

**SMALL SCALE AND COTTAGE INDUSTRIES IN
MIZORAM - PROBLEMS AND EMPLOYMENT
PROSPECTS**

THESIS

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TO

THE DEPARTMENT OF ECONOMICS
SCHOOL OF ECONOMICS, MANAGEMENT &
INFORMATION SCIENCE
MIZORAM UNIVERSITY
AIZAWL

February, 2009

DEDICATED TO MY BROTHER

FAIZUL HAQUE LASKAR

WHO DIED IN A ROAD ACCIDENT

ON 30TH JANUARY' 2008 NEAR SHILLONG

DEPARTMENT OF ECONOMICS
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FEBRUARY, 2009

DECLARATION

I, Baharul Islam Laskar, do hereby declare that the thesis entitled 'Small Scale and Cottage Industries in Mizoram- Problems and Employment Prospects' being submitted to the Mizoram University for the degree of Doctor of Philosophy in Economics, is the outcome of my own research work, and that no degree has been conferred on the basis of this thesis to me or to the best of my knowledge to any body else, and that the thesis has not been submitted by me for any research degree in any other University or Institute.


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CERTIFICATE

*This is to certify that **Baharul Islam Laskar** has worked for PhD under my supervision and successfully completed his thesis entitled “**Small Scale and Cottage Industries in Mizoram- Problems and Employment Prospects**”*

The present work is the outcome of the candidate’s own endeavor and investigation. To the best of my Knowledge, the work as a whole or part has not been submitted elsewhere to confer any degree. The study in my opinion has qualified for submission and consideration for the award of the Degree of Doctor of Philosophy in Economics of the Mizoram University.

Place: Aizawl.

Date: February 12, 2009.

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Baharul Islam Laskar

ABBREVIATIONS

AFC	: Assam Financial Corporation.
ANC	: Ancillary Industries.
APO	: Asian Productivity Organization.
ARI	: Agro and Rural Industries.
BAFFACOS	: Bamboo Flowering and Famine Combat Scheme.
BSNL	: Bharat Sanchar Nigam Limited.
CCIP	: Cabinet Committee for Investment Promotion.
CD	: Cash Deposit.
CETC	: Consumer Electronic Training Center.
DICs	: District Industries Centre.
ECAFE	: Economic Commission of Asia and Far East.
EDI	: Entrepreneurship Development Institute of India.
EDPs	: Entrepreneurship Development Programmes.
EOUs	: Export Oriented Units.
EPIC	: Electors Photo Identity Cards.
EPIP	: Export Promotion and Investment Park.
FDI	: Foreign Direct Investment.
GSDP	: Gross State Domestic Product.
GSI	: Geological Survey of India.
HEP	: Hydro-Electric Project.
HUDCO	: Housing and Urban Development Corporation.
ICFAI	: Institute of Chartered Financial Analyst of India.
ICICI	: Industrial Credit and Investment Corporation of India.
ICSI	: Indian Council of Small Industries.
IDBI	: Industrial Development Bank of India.
IFCI	: Industrial Finance Corporation of India.
IIDC	: Integrated Infrastructure Development Center.
IIE	: Indian Institute of Entrepreneurship.
IOC	: Indian Oil Corporation.
IPR	: Industrial Policy Resolution

KVIB	: Khadi and Village Industries Board.
KVIC	: Khadi and Village Industries Commission.
MCAB	: Mizoram State Cooperative Apex Bank.
MIFCO	: Mizoram Food and Allied Industries Corporation Ltd.
MIPC	: Mizoram Investment Promotion Committee.
MKVI	: Mizoram Khadi and Village Industries Board.
MRB	: Mizoram Rural Bank.
MSIDC	: Mizoram Small Industries Development Corporation.
MSMED	: Micro, Small and Medium Enterprise.
MT	: Metric Ton.
MW	: Mega Watt.
NABARD	: National Bank for Agricultural and Rural Development.
NEC	: North East Council.
NECON	: North Eastern Industrial Consultant Ltd.
NEDFI	: North Eastern Development Finance Corporation Ltd.
NEEPCO	: North Eastern Electric Power Corporation.
NEHHDC	: North Eastern Handloom and Handicraft Development Corporation.
NEITCO	: North Eastern Industrial and Technical Consultancy Organization.
NER	: North Eastern Region.
NGOs	: Non Government Organizations.
NHPC	: National Hydel Power Corporation.
NIESBUD	: National Institute for Entrepreneurship and Small Business Development.
NMDFC	: National Minorities Development and Finance Corporation.
NPC	: National Productivity Council of India.
NSIC	: National Small Industries Corporation.
ONGC	: Oil and Natural Gas Commission.
PMRY	: Prime Minister Rozgar Yojna.
RBI	: Reserve Bank of India.
REDP	: Rural Entrepreneurship Development Programme.

