequacy of skilled native workers in some industries like Steel Fabrication and some food processing industries must be solved.
- Government policy should promote MSMEs by helping them to increase their efficiency and competitiveness. The government should also effectively deal hurdles like financial constraints and issues relating to power, raw material procurement, marketing etc.
- Efforts should be taken more effectively towards the promotion of export products. The government must interfere in this regard so as to develop the MSMEs units with respect to investment, production and employment.
- Since majority of the entrepreneurs were not getting financial assistance from the government. Financial subsidies and subsidised machineries with the most advanced technologies must be increased so as to enhance production and productivity.

- The experiences of recent years shows that employment in agriculture has been declining, the main responsibility of job creation rest with the industrial sectors, including both manufacturing and services. Therefore, the government policy should promote the MSMEs by helping them to increase their efficiency and productivity.

5.3 Conclusion:

The MSMEs sector will continue to play a vital role in the district where poverty and an employment is a serious problem. As the research has revealed that the sector provided a number of employment opportunities for workers especially belonging to uneducated classes, its contribution is significant at all level. It does not only contribute to higher rate of economic growth but also creates demand for goods and services that leads to inclusive and balanced growth of the economy.

The experiences of recent year's shows that output and employment in MSME has grown in a very high rate rather than the agriculture sector. In such a situation, the MSME sector needs to improve its productivity and quality, creating networks of organizations that help to provide training to the skilled workforce to improve productivity, reduce costs and innovate. To face the competition in the long run and to be economically viable, government policy should therefore promote MSMEs by helping them to increase their efficiency. New approaches like the cluster approach or harnessing the power of industry

associations should also be encouraged to prevent the major sickness in MSME sector. However it is essential on the part of the government to take careful decisions and honest policy implementation to overcome the problems of MSME sector. A technologically vibrant, internationally competitive small and medium industry should be encouraged to emerge, to make a sustainable contribution to national income, employment and exports.

Despite the MSMEs sectors have been facing a number of difficulties, one of the biggest problems faced by the MSME sector is the unavailability of adequate financing facilities. It is not very easy task for the entrepreneurs to raise or to get the required capital at the time of need. Different sources help the entrepreneurs to raise the finance but they face more problems in getting the loans. Since the study confined to MSMEs units in Lunglei District, the findings of this research may not applicable to others regions. The analysis and findings of the research was expected to be useful for the decision and policy makers for their policy framework. The study regards that the government must play the most important role for the growth and development of MSMEs sector. It would, therefore be fair to foster the existing enterprises and should help to create conducive environment to facilitate rapid growth of MSMEs within the district, the state and the country.

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APPENDIX

QUESTIONNAIRE

A STUDY ON THE PERFORMANCE OF MSMEs IN LUNGLEI

DISTRICT, MIZORAM

Date: _____

Place: _____

Identification:

1	Name of the Owner				
2	Address				
4	Gender		Age		
3	Contact				
4	No of Families		<i>Male</i>		<i>Female</i>
5	Occupation apart from the enterprise	Government Service		Self-Business	
		Self-Enterprise		Agriculture	
		Private Industry		Labour	
		Others		None	

Company:

1	Name of Enterprise				
2	Location				
3	Year of Establishment				
4	Type of Industry				
5	Workshop	<i>Own Accommodation</i>		<i>Rented</i>	

Type of Organization:

Individual Proprietorship		Co-operation	
Partnership		Family Owned Enterprise	

Investment:

	Fixed Capital	Year	Amount Invested	Working Capital	Amount Invested
1)					
2)					
3)					
4)					
5)					
	<i>TOTAL CAPITAL (FIXED)</i>			<i>(WORKING)</i>	

List of worker

Sl no	Name	Age	Sex	Skill level	Educa tion	Working hours	Wages	Training
1)								
2)								
3)								
4)								
5)								

Skill level: (Skilled – A); (Semi-Skilled – B); (Unskilled – C)

Wage Details:

1. _____ of the product. 2. _____ per unit produced.
3. _____ per day. 4. _____ per week
5. _____ per month.

