

## **CHAPTER- V**

### **PROBLEMS OF SMALL SCALE AND COTTAGE INDUSTRIES**

- *5.1- Introduction*
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## **5.1. INTRODUCTION**

Small scale and cottage industries are no doubt very important for the economy of Mizoram in particular and the economy of India as whole. Recognizing the important role that small scale industrial sector play in the national economy, both the central and state government have taken active steps to develop, promote and foster their growth. Some of these initiatives have been effective: but most of the problems of SSI still continue to afflict the sector. They can play their rightful role only if they are on sound lines. Small scale and cottage industries are suffering from a number of problems; some are more or less common to a wide range of industries while others have particular relevance to a group of industries located in rural and backward areas.

## **5.2. INTERNAL AND EXTERNAL PROBLEMS**

The problems offsetting small scale and cottage industries can broadly be divided in two major groups- internal and external. Internal problems are those which are not influenced by external forces; mainly crop up from within the industry and can be controlled internally. External problems on the other hand, are those which are the outcome of external factors and are beyond the control of a particular unit<sup>1</sup>. The availability of power, communication and other infrastructural facilities etc. are examples of external problems while organizational structure, production, distribution, management, training etc. are internal

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<sup>1</sup> Desai, V. (2006): Small Scale Industries and Entrepreneurship, Himalaya Publishing House, Mumbai, p.288.

problems. Most of the internal problems coupled with external problems put a major threat to the smooth functioning of the SSI units. A few internal problems of small scale and cottage industrial units are given below:

- Most of the small scale industries belong to individual proprietorship form of organization. The owners come with personal egos and ideas, proprietorial attitudes and ineffective delegation.
- To a large extent the development of the units depends on the attitude, audacity and spirit of the owners which in turn influenced by personal and family requirements.
- There is a lack of expertise, professionalism and planning and the dealings are informal. The emphasis is on short term gain even at the cost of quality.
- There is no logical reasoning, proper career plan and strong motivation. Pay scales are generally lower, good will and job security is absent.
- In many cases, business ideas and exposures are not upto date and adequate, rules and regulations are not complied, product and market knowledge are not upto the mark and business remains confined to the local level.

Some of the major external problems of SSI and cottage industrial units are mostly related to-

- Financial support and investment promotion.
- Consultancy and counseling services.

- Quality control, market promotion, testing, scientific research and development facilities.
- Entrepreneurship development, training and skill formation.
- Technology development and applications.
- Infrastructure development.
- Establishment of linkages between various industries and other sectors of the economy.
- Information collection and dissemination of technology.

Despite these problems the small scale and cottage industrial units continue to survive due to the efforts of the owners but remain limited in their progress mainly because of the non application of right corporate approach and team work.

### **5.3- INHERENT PROBLEMS OF SMALL SCALE AND COTTAGE INDUSTRIES IN NORTH EASTERN REGION**

The North Eastern regions of India comprising the seven states are quite different from the rest of the country due to their socio-economic, geographical and cultural diversities. Similarly the problems faced by the industrial sector in this area are also different from their counterparts in the other parts of the country. The SSI sector in this region suffers from a number of innate constraints like geographical, financial, social, political, infrastructural and entrepreneurial. Although the rate of growth in terms of number of units registered in this region has been higher than all India growth rate, the status of SSIs can be expressed as unhealthy in terms of size, bank finance, market access,

entrepreneurial excellence, etc. The development of SSIs in this region is lagging far behind as compared to the other regions especially western and southern part of the country. Despite the vast potential for different types of resource based industries; the pace of industrialization is too slow due to the unique geographical location, poor availability of funds, inadequate infrastructure, apprehensive investment climate, remoteness of market and lack of entrepreneurial skill, etc. There has been a significant growth of small scale industries in the country; a disconcerting feature is that the growth is uneven and biased towards relatively advanced states than in the backward areas.<sup>2</sup>

The North Eastern region is mostly hilly terrain. Due to the steep slopes of the hills transport and communication especially railways, roadways and even airways are not properly developed. These areas also suffer from lack of sufficient plain areas to be used for industrial purposes. The ethnic feeling which is very strong especially in Mizoram and Nagaland retards the industrial growth. Because of the ethnic reason, the political economy does not permit free movements of potential investors, skilled manpower from other part of the country. There is a tendency among the tribal people to get rich quickly. This mentality adversely affects their courage to take risk in setting up industrial units. Moreover, the investment environment in this region is considered to be insecure due to growing insurgency and terrorism problems prevailing in the entire north eastern region. Frequent racial clash, extortion of money by the insurgent groups etc. create an insecure

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<sup>2</sup> Vepa, R.K. (1988): Modern Small Industry in India- Problems and Prospects, Sage Publications, New Delhi, p.31.

investment climate which discourages the national and multinational companies in investing in the region and ultimately goes against the interest of industrial development in the region. Though industrialization is necessary to accelerate the economic growth of the region, it brings lots of problems in its wake especially in tribal areas where people belong to pre-industrial society. Rehabilitation resulting on dislocation, psychosomatic and sociological alteration, assimilation in the new setup etc. are some of the few quandary that are created by industrialization of the tribal areas.<sup>3</sup>

The limitations and constraints which hinder the growth of small scale and cottage industries at the national level are more or less equally applicable to the problems of this sector in the north eastern region. SSI units which run by an individual or a few partners usually suffer from some innate deficiencies like poor capital base, lack of proper technical know-how, weak bargaining power, poor marketing capacity of products etc.<sup>4</sup> Given the poor performance of the primary sector of this region in accelerating economic growth, it is necessary to establish linkages among different sectors of the economy to boost the overall progress of the region. Though the geographic location, unique hilly landscape combined with infrastructural bottlenecks and other constraints rule out the viability of major industries in the region in general and Mizoram in particular; the linkages can only be established by

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<sup>3</sup> Lingaiah, K. (1998): Industrialization in tribal areas, RBSA Publishers, Jaipur.

<sup>4</sup> Deb, R. (1993): Small Scale Industries in India- A Case Study from Assam, Mittal Publications, New Delhi.

the development of small scale and cottage industries in the region to create income opportunities and employment generation.

#### **5.4- FINANCIAL PROBLEMS**

The paucity of adequate and timely finance and credit is the main setback in the development of SSI units. It is even worse in case of cottage and village industries. The capital base of the small industrial units is usually very weak since they generally have partnership or sole proprietorship form of organization. The initial investment of these units mainly comes from their own fund or borrowed fund from unorganized sectors like friends, relatives and professional lenders. Much lesser proportion of required investment comes from organized sectors like banks, financial institutions and government channels. The artisans running cottage industries either run their units with whatever capital they possess or take loan from local moneylenders or the traders who supply raw material to them. Such types of credits are often obtained at a very high rate of interest and are thus exploitative in nature.

Recognizing the importance of smooth credit flow for the development of small scale and cottage industrial sector, the Government of India nationalized all the major commercial banks in the country. It has also set up SFCs (State Financial Corporations) and SIDBI etc. to look after the financial needs of the small scale sector. Banks were mandated to provide 40 percent of their lending to priority sectors including small scale industry. However, banks claim to meet their lending target on pen and

paper but in reality they are reluctant to lend to the SSI units due to low recovery rates and higher cost of lending to small firms. Moreover, banks insist on collateral security against the spirit of RBI guidelines. Sometimes the market value of collateral could be as high as five times the value of the outstanding loan or credit limit. The small scale units are not in a position to offer the guarantee required by the banks. Small loans can be raised from government agencies but the procedure is so cumbersome that most of the entrepreneurs hesitate to avail these facilities due to their poor educational level.

The flow of credit to the SSI sector is affected because of *“a weak financial base, which eventually prompts the entrepreneurs to bring in funds by way of loan rather than capital, improper maintenance of books of account, inability to provide collateral security, delay in payments by the larger units, lack of appreciation of financial data required by banks or financial institutions etc. high mortality rate, high administrative cost of lending to small units and the concessional interest rate does not basically motivate the financial institutions to invest in SSI units.”*<sup>5</sup>

There are 107 branches of banks and other financial institutions in the study area of Mizoram up to February’ 2008 consisting of 36 commercial banks, 60 branches of MRB and 11 branches of MCAB. Development Financial Institutions like NABARD, SIDBI and NEDFI also have their branches in the state. A mere 7.76 percent of the total loans and advances disbursed during 2006-07 to the

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<sup>5</sup> Mitra, S.K. (1998): ‘Small Scale Industries: Credit Opportunities and Marketing Assistance’, SEDME Journal, Vol.25, No.4, December, pp.79-85.



industrial sector<sup>6</sup> of the state which implies the poor performance of the financial institutions in providing assistance to the SSI sector. Moreover, the state does not have SFCs to provide funds to the SSI in the state. Most of the SSI in the state does not maintain proper account of their day to day transactions. Financial institutions ask for a lot of information's and data but the entrepreneurs hardly able to satisfy them due to the lack of knowledge in the field. Sometimes they succeeded in getting loans from financial agencies. Loans received without knowledge of its proper and optimum utilization often leads to poor recovery by the lending agencies which also create problems in smooth functioning of these financial institutions and also slow down further sanction of loans. As against the national loan recovery rate of 35.20 percent, the recovery rate in Mizoram stood only at 24.82 percent during 2007-08.<sup>7</sup> The recovery rate of bank loan has slightly improved from 59.79 percent during 2005-06 to 69.95 percent during 2006-07. The recovery rates of loans under various centrally sponsored schemes are in worst position. The recovery rate under PMRY scheme is only 11.62 percent while that of SJSRY is 11.64 percent<sup>8</sup>. This poor loan recovery has prevented many educated youths of Mizoram from benefiting the loans offered by various financial institutions. Analysis reveals that 40 percent of the total SSI units in the sample are seriously affected by financial problems while 47.50 percent are moderately affected by it (Table: 5.20). Moreover, the District Industries Centers make lots of recommendations to the banks from time to time regarding needs

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<sup>6</sup> Economic Survey Mizoram 2007-08: Planning and Programme implementation Department, Government of Mizoram, p.58.

<sup>7</sup> 'Poor loan recovery blocks young entrepreneurs' News Link, Vol-IX. No. 355, Aizawl, March, 31. 2008.

<sup>8</sup> Economic Survey Mizoram 2007-08, opcit, p.59.

and requirements of fund by the small scale industrial sector. It is found that the banks and financial institutions in the state does not give due importance to those recommendations forwarded to them by the DICs and always been overruled. The specialized bank branches like IDBI, NABARD, SIDBI and NEDFI etc. are located only in the state capital while the small scale and cottage industrial units in the state are located across the state. Thus it prevents the access to adequate and timely credit to the units which are located in rural and backward areas of the state.

#### **5.5- MARKETING CONSTRAINTS**

Market is the ultimate destination of all industrial concerns whether small or big where the produced are being bought and sold. Marketing is a broad process of linking the gap between the producer and consumer.<sup>9</sup> The vital role of marketing in accelerating industrial development lies in selling the goods and services produced by these units. The goods have no value for the manufacturing units unless these are sold.<sup>10</sup> Marketing is a tricky technique involving detection of what the consumers wants, then planning and developing a product or service which satisfies those demands and ultimately determining the best way to price, promote and distribute that product.<sup>11</sup> The expertise of entrepreneurs in marketing their product plays a vital role in the success and growth of his enterprise. Entrepreneurs without marketing techniques are

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<sup>9</sup> Ahmed, S. F. (1989): Problems and Prospects of Cottage Industry in India, Anmol Publications, New Delhi.

<sup>10</sup> Khanka, S.S. (1994): Industrial Development of Backward Areas- A Study of Kumaun Region, Himalaya Publishing House, Mumbai.

<sup>11</sup> Stanton, W.J. (1964): Fundamentals of Marketing, Tata Mc Graw Hill Publishing Company, Mumbai.

supposed to have a greater chance of failure than others with this skill. Marketing has been identified as an important aspect affecting the performance of small scale industrial sector. Besides finance, marketing is the key element which, if not pragmatically assessed leads to sickness and ultimately closure of the units.

Small scale industrial sector faces a number of difficulties in marketing their products due to growing competition among themselves and in recent years due to the emergence of stiff competition from foreign goods in the era of liberalization. It is due to weak financial base of the small scale units they cannot afford to spent as heavily as the large units does on marketing their product. Owing to the limited resources and lack of experience small scale units cannot incur heavy selling cost on publicity, advertisement and other sales promotion measures. Moreover, market analysis is almost absent in the sector which leads to failure in marketing the products. Many problems which the SSI units face in marketing their products related to lack of demand, poor quality and design, poor bargaining power, poor service to customers, brand preferences and ignorance of potential market areas, etc.

In absence of a marketing channel and cooperatives for selling of their own products, most of the small scale and cottage industrial units in rural areas are forced to sell their products produced to the middlemen or money lenders to whom they depend for finance and raw materials at low prices due to poor bargaining power. Many small scale units even in urban areas sell their products to large industrial houses having wide and improved marketing

network. The well known business house of the country like Britannia, Bata, and Hindustan Unilever etc. markets a good number of products produced by small units. Thus the large companies make huge profits from marketing the products of small scale units by charging much higher prices from the consumers. Therefore, there is a need for a larger number of marketing consortiums for marketing promotion of the products of small industrial units.

Mizoram is located at the northeastern corner of India; as such the SSI units in the state is unable to enjoy the locational advantages in marketing their products. A long period of isolation and neglect that the region faced had its impact on the industrial development of the State. While industries had their foothold in the county during pre-independence period and proliferated smoothly after independence, this part of the country remained untouched by the process of development. Remoteness of the State is another important impediment in industrial development. Being located at the remotest part of country, away from the mainstream of trade and industry, inadequate economic and physical infrastructure, small size of market in the state, etc. together put a strain to the local entrepreneurs to sell their produce. The products have no value to the producers until and unless it is sold to the market. The ability to produce is necessary but not sufficient condition for success. It is the market forces of demand and supply that guides and determines the fate of any enterprises.<sup>12</sup> The northeastern states including Mizoram depend heavily on other industrially

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<sup>12</sup> Reddy, J. & Prakash, R. (1991): Problems and Development of Small Scale Industries in India, Ashish Publishing House, New Delhi.

developed states in general and the neighboring state of West Bengal in particular for their consumer goods. Most of these industries depend on raw materials supplied from the north eastern region. Small scale industrial units in the state of Mizoram lack synchronization between production and marketing. Producers give much attention on production; while marketing of products does not get due emphasis as they do not possess the necessary marketing skills. Some of the units in the small scale sector of the state exclusively dependent on government purchase. In recent years due to the poor allocation of funds various government department initiate cost reduction measures. As a result they prefer in bulk purchase from large units rather than small quantities from the SSI sector which again aggravate the marketing problem of the SSI units. The government has adopted various schemes from time to time through institutional sources by providing marketing assistance to mitigate these problems. Notwithstanding, the scenario with respect to marketing problems of the SSI units in the state does not seem to have improved. The study observed that more than 88 percent of the units under study suffers from marketing problems while 37.50 percent consider marketing as serious problem which adversely affects their performance level (Table:5.20).