RRBs	: Regional Rural Banks.
SBI	: State Bank of India.
SFCs	: State Financial Corporations.
SIDBI	: Small Industries Development Bank of India.
SIDO	: Small Industries Development Organization.
SISIs	: Small Industries Service Institutes.
SITRA	: South India Textile Research Association.
SJSRY	: Swarna Jayanti Shahari Rojgar Yojana.
SMEs	: Small and Medium Enterprises.
SPINE	: Scheme for Promotion of Industrialization in the North East.
SPSS	: Statistical Packages for Social Scientists.
SSBs	: Scheduled Commercial Banks.
SSI	: Small Scale Industries.
SSIB	: Small Scale Industries Board.
SSSEs	: Small Scale Service Enterprises.
SWAN	: Statewide Area Network.
TSECL	: Tripura State Electricity Corporation Ltd.
UBI	: United Bank of India.
UNDP	: United Nation Development Programme.
UNESCO	: United Nations Educational, Scientific and Cultural Organization.
UNIDO	: United Nations Industrial Development Organization.
VCI	: Village and Cottage Industries.
WEDP	: Women Entrepreneurship Development Programme.
ZENICS	: Zoram Electronics Development Corporation Ltd.
ZIDCO	: Zoram Industrial Development Corporation Ltd.
ZOHANDCO	: Mizoram Handloom and Handicraft Development Corporation Ltd.

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CHAPTER I

INTRODUCTION, REVIEW OF LITERATURE, OBJECTIVES AND METHODOLOGY

- *1.1- Introduction*
- *1.2 – Importance of the Study*
- *1.3- Review of Literature*
- *1.4- Objectives of the Study*
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1.1- INTRODUCTION

The most important factor for economic development of a country is its industrialization. In the process of industrialization, emphasis is given to the three major groups of industries; large-scale industries, small-scale industries and cottage industries.

We propose to study problems and prospects of small-scale and cottage industries in Mizoram, where large and medium scale industries are completely absent and whose development is vitally linked with various programmes and policies designed to remove poverty, unemployment and backwardness of the rural people.

Cottage and small-scale 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 context of employment opportunities, equitable distribution of national income, balanced regional growth and development of rural and semi urban areas.¹ They provide immediate large-scale employment, offer a method of ensuring a more equitable distribution of the national income and facilitate effective mobilization of resources of capital and skill which might otherwise remain unutilized.²

Small-scale industries play a very vital role even in industrialized and advanced countries like the U.S.A., the U.K., Canada, and

¹ Rahman, M. (2006): 'A Study on the Problems and Prospects of Small-Scale Industries in Hill Districts of Assam' (Unpublished Ph.D Thesis), Department of Commerce, Assam University, Silchar. P.1.

² ICSI Herald, Vol. IX, No.4, April 1998. p.13.

West Germany and more particularly in Japan.³ This sector is considered to be an engine of growth, especially in a developing country like India due to their contribution to income generation, employment, GDP and export earnings.

Small and cottage industries are those industries whose capital is supplied by the proprietor or through means like partnership or from financing agencies setup for this purpose etc. Those industries generally use power driven machines and also employ modern methods of production, engage labour on wage, produce for expanded market. Their work pattern is on permanent basis. Such industries can be managed with little resources and in terms of returns provide much better results.⁴

Cottage industries, on the other hand also called household industries, are organized by individuals with private resources and with the help of family members and are pursued as full-time or part-time occupation. The capital investment is small and the equipments used are simple. These industries generally use locally available resources, raw materials and indigenous skills. The output produced in each industrial unit is generally sold in local market.

Small scale industries, including traditional cottage and village industries and modern small enterprises have been given an important place in India's economic planning for ideological and

³ Baruah, R. K. (2000): Financing Small Scale Industries, Omsons Publications, Delhi.

⁴ Funda, K. K. (2003): 'How to start a Small Scale Industry', Laghu Udyog Samachar, April-September, 2003. p.78.

economic reasons. Our late Prime Minister Mrs. Indira Gandhi once remarked, “*Small scale industries offer many opportunities; besides adding to production, they broaden the industrial base. They enable the process of modernization as well as entrepreneurship to spread to more regions and layers of society*”.⁵ Father of our Nation, Mahatma Gandhiji had strongly advocated the development of Indian villages by making them financially viable through small and village industrial units.⁶ 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. This sector has emerged as a vibrant and dynamic sector of Indian economy, which contributes nearly 40 percent of the total industrial production and over 34 percent of the national exports by providing employment to over 250 lakh persons.⁷ This sector enjoys the pride of being second largest employer in the country and offers a wide variety of products.