Category of Workers:

Category	Number	Education level	Number
Skilled		Below Matriculation	
Semi-Skilled		Matriculation	
Unskilled		Class XII	
Age Group		Graduate	
Below 20 years		Post Graduate	
25-30 years			
30-40 years			
40-50 years			
Above 50 years			

Sources of Power:

Electricity		Firewood	
LPG		Coal	
Oil		Not Needed	

Sources of Finance for the Establishment:

Government Financing		Money Lenders	
Financial Agency		Relatives or Friends	
Own accumulated/sources			

Details of Finance:

1. Loan Amount: _____ 2. Year _____

2. From: _____

Sources of Raw Materials:

From the village/town		Outside Mizoram but within India	
Outside village but within Mizoram		Outside India	

Method of Advertisement of the product:

Wall Writing and Door Hoarding		Newspaper Advertising	
Radio Advertising		Online Advertising	
Television Advertising		No Advertisement	

Exports of the product:

<i>Export outside Lunglei</i>		<i>Export outside Mizoram/India</i>
1)		1)
2)		2)
3)		3)

Buyers of the products: (1 for Basic & 2 for Secondary)

Private Customers		Intermediaries	
Government Department		Association or Group	

List of the Products and their Market Prices:

Sl. No	Products	Working period	Cost of Production	Market Price	Profits	Labour Wages
1.						
2.						
3.						
4.						
5.						
6.						
7.						

Input-Output Statement for a Month (in General):

Sl. No	Products	Cost of Production	Labour Cost	Market Price	Gross Output	Profit
1.						
2.						
3.						
4.						
5.						

Consolidated Statement for the month of September:

Sl. No	Products	Cost of Production	Market Price	Amount of Sale	Gross Output
1.					
2.					
3.					
4.					
5.					

Problems faced by the Enterprise: (1 for Basic & 2 for Secondary)

Power		Electrification	
Financial		Expensive Rent	
Marketing		Machineries and tools	
Acquisition of Raw Material		Externalities	
Transportation		Seasonal demand	
Location		Labour	

Detail statement of problem:

4. Do you think your enterprise could be sustained for over 20 years?

Yes_____ No_____

5. Do you have any problem in acquiring skilled labourers for your enterprise?

Yes_____ No_____

6. Does the educated workers have contributed more than the uneducated workers in your enterprise?

Yes_____ No_____

7. Do you think the Mizoram Government has a support on your enterprise?

Yes_____ No_____

8. Do you think that the District Industries Centre, Lunglei has full support on your enterprise?

Yes_____ No_____

Signature of the Surveyor

Signature of the Respondent

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MIZORAM UNIVERSITY

ABSTRACT

**A STUDY ON THE PERFORMANCE OF MSMEs IN
LUNGLEI DISTRICT, MIZORAM**

**(A DISSERTATION SUBMITTED FOR THE AWARD OF THE
DEGREE OF MASTER OF PHILOSOPHY IN ECONOMICS)**

BY

C. LALROLUAHPUIA

MZU/M.Phil./264 of 22.04.2016

TO

THE DEPARTMENT OF ECONOMICS

SCHOOL OF ECONOMICS, MANAGEMENT

&

INFORMATION SCIENCES

MIZORAM UNIVERSITY

2016

INTRODUCTION:

Enterprises in every country are playing a vital role in increasing the industrial sector as well as economic growth of country. A growing industrial sector is crucial to greater economic development and ensuring a steady industrial growth helps to compliment and sustain continued economic development. The experience of industrial economies shows that there is a direct relationship between the level of industrial development and the economic prosperity of a country. In most of the countries, majority of the products of large corporations consist of components from SME subcontractors, and their economies of are supported by the activities of these sectors – mainly in the service industry, retail trade, and the construction industry. The SMEs sectors play a part in revitalizing local economies and boosting employment opportunities. Developed countries like the USA, Japan, Russia and European countries owe due to their prosperity to highly developed industries.