Handloom and Handicrafts are the most important and popular Industrial activities in Mizoram. Mizoram has highly gifted skilled Handloom and Handicraft artisans. The various Handloom and Handicraft products bear the testimony of both traditional and modern taste. These handloom and handicraft products of the state

are facing stiff competition from the modern textile mill products. Traditional weaving products are cheap at the place of production but it becomes costlier in the hands of middlemen, which ultimately affect the market demand of these products. Moreover due to high transportation cost and high wages etc. the cost of production in the state is 10-12 per cent higher as compared to the plain areas. It is observed during the field survey that majority of the entrepreneurs are not aware of the market survey of their products. The shy entrepreneurs lack the innovative trick and do not hassle to gather information regarding market prospects of their products; the state of competition in the product line; the prospect of future growth and the presence of its substitutes. Neither they possess any knowledge to practice sales promotion measures nor have the information about potential markets of their products. The small and cottage industrial units can not afford to spend on marketing their products. Publicity through media has become essential and fashionable particularly in the case of large and medium scale industries. The small scale and cottage industrial units in the state of Mizoram can not resort to advertise in electronic and other media as it is beyond their capacity to afford costly publicity.

#### **5.6- PROBLEMS REGARDING RAW MATERIALS**

Adequate and timely availability of required raw materials that also at reasonable prices affects the entire operations of small scale industrial sector. Because of their smallness and weak financial base and poor bargaining power small scale industrial units

required to utilize the services of middlemen to get raw materials on credit. Such an arrangement results in higher costs due to the high margins of the middlemen<sup>13</sup>. This in turn induces small industrialists to use cheap and low quality materials, which in turn affects the quality of their finished products. Moreover, irregular supply of certain raw materials adversely affects their production schedules and delays in delivery.

The availability of raw materials has been a major problem in our country. Some of them are very scarce at times and abundant at others causing great price variations. There are often artificial shortages created by dishonest manufacturers and suppliers to rig the prices up. This is particularly true for small scale and cottage industries in the state of Mizoram. The industrial sector of the state economy mostly depends on the neighboring states for the supply of raw materials. Roadway is the sole mode of transport in the state and that also not developed properly. Bad conditions of road networks and communication system especially during rainy season leads to uncertainties in the procurement of essential raw materials and construction materials from outside which creates artificial shortages. Due to ethnic reasons the political economy does not permit free movement of potential investors, skilled labor force and cheap raw-materials from other parts of the country which ultimately cause industrial backwardness.

Agricultural and horticultural products like ginger, chilly, oranges, passion fruits etc. are grown in large quantities across the state.

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<sup>13</sup> Desai, V. opcit, p.293.

The growers sell their produce at their door step to outside agents in bulk quantities. The local entrepreneurs required to purchase the same at high prices due to the fact that they cannot afford bulk purchase. Majority i.e. 48.33 (Table: 5.20) percent of the total units under study reported that they are facing serious raw material problems. It is surprising that price of ginger which is grown locally is between Rs.25-50 at Aizawl market; while the same is available at the Rs.10 at Bhaga Bazar, the nearest market in Assam. Similarly the businessmen of Assam send their agents to procure oranges, chilies, gingers who never mind to give huge advance to the growers even prior to the harvesting season. The entrepreneurs in the state fail to apply such skills and tactics to procure raw material. Moreover, the SSI units do not have adequate warehousing facilities to store these raw materials for long periods. To overcome the shortage of raw materials, institutional arrangement is necessary to boost up the process of industrialization in the state.

#### **5.7- INFRASTRUCTURAL BOTTLENECKS**

Infrastructural adequacies are necessary to subsist in order to aid the smooth and continuous economic growth in general and industrial growth in particular. Industrial production requires not only machinery and equipment but also skilled manpower, management, energy, banking and insurance facilities, marketing facilities, transport services which include railways, roads and waterways, communication facilities, etc. All these facilities and services which facilitate industrial and agricultural production and



accelerate the overall economic development of a country constitute collectively the infrastructure or economic and social overheads of the economy. Unfortunately, the state of Mizoram is suffering from insufficient social overheads like power, roads, railways and communication facilities. The extreme location of the state in the national setting coupled with infrastructural bottlenecks has largely retarded the pace of industrialization in the state. Strictly speaking, industrial development is the effect for which infrastructure is the cause.<sup>14</sup> The inadequacy of infrastructure facilities holds back the hilly state from reaping the benefits of whatever it has in terms of forests, minerals and other natural resources.

#### **5.7.1. TRANSPORT PROBLEMS**

Efficient, cheap and quick means of transport of wide varieties is essential for the expansion of trade and commerce. Geographical location and inadequate transport system in the entire north eastern region have resulted in crippling disincentives of excessive transportation cost, undue delay in movement of materials and problems of marketing. Unfortunately, the state of Mizoram is lacking industrially important means of transport viz. railways; transportation of goods in the state is arduous, time consuming and costly due to the hilly terrain.

It has been observed that the study area- Mizoram, suffers from inadequate transport and communication facilities, which is the

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<sup>14</sup> Khanka, S. S. (2001): Entrepreneurial Development, S. Chand & Company, New Delhi.

major obstacle to the socio-economic development of this region. Geographical and transport disadvantage discourages industry from locating their units in the hilly State. Only those industries that are based on particular raw materials available locally are supposed to locate here. Total length of roads in Mizoram up to 2007 was 5783.51 kilometers. Out of which 3938.95 (68.10 %) kilometer is surfaced while 1844.56 (31.90%) kilometer is unsurfaced. As such the road length per 1000 population is 6.50 kilometer. The state is connected by meter gauge railway line with a total length of only 1.5 kilometer up to Bairabi in Kolasib district.

Many areas of the state are still inaccessible; some areas have only foot path and bridle path which during the rainy season becomes almost unusable. Because of the hilly terrain many parts of the state is not linked by proper roads with the main centers of trade and commerce. The study finds that transport is the major problem of the sample units. Majority i.e. 64.17 percent of the units considers transport as a serious problem which adversely affects their performance level. About 20 percent are moderately affected by it while only 7.50 percent of the total units do not face any transport problems. Transport problem mainly crops up from the hilly topography of the state. The state has no rail network, developed waterways; consequently roadway is the only mode of transportation in the state yet it is not developed properly due to the steep slopes of the hills. All industrial units in the state are adversely affected due to the poor network of roads, only tiny and cottage units operating at micro level are not affected by transport problems. Food products like chow making, chips making, pickle

making, ice plant, blacksmithy, bamboo products etc. which procures raw materials from the local market and sold their products in the same market falls in this category.

### **5.7.2. POWER SHORTAGES**

Power and electricity is the basic infrastructure around which all economic activities moves. The degree of economic growth is highly related with the generation and consumption of electric power. Growth of industry in a particular region depends upon adequate and uninterrupted power supply. Power shortage, power shutdown and power cuts could paralyze industrial activity, throw thousands of workers out of job and cause inconvenience to consumers.<sup>15</sup> Although Mizoram posses a vast hydel potential, the progress in this sector is very slow, thus creating a huge gap between demand and supply of electricity. Achievements made so far in terms of installation and generation of power could not keep pace with the growing demand of power. Subsequently, the power situation in the state continues to remain unsatisfactory.

In the hilly state of Mizoram, power is generated by three types of technique viz. Hydel, Diesel and Thermal. Due to high generation cost, almost all diesel power stations were dismantled and now the state has only 0.50 MW diesel power station at Lengpui in Mamit District.

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<sup>15</sup> Aziz, A. & Babu, M.D. (1997): Industrialization, Socio-Economic Externalities and state Policy, Concept Publishing House, New Delhi.

The total installed capacity of power in the state during 2006-07 was 37.17 MW. The share of hydel projects was 13.75 MW, thermal power plant was 22.92 MW and that of diesel power station was only 0.5 MW<sup>16</sup> while the total power generation in the state was only 14.22 MKWH. The total consumption of electricity in the state during the same period was 151.22 MKWH. The power peak load requirement of Mizoram for 2006-07 was 60 MW. This requirement and the installed capacity create a huge gap between demand and supply of power in the state which in turn compelled the government to import power from other sources like NEEPCO, NHPC and TSECL, Tripura.

The lowest consumption of electricity comes from the industrial sector of the economy. The sole industrial sector, small scale and cottage industries altogether consumed only 2.29 MKWH of electricity which is only 2 percent of the total power consumption of the state<sup>17</sup>. This reveals the miniaturization of the industrial sector of the economy. A fairly large number of the small scale units located in rural areas are badly hit by power problems as compared to their counterparts in urban areas. Power problem is serious in 29.17 percent of the industrial units which are mostly located in rural and sub urban areas while 40 percent units located mostly in urban areas are moderately affected by power supply (Table:5.20). This is mainly due to the inadequate power supply and their poor maintenance in rural areas.

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<sup>16</sup> Statistical Abstract of Mizoram, 2007; Directorate of Economics and Statistics, Government of Mizoram. Aizawl, p.64.

<sup>17</sup> Economic Survey Mizoram 2007-08, opcit, p.43.

## **5.8- SPECIFIC PROBLEMS OF SMALL SCALE AND COTTAGE INDUSTRIES IN MIZORAM**

The geographical location, land distribution, climate, social setup etc stands as a combination of obstacles towards industrial development in the state. Capital, technical knowledge and entrepreneurial spirit, which are the backbone of successful industrialization, are not adequately available in the State.

The industrial backwardness of Mizoram is also due to many other reasons. Poor infrastructural facilities, remoteness of market, bad conditions of road networks and communication system especially during rainy seasons, absent or railways, irregular power supply etc are the prime factors hindering the introduction of high capital intensive methods of production. Uncertainties in the procurement and shortage of essential raw materials and construction materials from outside hinder the industrial growth.

A severe setback in the way of industrialization in the state is the entrepreneurs themselves<sup>18</sup>. This is mainly due to the inefficiency and lack of foresightedness among them to run their units successfully because of ignorance and incompetiveness. Industrial orientation and awareness are yet to be created among the common people. At this juncture, the sectoral shift tends to move towards the secondary sector, educated unemployed without technical

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<sup>18</sup>Singha, R. K. P. G. & Dasgupta, A. (2003): 'Industrial Development in Mizoram- Towards Sustainable Development' in Prasad R. N. and Agarwal A. K. (ed) Modernisation of The Mizo Society; Mittal Publications, New Delhi, p. 93.

knowledge as well as the jobless people from all sections of the society come out to setup their own industrial units.

Government and other financial agencies provide loans grants, subsidies, etc. to these industrial entrepreneurs; but it is observed that many of the loan applicants never establish their own units or on the way they give up with dispersion. They fails to understand the functions and management of such sensitive undertakings as industries that requires hard labour, skills, intelligence, research, innovative ideas and full of competition.

Diversification of society, emergence of elites, rich class and the growing number of Government servants are creating demand for luxurious and modern sophisticated factory made goods, motor vehicles, cosmetics etc to maintain their high standard of living, thus the demonstration effect fail to generate sufficient demand for indigenously produced goods. The rich people prefer to spent money in construction of multi-storeyed buildings which yield easy money in the form of rent. Somehow they are reluctant to invest in industrial units which yield low profits, take long gestation periods and involve high risk.

Besides, the various policy reforms and industrial development programmes announced by the Government lack inefficiency in management. Moreover there is no proper coordination among various agencies in proper implementation of the programmes. Poor accountability and lack of vigilance on the part of administration leads to under utilization and misappropriation particularly in

financial areas. Subsequently the State cannot optimally reap the fruits of various plans and policies announced by the Government from time to time.

The tropical climate and the hilly terrain are favorable for cultivation of tea, coffee, passion fruit and rubber plantation. Processing units based on locally grown agriculture products like chilies ginger, orange, sesame squash, bamboo shoot etc can be set up in the State. The abundance of bamboo and other forest produce may be utilized for industries like bamboo based industry, mini paper plants, fiber board, mat ply units etc.

Demand and the availability of local resources should be analyzed properly. Training Institutes, extensions of basic infrastructural facilities, promotion of entrepreneurship spirit among the educated youth, maintenance of peace and harmony in the State etc are some of the pre-requisites for creating an industrial atmosphere in the State. A gradual approach is necessary, apart from the government, the capitalist class and the educated youth must come foreword with a new vision and energy to break the vicious circle of non-industrialization and to exploit the inherent potential of industrialization in the State.

#### **5.9- ANALYSES OF SURVEY RESULTS**

Total number of 4772 SSI units in the State was found to be functioning in the state in 2001, which is spread unevenly across

the eight districts<sup>19</sup>. These units were engaged in 73 different trades which have been classified in to 24 groups according to the Industry Directory. Out of these units a total of 120 units have been randomly selected as sample units. The entire eight districts have been included in the sample according to the relative strength

**TABLE: 5.1**  
**DISTRICTWISE SELECTION OF SAMPLE**

DISTRICTS	TYPES OF INDUSTRY						TOTAL
	Bamboo, cane & wood products	Food products	Hosiery & garments	Leather products	Metal products	Paper products	6
Aizawl	12	9	6	5	10	8	50
Champhai	2	2	1	1	2	0	8
Kolasib	3	3	2	1	4	2	15
Lawngtlai	1	2	1	0	2	0	6
Lunglei	5	5	3	2	4	1	20
Mamit	1	2	1	0	2	0	6
Saiha	3	2	0	0	3	0	8
Serchhip	2	3	0	0	2	0	7
TOTAL	29	28	14	9	29	11	120

of their existing industrial units. These sample units has been clustered in to 6 groups depending on the nature of their activities as shown in Table: 5.1. Care has been taken to include the maximum number of trades and activities in these groups so that we can draw results for all the categories. The survey was conducted by visiting various small scale industries. Direct

<sup>19</sup>Directorate of Industries, Government of Mizoram. Aizawl.



interview method was used for the purpose. Care has been taken so that all the eight districts equally represents in the sample according to their industrial progress.

#### **5.9.1. Year of establishment:**

The survey shows that majority of the small scale units in the Mizoram were established between 1991 and 2000 (Table: 5.2).

**TABLE: 5.2**  
**DISTRIBUTION OF SSI UNITS BY YEAR OF ESTABLISHMENT**

Sl. No.	Year of establishment	Number of Units surveyed	Percentage
1	Before 1990	21	17.50
2	1991-2000	67	55.83
3	2001-2005	32	26.67
<b>4</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

From the above it is clear that 55.83 per cent of the total units under study were established between 1991 and 2000. Likewise, only 17.50 per cent were found to be established before 1990 and 26.67 percent were established after 2001. The reason behind the high growth of small scale industrial units in the state, during 1991-2000, may be due to the various schemes, incentives, subsidies etc. announced in the first Industrial Policy of Mizoram in

1989 to attract potential investors and entrepreneurs in the industrial sector.

### 5.9.2. Types of Organization:

There are various types of organization like individual proprietorship, Partnership, Public Limited Company and private Limited Company, cooperatives etc. are found in small scale industrial sector.

Sole proprietorship form of organization is the oldest and most common form of organization for small scale industries. When two or more persons come together, combine their capitals, skills and carry on business which is known as partnership. When a business requires huge capital, company form of business organization is preferred.

**TABLE: 5.3**  
**ORGANIZATIONAL STRUCTURE OF SSI**

Sl. No	Types of Organization	Number of Units	Percentage
1	Individual Proprietorship	105	87.50
2	Partnership	8	6.66
3	Public Ltd. Company	2	1.67
4	Private Ltd. Company	1	0.83
5	Cooperatives	4	3.34
6	Other	Nil	0
<b>7</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

Table: 5.3 show the organizational structure of small scale industries in the study area. It is found that majority of the small scale industrial units in the state belongs to individual proprietorship concerns. The survey shows that 106 units (87.50%) belong to this category followed by partnership (6.66%), cooperatives (3.34%), Public Limited companies (1.77%) and Private Limited Companies (0.83%).