Small and Medium Enterprises (SMEs) are showing their impact on national and regional economies throughout the world. They have been recognized in both developed and developing countries as an effective instrument for creating employment opportunities with a small amount of capital investment.

The small scale and cottage industries also play an important role in removing regional disparities. The industrial development in a backward area can only be achieved by the rapid development and

⁵ Ali, M. Z. (2004): ‘Absenteeism in Small Scale Industries’, SEDME (Small Enterprise Development, Management and Extension) Journal, Vol.31, No.4, December, 2003.

⁶ Vinod, D. (2003): ‘Development through Khadi and Village Industries’, Yojana. October, 2003.

⁷ Annual Report (2003-04): Ministry of Small Scale Industries, Government of India. New Delhi.

promotion of small scale industries.⁸ Besides economic aspects, the social role of small scale and cottage industrial units are quite significant in achieving various social goals such as removal of poverty, attainment of self-reliance, reduction in disparities in income, wealth and standard of living and regional imbalances.

In 1995, Government grouped small scale industries into two categories- those using power but employing less than 50 persons and those not using power but employing less than 100 persons. All small scale enterprises had capital investment of Rs. 5 lakh. This limit was revised to Rs. 10 lakh in 1975 and Rs. 15 lakh in 1980. In March 1985, the Government has again revised the investment limit of small scale undertakings to Rs. 35 lakh. As per the Industrial Policy Resolution of 1990, the investment limit for small scale industries has been revised to Rs. 60 lakh and correspondingly for ancillary units from Rs. 45 lakh to Rs. 75 lakh.

During 1997, on the recommendation of Abid Hussain committee, the Government has raised the investment limit on plant and machinery for small scale industrial units and ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs. 5 lakh to Rs. 25 lakh.⁹ The investment limit on plant and machinery was reduced from Rs. 3 crore to Rs. 1 crore for small scale units in 2000. However the investment ceiling for tiny industries remained unchanged to Rs. 25 lakh.

⁸ Kulkarni, P.R. (2001): 'Financial Structure for Backward Area Development', SEDME Journal.Vol.28, No.2, June 2001.

⁹Report of the Expert committee (1997) on Small Enterprises, Ministry of Industry, Department of SSIA & R.I. (Abid Hussain Committee). Government of India. New Delhi.

According to the provision of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006, the micro, small and medium enterprises are classified into two classes- (a) Manufacturing Enterprises- The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery. (b) Service Sector- The enterprises engaged in producing or rendering of services and is defined in terms of investment in plant and machinery.

The limit for investment in small manufacturing enterprises is more than Rs. 25 lakh but does not exceed Rs. 5 crore and that of service enterprises is more than Rs. 10 lakh but does not exceed Rs. 2 crore.

Traditional small scale industries include Khadi and Handloom, Handicraft, Village industries, Bamboo based industries, Sericulture and coir etc. Modern small scale industries produce a wide spectrum of goods ranging from comparatively simple items to sophisticated products such as television sets, electronic control systems, mixer grinder and various engineering products particularly as ancillaries to the large industries. The traditional small industries are highly labour intensive, while the modern small scale units use highly sophisticated machinery and equipments.

The New Industrial Policy of 1991 announces a number of measures to promote small scale industries. Presently, 836 items have been reserved for exclusive manufacture in the small scale

sector. A new scheme of Central Investment Subsidy exclusively for the small sector in rural and backward areas capable of generating higher employment at lower capital cost would be implemented. Programmes for modernization and upgradation of technology in the small scale sector to improve their competitive strength will be implemented. A new Apex bank known as Small Industries Development Bank of India (SIDBI) has been established to channelise need based higher flow of credit, both by way of term loan and working capital to the tiny and rural industries. To help the artisans working with Khadi and Village Industries Commission (KVIC) and KVI Board, special Marketing organization at the Centre and State level shall be created.

1.2 IMPORTANCE OF THE STUDY

Mizoram is an underdeveloped state. One among the many reasons for its underdevelopment is the low growth rate of industrialization. Industrialization plays a vital role in economic development of any region.¹⁰ Development of industries can increase income, output and employment and can accelerate the rate of growth of a backward area. Further industry tends to exercise profound influence on other sectors of the economy including agriculture. That is why industrialization is considered as an indicator of economic growth and hence the underdeveloped countries give highest priority to industrial development.

¹⁰ Agarwal, A.K. (1999): 'Industry of Mizoram' in A. Banerjee and B. Kar (ed.) Economic Planning and Development of North-eastern States, Kaniska Publishers, New Delhi, p.232.