The Micro Small Medium Enterprise (MSMEs) or Micro and Small Enterprises (MSEs) constitute over 90 (ninety) per cent of total enterprises in most of the developing economies and credited with generating the highest rate of employment growth and accounting for a major share of industrial production and exports. Countries with strong industrial sector have showed more economic growth and development, and had improved the national income and promoted living standard of population. The path of moving

gradually from agriculture to industry to services is a proven path for economic transition from developing to a developed country.

The sector has often been termed as 'engine of growth' for all developing economies including India, and act as power and spirit of economic growth in the 21st century. MSMEs are providing immediate large-scale employment, with lower investments and prove to be a second largest manpower employer, after agriculture and occupy a position of prominence in Indian economy. The sectors play a significant role in the establishment of industrialization for rural and backward areas. The path of moving gradually from agriculture to industry is a proven path for economic transition from developing to a developed country.

MSMEs have been playing a momentous role in overall economic development of a country like India where millions of people are unemployed or underemployed & facing the problems of poverty. In India, the MSMEs sector generates the highest employment per capita investment. Besides, they have been playing an important role in checking rural-urban migration by providing villagers and people living in isolated and remote areas with reliable source of employment. The dispersed, unorganised and often household-based micro and small enterprises are capital-saving, labour intensive and environment friendly.

CONCEPTUAL FRAMEWORK:

The criteria for defining the size of enterprises differ from country to country, with many countries having programs of business rate reduction and financial subsidy for Micro, Small and Medium Enterprises. In most of the countries, the criteria for defining small- scale enterprises are related to the size of employment. The classification of the industry as a small, medium or large scale is generally based on the criterion of capital investment, the rate of production and the number of employees. The small, micro, medium or large scale industries in India is based on the criterion of capital investment while many other countries like China, Germany, Indonesia, Iran, Turkey, etc., goes by the number of employees as the criterion for scale of industries. However, while some countries set the limit at about 200 employees, the United States considers Small and Medium Enterprises to include firms with fewer than 500 employees. According to the European Commission, there are three broad parameters, which define MSMEs are as follows:

- Micro-enterprises have up to 10 employees.
- Small enterprises have up to 50 employees.
- Medium-sized enterprises have up to 250 employees.

The Micro, small and medium enterprises in India as per MSMED Act, 2006 are defined based on their investment in plant and machinery for manufacturing enterprise and on equipment for enterprises providing or rendering services. The sector is no doubt a key component of India's economy

and industrial sector. MSMEs including Khadi and Village enterprises provides employment opportunities to millions of people across the country, and add extensively to India's Gross Domestic Product and export earnings of the country.

The Act decisively defines the MSMEs by the level of by Plant and Machinery (P&M) investment. The earlier concept of Industries has been changed to Enterprises. By an act, 'enterprise' means (a) an individual undertaking or a business concern or any other establishment, by whatever name called, engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act, 1951 or, (b) engaged in providing or rendering of any service or services. The limit for investment in Plant and Machinery for manufacturing and Equipments for Service Sectors are as shown in Table 1.1

Table 1.1: Classification of enterprises under MSMED Act, 2006.

	Enterprises	
	Manufacturing enterprises	Service enterprises
Micro	Does not exceed Rs. 25 lakh	Does not exceed Rs. 10 lakh
Small	More than Rs 25 lakh, but does not exceed Rs. 5 crore	More than Rs 10 lakh, but does not exceed Rs. 2 crore
Medium	More than Rs. 5 crore, but does not exceed Rs. 10 crore	More than Rs. 2 crore, but does not exceed Rs. 5 crore

Source: The Micro, Small and Medium Enterprises Development Act, (2006).

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. The Act provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with wide range of advisory functions.