### 5.9.3. Type of Premises:

Majority (49.16%) of the small scale units are operating in rented premises. Nearly 45 percent of the units under study are having own premises (Table: 5.4). Units operating in industrial estates are only 5 percent while 2 out of 120 units have no premises, they are operating at home. Food products like pickle making, chips making and incense stick making are falls under this category.

**TABLE: 5.4**  
**DISTRIBUTION OF SSI BY TYPES OF PREMISES**

Sl. No	Types of Premises	Number of Units	Percentage
1	Own Premises	53	44.16
2	Rented Premises	59	49.17
3	Industrial estates	6	5.00
4	No Premises	2	1.67
<b>5</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

#### 5.9.4. Investment in Plant and machinery:

Investment in plant and machinery of an industry indicates its strength. Larger the industry, larger is the size of investment in plant and machinery. The range of investment in plant and machinery of sample units are given in table: 5.5 below. Majority of the sample small scale units are having investment in plant and

**TABLE: 5.5**  
**DISTRIBUTION OF SSI UNITS ACCORDING TO INVESTMENT IN PLANT AND MACHINERY**

Sl. No	Range of Investment	Number of Units	Percentage
1	Less than Rs 1 lakh	24	20
2	Rs 1 lakh- Rs 5 lakh	65	54.17
3	Rs 5 lakh – Rs10 lakh	13	10.83
4	Rs 10 lakh – Rs15 lakh	9	7.5
5	Rs 15 lakh – Rs 20 lakh	6	5
6	Rs 20 lakh and above	3	2.5
7	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

machinery in the range of Rs. 1 lakh to Rs. 5 lakh. 54.17 per cent of the total units fall within this range followed by less than Rs. 1 lakh (20%), Rs. 5 lakh to Rs. 10 lakh (10.83%), Rs. 10 lakh to Rs. 15 lakh (7.5%) and Rs. 15 lakh to Rs 20 lakh (5%). Only 2.5 per cent (3 Units) industrial units are having investment more than Rs. twenty lakh.

#### **5.9.5. Size of Employment:**

The number of persons working in an industrial concern indicates the overall strength and capacity of the industry. The size of employment in SSI units under study is given in table: 5.6

**TABLE: 5.6**  
**DISTRIBUTION OF SSI UNITS BY SIZE OF EMPLOYMENT**

Sl. No	Number of Employee	Number of units	Percentage
1	Up to 5	41	34.17
2	6-10	61	50.83
3	11-20	14	11.67
4	21-30	1	0.83
5	31-40	1	0.83
6	41-50	0	0
7	51 and above	2	1.67
<b>TOTAL</b>		<b>120</b>	<b>100</b>

Source: Field Survey.

It has been observed that the majority of small scale units in the state employ 6 to 10 persons (50.83%). Out of total 120 sample units 61 falls in the category. A significant number of units (41) employ up to 5 persons i.e. 34.17 per cent followed by 14 (11.67%) units employed 11 to 20 persons. Only 2 units (1.67%) are found in the survey that employs more than 50 persons. The number of units employing 21- 30 and 31-40 persons was negligible, only 1 each while no unit is found in the range of employing 41- 50 persons.

#### **5.9.6. Type of Activities:**

The small scale industrial units in the state are engaged in various activities. Table: 5.7 below depicts the different types of activities, the sample units are engaged in. It has been observed that maximum numbers of the units are engaged in two types of activities i.e. the manufacture of bamboo, cane and wood based products and metal based products. Mizoram is endowed with vast forest resources, 24.17 percent of the total SSI units are based on the raw materials obtained directly from the forest. They are mainly engaged in the production of wooden furniture, cane furniture, carpentry works, bamboo works etc. The local artisans are highly skilled in the manufacture of varieties of handicraft products using these local raw materials.

It is surprising that metal based products are dominant in the small scale sector of an industrially backward state like Mizoram.

Analysis reveals that 24.17 percent of the SSI units are engaged in the manufacturing of metal based products.

**TABLE: 5.7**  
**ACTIVITYWISE DISTRIBUTION OF SSI UNITS**

Sl. No	Type of Activity	Number of Units	Percentage
1	Bamboo, Cane & Wood Products	29	24.17
2	Food Products	28	23.33
3	Hosiery & Garments	14	11.66
4	Leather products	9	7.50
5	Metal Products	29	24.17
6	Paper Products	11	9.17
<b>7</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

In fact, they are not large scale manufacturer; rather small repairing shops engaged in steel fabrication, grills and gate making, window and door frame making, steel and aluminium furniture's, blacksmithy, cast aluminium utensils making, jewelry, silver smithy and gold smithy etc.

Units engaged in making food products like bakery and confectionery, ice plant, mini flour mill, gur making, chips and

pickle making, chow making etc. accounts 23.33 percent followed by hosiery and garment base units (14.66%), paper based units (9.17%). Leather based unit's accounts only 7.50 per cent of the total industrial units under study.

#### **5.9.7. Buyers of the Products:**

From the survey analysis it is clear that majority of the small scale industrial units sold their products to private customers (Table: 5.8). Most of the produce is sold in the local markets either through show room or the factory itself. They also participate in various exhibitions and fairs within and outside the state. A significant number of units sold their products to both private as well as government departments while intermediary units and others form a very negligible portion.

It is observed that among the buyers of the products, some foreigners do exist. The foreign customers are mostly Burmese who purchase the products like shoes, garments, and other products which they find cheaper as compared to their country. Most of the customers buy these SSI products mainly on business motive which they illegally supply to Myanmar. Similarly lots of products manufactured by the small scale industries in the state are illegally supplied to Bangladesh.



**TABLE: 5.8**  
**BUYERS OF THE PRODUCTS**

1. Private Customer	83 Units
2. Both Private & Government Departments	109 Units
3. Intermediary Manufacturing Units	3 Units
4. Others	4 Units

Source: Field Survey.

#### **5.9.8. Sources of Power:**

Power is the most important among other infrastructure for smooth and optimum utilization of capacity of any industrial concern. The major source of power in the state is electricity. Besides, coal, oil, LPG and fire wood is used as source of power by the SSI units. Power used for carrying entrepreneurial activity other than lighting purposes is taken as power used. Table: 5.9 show the sources of power in the SSI units.

Majority of the small scale industry uses electricity as the source of power. Out of 120 SSI units 64 units (53.33%) uses electricity as the main sources of power followed by LPG (19.17%), oil (10.83%). Fire wood is used by 11 (9.17%) units, while coal is used by only 4 (3.33%) units. The number of units which do not use any power is only 5 units. The over all consumption of power in the small scale

industrial unit in the state is very low. The share of industrial sector in the total electricity consumption in the state is only 2 per cent which reveals the backwardness of the sector.

**TABLE: 5.9**  
**SOURCE OF POWER IN SSI UNITS**

Sl.No	Source of Power	Number of Units	Percentage
1	Electricity	64	53.33
2	Coal	4	3.33
3	LPG	23	19.17
4	Oil	13	10.83
5	Fire Wood	11	9.17
6	Not Needed	5	4.17
<b>7</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

#### **5.9.9. Nature of Operation:**

Most of the small scale industrial units in the state are operating on perennial basis as is shown in table: 5.10

**TABLE: 5.10**  
**NATURE OF OPERATION IN SSI**

Sl. No	Nature of Operation	Number of Units	Percentage
1	Perennial	112	93.34
2	Seasonal	8	6.66
4	Casual	0	0
5	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

Majority (93.34%) of the small scale industrial units are operating on perennial basis while 6.66 per cent are operating on seasonal basis. Ice Plants, Brick making units and units which depends on seasonal raw materials for their production like fruit juice units, gur making etc operates on seasonal basis. No casual units found operating within the sample units.

#### **5.9.10. Maintenance of account:**

Account is an important part of business. Proper account maintenance is necessary to keep systematic records of all transactions, to ascertain the net effects of the organization, to know the financial position of the business and to provide information to interested parties.

It is very unfortunate that the small scale and cottage industries in the state do not maintain any proper account. Survey finds that more than 70 per cent of the SSI units do not keep any systematic record of their daily transaction. They simply write down their transaction in register. Around 30 percent of the SSI units maintain their account but that's also not scientific. Only 12 SSI units (10%) have computer and accountant to maintain their account scientifically.

#### **5.9.11. Investment, Employment and Production:**

Industry group wise investment, employment and production are given in the table: 5.11. It is seen that the total sample of 120 SSI units together employs 972 workers with a total investment of Rs. 93968.8 thousand. It is also observed that the SSI units are dominated by male workers. Out of total 972 workers, 806 (82.92%) are male while only 166 (17.08%) are female workers. Per unit employment is found to be 8.1 which is higher than the national average. Per unit fixed investment is Rs. 7.83 lakh which is again higher than the national average. It is noteworthy here that in the sample two units are found to be having investment of Rs. 3.5 crore and Rs. 2.88 crore in plant and machinery. They have employed 52 and 64 workers respectively. If we exclude these two units from our analysis, this will give the real picture of the SSI units in the state. The per unit fixed investment in SSI at all India level is Rs. 6.68 lakh while that of Mizoram is found to be Rs. 2.56 by excluding these two units.

**TABLE: 5.11**  
**GROUPWISE INVESTMENT, EMPLOYMENT AND PRODUCTION IN SSI**

Sl. No	Types of Industry	No. of Units	Employment (in number)			Fixed Investment (in '000 Rs.)	Production (in'000Rs.)
			Male	Female	Total		
1	Bamboo, cane & wood products	29	236	24	260	32842.6	68743.0
2	Food products	28	209	23	232	42978.2	67010.0
3	Hosiery & garments	14	64	84	148	3888.0	7799.0
4	Leather products	9	64	7	71	954.0	1910.0
5	Metal products	29	178	9	187	8591.0	12082.0
6	Paper products	11	55	19	74	4715.0	6540.0
<b>7</b>	<b>TOTAL</b>	<b>120</b>	<b>806</b>	<b>166</b>	<b>972</b>	<b>93968.8</b>	<b>164084.0</b>

Source: Field Survey.

Analysis with the help of statistical tools shows that investment, employment and productions in the SSI sector of the economy is strongly correlated. The  $r$  value between investment and employment is found to be 0.846, the  $r$  value between employment and production is 0.865, and similarly the  $r$  value between investment and production is 0.984. From the  $r$  values obtained by statistical analysis implies that there is a strong positive relationship among investment, employment and production in the

SSI sector. An increase in investment in this sector simultaneously increases employment and production.

#### **5.9.12. Capacity utilization:**

Utilization of total installed capacity is an important indicator of the efficiency of an industry. It shows how efficiently the industry is managed. It is seen that majority of the small scale and cottage industrial units in the state are not able to utilize their installed capacity fully.

**TABLE: 5.12**  
**CAPACITY UTILIZATION IN SSI**

Sl. No	Utilization of installed capacity	No of units	Percentage
1	Up to 50%	26	21.67
2	50-60%	68	56.66
3	60-70%	18	15.00
4	70% and above	8	6.67
<b>5</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

It is observed from the table that majority (56.66%) of the industrial units are using 50-60 per cent of their total installed capacity. Lack of demand, non-availability of required raw materials in time and lack of trained manpower are the main reasons for under utilization of capacity. Analysis reveals that there is an inverse

relationship between investment and capacity utilization in this sector of the economy. The capacity utilization level is higher among small units with low fixed investment as compared to big units with large fixed investment and vice-versa.

### 5.9.13. Sources of capital:

Capital is one of the most important factors of production. The growth, development and promotion of SSI largely depend on the availability of adequate and timely capital. The various sources of capital in SSI are given in table: 5.13.

**TABLE: 5.13**  
**SOURCES OF CAPITAL IN SSI**

Sl. No	Source of Capital	No. of units	Percentage
1	Commercial Banks	31	25.83
2	Other financial agency	19	15.83
3	Own fund	63	52.50
4	Others	7	5.84
5	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

It is seen from the table that internal source i.e. own fund is the major source of capital in SSI sector in the state. It accounted for nearly 53 percent of the total capital employed. The rest of the capital is obtained from external sources in the form of borrowing. They accounted for 47 percent of the total capital. The share of

commercial bank in the borrowed fund is almost 55 percent, while that of other financial agency is 33 percent. Other external sources like friends, relatives and moneylenders together accounted for only 5.84 percent of the total capital. This is in contradiction to the general conditions at the all India level.

#### **5.9.14 Age of Entrepreneur:**

The age of the entrepreneur plays an important role in the overall growth and expansion of any industrial concern. Innovative spirit, adoption of new methods and techniques of production, progressive outlook, risk taking ability etc. are very closely related to the age of the entrepreneur. Table: 5.14 show the distribution of entrepreneurs according to age.

**TABLE: 5.14**  
**DISTRIBUTION OF ENTREPRENEURS ACCORDING TO AGE**

Sl.No	Age group (in years)	No. of entrepreneur	Percentage
1	20-30	21	17.50
2	30-40	57	47.50
3	40-50	33	27.50
4	50 and above	9	7.50
<b>5</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

It can be seen from the table that most of the entrepreneurs (47.5%) are in the age group of 30-40 years. This implies that unemployed youths in the state are showing keen interest in the



establishment of small industrial units to uplift their level of living. This category of entrepreneurs are enthusiastic, competitive and having progressive outlook. People in the age group of 40-50 years accounts for 27.5 percent. People in the age group of 50 years and above are only 7.50 percent. Entrepreneurs in this age groups are usually have less motivation to bear the risk due to old age.

#### **5.9.15. Gender wise distribution of Entrepreneurs:**

It is a common perception that tribal women tends to be more active as compared to their counterparts in plain areas. But the analysis shows a different picture in the SSI sector of the tribal economy of Mizoram. The gender wise distributions of entrepreneurs in the sample units are given in table: 5.15. It can be seen that only 24.17 percent SSI is managed by women entrepreneurs and the majority 75.83 percent is managed by male entrepreneurs. The gender wise distribution of workers in SSI sector shows the same trend; only 17.08 per cent of the total SSI workers are female and 82.92 per cent is male (Table:5.15). It is seen that 64.30 per cent of the entrepreneurs in hosiery and garment industries are women, while 56.75 per cent of workers in these category of industries are female.

**TABLE: 5.15**  
**GENDERWISE DISTRIBUTION OF ENTREPRENEURS IN SSI**

Sl.No	Types of industry	No. of Units	Male	Female
1	Bamboo, cane & wood products	29	23 (79.3)	6 (20.7)
2	Food Products	28	19 (67.8)	9 (32.2)
3	Hosiery & Garments	14	5 (35.7)	9 (64.3)
4	Leather Products	9	7 (77.8)	2(22.2)
5	Metal Products	29	26 (89.7)	3 (10.3)
6	Paper Products	11	11 (100)	0
7	TOTAL	120	91(75.83)	29(24.17)

Source: Field Survey.

#### **5.9.16. Educational Qualification of Entrepreneurs:**

Education is a major factor which determines the quality of human resources of an area. Economic development largely depends on the quality of human resource; this is particularly true in case of entrepreneurial growth. Literacy affects the decision of a prospective entrepreneur in selection of an enterprise, location and cost of project and application of modern technology. It also helps in day to day decision making as well as in running of a project. Education keeps him aware of various facilities, incentives and policies of the government.

The educational level of the entrepreneurs of sample units is shown in table: 5.16. It can be seen that the majority i.e. 45 percent of the entrepreneurs are matriculate. Entrepreneurs with formal

education up to class  $\bar{X}$  is 25 percent while 17 percent possess senior secondary level of education, 7.5 percent are graduate and only 2.5 percent are post graduate. Other category which includes technical skills from ITI and other institutions accounts for only 2.5 percent of the total entrepreneurs.