In the traditional Mizo Villages, agriculture was the sole (jhum) occupation. There was no alternative occupation worth mentioning as the village pottery, blacksmithy, bamboo works, handicrafts were carried on part time basis.¹¹ At present about 70 percent of the population is engaged in agriculture. According to the 2001 census, 60.66 percent (Cultivators and Agricultural Labourers) of the total work force in the state are engaged in the primary sector of the economy¹², while the state is far away from self sufficiency in food grain production. Only 1.5 percent of the total work force is engaged in small scale household industries, the only industrial concern in the state which reveals the industrial backwardness of the State. However, in recent years, the small scale and cottage industrial units are coming up as per availability of raw materials and local needs.

The traditional shifting cultivation, due to decreasing returns over time, no longer remains desirable to the farmers to support their rapidly growing needs. Besides, there are hardly any plain area except Champhai, '*The Rice Bowl of Mizoram*' and few other areas where cultivation can be practiced with scientific methods, modern tools and on permanent basis. Agro based produce like ginger, chilly, oranges, passion fruits etc which were grown extensively throughout the state, the farmers are forced to sell their produce to outsiders at cheap rates as most of the products are perishable in nature and no sufficient facilities like cold storage and other

¹¹ Colney, Rualkhuma. (1997): Small Scale and Cottage Industries in Mizoram, L.B.Associates, Aizawl, p.3.

¹²Census of India,2001. Series - 16. Mizoram. Directorate of Census Operation, Government of India. Aizawl.

scientific techniques to preserve these commodities are available in the state.

Due to the above mentioned reasons, there is a discontent among the farmer community; they do not want to remain in the traditional sector and are very much keen to find out an alternative occupation to support the growing needs of their expanding family members.

The secondary and the tertiary sectors of the economy has not yet fully developed to absorb all willing work force at once; the shifting of people from primary sector results in unemployment and under employment in the economy. As a result of poverty and lack of technical knowledge, the unskilled people in rural area cannot move from the traditional sector to a new sector. This in turn results in heavy pressure on agriculture which gives rise to disguised unemployment in the economy.

The State of Mizoram, its geographical location, land distribution, climate, social setup etc. stands as a combination of obstacles toward industrial development in the state. Capital, technical knowledge and entrepreneurial spirit, which are back bone of successful industrialization, are not available in the State. Due to ethnic reasons the political economy does not permit the free movement of potential investors, skilled labour force, availability of cheap raw materials from other parts of the country is yet another major cause of industrial backwardness of the State.

The hill terrain and steep slopes of the hills hinder the development of transport and communication, which in turn leads to high transport costs and poor marketing facilities. Poor infrastructural facilities, remoteness of market, bad conditions of road and communication system especially during rainy seasons, absence of rail networks, 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 the state are another drawback in the way of industrial growth.

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 fails to generate sufficient demand for indigenously produced goods. The rich people prefer to spend money in construction of multi-storied buildings which yields easy money in the form of house rent. They are reluctant to invest in industrial units which involve risk and yield low profits besides long gestation period.

Under these circumstances, small scale and cottage industries are best suited to the State as they require less capital, low level of technical skill and use local resources. It has been seen that the shifting of people from the traditional agricultural sector leads to unemployment, underemployment and disguised unemployment in the economy. The numbers of jobless persons are increasing year

after year. People who came out of the agricultural sector, search jobs in Government offices and other non-government agencies but they cannot be absorbed suddenly due to lack of vacancies and so remain unemployed.

There is a problem of educated unemployment in the state, a large numbers of youths coming out from colleges and universities every year are hanging around without any permanent job. So far this section of the work force is concern, starting small scale and cottage industry is best suited as their career. This is the reason why people in the state having no other substitute jobs are trying to enter into this sector of the economy.

People are choosing any small scale and cottage industry without technical knowledge, its viability and profitability etc. Sometimes they succeed in getting loans from financial agencies to start a small scale or cottage industry. 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.

At this juncture of transition from primary sector to the secondary sector, a comprehensive study for the future planning of balanced regional development and self sustained growth of this sector of the economy is the crying need of the present situation. The natural resources of the state to be exploited, the people have to be educated and trained; the government needs advice and suggestions in policy making. The problems, barriers and obstacles

to development have to be detected and eradicated, markets have to be created, industries suited to the area with regards to the availability of raw materials, skills and capital suitability have to be identified.

The present study aims to provide a concrete and proper ideas and information about all the factors discussed above. This work may prove to be the pathfinder to the new generation who are roaming here and their and chasing after government jobs. This research would be of immense help to the common people, the policy makers, government officials, researchers and also to other non governmental organizations who are engaging themselves in the upliftment of the poor in particular and the socio economic development of Mizoram as a whole.