REVIEW OF LITERATURE

Before carrying out the study, a comprehensive literature has been reviewed and collected the existed findings of research / study regarding MSMEs and Small Scale Industries to get an idea about the work done in the past and the major bottlenecks faced by the sector. Most of the related literary work, survey and case study has demonstrated that the MSMEs are the most crucial sectors for achieving sustained economic growth and development of an economy. It also provides the actual conditions, problems and way of improvement for the sector in different areas of study and of Mizoram. Some of the available literatures relevant to the Micro, Small and Medium Sectors are reviewed as follows:

Rualkhuma (1997) made a study on the industrial structure, distributional pattern and trends of growth of the Small Scale Industrial units in Mizoram. He stated that factors like uncertainty of marketability of the product, scarcity of raw materials, lack of power, transport and communication,

inefficiency of entrepreneurs' attributes to the features of industrial sector on Mizoram. For his study, a stratified purposive sampling of 250 industrial units from every trade of different categories was selected and conducted a survey during 1992 to 1993. From the secondary data he obtained, he revealed that Mizoram has experienced a fast annual growth rate of industrial employment from 0.43 per cent to 2.82 per cent during the year 1961-1991. The study found that the entire industrial universe is dominated by four categories such as service based, food and allied industries, wood and wooden products, and textile based industry, employing more than 73 per cent of the total industrial employment in industrial sector in Mizoram.

Bala (2007) examined the effectiveness of state sponsored development programmes and policies along with analysing the impact of economic reforms process on the growth and productivity of small scale sectors. The study was based on the performance of small scale in India during 1973-74 to 1996-97. The empirical results highlight that the lower tariff and Quantitative Restrictions regime had exerted competitive pressure on small enterprises and threaten their survival in the presence of a slow pace of technological modernisation, poor infrastructure, etc.

Pooja (2009) pointed out that MSME generate the highest employment per capita investment, and provides a sustainable source of employment for those people living in remote and isolated areas. He also made an empirical study on the characteristics of the SSI units in Kathua District of Jammu & Kashmir. He found that by manufacturing superior quality products, carrying

proper assurance and reasonable price could assist in the growth and survival of SSIs in the competitive market. He expressed that an effective entrepreneurial must focus improved marketing-mix that offer a clear competitive advantage and ensures long term sustainability growth of SSI in the Kathua District.

Rajput et.al (2012) analysed the performance of MSMEs in Indian economy and brought out their strategic importance in terms of investment, employment and production. The study was conducted for a period of 18 years, starting from 1992-93 to 2009-10, and their relationships were tested by Regression Analysis. The result from the study shows that the relationship between the MSME sectors and employment generated by the sector is significant at 5 per cent level of significance. The relationship between the MSME sector and the contribution of GNP at T Statistics was also found to be significant at the level of 5 per cent.

Nagaraja (2013) attempted to analyse the performance of MSMEs sector in North Eastern region. From his analysis, the number of the working enterprises in North Eastern states has increased from 34.3 thousand in 2006-07 to 55.3 thousand in 2010-11. The average amount of fixed investment during the period has not improved much, but the employment generated by the sector increased. It was mentioned that Mizoram employed 26032 persons in 2006-07 has significantly increased to 37860 persons in 2010-11. The study also stated that majority of the MSMEs sector comprised of unregistered, informal and unorganised enterprises.

Aruna (2015) has made a comprehensive study about the performance and problems of the MSMEs in Vishakhapatnam of Andhra Pradesh. The study was confined to the area Vishakhapatnam by collecting 50 sample from the MSME sector. From the study, 60% of the respondent expressed that they faced the problems in getting raw materials while 92 per cent of them faced a problem of marketing their products.

Jayalakshmi et.al (2016) outlined the role played by the District Industrial Centre (DIC) for the development process of MSMEs sector in Virudhunagar District of Tamil Nadu. They stated that DIC is an institution at district level which provides all services and facilities to entrepreneurs at one place, so that the Micro, Small and Medium enterprises can be set up. It was found that DIC in the district achieved equally for competing with one another for generating subsidies, viz., capital, generator and low power tariff subsidies to the entrepreneurs very effectively during the study period.

Biswal (2016) highlighted the performances of MSMEs in North Eastern India and their contribution to the rest of India. The study conducted covered the period between 2006-07 to 2014-15. From the study, it was found that the contribution of NER in terms of manufacturing enterprises to India's total enterprises stands at 2 per cent only. The region has shared only 0.38 per cent of the total employment. Assam holds the top position among the North Eastern states in terms of number of enterprises with 26887 units in 2010-11, which is followed by Meghalaya with 5497 units and Mizoram with 5403 units of enterprises.