**TABLE: 5.16**  
**EDUCATION LEVEL OF ENTREPRENEURS**

Sl. No	Category of Industries	Up to class X	Matriculate	SSC	Graduate	PG	Other	Total
1	Bamboo, Cane & Wood Products	12	11	3	2	0	1	29
2	Food Products	7	13	5	1	2	0	28
3	Hosiery & Garments	3	7	3	1	0	0	14
4	Leather Products	6	2	1	0	0	0	9
5	Metal Products	2	17	6	2	0	2	29
6	Paper Products	0	4	3	3	1	0	11
7	<b>TOTAL</b>	<b>30</b> <b>(25.0)</b>	<b>54</b> <b>(45.0)</b>	<b>21</b> <b>(17.5)</b>	<b>9</b> <b>(7.5)</b>	<b>3</b> <b>(2.5)</b>	<b>3</b> <b>(2.5)</b>	<b>120</b> <b>(100)</b>

Source: Field Survey. Note: The figure in the parenthesis indicates the percentage of total.

#### **5.9.17. Training and Experience:**

Training and experience improves knowledge, skill and managerial ability. Due to technological advancements training becomes essential in all industrial units to keep pace with the latest technology. It is found that the entrepreneurs in the small scale industries in Mizoram has not given due importance to training.

Only 6 out of 120 entrepreneurs i.e. 5 percent have taken formal training. The remaining 95 percent of the entrepreneurs are managing their units without any formal training.

**TABLE: 5.17**  
**EXPERIENCE OF ENTREPRENEURS IN SSI**

Sl. No	Experience in years	No. of Entrepreneurs	Percentage
1	Less than 5	32	26.67
2	5-10	42	35.00
3	10-15	25	20.83
4	15-20	12	10.00
5	20-25	7	5.83
6	25 and above	2	1.67
7	<b>Total</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

The experience of entrepreneurs in the sample unit is given table: 5.17. It can be seen that 35 percent of the entrepreneurs are having experience from 5-10 years followed by 26.67 percent with less than 5 years experience. 20.83 percent entrepreneurs have 10-15 years experience while 10 percent are having 15-20 years experience. Only 7.5 percent of the entrepreneurs are having experience of 20 years or more which implies the infantile stage of industrialization in the state.

### 5.9.18 Family background of entrepreneurs:

Family background is a major factor for a person to choose his career. But it is observed that a large number of the entrepreneurs in SSI sector of the economy comes from service background. Table: 5.18 shows the family backgrounds of the entrepreneurs in Mizoram.

**TABLE: 5.18**  
**FAMILY BACKGROUND OF ENTREPRENEURS**

Sl.No	Family background	No. of Units	Percentage
1	Business	57	47.50
2	Govt. Service	43	35.83
3	Agriculture	17	14.17
4	Other	3	2.50
5	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

Majority i.e. 47.50 percent of the entrepreneurs came from business family who has inherited this occupation either from father or mother. Entrepreneurs with service background are about 36 percent while that of from cultivator family is 14.17 percent. Entrepreneurs from other family background like very poor family without any particular occupation are only 2.5 percent.

### 5.9.19. Reasons to Choose this Occupation:

Table: 5.19 indicates the various reasons which motivate the entrepreneurs to choose entrepreneurship as their profession.

**TABLE: 5.19**  
**REASONS FOR CHOOSING THIS PROFESSION**

SL. No	Reasons	Number of units	Percentage
1	No other option	21	17.50
2	Family pressure	8	6.67
3	For Government assistance	4	3.33
4	Interested in this line of activity	63	52.50
5	Preference to have independent life	24	20.00
<b>6</b>	<b>TOTAL</b>	<b>120</b>	<b>100</b>

Source: Field Survey.

It is found that majority i.e. 52.50 percent of the entrepreneurs have chosen this profession due to the fact that they are interested in this line of business activity. Preference to have independent life as the factor motivated 20 percent of the entrepreneurs. Only 17.50 percent entrepreneurs admitted that there is no other option to choose as their career. 4 out of 120 entrepreneurs i.e. only 3.33 percent have chosen this vocation for government assistance. This indicates that majority of the entrepreneurs in the state are not aware of the various schemes, incentives and subsidies provided by the government for SSI sector. When asked about the future plan

for the unit, majority of the respondent wants to expand their unit to increase production and profit. But they do not have any specific strategy to achieve this plan.

#### **5.9.20. Problems faced by the Units:**

Problems pertaining to the small and cottage industries in the study area are multi-dimensional. It varies from unit to unit and also from location to location. Problems faced by the urban units are also different from that of their counterparts in rural areas. Table: 5.20 indicate about the various problems and their intensities in the small scale and cottage industries.

Transport is the major problem of the sample units. Majority i.e. 64.17 percent of the units considers transport as a serious problem which adversely affects their performance level. About 20 percent are moderately affected by it while only 7.50 percent of the total units do not face any transport problems. Transport problem mainly crops up from the hilly topography of the state. The state has no rail network, developed waterways; consequently roadway is the only mode of transportation in the state yet it is not developed properly due to the steep slopes of the hills. All industrial units in the state are adversely affected due to the poor network of roads, only tiny and cottage units operating at micro level are not affected by transport problems. Food products like chow making, chips making, pickle making, ice plant, black smithy, bamboo products etc. which procures raw materials from the local market and sold their products in the same market falls in this category.

**TABLE: 5.20**  
**PROBLEMS FACED BY SMALL SCALE AND COTTAGE INDUSTRIES**  
 (Number of units)

Sl. No	Types of problem	Serious	Moderate	Mild	No Problem	TOTAL
1	Transport	77 (64.17)	23 (19.16)	11(9.17)	9 (7.50)	120 (100)
2	Raw material	58 (48.33)	44(36.67)	10(8.33)	8 (6.67)	120(100)
3	Financial	54 (45.0)	57(47.50)	6(5.0)	3 (2.50)	120(100)
4	Marketing	45 (37.50)	61(50.83)	10(8.34)	4 (3.33)	120(100)
5	Power	29 (24.17)	48 (40.0)	33(27.50)	10 (8.33)	120(100)
6	Management	9 (7.50)	35 (29.16)	27(22.50)	49 (40.84)	120(100)

Source: Field Survey. Note: The figures in the parentheses show the percentage of total.

Problems relating to raw materials is another serious problems faced by the SSI units. 75 percent of the units are either seriously or moderately affected by it. Most of the units which procure its raw materials from outside are the worst sufferer. Marketing, Financial and power problems are the other major problems of the industrial units in the state. Around 88 percent of the units are affected by marketing problems. This is mainly due to the absence of market survey and analysis of market forces.

Financial problem associated with the SSI mainly in the forms of working capital shortage. Management is not a serious problem for



the small scale and cottage industrial unit. A large number of unit's i.e. 40.84 percent do not have any problems relating to management of the unit. This is mainly due to the small size of the small scale industrial units in the state as compared to the other parts of the country. Most of the small scale units located in rural areas are badly hit by power problems as compared to their counterparts in urban areas. Power problem is serious in 29.17 percent of the industrial units which are mostly located in rural and suburban areas while 40 percent units located mostly in urban areas are moderately affected by power supply. This may be due to the inadequate power supply and their poor maintenance in rural areas.

## **CHAPTER VI**

### **GOVERNMENT POLICY TOWARDS SMALL SCALE AND COTTAGE INDUSTRIES**

- *6.1- Introduction*
- *6.2- Government Initiatives on the eve of Independence*
- *6.3- Industrial Policy Resolutions and Small Scale and Cottage Industries*
- *6.4- Recent Policy Measures for Small Scale and Cottage Industries*
- *6.5- North East Industrial and Investment Promotion Policy (NEIIPP), 2007*
- *6.6- Mizoram Government Policies Towards small Scale and Cottage Industries*
- *6.7- Impacts of Government Policies on Small Scale and Cottage Industries in Mizoram*

## 6.1- INTRODUCTION

Small scale and cottage industrial sector has emerged as an engine of growth in several developing and developed economies of the world. In India also they have emerged as a vibrant and dynamic sector of Indian economy by virtue of their significant contribution to GDP, industrial production and export. However, the most vital contribution of this sector is headed for employment generation which is next to agriculture.<sup>1</sup>

The recent experience shows that while employment in agricultural sector has been declining, large industries are also facing jobless growth. In such a situation, the major responsibility to create employment opportunities lies with the unorganized sector including small scale and cottage industries. In increasing industrial production, diversifying the base of industrial production as well as increasing employment opportunities, small scale industries have been playing a prominent role in India. No one can deny that cottage and small scale industries are the driving force behind economic development across the globe. This sector is widely accredited with generating the highest rates of revenue and employment in virtually all economies. The small scale and cottage industrial sector have found their economic rationale in Mahalanobis model of economic development, which was the basis for India's second and subsequent Five Year Plans. The major thrust of all economic policies being pursued in India today is to eliminate poverty, generate adequate employment opportunities

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<sup>1</sup> Prasad, C.S. (2004): Small and Medium Enterprises in Global Perspective, New Century Publications, New Delhi, p. 5.

and to ensure the utilization of physical and human resources to the best of their potential. Given the scope of generating tremendous employment opportunities, promoting entrepreneurial abilities and adding to the National Product, the SSI sector continue to be the most important economic proposition for a labour surplus economy like India. The rate of employment creation in this sector is the fastest and is able to provide employment across the length and breadth of the country.

While the promotion of small scale industries has been one of the major objectives of economic planning in India, the policies and strategies have undergone change from time to time. The six Industrial Policy Resolutions and eleven Five Year Plans supported a continuous flow of incentives, both protective and promotional in nature; as an element of development strategy to meet socio-economic objectives like employment generation, removal of poverty and regional disparities, optimum utilization of local resources, etc<sup>2</sup>. A comprehensive package of programmes and policy measures has been formulated by the government to accelerate the growth and productivity of small scale sector. The support packages includes a variety of promotional and protective measures like industrial estates programme, ancillarisation programme, product reservation policy, programme of technology upgradation and modernization and financial support measures, etc. The policy of the Government of India towards the small scale sector has been guided by the consideration that SSIs are hampered in their growth by imperfections in factor markets especially in capital markets.

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<sup>2</sup> Bala, N. (2007): Economic Reforms and Growth of Small Scale Industries, Deep and Deep Publications Pvt. Ltd. New Delhi, p.28.

Therefore, special support policies are needed for this sector.<sup>3</sup> Amongst developing countries, India was the first to display special concern for small scale and cottage industrial sector, before it become fashionable do so.<sup>4</sup>

## **6.2- GOVERNMENT INITIATIVES ON THE EVE OF INDEPENDENCE**

The role of small scale industries including village and cottage industries, in the Indian economy has been a specific focus of the Government of India since independence. It has directed so many policy prescriptions, created a wide network of support agencies to nurture the SSI sector. The strong emphasis towards the promotion and growth of village, cottage and small scale industries given by successive governments in India stems up from the independence movement. The pre British India was famous for its artistic industries like marble work, stone carving, brass, copper and bell metal wares. It was well-known for its handlooms and handicrafts. *“At a time when west of Europe, the birth place of modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for high artistic skills of her craftsmen. And even at a much later period, when the merchant adventures from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations”*.<sup>5</sup> The colonial rule caused a de-industrialization of the country, and that the manufacturing

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<sup>3</sup> Misra, S.K. and Puri, V.K. (2007): Indian Economy, Himalaya Publishing House, Mumbai, p.479.

<sup>4</sup> Rakesh Mohan, (2002): ‘Small Scale Industry Policy in India: A Critical Evaluation’ in Anne O. Krueger (ed.), Economic Policy Reforms and The Indian Economy, University of Chicago Press, p.214.

<sup>5</sup> Industrial Commission Report, 1918, p.1.

products in Britain and other parts of the industrialized world led to a decline in traditional Indian handicrafts and artisan products.

The call of 'swadeshi' and the boycott of imported goods were synonymous with a desire to promote cottage and small scale industries<sup>6</sup>. The rationale for state encouragement to village and small industries was greatly influenced by Mahatma Gandhi's appeal to revive village based industries and crafts, and by his identifying 'khadi' as the symbol of Indian nationalism. Broadly, the interest in small scale and cottage industries got new dimensions on account of 'swadeshi movement' and the patronage given to 'Charkha' by Mahatma Gandhi.<sup>7</sup>

In December' 1947 the congress government convened the Industries Conference which devoted considerable attention to the problems of revival and development of cottage and small industries. This conference put forward three broad policy measures:

- (i) Establishment of national level organizations to coordinate policies, development programmes and promotional measures for the sector;
- (ii) Initiate a regime of preferential treatment of small scale firms with regard to factor inputs; and
- (iii) Establishment of certain institutes and agencies like Cooperative Banks and marketing organizations to serve the needs of small scale and cottage industries.

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<sup>6</sup> Bala, N. opcit, p.17.

<sup>7</sup> Little, I.M.D. (1987): 'Small Enterprises in Developing Countries', The World Bank Review, Vol. I, pp.287-312.

These recommendations were accepted by the by the government and incorporated as a part of the Industrial Policy Resolution of 1948.

### **6.3- INDUSTRIAL POLICY RESOLUTIONS AND SMALL SCALE AND COTTAGE INDUSTRIES**

The growth of small scale industrial sector has been regarded as one of the most significant features of planned economic development. Keeping in view the importance of small scale and cottage industries, Government of India framed a policy package consisting of both promotional and protective instruments for fostering the growth of small scale and cottage industries, soon after independence. Government's attitude and intention towards industries in general and SSIs in particular are reflected in Industrial policy Resolutions.

#### **(a) Industrial Policy Resolution of 1948**

The Industrial Policy Resolution (IPR) of 1948 marked the beginning of "organised direction" for industrial development in India. The strategy of industrial planning aimed at diversifying the industrial base mainly through the development of basic, intermediate and capital goods industries. Nevertheless, it laid much emphasis on the indispensable role of small scale and

cottage industrial sector for employment generation in the economic development of the country.<sup>8</sup>

The IPR of 1948 stated that “*Cottage and small scale industries have a very important role in the national economy. Offering as they do scope for individual, village or cooperative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local resources and for the achievement of the local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements*”.<sup>9</sup> The IPR of 1948 reflected the emergence of a dualistic approach in government policy i.e. emphasis on both traditional and modern small scale sector. This approach has continued to form the basis of industrial policy towards the small scale sector ever since. The industrial Development and Regulation Act, 1951 which was promulgated in order to provide the organizational support to IPR of 1948 provide scope for a coordinated development of cottage and small scale industries within the general framework of large scale development programmes.

#### **(b) Industrial Policy Resolution of 1956**

In 1955, Planning Commission setup a Committee on village and small scale industries popularly known as Karve Committee. The Committee recommended some important measures like:

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<sup>8</sup> Subrahmanya, M.H.B. (1995): ‘Reservation Policy for Small Scale Industries: Has it delivered the Goods’, Economic and Political Weekly, 2<sup>nd</sup> May, Vol.XXX, No.21.

<sup>9</sup> Industrial Policy Resolution, 1948. Ministry of Small Scale Industries, Government of India, New Delhi, April’6, No. 1(3)-44(13)/48, p.8.



- (i) Reservation of certain items only for village and small scale industries;
- (ii) Restriction of capacity expansion of large industry;
- (iii) Management of supply of raw materials; and
- (iv) A scheme of concessions and benefits to small producers.