1.3- REVIEW OF LITERATURE

A thorough review and survey of related literature forms an important part of research.¹³ It deals with the critical examination of various published and unpublished works related to the present study. Knowledge of related research enables the researcher to define the frontiers of his fields; it helps in comparing the efficiency of various procedures and instruments used. Further review of literature avoids unintentional replication of previous studies and also places the researcher in a better position to interpret the significance of his own results.

¹³ Verma, S.P. (2006): Practical Approach to Research Methodology, Akansha Publishing House, New Delhi, p.230.

In the early literature on economic growth and development, industrialization as a source of employment and capital accumulation has been recognized by various economists. Here I highlight the review of works by various authors as well as different committee reports related to the small scale and cottage industries at international, national and local levels.

For the first time, J.M. Keynes (1936)¹⁴ has focused his attention on the forces that determine employment policy followed in industrialization. He propounded the theory that entrepreneurs will offer the amount of employment which maximizes their output and profit. Here he stressed the productivity of labour as the determining factor of the level of employment. There is a positive relationship among productivity of labour, output and employment. According to Keynes “*employment can only increase pari-pasu with an increase in investment*”.

W.A. Lewis (1954)¹⁵ has strongly advocated the application of labour intensive techniques of production to have a steady and smooth economic growth. He opined that many important works can be done by human labour with very little capital. Efficient labour could be used to make even capital goods without using any scarce factors. In this sense, small scale and cottage industry should be developed and promoted especially in an economy where capital is scarce. He recommends the use of capital intensive techniques only when they are necessary.

¹⁴ Keynes, J.M. (1936): *The General Theory of Employment, Interest and Money*, Harcourt Brace & Co, New York.

¹⁵ Lewis, W.A. (1954): *The Theory of Economic Growth*, George Allen and Unwin.

Leibenstein and Galenson (1955)¹⁶ took an opposite stand and tried to show that labour intensive techniques might generate immediate output but little surplus since the wage bill would be large. Economic development preceded investment but the use of labour intensive techniques leaves little surplus for investment. Hence, according to them, use of capital intensive techniques in the process of production will increase the re-investible surplus by minimizing the wage bill.

A.K. Sen (1957)¹⁷ had propounded the surplus maximization criteria advocating the capital intensive techniques. Choice of technology depends on the nature of the economy whether developed or developing. According to him, a high wage rate will dictate a capital intensive technique, but a low wage rate, such as may be operative in the less developed countries will mean that a relatively labour intensive technique will maximize the surplus for further investment.

Ranis and Fei (1961)¹⁸ focused on the nature of the output-employment conflict in the Indian context. They feel that only after '*a critical minimum effort*' greater emphasis should be given to output rather than employment. By this criterion, they meant that the rate of labour absorption (L) in industry should be greater than the rate of population growth (G), i.e. $N > G$.

¹⁶ Galenson, W. and Leibenstein, H. (1955): 'Investment Criteria, Productivity and Development', Quarterly Journal of Economics, August.

¹⁷ Sen, A. K. (1957): Choice of Techniques, Blackwell.

¹⁸ Ranis, G. and Fei, J.C.H. (1961): 'A Theory of Economic Development', American Economic Review, September.

Dhar and Lydall (1961)¹⁹ made their study on the data collected from Census of Indian Manufactures, 1956 and the study prepared by the Perspective Planning Division of the Planning Commission in respect of capital, labour and output relations in various industries. They concluded that the issue of choice between large and small industries for the purpose of an employment-oriented industrialization strategy is largely irrelevant, and it should aim at making the best use of scarce resources, instead of aiming at creating employment for the sake of employment.

Professor Gunnar Myrdal (1968)²⁰ recommends the adoption of a strategy based on predominantly labour-intensive techniques in less developed countries on the ground that “*the large volume of unutilized labour possessed by these countries has a productive potential, capable of creating capital and increasing production*”.

According to the Village and Small scale Industries Committee Report (1955)²¹, popularly known as Karve Committee Report, since a substantial number of employed and underemployed belongs to the village and small industries group, setting up of small scale and village industries will provide employment to them in occupations in which they have been traditionally trained and for which they possess equipments. The committee realizes the necessity of introducing better techniques in the village industry, so that they

¹⁹ Dhar, P.N. and Lydall, H. (1961): *The Role of Small Enterprises in India's Economic Development*, Asia Publishing House, Bombay.

²⁰ Myrdal, Gunnar. (1968): *Asian Drama*, Penguin Books, London.

²¹ Report of the Village and Small Scale Industries (Second Five Year Plan) Committee (1955), commonly known as the Karve Committee Report. Government of India.

can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

Professor A.M. Khusro²² (1999) holds that *“if you attempt to create only employment without regard to efficiency, output and surplus, you will soon end up with neither employment nor output or surplus”*. Accordingly, Khusro suggests formulation of a strategy that depends on *“self-financing surplus generating schemes”*. A World Bank Study (1978)²³ has shown that all important requirements of more jobs and higher incomes are met by rural non-farm activities. The study suggests that these activities, which have capital- labour ratio of less than \$50 at 1969 prices, deserve a high place in any employment oriented industrial strategy.