SIGNIFICANCE AND SCOPE OF THE STUDY:

The Micro, Small and Medium Enterprise (MSME) sector can be recognized as the engine of economic growth and has been accepted for promoting equitable development. The sectors are the largest job creators in the country because of its employment potential at low capital cost. Despite constituting more than 80% of the total number of industrial enterprises, many MSMEs in India have problems such as inadequate and timely credit, high cost of credit, collateral requirements, access to equity capital and rehabilitation of sick enterprises, increasing, fund shortages, change in strategies manufacturing and uncertain market scenario.

The Micro enterprise is found to be the only sector we possessed within the district, enterprise having a low level of investment might not be expected to produce a huge amount of output and to earn a high level of income. It is not only in Lunglei district, but the State of Mizoram has witnessed a low scale of migration of workforce from agriculture to non-agriculture sector. Due to such reason, the development of industrial sector cannot be accelerated in terms of number of units, capital investment, labour employed and output produced.

The study thus focussed on understanding the problems and the role played by the MSME units in Lunglei District of Mizoram. It is no doubt that Lunglei District, the largest district area in Mizoram suffered from a number of constraints and weaknesses that are being faced by the state, which are in terms of supply of raw materials, lack of infrastructural facilities, marketing problems

and shortage of finance and credit. The government has now recognized the significance of industries for developing the economic condition of the state. Various efforts have been made for the improvement of the condition of the MSME sectors. In order to know the current position and the role played by the MSMEs sectors in Lunglei District, the study is restricted to only in the area of Lunglei District.

OBJECTIVES OF THE STUDY:

1. To highlight the nature and behaviour of MSMEs unit in Lunglei District.
2. To analyse the contribution of MSME sectors for generation of employment opportunities for the people in Lunglei District.
3. To reveal the structure of capital investment of MSMEs Unit.
4. To suggest the policy measures for the growth of MSMEs.

RESEARCH HYPOTHESIS:

1. The growth of income in the state is positively correlated with the expansion of industrial enterprises.
2. There is a good scope for high labour absorption in the sectors of MSMEs.
3. The rate of female labour participation in the workforce is closely linked with the rise of MSMEs in rural sector.

RESEARCH METHODOLOGY:

Data Sources:

The present study was mainly focused on the MSMEs units located in Lunglei District, based on both primary and secondary data. The primary data for the analysis was collected from purposively collected sample of 52 units from both urban and rural enterprises located in Lunglei District. Data was collected through questionnaire method including a number of information about the profile of the entrepreneur, the labourers, their income, the investment pattern and problems faced by the enterprise. The questionnaire contained questions of both open-ended and close-ended which was filled by the surveyor by having personal contact with the owner or entrepreneur to get more accurate data.

The secondary data was obtained from two broad sources; (i) Fourth All India Census of Micro, Small and Medium Enterprises; Annual report of the Ministry of MSME; published and unpublished records of District Industries Centre (which is the concerned department taking care of MSMEs in Lunglei District) and statements of other departments like Directorate of Industries, Department of Economics & Statistics. (ii) related research works published in journals and books, unpublished research works, and related websites and internet.

Analytical Tools:

The data obtained from primary and secondary sources was analysed in accordance with the objectives of the paper. The analysis was carried out by using some statistical tools like percentage, mean, coefficient of variation, regression, etc., which were employed to analyse the data as and when necessary.

CHAPTERISATION

Chapter - I: Introduction.

Chapter - II: Review of Literature.

Chapter - III: MSMEs in India: An overview.

Chapter - IV: Role and Performance of MSME Sectors in Lunglei District: An analysis.

Chapter - VI: Major findings, Suggested Measures and Conclusions.

Bibliography.