Small scale sector was seen as the major vehicle for expanding consumer goods output to meet an expected growing demand due to increased investment in public sector projects during the first Five Year Plan. The IPR of 1956 advocated the policy of protection as recommended by Karve Committee to improve economic viability and competitive strength of small scale industries and stated that *“The State has been following a policy of supporting cottage and village and small scale industries by restricting the volume of production in the large scale sector by differential taxation or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self supporting and its development is integrated with that of large-scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small scale producer. For this it is essential that the technique of production should be constantly improved so and modernised the pace of transformation being regulated so as to avoid as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small scale producers. A start has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of*

*rural electrification, and the availability of power at prices, which the workers can afford, will also be of considerable help. Many of the activities relating to small scale production will be greatly helped by the organisation of industrial cooperatives. Such cooperatives should be encouraged in every way and the State should give constant attention to the development of cottage and village and small scale industry*".<sup>10</sup> The focus of the IPR was to continue the policy support to cottage, village and small industries by differential taxation or direct-subsidies in the form of financial assistance to improve and modernize the techniques of production and competitive strength of SSIs. To achieve these 128 items were exclusively reserved for production in SSIs, and 166 items were reserved for exclusive purchase by government from this sector.

**(c) Industrial Policy Resolution of 1977**

The IPR of 1977 was announced on 23<sup>rd</sup> December when Janata Party Government took initiatives for the development of small scale sector and asserted that "*The main thrust of the new Industrial Policy will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. It is the policy of the Government that whatever can be produced by small and cottage industries must only be so produced.....*"<sup>11</sup> The important features of the IPR were:

- (i) 504 items were reserved for exclusive production in the small-scale industries.

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<sup>10</sup> Industrial Policy Resolution, 1956. Ministry of Small Scale Industries, Government of India, New Delhi, April'30, No.91/SF/48, p.14.

<sup>11</sup> Industrial Policy Resolution, 1977, Ministry of Small Scale Industries, Government of India, New Delhi.

- (ii) The concept of District Industries Centres (DICs) was introduced so that in each district a single agency could meet all the requirements of SSIs under one roof.
- (iii) Technological upgradation was emphasized in traditional sector.
- (iv) Special marketing arrangements through the provision of services, such as, product standardization, quality control, market survey, were laid down.

**(d) Industrial Policy Resolution of 1980**

The Industrial Policy of 1980 marked a significant milestone in the policy of development of small scale industries in India. The IPR sought to harmonize the growth in small scale industries with the large and medium scale industries. Industrially backward districts were identified for faster growth of existing network of SSIs. Following measures were specified in the policy:

- (i) Investment limit was raised for tiny, small, and ancillary units to Rs. 2 lakh, Rs. 20 lakh, and Rs. 25 lakh respectively.
- (ii) “Nucleus plants” in each industrially backward district replaced the “district industries centers.” These were to concentrate on assembling the products of SSIs and to produce inputs needed by large number of small units.
- (iii) Reservation of items and marketing support for small industries was to continue.
- (iv) Availability of credit to growing SSI units was continued.

- (v) Buffer stocks of critical inputs were to continue.
- (vi) Agricultural base was to strengthen by providing preferential treatment to agro based industries.
- (vii) An early warning system was to establish to avoid sickness and take appropriate remedial measures.

**(e) Industrial Policy Resolution of 1990**

The Industrial Policy Resolution of 1990 emphasized on the need of modernization and technology upgradation to meet the twin objectives of employment generation and dispersal of industry in rural areas, and to enhance the contribution of small scale industries to exports. Main features of this Resolution are:

- (i) It raised the investment ceiling in plant and machinery for small scale industries to Rs. 60 lakh and correspondingly, for ancillary units to Rs. 75 lakh.
- (ii) It created central investment subsidy for this sector in rural and backward areas. Assistance was also granted to women entrepreneurs for widening the entrepreneurial base.
- (iii) Reservation of items to be produced by SSIs was increased to 836.
- (iv) Small Industries Development Bank of India was established to ensure adequate flow of credit to SSIs.
- (v) Stress was reiterated to upgrade technology to improve competitiveness.
- (vi) Special emphasis was laid on training of women and youth under Entrepreneurial Development Programme.

- (vii) Activities of Khadi and Village Industries Commission and Khadi and Village Industries Board were to expand.

**(f) Industrial Policy Resolution of 1991**

On July' 24, 1991 the Government launched 'Structural Adjustment Programme' which has resulted in a 180° change in the policies governing the different aspects of Indian economy. In order to impart more vitality and growth to small scale sector, the Government of India announced a separate policy statement for small, tiny and village enterprises. The basic thrust of this resolution was to simplify regulations and procedures by delicensing, deregulating, and decontrolling. Its incredible features are:

- (i) SSIs were exempted from licensing for all articles of manufacture.
- (ii) The investment limit for tiny enterprises was raised to Rs. 5 lakh irrespective of location.
- (iii) Equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholding in SSIs.
- (iv) Factoring services were to launch to solve the problem of delayed payments to SSIs.
- (v) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.
- (vi) Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

On the whole, the Industrial Policy Resolution of 1991 outlined developmental, deregulatory and de-bureaucratic measures and underscored the need to shift from subsidized and cheap credit to a system which would ensure adequate flow of credit on timely and normative basis to the small scale industrial sector.

#### **6.4- RECENT POLICY MEASURES FOR SMALL SCALE AND COTTAGE INDUSTRIES**

##### **(a) Comprehensive Policy Package for small scale and tiny sector, 2000**

The Government of India announced a comprehensive policy package for the development and promotion of small scale and tiny sector which aims to improve the competitiveness of the sector. The main focus of the policy package was:

- (i) The exemption for excise duty limit raised from Rs.50 lakh to Rs. 1 crore.
- (ii) The limit of investment was increased in industry related service and business enterprises from Rs. 5 lakh to Rs. 10 lakh.
- (iii) The coverage of ongoing Integrated Infrastructure Development (IID) was enhanced to cover all areas in the country with 50 percent reservation for rural areas and 50 percent earmarking of plots for tiny sector.
- (iv) The family income eligibility limit of Rs. 24000 was enhanced to Rs. 40000 per annum under the Prime Minister Rozgar Yojana (PMRY).

- (v) The scheme of granting Rs. 75000 to each small scale enterprise for obtaining ISO 9000 certification was continued till the end of 10th plan.

**(b) Industrial Policy Packages for small scale industries, 2001-02**

This policy emphasizes the following:

- (i) The investment limit was enhanced from Rs. 1 crore to Rs. 5 crore for units in hosiery and hand tool sub sectors.
- (ii) The corpus fund set up under the Credit Guarantee Fund Scheme was increased from Rs.125 crore to Rs.200 crore.
- (iii) Credit Guarantee cover was provided against an aggregate credit of Rs. 23 crore till December 2001.
- (iv) Fourteen items were de-reserved in June 2001 related to leather goods, shoes and toys.
- (v) Market Development Assistant Scheme was launched exclusively for SSI sector.
- (vi) Four UNIDO assisted projects were commissioned during the year under the Cluster Development Programme.

**(c) Policy Package for small and medium enterprises, 2005-06**

During the year 2005-06 the Government announced a policy package for small and medium enterprises. The main features of this policy package were:

- (i) The Ministry of Small Scale Industries has identified 180 items for dereservation.

(ii) Small and Medium Enterprises were recognized in the services sector, and were treated at par with SSIs in the manufacturing sector.

(iii) Insurance cover was extended to approximately 30,000 borrowers, identified as chief promoters in the small scale sector.

(iv) Emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being implemented, in nine sectors including khadi and village industries, handlooms, handicrafts, textiles, agricultural products and medicinal plants.

**(d) Enactment of Micro, Small and Medium Enterprises Development Act, 2006**

In May' 2006, the President has amended the Government of India (Allocation of Business) Rules, 1961; Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single Ministry, namely, "Ministry of Micro, Small and Medium Enterprises.<sup>12</sup> Consequently the Micro, Small and Medium enterprises Development (MSMED) Act was enacted, which provides the first ever legal framework for recognition of the concept 'enterprises' against 'industries' and integrating the three tiers of these enterprises viz. micro, small and medium and clearly fixed the investment limits for both manufacturing and service enterprises. It also provides for a statutory consultative mechanism

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<sup>12</sup> The Gazette of India, Ministry of Law and Justice, New Delhi. No.311, June' 16, 2006.



at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises. The Act also makes provisions for establishment of specific funds for the promotion, development and enhancement of competitiveness of these enterprises, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanism for mitigating the problems of delayed payments and simplification of the process of closure of business by all three categories of enterprises.

#### **6.5- NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP), 2007**

In view of the continuing backwardness of the North Eastern region, the Government of India announced a new industrial policy for the NER including Sikkim. The policy known as 'North East Industrial and Investment Promotion Policy (NEIIPP),2007' and aimed at encouraging investment in the industrial sector by announcing fiscal and other incentives for the purpose of overall economic growth of this region<sup>13</sup>.

The policy with its package of incentives is designed to stimulate development of industries so that the region overcomes its continuous backwardness. The main features of the Policy are as follows:

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<sup>13</sup> Government of India (2007): North East Industrial and Investment Promotion Policy (NEIIPP), 2007, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, No.10 (3)/2007-DBA-II/NER.

**(i) Substantial Expansion**

Incentives on substantial expansion will be given to units affecting 'an increase by not less than 25 percent in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernization and diversification'.

**(ii) Excise Duty Exemption**

100 percent Excise Duty exemption will be continued, on finished products made in the industrial sectors of the North Eastern Region.

**(iii) Income Tax Exemption**

The industrial sector of the region will enjoy 100 percent Income Tax exemption under NEIIPP, 2007.

**(iv) Capital Investment Subsidy**

Capital Investment Subsidy will be enhanced from 15 percent of the investment in plant and machinery to 30 percent and the limit for automatic approval of subsidy at this rate will be Rs.1.5 crore per unit. Such subsidy will be applicable to units in the private sector, joint sector, cooperative sector as well as the units set up by the State Governments of the North Eastern Region. For grant of Capital Investment Subsidy higher than Rs.1.5 crore but upto a maximum of Rs.30 crore, there will be

an Empowered Committee chaired by Secretary, Department of Industrial Policy & Promotion with Secretaries of Department of Development of North Eastern Region (DONER), Expenditure, Representative of Planning Commission and Secretary of the concerned Ministries of the Government of India dealing with the subject matter of that industry as its members and also the concerned Chief Secretary/Secretary (Industry) of the North Eastern State where the claiming unit is to be located.

**(v) Interest Subsidy**

All industrial units located anywhere in the region will be entitled to enjoy interest subsidy at 3 percent on working capital loan under NEIIPP, 2007. All new industrial units as well as the existing units on their substantial expansion will be eligible for reimbursement of 100 percent insurance premium.

Besides the policy announces separate incentives for service and other sectors of the region. It has also black listed few items as negative list like tobacco and tobacco products, plastic carry bags etc. which will not be eligible for benefits under NEIIPP, 2007. The North East Industrial Development Finance Corporation (NEDFi) will continue to act as the nodal agency for disbursal of subsidies under the new Policy.

## **6.6- MIZORAM GOVERNMENT POLICIES TOWARDS SMALL SCALE AND COTTAGE INDUSTRIES**

Mizoram was one of the backward district of Assam till 1972 when it became a Union Territory. In the erstwhile Assam State, the Mizo Hills District had a small Rural Industrial Unit headed by a Project Officer. On attaining UT status in 1972, the Department of Industries was created with a Directorate headed by Director of Industries embracing Sericulture as one of its Wings. Later on, in the year 1985, the Sericulture was molded into a separate Department. ZIDCO, MKVIB, ZOHANDCO, MIFCO and ZENICS were also created as corporate bodies under the administrative control of Industries Department.

As a sequel to the signing of the Historic Memorandum of Settlement between the Government of India and the Mizo National Front in 1986, Mizoram was granted Statehood on February 20, 1987 as per Statehood Act of 1986 and Mizoram became the 23rd State of the Indian Union. On the eve of Statehood it inherited a very weak industrial base and the entire state was notified as “No industry area” due to the absence of any large and medium industry. A few industrial units with only one industrial estate were found in the state which are of small scale and traditional in nature like handloom, carpentry, ice-plant, bakery, candle making, tailoring, bamboo works etc.

The Government of the newly created Mizoram state was committed to improve the economy of the state and thereby bring about higher

quality of life and happiness to the people. Consequently, the government attached high priority to the development of industries in the state.

**(a) Industrial Policy of Mizoram, 1989**

The Industrial Policy of Mizoram State was first notified on March'15, 1989 with a view to give direction to the strategies for industrial development of the State<sup>14</sup>. While announcing the said policy statement, the Govt. of Mizoram took full cognizance of the Industrial Policy Resolutions of the Govt. of India announced during 1948 and thereafter.

The Industrial Policy of Mizoram 1989 laid stress on reducing shifting cultivation by encouraging a shift from primary to secondary sectors by way of developing rural industries like handloom and handicraft and village and cottage industries. Priority was assigned to agro-and forest-based industries, handloom and handicraft industries, sericulture industries and electronics industries. The policy laid emphasis on balanced development of all sectors, large and medium, small scale, tiny, village and cottage industries. For rapid development of all these sectors, various kinds of supports like institutional, organizational and marketing supports, and schemes for infrastructure development and manpower development apart from initiating several state- level incentive schemes to attract prospective entrepreneurs were announced by the Government.

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<sup>14</sup> 'The Industrial Policy of Mizoram State 1989', Directorate of Industries, Government of Mizoram, Aizawl.

Considering the nascent stage of development in the state the Industrial Policy of 1989 laid accent on protection of the local small scale entrepreneurs in order to safeguard the socio -cultural and ethnic identity of the indigenous enterprise of Mizoram. Therefore, setting up of industries in the small scale sector by outsider was not allowed. However, investment from outside was allowed in medium and large scale industries in joint and assisted sectors.

While framing the Industrial policy, the government of Mizoram has kept in mind the geographical, demographical and socio-economic realities of the state and also the pace of industrial progress of the region resulting from the various IPR of the Central Government as well as the policy announcements issued for dispersal of industries to backward areas and special category districts. To channelise the growth of industrial sector to a desired direction, the government made a common approach through various government departments, local bodies, institutions and other agencies dealing with industrial matters. The followings are the important resolutions of the Industrial Policy of Mizoram, 1989:

- (i) Setting up of viable industrial projects in large and medium sectors through state-owned corporation;
- (ii) Setting up of modern small scale industries at the level of private entrepreneurs by providing all necessary promotional supports with the help of incentive schemes;
- (iii) Development and promotion of artisan -oriented industries like handloom and handicraft, village and tiny industries in rural areas by providing necessary supports like grant-

in -aid, subsidies, raw-materials, shed, marketing and training facilities etc;

- (iv) Development of infrastructure;
- (v) Manpower development;
- (vi) Development of electronics Industry;
- (vii) Strengthening of organizational set up; and
- (viii) Exploration and development of mineral resources.

The intention of the government of Mizoram while announcing its first Industrial policy was not industrial growth per se but was rather directed towards all round development in the interest of the indigenous people of Mizoram and towards giving them gainful employment and self-employment opportunities in the industrial and allied sectors.

**(b) The New Industrial Policy of Mizoram, 2000**

There has been a significant progress in the growth of small scale industries in the state since the announcement of the first Industrial Policy in Mizoram in 1989. Progress made in the handloom and handicraft sector has also become noticeable.