A study of UNIDO (1969)²⁴ based on evidence from a number of developing countries, indicates that *“small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger, more capital intensive enterprises”*.

The promotion of small scale industries has been widely recognized as one of the most appropriate means of developing industry in developing countries, which are facing mounting pressure of population, an acute shortage in invest able capital funds, and lack of entrepreneurial and managerial abilities (Bharti, 1978).²⁵

²²Khusro, A.M. (1999): The poverty of Nations, Palgrave Macmillan, London.

²³ World Bank, (1978): Rural Enterprise and Non-farm Employment, A World Bank Paper.

²⁴ UNIDO, (1969): Small Scale Industry in Latin America, Publication no. 11B.p.37.

²⁵ Bharti, R.K. (1978): Industrial Estate in Developing Economies, National Publishing House, New Delhi.

The National Committee on Science and Technology report on Khadi and Village Industries (1975)²⁶ gave a gloomy picture of these industries as a source of employment in industrialization. The report shows that the “*compounded rates of growth of employment in these industries, as compared to growth of output, are very meager*”. Ruddar Datt and Sundaram (1979)²⁷ strongly advocated the small scale and house hold enterprises as an important component of an employment-oriented strategy of industrialization. They found that employment-output ratio is the lowest in the small scale sector while that employment generation capacity is eight times higher than that of large sectors.

K.M. Rastogi (1980)²⁸ has made a case study of Madhya Pradesh, which he calls “*a unique case of growing unemployment and poverty amidst plenty*”. He is in favour of only small scale and village industries, which made optimum use of indigenous techniques and local resources. According to him, “*there are hundreds of items which can be produced in cottage and small scale industries more economically than in large industrial sector*”. B.K. Sharma (1985)²⁹ suggested that the programme of rural industries would require constant support. The training and marketing infrastructures would therefore, have to be developed suitably for the sustenance and healthy growth of the rural industries programme.

²⁶ National Committee on Science and Technology, (1975): Report on the Science and Technology Panel for Khadi and Village Industries, Government of India.

²⁷ Datt, R. and Sundaram, K.P.M. (1979): Indian Economy: S. Chand & Co. Ltd. New Delhi.

²⁸ Rastogi, K.M. (1980): ‘Employment Generation Through Small-scale, Village and Cottage Industries- A case Study of Madhya Pradesh’ in Narayana D.L. (ed.) Planning for Development, Sterling Publishers Pvt .Ltd. New Delhi.

²⁹ Sharma, B.K. (1985): ‘Rural Industrialisation in India’ in Misra, R.P.(ed.) Rural Industrialisation in Third World Countries, Sterling Publishers Pvt. Ltd, New Delhi.

Prasad (1983)³⁰ in his study found that the small scale industrial sector is an integral part of not only the industrial sector, but also of the country's economic structure as a whole. If small scale industries are properly developed, they can provide a large volume of employment, can raise income and standard of living of the people in lower income group and can bring about more prosperity and balanced economic development.

Small scale industrial sector has vast potential in terms of creating employment and output, promotion of export, expansion of base for indigenous entrepreneurship and dispersal of industries and entrepreneurship skills in both rural as well as backward areas. Desai (1983)³¹ also stated that rapid industrialization in India depends on the growth of small scale industries. Most of the small scale industries are operating under certain handicaps like shortage of raw materials, low levels of technical knowledge and counseling, poor infrastructure, inadequate capital and credit facilities, improper distribution system, lack of facilities for market analysis, research and development. They are also weak in marketing their products beyond their localities especially in international markets.

Nayak Committee (1992)³² set up by the Reserve Bank of India to examine the adequacy of institutional credit to the Small Scale Industrial sector and the related aspects. The Committee found that banks has insufficiently serviced the working capital needs of

³⁰ Prasad, L. (1983): Industrialisation- Concept and Issues, S. Chand and Co. New Delhi.

³¹ Desai, Vasant (1983): Problems and Prospects of Small scale Industries in India, Himalaya Publishing House, Bombay.

³² <http://www.bankingindiaupdate.com/nayak.html>

the sector particularly that of cottage and tiny enterprises. Moreover, there is a need for the setting up of specialized bank branches for small scale industries, the absence of which has led to serious bottlenecks. Further, the system of providing term loan and working capital by two kinds of institutions, viz. Banks and State Financial Corporations (SFCs) has given rise to a host of problems of co-ordination among them.