FINDINGS OF THE STUDY

The major findings of the research study are the role and performances of MSMEs in Lunglei District, Mizoram, based on the result of the analysis from both primary and secondary data. Based on the analysis and discussion on the performances of MSMEs in Lunglei District, the following findings have been drawn:

- There are 372 MSME units that are permanently registered under the District Industries Centre, Lunglei till August 2016. The estimated growth rate of registration during the period of 2008 to 2015, which is the Compound Annual Growth Rate during the period of 2008 to 2015 was 20.44 per cent per annum.
- All of the enterprises registered were Micro units, having a low level of investment. The enterprise consists of 324 manufacturing sector, which is 87.10 per cent, while the service sector accounts for 48 units, i.e., 12.90 per cent of the registered units. It was 50.54 per cent i.e., 188 units were in the town area of Lunglei, which is considered to be an urban area. Whereas, 49.46 per cent i.e., 184 units were located outside Lunglei town, which are considered to be in the rural areas.
- Electricity is the main source of power for enterprises in the study area. It was revealed that 63.46 per cent of the enterprises used electricity, whereas 19.23 per cent were not using any kind of power. Other sources of power like LPG, Firewood, Oil has also been used in some manufacturing industries, which altogether accounted for only 17.30 per cent.

- Majority of the enterprises in Lunglei District were started by the owners' own accumulated wealth. 51.92 per cent of the respondents started the enterprise by their own finance, while 28.85 per cent started with the financial support from Central Government in terms of loans provided under PMEGP or KVI. The rest of the enterprises, which is 19.22 per cent found their beginnings with the help of loan provided by Financial Agencies like Mizoram Rural Bank, and also from their relatives or friends.
- Majority of the enterprise that accounts 30 units (57.70 per cent) of the firm procure Raw Materials from their own locality or town, while 13 units (25 per cent) obtained it from outside Lunglei district area, but within Mizoram. It was only 9 units (17.30 per cent) of the units procure from abroad.
- The MSMEs sector in the study area does not find the effectiveness of advertisement for the promotion of their enterprises. The 29 enterprises, which is 55.77 per cent of the total enterprises does not used any type of advertisement. Only 44.23 per cent of enterprises promoted their marketing process through some kind of advertisement. The advertisement method includes Door hoarding, Newspaper, Radio and Television advertisement.
- The private customers were the largest buyers of the MSMEs products. The customers for the 37 units are mainly the private consumers, which constituted 71.15 per cent. Other primary customers include the intermediaries, associations or groups, which accounted for 29.85 per cent only. Their secondary customer consists of the private customers, association, intermediaries, and various departments of government.

- It was found that the products from different micro enterprises in Lunglei District were just enough to meet the local demand, and is usually inefficient to have their export outside Mizoram or India. Only three units of the respondents exported their products to outside Mizoram, but within India.
- A number of enterprises' incomes are not merely enhancing the family income, but are the main source of their family income. For almost 35 per cent of the unit, their enterprise is the only source of income for their family.
- The study found that the female entrepreneurs dominated the entrepreneurship in the study area. A number of self-supported industries like handloom and tailoring belonged to the female workers and entrepreneurs, which leads to an increased in females' participation in entrepreneurship level. 63.46 per cent of the total unit were owned and managed by female entrepreneurs.
- It was found most of the entrepreneurs are uneducated. From the study, 33 out of 52 entrepreneurs, i.e., 63.46 per cent finished their educational career at below matriculation, while only 19 entrepreneurs completed their matriculations and above i.e., 36.54 per cent of the entrepreneurs.
- The study revealed that the rate of female labour participation in the workforce is closely linked with the rise of MSMEs in rural sector. The 52 units of enterprises provide employment opportunities to 184 workers, both male and female. The female workers were the dominant workers in the study area, contributing 57.06 per cent of the total employment in the study area. The hypothesis that the female workers are more than 40 per cent is tested, and found significant at 1 per cent level. (Hypothesis no.3)