In view of the liberalized economic policy since 1991 and the new Industrial Policy for the North Eastern Region the government of Mizoram considered the necessity to announce a new set of policy support to bring about further industrial development in the state. Accordingly, the government announced the “New Industrial Policy of Mizoram, 2000” on the wake of New Millennium on December’8,

2000 to boost the industrial and economic development of the state<sup>15</sup>.

**(1) Aims and Objectives**

The main aim of this New Industrial Policy of Mizoram, 2000 was to engineer rapid growth in the state by industrialization of the state to a sustainable extent for the fulfillment of the following objectives:

- (i) Enrichment of industrial growth potential lying in the sectors like agriculture, horticulture, forest and establishment of proper linkage amongst the industries based on resources available in these sectors.
- (ii) Formation of suitable mechanism for attracting and growth of capital formation in Mizoram by taking full advantage of the policy changes initiated by the Central Government in respect of industry, trade and commerce from time to time.
- (iii) Identifying and develop entrepreneurial and managerial skills by providing suitable training programmes at District, Sub-Division and Block levels and to create facilities for training of industrial labour on sustained basis.
- (iv) Ensuring balanced sectoral and regional growth by promoting industries under all sectors.
- (v) Promotion and modernization of textile industry including traditional Sericulture and Handloom and Handicraft sectors by induction of improved design, quality and

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<sup>15</sup> 'New Industrial Policy of Mizoram 2000', Industries Department, Government of Mizoram.



technology so as to make textile industry a potential export-oriented sector.

- (vi) Encouraging joint ventures between local entrepreneurs and industrialists from outside the State on selective basis, encouraging self-employment especially among technically qualified unemployed persons of the State for generating additional employment opportunities in the State.
- (vii) Making Mizoram a major center for the growth of fruit and food based industries by encouraging plantation and growth of different kind of livestock in the State.
- (viii) Making major entry in bamboo-based industries by optimum utilization of bamboo resources of Mizoram and encouraging industry based on medicinal plants.
- (ix) Developing Mizoram as an attractive region for tourism.
- (x) Envisaging industrial development in Mizoram by encouraging private entrepreneurship and confining the role of government to that of promotional and catalytic agent for the growth of industry, trade & commerce in the State by ensuring minimization of pollution and encouraging eco-friendly units.

## **(2) Thrust Areas**

The Government identified certain thrust areas for concentrated industrial development and to encourage the growth of specific industries in these areas. Major thrust, however, was on small scale sector and local resources based industries.

**(i) Electronics and information technology**

Electronics & Information Technology is going to be the industry of the new millennium. The pollution free atmosphere in the State is congenial for development of this sector. The State government has attached top priority to these sectors and has announced a separate policy on Information Technology.

**(ii) Bamboo-based and timber-base products**

The vast Bamboo resources of Mizoram will be optimally exploited for setting up of industry for manufacturing various bamboo-based products such as fibre-board, bamboo mat-ply, different kind of house-hold products and high quality toothpick, chop -stick and joss-stick. This sector, therefore, will attract special attention of the Government. Plantation of high value timber and bamboo will be encouraged to sustain timber-based industries. Timber -based and bamboo-based industries will be encouraged to the limit sustainable by the Mizoram ecology and environment. To develop the bamboo based industry in the state the Government has also announced a separate policy for bamboo.

**(iii) Food and fruit processing industries**

The climatic condition of Mizoram is favourable for cultivation and growth of various kinds of fruits. The condition is also

very favourable for poultry and animal husbandry and mushroom cultivation. Government shall therefore, encourage development of these sectors so that raw-materials base for food and fruit processing Industry, mainly at the level of private entrepreneurship, is well developed. Further, the State government will assist in establishing appropriate linkages between the growers and processors.

**(iv) Textile, handloom and handicraft industry**

Handloom and Handicrafts, which is a traditional industry in Mizoram, will continue to receive prime attention from the government. Modernization of this sector by induction of improved design and technology to make it an export oriented sector will be encouraged and promoted. Export oriented textiles and readymade garments industries will receive special attention of the government. Induction of power-looms will be encouraged selectively while safeguarding the interests of traditional weavers of Mizoram.

**(v) Plantain fibre and hill brooms**

Industry based on plantain fibre and hill brooms will be encouraged keeping in view the sustained extraction of such items from the forest of Mizoram.

**(vi) Tung oil and non-edible oil extraction**

With the encouragement and assistance of the State government, vast area of land has been planted with tung trees at the village level. The indigenous demand of tung oil is in laminates, paints and ink industries which is being met in India by import only. Extraction of oil from tung seeds will be considered by the government as priority industry and will be encouraged. Extraction of citronella oil, having ready market in pharmaceutical and healthcare industries will be encouraged. In addition, plantation of edible oil seeds and extraction of oil thereof will be encouraged.

**(vii) Tea, rubber and coffee Industry**

Entire Mizoram has been declared as non-traditional area for tea development which qualifies to receive incentives unlike traditional areas. Tea plantation is not new in Mizoram. However, scientific and commercial tea plantation will be encouraged as family oriented scheme, with encouragement for setting up of processing plants in the private sector. Coffee and rubber based industries will receive due attention from the government for their cultivation and processing. Interest of indigenous labourers will be protected while promoting tea industry.

**(viii) Industry based on Mines and minerals**

As the whole of the State is far-behind in development of mines and minerals, all proposals for setting up units based on mines and mineral resources of Mizoram will receive attention and will be promoted. Units based on indigenous and imported gems and gemstone will receive special attention of the government.

**(ix) Tourism industry**

Mizoram with its soothing climate and exquisite natural beauty resting on the undulating hills and greenery offers good scope for developing tourism industry. Government will encourage and promote this industry.

**(3) Fiscal and other Incentives**

To encourage flow of capital into industrial sector, the state government announces an attractive package of fiscal and other incentives to the entrepreneurs in addition to the various types of incentives already offered by the Government of India. Further, special incentives are offered by the State to industries set up in thrust areas. Besides the various incentives like subsidies on the cost of project report, land subsidy, factory rent subsidy, manpower development subsidy, interest subsidy, power subsidy and state transport subsidy on plant and machinery announced in the

Industrial Policy of 1989, the government announced the following new incentives to promote industrialization in the state.

**(i) State Capital Investment Subsidy**

An investment subsidy on the total investment made in plant and machinery shall be provided on a graded scale to the new industrial units. It will be available to both new units as well as to existing units carrying out expansion, diversification and modernization activities. The graded scale of subsidy varies between types of industries and ranges from 5 percent to 20 percent of the total investment in plant and machinery subject to a maximum limit of Rs. 15 lakh.

**(ii) Concession on State and Central sales tax**

State Sales Taxes shall be exempted for a period of 7 year from the date of commencement of actual commercial production. However, for the units set up in the thrust areas, the exemption period will be 10 years.

**(iii) Price preference**

Price preference will be given for the products of local units as per the provision of Mizoram Preferential Stores Purchase Rules 1994.

**(iv) International Standard Organization/Bureau of Indian Standard certification**

The State government shall encourage the small Industries to obtain Bureau of Indian Standard (BIS)/International Standard Organization (ISO) Certificate for their product to enable them to compete at the State and National levels. For this purpose, the State Government shall re-imburse 100 percent of the expenditure incurred on registration fee, testing fee etc., and purchase of testing equipment subject to actuals up to the maximum limit of Rs. 50,000. This limit shall be Rs.1.00 lakh for units set up in the thrust areas.

**(v) Incentives for export oriented units**

An additional 5 percent capital investment subsidy for investment on plant and machinery subject to a maximum of Rs.5.00 lakh will be made available to 100 percent EOUs. However, 2 percent of capital investment subsidy for investment of plant and machinery subject to a maximum of Rs.2.00 lakh will be make available to units of less than 100 percent export commitment.

**(4) Development of Infrastructure**

Infrastructure is a pre-requisite for Industrial development. The government will take integrated approach towards improvement of general infrastructure in the State like road, power, communication

and water supply. Industries department will take the responsibility of providing inbuilt infrastructure facilities to the Industries by establishing Growth Centers, Industrial Estates, Export Promotion Industrial Park, Information Technology Park, Integrated Infrastructure Development Centre, Special Economic Zone and Industrial Areas.

**(5) Training facilities**

The State government recognizes that the basic problem in the process of industrialization in the State is lack of technical, managerial and entrepreneurial skill among the people. The State government will continue its efforts to improve training infrastructure in the State and open more training centers in various disciplines to ensure supply of technical manpower to meet the requirement of local industries. The Department of Industries will organize chain of EDPs in collaboration with IDBI, SIDBI, NEDFI State PSUs and other agencies.

**(6) Research and Development facilities**

In order to achieve total quality management, it is necessary to encourage and facilitate setting up of research and development cells and division in as many units as possible. Government will consider formulating a separate set of Rules for providing 100 percent Grant for setting -up R & D cell/division in industrial units.



**(7) Policy on foreign direct investment (FDI) including investment from outside the State**

Mizoram is economically backward state inhabited by a distinct ethnic group of people having their own socio-cultural and religious identity. The state government nevertheless, will encourage foreign direct investment and from outside the State with caution and restraint so as to safeguard the socio-cultural identity of the indigenous people of Mizoram. The State government fully appreciate the policy of liberalization and globalization and the benefit being derived thereof due to in flow of capital in the industrial sector in our country, and therefore, does not like to lag behind other States to attract investment from outside but will adopt a cautious approach keeping in view the interest of the tribal population of Mizoram. FDI in fruit and Bamboo processing sector will be given higher preference.

The Government reserves the cottage, village & tiny industries for development at the level of local entrepreneurs only. However, in case of small scale industries, investment in plant and machineries anything above Rs.50 lakh will be open for investment from outside for joint venture with local entrepreneurs only in the thrust areas. Any such investment proposal should be submitted to the government in detail for consideration and clearance.

FDI and investment from outside the State in the large and medium sectors only in the thrust areas will be encouraged in joint sector with State PSUs or/and with resourceful local entrepreneurs

as this can induce ancilarization and establishment of down stream industries in the State in small scale sectors, and generate employment opportunities to the local people. Any such investment proposal has to be submitted in detail to the government for consideration and clearance. For an attractive proposal which will contribute to the economy of Mizoram, the government will make the land available to the promoters of such proposal on long-term lease basis.

**(8) Administrative support system**

The government will take all possible administrative measures to oversee implementation of the resolution taken in the present policy frame work. With a view to take an integrated approach toward industrialization in the state, the following administrative measures will be adopted:

**(i) Cabinet Committee for Investment Promotion (CCIP)**

There will be a Cabinet Committee for Investment Promotion of which the Chief Minister will be the Chairman. This Committee will be the final authority to give clearance to any proposal for Joint Venture and for investment coming from outside the State including Foreign Direct Investment (FDI). This Committee will also give direction to various Departments for proper implementation of the policy on such investments and Joint Venture proposals.

**(ii) Mizoram Investment Promotion Committee (MIPC)**

Mizoram Investment Promotion Committee will be constituted with the Chief Secretary of the State as its Chairman and the Secretary Planning, Secretary Finance, Secretary Industries and Director Industries as Members. This Committee will sit at least once in six months to over-see implementation of the policy resolutions on investment and Joint Venture proposals and will issue direction down-stream and advice up-stream on such matters. Proposal cleared by MIPC will be placed to the CCIP for final decision. The Chairman of the Committee will have the discretion to co-opt members of Industries Association into the Committee.

**(ii) Market support system**

The State government will provide a strong and effective marketing support to the local industries by taking various measures including effective implementation of the State government Store Purchase Programme. The State government will consider formation of Market Promotion Council under the New Industrial Policy of Mizoram, 2000 which will function in an advisory capacity. This Council will co-ordinate and interact with the marketing agencies elsewhere to promote sales of local products inside and outside the country. One of the major area of operation of this Council will be export promotion of locally identified exportable products like garments, processed foods,

handicrafts and handloom product as well as products from agro-forest based industries.

**(iii) Task Force for Fast Track implementation of Industrial Projects**

A standing Task Force will be constituted in the Industry Department to identify specific Industrial Projects that can be implemented by placing them on Fast Tract. Depending on the techno-economic viability of such projects, project profiles will be prepared for distribution to the interested entrepreneurs. Reputed consultants may be co-opted to the Task Force who can tender advice on technological aspects of a Project including marketing of products.

**6.7- IMPACTS OF GOVERNMENT POLICIES ON SMALL SCALE AND COTTAGE INDUSTRIES IN MIZORAM**

Industrial development gained its momentum in different states of the country following the various policy measures announced by the government during the post independence period in general and the recent policies in particular.

Mizoram, where the industrial sector is at infantile stage could not reap much benefit in the process of industrialization out of the economic reforms. On the eve of Statehood Mizoram inherited a very weak industrial base and the entire state was notified as “No industry area” due to the absence of any large and medium industry. Few industrial units with only one industrial estate was

found in the State (Table-4.3) which are of small scale and traditional in nature like handloom, carpentry, ice-plant, bakery, candle making, tailoring, bamboo works etc.

The first step towards industrial development in the region was taken in 1972, when the Directorate of Industries was created. On attaining statehood in 1987, the government of Mizoram committed to improve the economy of the state and thereby bring about higher quality of life and happiness to the people. Consequently, the government attached high priority to the development of industries in the state. As a result of various initiatives taken by the Government and the positive approaches and packages of incentives announced in the subsequent Industrial Policies; the industrial scenario of the state has changed considerably. Significant growth in small scale industries, increase in production, and awareness amongst the local entrepreneurs to set up modern small scale industries, availability of technical manpower and improvement in basic infrastructure and agro based industries are now noticeable in the State. The number of SSI units registered has increased from 1555 units during 1989-90 to 2888 units in 2000 at an annual growth rate of 8.5 percent during the decade.

The new millennium witnessed a considerable growth of industrial activities in the state following the announcement of the New Industrial Policy of Mizoram, 2000. The number of small scale industrial units in the state has increased from 4773 units in 2001 to 5922 units in 2005 and further to 6332 units in 2007 (Table:4.6).

The Government of India has liberalized the Industrial Policy in early nineties; but the fruit of such liberal policy has not yet touched the small scale and cottage industries in Mizoram. Majority of the small scale and cottage industries in Mizoram are still based on local raw materials, indigenous skills and techniques and mainly caters local demand. Such industrial units are not facing the impact of liberalization by way of export promotion or competition in the domestic market. In the present study, an attempt has been made to know the perceived level of awareness among the entrepreneurs about the various incentives and subsidy schemes of both the state and central government. The result shows that most of the entrepreneurs are not aware of these schemes. Out of 120 sample units about 30 percent are aware of the schemes but informed that it is too cumbersome and there are so many formalities and paper works to avail these facilities.

The growth is more quantitative than qualitative and the industrial sector in the state is lagging far behind the national trend. The average employment and investment in plant and machinery has not increased considerably even after the announcement of various attractive schemes, concessions and incentives in the subsequent Industrial Policies of the state government. The average investment in plant and machinery of the sample unit is Rs.2.56 lakh which indicates the smaller size and strength of the SSI in the state.

Though there is no lack of enthusiasm amongst the local entrepreneurs to go for hi-tech investment, lack of finance and lack of locally available resources are the main bottle-necks. The

government undertaken various infrastructural development programmes like establishment of Industrial Estates, Industrial Growth Centers, Integrated Infrastructure Development Center, Export Promotion Industrial Park etc to encourage and support the creation, expansion and modernization of SSI through provision of factory accommodation, common service facilities and assistance etc. following the announcement of Industrial Policies but it is observed that such initiatives could not bear the expected result in the industrial scenario of the state. Majority (49.16%) of the SSI units in the state is still operating in rented premises, only 5 percent of the total units are operating in Industrial Estates (Table: 5.4).