Abid Hussain Committee (1997)³³ Report on small enterprises has examined and suggested institutional arrangements, policies and programmes for meeting long term and short term requirements of the small scale industries. The Committee found that the reservation policy of specific products for exclusive manufacture by small scale industries had not served much purpose as most industrialization had occurred in items not reserved for small scale industries. Moreover, it had resulted in low efficiency and productivity and restricted the expansion and export potential of important industries like light engineering, food processing, textiles and others. Credit to small scale industrial sector had become more and more expensive especially after interest rate deregulation. Institutions and regulatory policies responsible for technical assistance, human resources development, industrial standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.

³³ Report of the Expert committee on Small Enterprises, Ministry of Industry: (1997). Department of SSI, A & R.I. (Abid Hussain Committee). Government of India. New Delhi.

Mali (1998)³⁴ in his study has observed that small and medium enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological upgradation. Moreover, new small and medium enterprises may have to move from slow growth area to the high growth area and they have to form strategic alliance with entrepreneurs of neighbouring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

Rajendran (1999)³⁵ made a study to examine the various kinds of assistance given to small scale industries with the prime objective of identifying institutional assistance for the development of small scale industries and the problems faced by these industries in Tiruchirapalli district of Kerala. He concluded that the greatest problem faced by the small entrepreneurs was non availability of adequate financial assistance. Moreover, the small enterprises also face problems relating to the acquisition of raw material, marketing of products and technological and administrative problems. There were complicated procedures in availing loans from financial institutions and there is no coordination between the promotional institutions and government agencies.

³⁴ Mali, D.D. (1998): 'Development of Micro, Small and Medium Enterprises of India: Current Scenario and Challenges', SEDME (Small Enterprises Development, Management and Extension) Journal, Vol.25, No.4, December.

³⁵ Rajendran, N. (1999): 'Institutional Assistance for Small Scale Industries in Tiruchirapalli District', SEDME Journal, Vol.26, No.2, June.

Small scale industries can play an important role in the development of hills areas as revealed by Hamid (1989)³⁶ in the study of Jammu and Kashmir. In his study he found that the state of Jammu and Kashmir is not ideally suited for developing large scale industries and as such the only remedy lies in the establishment of small scale and cottage industries, which are most suited to the socio-economic condition of the state. He identified the causes of industrial backwardness in Jammu and Kashmir includes- peculiar geographical location, limited explorable resources, shortage of imported raw materials, inadequate and irregular power supply, insufficient central investment, poor technical know how, absence of entrepreneurial spirit among the local people, non participation of potential investors and entrepreneurs from outside the state and passive role of financial institutions. It is interesting to note that all characteristics also prevail in Mizoram as responsible for slow industrial growth in Jammu and Kashmir.

Pande (1983)³⁷ explained few causes that attributed to the slow growth of small scale industries in hill areas. The small scale industrial units in the village area and suburban localities suffer from a considerable degree of technological obsolescence, inadequacy of raw materials, dearth of marketing channels, unawareness of market situation in urban centers, poor credit facilities and the shortage of skilled labour and power supplies.

³⁶ Hamid ,S. A. (1989): Management and Development in Small scale Industries, Anmol Publications, New Delhi.

³⁷ Pande G.C. (1983): 'Field Report on Socio-economic Achievements and Emerging Issues in Hill Development' - Seminar on Development of Hill Areas. Himalaya Publishing House, Bombay.

Ramesha (1999)³⁸ examined the trends in credit supplied to small scale industries by Scheduled commercial Banks (SSBs) and the State Financial Corporations (SFCs) and their inter state disparities. The study found that commercial banks continue to play a dominant role in financing small scale industrial sector. However, the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the banking sector has failed to meet the increasing credit requirements of the SSI sector. The inter-state disparities in the distribution of credit have also been widened between 1989-90 and 1995-96. Moreover, the credit from SFCs term credit has shown relatively higher growth rate as compared to banks credit (short term) but still inter-state disparity in SFCs credit has also widened during the reference period. Further, there seems to be sort of complementary relationship between Banks and SFCs in financing small scale sector. Majority of the states that had low bank credit happened to be relatively strong in SFCs credit and vice-versa.

There were numerous studies on the industrial development of the North-Eastern Region of India. The Seminar on the Impact of Five-Year Plans and the Socio Economic Development of the NER of India (1988)³⁹ organized by Gauhati University discussed many aspects of industrial development in this region. The Seminar concluded that there are ample potentials in the industrial sector of the region which can absorb more labour force by utilizing local

³⁸ Ramesha, K. (1999): 'Institutional Credit to SSI Sector: Role of Banks and SFCs in the post-reforms Scenario', *The Asian Economic Review*, Vol.41, No.1, April. pp.20-31

³⁹ Impact of Five-Year Plans and the Socio-economic Development of the NER of India (1988): Seminar organized by Gauhati University, Gwahati, Assam.

raw materials. This region has enough employment opportunity with increasing industrial production and productivity especially of the small scale and cottage industries.