- MSME sectors in Lunglei district have provided gainful employment opportunities for uneducated workers since the research study found that 76.63 per cent of the workers were below matriculate. The hypothesis which stated that there is a good scope for high labour absorption in the sectors of MSMEs is found to be significant. Under the hypothesis, the uneducated workers engaged in MSMEs units are more than 60 per cent is tested, and found significant at 0.01 or 1 per cent level. (Hypothesis no.2)
- The average labour working hours in Lunglei District was found to be 6.5 hours per day. The average labour wages was also measured by calculating their mean, which resulted in Rs.5208 per month, which is Rs.208.32 per day by taking 25 working days in a month.
- The study found that 18 workers i.e., 9.78 per cent were from outside Mizoram, who usually engaged in industries like steel fabrication, baking factories and ice cream factories.
- The amount of fixed investment estimated from a sample of 52 MSMEs unit was Rs. 98.94 Lakh, with the average fixed capital investment of Rs. 1.90 lakh per unit. The urban areas, i.e., enterprises located in Lunglei town area dominated in terms of share of fixed investment with 77.55 per cent, whereas the share of rural areas was only 22.45 per cent of the total fixed investment.
- The study revealed that the gross output of the MSMEs enterprises from 52 sampling units was estimated at Rs. 58.94 lakh per month. When the inputs for production like cost of raw materials, labour wages and working capital were deducted, the profits earned from enterprises in the study area accounted for

21.40 lakh rupees per month. The average gross output per unit can be thus, estimated for 1.13 lakh rupees, while the average net profit or real income obtained from each enterprise was Rs. 41147.50 per month.

- The estimated coefficient of correlation and linear regression between Gross State Domestic Product and output of Industrial production shows that $GSDP = 70924.69192 + 4.414395657(\text{Industrial Output})$. The GSDP and output of Industrial production are significantly correlated at 0.01 level of significance, and 93.0 per cent of the total variation in Gross State Domestic Product is explained by the output of industrial units. (Hypothesis no.1)
- The study highlighted the different problems faced by the MSMEs unit. The major problem, which retards their growth of production and productivity, can be listed as below.
 - a) Lack of financial support
 - b) Power inadequacy
 - c) Marketing problem
 - d) Lack of advanced machineries
 - e) Collection of raw materials
 - f) Lack of efficient workers
 - g) Transportation problem

CONCLUSION AND SUGGESTIONS

It is no doubt that the MSME's provide job and employment and ultimately self-dependency, but they suffered with many problems, depending on their type of production or their location. With keeping in view about their present problems, some suggestions have been made for the growth and development of MSMEs sector in Lunglei District.

- Provision of banking facilities does not provide sufficient amount of credit to fulfil the requirement for establishment of MSME and as well as not for the operational activities. Therefore, there must be availability of credit according to the requirement at cheaper rate.
- The entrepreneurs must be aware and should be more actively involved in the advertising practices, so that their products become more attractive and adorable for the customers, which might solved their marketing problems, and thus enhancing their production and income.
- Different kinds of training centres and programmes must be conducted so as to provide efficient skilled to indigenous workers. The problems of inadequacy of skilled native workers in some industries like Steel Fabrication and some food processing industries must be solved.
- Government policy should promote MSMEs by helping them to increase their efficiency and competitiveness. The government should also effectively deal hurdles like financial constraints and issues relating to power, raw material procurement, marketing etc.

- Efforts should be taken more effectively towards the promotion of export products. The government must interfere in this regard so as to develop the MSMEs units with respect to investment, production and employment.
- Since majority of the entrepreneurs were not getting financial assistance from the government. Financial subsidies and subsidised machineries must be raised for enhancing production and productivity.
- The experiences of recent years shows that employment in agriculture has been declining, the main responsibility of job creation rest with the industrial sectors, including both manufacturing and services. Therefore, the government policy should promote the MSMEs by helping them to increase their efficiency and productivity.

The major findings of the study are the role and performances of MSMEs in Lunglei District, Mizoram. Since the study highlighted various difficulties faced by the unit, it must be known that it is not only the case of the study area, but also in Mizoram. The analysis and findings of the research was expected to be useful for the decision and policy makers for their policy framework. The study regards that the government must play the most important role for the growth and development of MSMEs sector. It would, therefore be fair to foster the existing enterprises and should help to create conducive environment to facilitate rapid growth of MSMEs within the district, the state and the country.

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