There are various training Institutes in the state like ITI, Polytechnic, DICs, MKVIB, ZOHANDCO, MIFCO etc. which have trained about 2921 youths under various programmes during 2004-2006. But it seems that these trained out youths do not have much impact in the industrial scenario of the state. The present study observes that only 6 out of 120 entrepreneurs i.e. 5 percent have taken formal training. The remaining 95 percent of the entrepreneurs are managing their units without any formal training. This reflects that the various training programmes designed to promote entrepreneurship in the state could not achieve its goal to the desired level and fail to impart the required knowledge on industrial orientation and challenge to the trainees to start their own industrial unit.

The industrial sector of the poor hilly state has been a victim of lack of proper industrial planning. The bitter truth is that the state does not have any realistic industrial policy of its own. Whatever, policy statements have been made in the form of circulars, incentive packages etc. from time to time, have failed to visualize the socioeconomic and geopolitical imperatives and resource endowments with which the state is endowed. The policy measures were more oriented towards protection than production, general than specific and political than popular. Thus, these policies have acted as a facilitator which further have resulted in misuses of incentives, subsidies, administrative malpractices and above all failed to capitalize on local resource endowments.

The mindset of our policy makers view entrepreneurship and industrialization in the context of employment only, thus unemployables were converted into entrepreneurship through wide publicity and incentives. It is true that the policies for industrialization have been used to appease the politically disgruntled people in the state. In fact, the need of the hour is to rationalize the mind set of the policy makers to view the industrial policies in terms of economic development which would automatically create more and better employment opportunities in the state. The policies aiming at economic development of the state should be above the political interests and long term in perspectives focusing more on infrastructural development, creation of objective oriented entrepreneur-manager, strengthen administrative machinery and encourage adoption of modern technologies.



## **CHAPTER VII**

### **MAJOR FINDINGS, SUGGESTIONS AND CONCLUSIONS**

- *7.1- Introduction*
- *7.2- Main Findings*
- *7.3- Suggestions*
- *7.4- Conclusions*

## 7.1- INTRODUCTION

The in depth analysis in the forgoing chapters rearticulated here as major findings of the present study. Mizoram is a poor underdeveloped state located at the north-eastern corner of the Indian union. It is one among the seven north-eastern states comprising eight districts, which is dominated by scheduled tribe people. Most of the people believe in Christianity. According to the 2001 census 86.97 per cent population of the state is Christian while 94.46 per cent are scheduled tribe people<sup>1</sup>.

The topography of the state is fascinating. Steep and rugged, the hill ranges of Mizoram are in sharp contrast with the major mountain ranges of the country. They run north to south and tend to grow higher in the eastern side and taper off to the north and south. As many as 21 major hill ranges or peaks of various heights runs through the length and breadth of the state, leaving of course, some plains scattered occasionally here and there.

Agriculture in the form of shifting cultivation (Jhuming) is the main occupation of the tribal people. About 67 per cent of the total work force in the state is engaged in agriculture. Industrially the state is lagging far behind the region and is notified as “No Industry Area” due to absence of any medium and large scale industry. The state is endowed with vast forest, agricultural and horticultural resources. Despite these enormous latent potentialities in the state for industrialization, till date, there has been a little progress in

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<sup>1</sup> Economic Survey of Mizoram 2007-08: Planning and Programme implementation Department, Government of Mizoram, p.22.

this area. The industrial sector of the economy employs a meager 1.5 per cent of its total working population and contributes only about 1 per cent to the state's GSDP. Development of industries can increase income, output and employment and can also accelerate the rate of growth of a backward area. There is a great deficiency of entrepreneurial spirit among the hilly and tribal people. The development of industrial sector based on the local resources is, therefore, a major issue and need to uplift the economic condition of the poor people especially the rural tribal population.

Unique topography, geographic location, remoteness from the mainstream, inadequate infrastructural facilities, lack of entrepreneurial spirit among the tribal people in general and the youths in particular, inefficiency on the part of government machinery etc. are identified as the main reasons hindering industrial development in the state.

## **7.2- MAIN FINDINGS**

The analysis and interpretation of data pertaining to the small scale and cottage industries in Mizoram obtained from field survey and secondary sources has given some significant results. The major findings of the study have been accentuated below:

- The study finds that metal based industries dominate the SSI sector of the economy which is indeed noticeable for an industrially backward state like Mizoram. Metal products accounts for 16.59 percent i.e. 1051 out of the total 6332 SSI

units in the entire state in 2007 (Table: 4.7). In fact they are not large manufacturer rather small industrial units engaged in steel fabrication, grills and gate making, aluminium and steel furniture making, black smithy, cast aluminium utensils making, jewelry, silver smithy and gold smithy etc. Most of these units are located in and around different district headquarters, towns and the capital of the state and caters the need to the newly constructed buildings. In fact the demand for the products produced by these metal industries is derived demand, which originates mainly due to the high rate of construction work in the state.

- The study observed that the growth of small scale industries in the state is almost at par with the national level. The national average annual growth rate of small scale industrial sector during 2000-2005 is around 4.1 per cent (Table: 3.4), the average annual growth rate of SSI sector in Mizoram is 4.82 per cent during the period 2001- 2007 (Table: 4.6). But the case of SSI in Mizoram is quite different from other parts of the country. The SSI units in the state are very small in terms of investment and employment. The state has only 0.03 per cent of the total SSI units in the country. The all India per unit fixed investment in SSI unit is Rs. 6.68 lakh while that of Mizoram is only Rs. 2.56 lakh. At the national scenario, the small scale and cottage industrial sector contributes about 35 per cent of the country's direct export while export contribution of SSI sector in Mizoram is almost zero.

- The growth of small scale and cottage industries in the state is lopsided. Most of the SSI units are located in and around urban areas especially around the capital city Aizawl (Table: 4.6). Out of the total 6332 small scale industrial units in the state, Aizawl district alone accommodate 4911 SSI units which, i.e. 77.56 percent of the total industrial units in the state. The main reason behind this concentration of industrial units may be due to the better provisions of infrastructural facilities which are available as compared to the other parts of the state such as power, transport, banking, marketing etc. Moreover, there exist the economies of scale, both internal and external to these units in such locations.
- Majority of the small scale industries in the state were established during 1990-2000 (Table: 5.2). Analysis reveals that 55.83 per cent of the total units under study were established from 1991 to 2000. Likewise, only 17.50 per cent were established before 1990 and 26.67 percent established after 2001. The reason behind the high growth of small scale industrial units in the state, during 1991-2000, may be due to the various schemes, incentives, subsidies etc. introduced by the state government in the first Industrial Policy of Mizoram which was announced in 1989 to attract potential investors and entrepreneurs.
- The first Industrial Policy of the State was announced by the Government in 1989, which was followed by the New Industrial Policy 2000 to enhance the tempo of

industrialization in the state. The packages of incentives like interest subsidy, power subsidy, land subsidy, grants in aid for artisans, State capital investment subsidy, incentives for export oriented units, State transport subsidy on plant & machinery etc were announced to attract perspective entrepreneurs in to this sector. The main objectives of both the policies were; the enrichment of industrial growth potentials lying in the sectors like agriculture, horticulture, forest and establishment of proper linkage amongst the industries based on resources available in these sectors. The study finds that there are no initiatives taken by the government to uplift the conditions of workers in the industrial sector. The various policy measures announced from time to time pertaining to the development of small scale and cottage industries are designed to develop, promote and protect the interest of the entrepreneurs and not the workers. There are a number of organizations, unions and cooperatives to protect and safe guard the interests of the owners but there is no labour union or organization in the state. Moreover, there is no effective rule or laws to protect the workers from any exploitation on the part of the employers. The government of Mizoram has no doubt fixed the minimum wage rate for various categories of workers but there is no criteria how to clarify skilled, semi skilled or unskilled worker. In fact, the job security and the future prospect of a worker depend solely at the mercy of his employer.

- Small scale industries are defined in terms of investment in plant and machinery and employment. The limits has been revised from time to time to offset the impact of inflation and to meet the technological needs. According to the Micro, Small and Medium Enterprise Development (MSMED) Act, 2006, the latest limit of investment in plant and machinery for small scale industry is up to Rs.5 crore. In this regard the study finds that the small scale industries in Mizoram are really very small and are unable to keep pace with the latest developments. Not a single SSI unit under study is found to have investment in plant and machinery up to Rs.5 crore. Majority (54.17%) of the units have investment within the range of Rs.1 lakh to Rs.5 lakh and falls under the purview of the limit fixed in 1955. 10.83 per cent of the SSI have investment upto Rs 10 lakh, only 2.5 per cent of the unit have investment more than Rs. 20 lakh. It is observed that only 2 SSI units in the study area have investment in plant and machinery more than Rs.2 crore. This implies that there is ample scope of investment for technical upgradation of small scale industrial sector in Mizoram.
- The Government of India has liberalized the Industrial Policy in early nineties; but the fruit of such liberal policy has not yet touched the small scale and cottage industries in Mizoram. Majority of the small scale and cottage industries in Mizoram are still based on local raw materials, indigenous skills and techniques and mainly caters local demand. Such industrial units are not facing the impact of liberalization by

way of export promotion or competition in the domestic market.

- The study reveals that the workers in small scale and cottage industries in the state have some specific characteristics. Most of the workers are unskilled labourer without having any technical knowledge. A fairly large number (82.55%) of the workers is having formal education upto middle school standard, 11.45 per cent are matriculate, 3.59 per cent are higher secondary school and only 1.1 per cent is graduate. Only 1.3 per cent workers in the SSI sector are having technical education. The study also finds that there is no illiterate worker in the sample units; which may be due to high literacy rate in Mizoram. Another feature of the labour force in SSI is that majority of the workers are in construction activity, metal industrial units, food industrial units like ice plant, bakery belongs to the non-residential labour category. They have migrated from the neighboring states of Assam, Manipur and Tripura. Another significant feature of the labour force in the state is the existence of foreign worker among the labour force of the state. Foreign nationals, particularly Burmese workers are intensively employed in the state's industrial sector especially in handloom units. Their intensity could not be estimated due to the reason that the worker and the employers are too reluctant to disclose their identity. The employers prefer to employ these foreign workers as they are cheap and loyal as compared to local labourers.



- Policy of reservation of products for exclusive manufacture in the SSI sector is one among the various initiatives taken by the Central government to promote and develop the small scale industrial sector. Reservation of products for exclusive manufacture in the small scale industrial sector (Reservation Policy) was initiated in 1967 with 47 items. At present there are 326 items reserved for exclusive manufacture in SSI sector. The main objective of the Reservation Policy is to safeguard the small scale industries against the competitions from the large and medium industries. The study finds that Mizoram is flooded with foreign goods which could otherwise be manufactured in the small scale industrial sector of the economy. These products include a variety of items ranging from safety pin to electric motor, tooth paste to television. These are illegally supplied and sold openly in the market in the state. On the one hand, the existence of foreign goods is against the basic objective of the Reservation policy of the government, while on the other hand, it is a major threat to the development of existing SSI and the growth of new SSI units in the state as these products create a competition between foreign goods and the locally produced goods.
- The small scale sector contributes nearly 35 per cent of India's direct export while the contribution of small scale and cottage industries in Mizoram is almost zero. But the study finds that there are lots of products which are produced in the small scale industrial units in the state are illegally exported to the neighboring countries like Bangladesh and

Myanmar. These products include leather products like shoes, chappals, leather bags, wallets etc. garment products like Mizo shawl, **puan**, socks etc. food products like flour, atta, biscuits, fruit juices etc.

- There is a common belief that female work participation rate tends to be higher in tribal areas as compared to plain areas. The data collected from secondary source reveals that the work participation rate in Mizoram is 52.60 per cent; men work participation rate is 29.59 per cent while that of women is seems to be lower at 23.01 per cent. The study finds that 24.17 per cent SSI is managed by women entrepreneurs and the majority 75.83 per cent is managed by male entrepreneurs (Table: 5.15). The gender wise distribution of workers in SSI sector shows the same trend (Table: 5.11); only 17.08 per cent of the total SSI workers are female and 82.92 per cent is male. It is observed that among various types of industries, only garment and handloom industries are dominated by women entrepreneurs and workers. It is seen that 64.30 per cent of the entrepreneurs in hosiery and garment industries are women, while 56.75 per cent of workers in these category of industries are female.
- It is observed that there is a strong positive correlation among investment, employment and production in the SSI sector of the economy. The  $r$  value calculated with the help of statistical tools from the table: 5.11 show that there is a tendency if investment increases the corresponding

employment also increases ( $r=+0.846$ ) which reestablishes the common notion that small scale industries are labour intensive. Similarly the  $r$  value between investment and production is found to be  $+0.984$  and that of employment and production is  $+0.865$  which signifies that an increase in investment simultaneously increases employment and output in this sector.

- Utilization of total installed capacity is an important indicator of the efficiency of an industry. The capacity utilization in small scale and cottage industrial units in the state varies from unit to unit (Table: 5.12). It is found that majority (56.66%) of the units are utilizing 50-60 per cent of their total installed capacity. Lack of demand, non-availability of required raw materials in time and lack of trained manpower, financial problems and competition from other producers are the main reasons for underutilization of capacity. Analysis shows that there is an inverse relationship between investment and capacity utilization in SSI sector or the state. It is observed that small units with comparatively lower investment are able to utilize its maximum installed capacity, while big units with large investment in plant and machinery are operating much below their full capacity.
- The age of the entrepreneur plays an important role in the overall growth and expansion of any industrial concern. Innovative spirit, adoption of new methods and techniques of production, progressive outlook, risk taking ability etc. are

very closely related to the age of the entrepreneur. The study observed that maximum numbers of entrepreneurs in small scale and cottage industrial units (47.5%) were in the age group 30-40 years (Table: 5.14). This indicates that young unemployed peoples of the state are showing keen interest in setting up of small industrial units. People in the age group of 40-50 years accounts for 27.5 percent while that of 50 years and above are only 7.50 percent. Thus the second hypothesis of the study that persons suffering from unemployment are interested in taking up complementary jobs to uplift their level of living is found acceptable.

- Capital is one of the most important factors of production. The growth, development and promotion of SSI largely depend on the availability of adequate and timely capital. It is found that internal source i.e. own fund is the major source of capital in SSI sector in the state. It accounted for nearly 53 percent of the total capital employed. The rest of the capital is obtained from external sources in the form of borrowing. They accounted for 47 percent of the total capital. Out of it the share of commercial bank in the borrowed fund is almost 55 percent (Table: 5.13) while that of other financial agency is 33 percent. This may be an extraordinary prevailing circumstance which otherwise are not true in other states of the country. Tiny size and small number of SSI may be one of the reasons for providing almost half of the total capital required to the SSI unit's owners by the banks and other

financial institutions. Other external sources like friends, relatives and money lenders share to the total capital is negligible.

- Training improves knowledge, skill and managerial ability. Due to technological advancements training becomes essential in all industrial units to keep pace with the latest technology. It is found that the entrepreneurs in the small scale industries in Mizoram has not given due importance to training. Only 6 out of 120 entrepreneurs i.e. 5 percent have taken formal training. The remaining 95 percent of the entrepreneurs are managing their units without any formal training. They depend mainly on the workers for the performance of the unit. There are various training Institutes in the state like ITI, Polytechnic, DICs, MKVIB, ZOHANDCO, MIFCO etc. which have trained about 2921 youths under various programmes during 2004-2006. But it seems that these trained out youths do not have much impact in the industrial scenario of the state. This reflects that the various training programmes designed to promote entrepreneurship in the state could not achieve its goal to the desired level and fails to impart the required knowledge on industrial orientation and challenge to the trainees to start their own industrial unit. Thus the last hypothesis of the study that there is a lack of innovations and entrepreneurship in the state is found to be acceptable.

- Education is a major factor which determines the quality of human resource of an area. Literacy affects the decision of a prospective entrepreneur in selection of an enterprise, location and cost of project and application of modern technology. It also helps in day to day decision making as well as in running of a project. Education keeps him aware of various facilities, incentives and policies of the government. An illiterate person is conservative, superstitious and reluctant to all changes. The study finds that there is no illiterate entrepreneur in the sample units which is indeed a positive feature of SSI in the state. The majority i.e. 45 percent of the entrepreneurs are matriculate. Entrepreneurs with formal education up to class  $\bar{X}$  is 25 percent while 17 percent possess senior secondary level of education, 7.5 percent are graduate and only 2.5 percent are post graduate. Other category which includes technical skills from ITI and other institutions accounts for only 2.5 percent of the total entrepreneurs. (Table: 5.16)

There are 20,542 educated unemployed persons in the state up to December' 2005, out of which 1,178 are post graduates and 4,826 are graduates. Out of this 109 are engineering graduates and 2 are postgraduates. This reveals the grave situation of educated unemployment in the state which in turn proves the first hypothesis of the study that the area suffers from excessive and acute unemployment and under employment problem to be true. This further implies that the educated unemployed youth are showing very less interest in

the SSI sector of the economy. It may be because of lack of technical know how, market knowledge and capacity to take risk involvement in setting up a new unit.

- Small-scale and cottage industrial sector plays a dominant role in the economic development of both developed and developing countries. In developing countries cottage and small-scale industries are especially important in the context of employment opportunities. They provide immediate employment to a large number of people. It is found that the small scale and cottage industrial units under study employ total 972 numbers of workers (Table: 5.11). The average employment is found to be around 8 which is higher as compared to the national average of 4.48. It is highest textile based (Hosiery and garments) industries. Per unit employment in hosiery and garment industry is 10.57 while the lowest employment is found to be 6.45 in metal based industries. This indicates that metal based industries are relatively capital intensive in nature. The percentage of female worker is very low and is found to be only 17.08 percent. On an average female employment is only 1.38 while it is highest in textile based units and is found to be 6 in these industries.
- Individual proprietorship form of organization is popular in small scale industrial units in Mizoram, which is the oldest and most common form of organization for small scale industries. It is found that majority of the small scale industrial units in the study area belongs to individual

proprietorship concerns. Analysis shows that 106 units i.e. 87.50 percent belong to this category (Table: 5.3) followed by partnership (6.66%), cooperatives (3.34%), Public Limited companies (1.77%) and Private Limited Companies (0.83%). Another significant feature of the SSI units is that a large number i.e. 49.17 percent are operating in rented premises. About 44 percent are operating at their own premises while 1.67 percent of the total SSI units do not have any premises; they are operating from their own houses (Table: 5.4). Majority i.e. 93.34 percent of the small scale industrial units are operating on perennial basis while 6.66 per cent are operating on seasonal basis (Table: 5.10). Ice plants, brick making units and units which depends on seasonal raw materials for their production like fruit juice units, gur making etc operates on seasonal basis.

- Maintenance of account is an important part of business organization. Proper account maintenance is necessary to keep systematic records of all transactions, to ascertain the net effects of the organization, to know the financial position of the business and to provide information to interested parties. It is unfortunate that the small scale and cottage industries in the state do not maintain any proper account. It is found that more than 70 per cent of the SSI units do not keep any systematic record of their daily transaction. They simply write down their transaction in register. Around 30 percent of the SSI units maintain their account but that's



also not scientific. Only 12 SSI units (10%) have computer and accountant to maintain their account scientifically.

- Regarding the problems of small scale and cottage industries in the state; the study observes that it is multi-dimensional and varies from unit to unit and also from location to location. Problems faced by the urban units are also different from that of their counterparts in rural areas. Transport is the major problem of the sample units. Majority i.e. 64.17 percent of the units consider transport as a serious problem which adversely affects their performance level (Table: 5.20). About 20 percent are moderately affected by it while only 7.50 percent of the total units do not face any transport problems. Transport problem mainly crops up from the hilly topography of the state. The state has no rail network, developed waterways; consequently roadway is the only mode of transportation in the state yet it is not developed properly due to the steep slopes of the hills. All industrial units in the state are adversely affected due to the poor network of roads, only tiny and cottage units operating at micro level are not affected by transport problems. Problems relating to raw materials is another serious problems faced by the SSI units. 75 percent of the units are either seriously or moderately affected by it. Most of the units which procure its raw materials from outside are the worst sufferer. Marketing, Financial and power problems are the other major problems of the industrial units in the state. Around 88 percent of the units are affected by marketing problems. This is mainly due to the

absence of market survey and analysis of market forces. Financial problem associated with the SSI mainly in the forms of working capital shortage. The study further finds that management is not a serious problem for the small scale and cottage industrial unit. A large number of unit's i.e. 40.84 percent do not have any problems relating to management of the unit. This is mainly due to the small size of the small scale industrial units in the state as compared to the other parts of the country. Most of the small scale units located in rural areas are badly hit by power problems as compared to their counterparts in urban areas. Power problem is serious in 29.17 percent of the industrial units which are mostly located in rural and sub urban areas while 40 percent units located mostly in urban areas are moderately affected by power supply. This is mainly due to the inadequate power supply and their poor maintenance in rural areas.

- Government initiatives, policies and participation in the process of industrialization in the state could not bear the fruit to the desired extent. The study finds that most of the industrial units managed by the government are either running at loss or closed down. The Food Processing Plant at Sairang managed by MIFCO remained idle from its very inception. Similarly the Fruit Preservation Factory at Vairengte has been abandoned due to technical reasons. Industrial Estate Programme in India was started in 1952 with a view to encourage and support the creation, expansion

and modernization of SSI through provision of factory accommodation, common service facilities and assistance etc. The Government of Mizoram, in line with the Central government established five Industrial Estates in the state but at present only two Estates are functioning while three of them have been closed down. It is observed that lack of proper maintenance and inefficient management is the main reason behind the closure. The plan outlay of the government for the industrial sector of the economy is too little. While industrial sector including construction, electricity, gas and water supply contributes about 16 percent to the State Domestic Products, the plan allocation for this sector is a meager 2.63 percent of total outlay during 2005-06. This indicates that industrial sector of the economy which has vast potential to grow does not get due importance by the policy makers.

- Though the industrial sector is deprived its due attention from the government, yet the study found that at the private level there are SSI units which have put example of success in their respective field which is a great source of inspiration and encouragement to the new generation entrepreneurs. In this regards, few names may be cited here like the Zote Bakery and Confectionery, Aizawl, Sun Flower Electronics, Aizawl and Zonun Mat Ply Pvt. Ltd. Lengpui. They are doing well enough in their respective fields; not only catering the local needs but also exporting outside the state and also participating at international trade fairs. It is also noted that

some of these units are donating part of their profit to the Church which is used especially for specific fund to uplift the poor and downtrodden section of the society.

### **7.3- SUGGESTIONS**

In the light of the above finding the study suggests the following policy prescriptions and measures for the growth and development of small scale and cottage industries as well as entrepreneurship development in the state of Mizoram:

- Mizoram is endowed with vast forest resources which can be utilized to speed up industrialization in the state. Bamboo is a major forest product of the state. There are various species of bamboo grown naturally in the jungle. Government should give due importance in the development of bamboo based industries. Though the geographical location and hilly terrain does not permit to set up large industry yet there is an ample scope to setup mini paper plant and other bamboo based industries to manufacture products such as bamboo panel, bamboo ply, particle board, mat ply etc. in the state. Similarly, Mizoram has the natural advantage in setting up plywood industry, other timber-based units, plantain fibre and hill broom units. Once the Government takes the initiatives; private entrepreneurs will come forward; both forward and backward linkage will be established with other sectors of the economy which ultimately give rise to economies of scale both internal and external.

- Though agriculture is not developed in Mizoram to become self sufficient in rice production, yet other agricultural and horticultural products are produced in the state in huge quantities which can be efficiently utilized by setting up small scale and cottage industries based on these resources. Cash crops like tea, coffee, rubber, tung, jatropa, etc. are grown widely in the hill slopes of the state. Fruits like passion fruit, pine apple, orange, lemon, banana, hatkora, papaya etc. spices like chillies, ginger, turmeric, cardamom, cinnamon, black pepper etc. are grown intensively all over. Besides, oilseeds like mustard, soyabean, sesame is also grown in the state. Recently, farmers in Hnalan area of Champhai have started grape cultivation. It has been observed that most of these products are sold at very cheap rates to the middlemen due to the fact that most of these products are perishable in nature and no sufficient facilities like cold storage and other scientific techniques to preserve these commodities are available in the state. The storage, marketing and transport problem of these agricultural and horticultural products can be minimized to a great extent with the establishment of agriculture-industry linkage which will in turn, generate more income, employment and occupational mobility in one hand and will ensure fair price and protect the farmers from distress sell during glut and harvesting period on the other. Poor infrastructural facilities and geographical barriers rules out the viability of major industries in the state. The agriculture-industry linkage can only be established by

starting small and medium scale industries. Government of Mizoram should come forward with attractive schemes and incentives to attract the potential talent of the young entrepreneurs of the state in this sector; encourage collaboration with big industrial houses of the country or even foreign collaboration to promote industrialization in the state. It is also found that Mizoram is a hotspot for aromatic, herbal and medicinal plants. Industrial houses like Dabur, Himalaya, Hamdard etc. should be invited and allowed to setup industries based on these resources provided that they do not tamper the ecological balance of the region.

- To accelerate the process of industrialization, the adequacies of infrastructural facilities are necessary to exist. It is a proven fact that if infrastructural facilities are adequate and in desired shape, the economy progress but if they are inadequate, it halts the progress of the economy. Unfortunately, the infrastructure facilities in Mizoram are very poor and the industrial sector has equally been the victim of infrastructural bottlenecks especially in electric power and transportation. If the state is concerned about its industrial development, the development of infrastructure should be taken seriously. Power and electricity is the basic infrastructure around which all economic activities moves. Though the state has vast hydro-electric potential, the progress in this field is very slow creating a huge gap between the demand and supply of electricity. The total requirement of electricity in the state was 60 MW during 2006-07 while the

total power generated within the state was only 14.22 MW. To overcome the serious power problem it is suggested that the government should seek and encourage private investment in power sector. Big business houses of the country having experience in this field like Tata, Reliance etc. and even foreign companies should be invited to exploit the enormous potential of the state. The ongoing power projects like Tuirial HEP, Serlui HEP, Maicham HEP should be speed so that the can start generating electricity at the earliest.

Similarly the transport and communication facility in the state is in a feeble condition. Due to the absence of adequate rail network, air ways and waterways people of the state solely depends on road transport which is also not properly developed. As such, there is an urgent need to improve the means of transport and communication to march ahead towards industrial development. The Katkhal- Bairabi rail line should be extended up to Sairang and beyond, air transport facility should be extended to other parts of the state, particularly in southern area. Telecommunication facilities, particularly broad band internet facilities should be provided in all the existing telephone exchanges and the people in general and the SSI entrepreneurs in particular should be made aware of the advantage of internet. Industrial infrastructures like Industrial Estates, Industrial growth centers, Export Promotion Industrial Park (EPIP), Industrial Cluster etc. should be established in other parts of the state to break the lopsided industrial growth.

- The small scale and cottage industries in the state are suffering from adequate and timely finances. The problem of finance is widespread and one of the major constraint towards industrial growth which needs immediate remedy. Being 'No industry state', the state deserves much more assistance from All India Financial Institutions. To channelize smooth credit flow to small scale and cottage industrial sector, specialized bank branches like SFC, SIDBI, IDBI, IFCI etc. should be opened at the district level. All major commercial banks operating in the state have to set up their branches at all district headquarters. Simplification in the existing procedures of granting loan to SSI, minimal paper work, delegating more power to the branch manager etc. are some of the ways and means expected to ease the financial setbacks of SSI in the state to a large extent.
- The growth of industrial activities largely depends on harmonious relationship between employer and worker. All the industrial units in the state should initiate labour welfare measures like medical benefit, payment of bonus, retirement benefit etc. This will not only create a healthy environment among the workers but also increase their productivity and promote industrialization.
- Most of the small scale industrial units in the state belong to individual proprietorship form of organization. To pool the skill and to spread the risk involved in the business;



partnership and company type of organization are preferred. Therefore, partnership and company type of industries are to be encouraged in the case of small scale industrial units in Mizoram. Similarly operation on rented premises should be discouraged and industrial estates and Growth Centers should attract the entrepreneurs by providing sufficient facilities to locate their units in these centers.

- Most of the workers in SSI sector of the state are unskilled. To solve the problem of skilled workers proper man-power plan is to be prepared at the district level and steps are to be taken to promote the required skills through education, training and other human resources development programmes. Steps are also required to be taken to minimize the dependency on migrated and foreign workers. Strict administrative action and inducement of local manpower may prove to be fruitful in this regards.
- Training is necessary but not sufficient for the development of entrepreneurship in the state. Training alone is not development; it may result in mere entrepreneurship but does not guarantee success until and unless it is backed by conducive external environment. The socio-political and administrative set up helps to mould the mind set of a prospective entrepreneur to a large extent. Once an enterprising youth comes out with right attitude, zeal and technical know-how suddenly finds him struck in the administrative red tap, corruption and non-cooperation by

the officials, consequently his enthusiasm and interest slow down and finally make exit. So the social, political and administrative system should be put in order and in right shape to achieve the greater goal.

#### **7.4- CONCLUSIONS**

Reorientation in the attitude of the people of the state in general, the educated youths and capitalist class in particular is the urgent requirement for paving the way of industrialization in the state. It is an accepted fact that people with right attitude, total commitment and right conception can change the existing system. People of the state must give up the lure to earn easy money and set their mind to take risk. They should learn from the past and even the recent incident of one week bank<sup>2</sup> (Chiahpuam Bank), which causes a great loss to the state economy, otherwise might be invested in productive way. We cannot deny that with “obsession over industrial liberalization”, the crucial matter of employment creation has taken a backseat. This is not at all good for the country. If the small scale sector is to act as an agent of decentralization in rural and sub-urban areas, the government should come forward by strengthening the infrastructure in the rural and semi-urban areas and improving the transport facilities, raw materials facilities, providing more financial help in the form of loans by establishing more co-operative banks and also opening the

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<sup>2</sup> One Week Bank is an illegal financial operation with exorbitantly high rate of interest ranging from 10-40 percent per month and is paid weekly. People of the state lost huge amount of money in the race to become rich quickly when the unmanned bank vanished in the air during November 2008.

branches of various other nationalized banks which could meet both the short term and long term credit needs of the existing and also the potential industries. Given the strength, needs, opportunities and the great potentials of agriculture, horticulture and forest calls for a critical minimum effort, both for the State and the Centre and the hardworking inhabitants of the state to create a suitable industrial climate in the State. Packages of incentives and the inherent talents of the Mizo's in the form of a big push are required to move the economy on industrialization path. A gradual approach is necessary, apart from the government, the capitalist class and the educated youth must come forward with a new vision and energy to break the vicious circle of non-industrialization in the state.

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