Khanka (1998)⁴⁰ in his study observed that the development of Small scale industries in Assam is at low level because of inadequate infrastructural facilities, problems of finance, marketing and insurgency. Therefore, for industrial development, Government should create infrastructural facilities like transport, communication, power, energy etc. Moreover, state level techno-economic survey should be carried out to explore possibilities for developing specific industries successfully. Local people should be motivated to promote entrepreneurial spirit in the region. Government should take strong initiatives to curb insurgency in the region to make congenial climate for industrialization.

Agarwal (1988)⁴¹ has emphasized that the importance of small scale and cottage industries is more in the absence of large and medium industries in the North-eastern region. He mentioned some of the specific exogenous factors leading to bad industrial health in the region. These are absence of effective industrial policy and ad-hocism in Government decision at the state level as well as industry wise decisions, prolongation of gestation period due to infrastructure deficiencies and weakness of supporting services, uncertainties and shortage of essential raw material and construction material supplies, defective sales tax regulations, high

⁴⁰ Khanka, S.S. (1998): 'Development of Small Scale Industries in Assam', *Yojana*, Vol.42, No.9, September, pp. 48-54.

⁴¹ Agarwal, A.K. (1988): *North Eastern Economy-Problems and Prospects*, Mittal Publications, Delhi.

power tariffs and transportation costs etc, defective capital base and operational plans, shortage of working capital, non-availability of trained and experienced personnel and old techniques of production and lack of quality control.

Dasgupta (1983⁴²) has recommended the establishment of small scale and cottage industries in the North-eastern region of the country. He suggested that if labour intensive small scale industries are established, they will provide some alternative economic opportunities to the people in the hill areas of the region as the improved cultivation with multiple cropping is difficult proposition in this area. According to Aruna Devi (1995)⁴³ Industrial development is a pre condition for the economic development of an underdeveloped region. She is of the opinion that industrial development in general and development of small scale and cottage industries in particular is bound to play an active role in connection with the economic development of an underdeveloped state, like Manipur.

Indian Institute of Entrepreneurship, Guwahati (2001)⁴⁴ conducted a study on the performance of small scale industries in Greater Guwahati area. The study revealed that large number of SSI units (30 percent) in the study area did not avail any financial assistance from banks or any other financial institutions. State Bank of India (SBI) is the major money lender to the small scale industrial sector

⁴² Dasgupta, P.K. (1983): *Social Dimension of Planning with reference to North-East India*, Omsons Publications, Delhi.

⁴³ Devi Sapam Aruna, (1995): 'Development of Small Scale and Household Industries in Manipur- During Plan Period' (Unpublished Ph.D Thesis), School of Social Science, Manipur University.

⁴⁴ 'Small Scale Industries in Assam- A Study in Greater Guwahati Area' (2001): Indian Institute of Entrepreneurship, Guwahati.

followed by the United Bank of India (UBI), Assam Financial Corporation (AFC) etc. All other financial institutions played more or less the same role i.e. providing loan to only 1 percent to 3 percent of units by each bank.

So far as the case studies are concerned, they are seldom wholesome studies and that they provide information, in general of one aspect or the other of the sector. Many studies have been undertaken by various scholars relating to the small scale industrial sector at international, national, regional and even district level, but a few studies have been found relating this sector in backward and hilly regions like Mizoram and highlighting the problems and prospects of these industries in such areas.

Due to the non-existence of medium and large scale industries in the present study area of Mizoram, the Government of India has declared this region as 'No Industry Area'. As such no fruitful research work has been done here in the field of industrial development. It is only since Mizoram got statehood status in 1987; it attracted the attention of few scholars which is revealed in their writings on various issues concerning the socio-economic aspects of the state.

Though the available literature on the present topics "Small Scale and Cottage Industries in Mizoram" in the state is scanty, the works of Professor A. K. Agarwal, Professor Lianzela, Professor R. N. Prasad, Dr. R. Colney, Thangmawizuala etc. are worth mentioning.

Agarwal (1999)⁴⁵ mentioned that the entrepreneurs of small scale industries are generally lacking in knowledge of various aspects as how to set up an industry. Owing to the predominance of agricultural background of the region, the infrastructure for industrial development has not developed properly. Apart from lack of industrial tradition and managerial class, the state is handicapped by difficult terrain and disturbed socio-political conditions are also adversely affecting industrialization in the state.

Lianzela's (1994)⁴⁶ work is based on the economic development of Mizoram as a whole. He focused on various sectors of the economy and their development purely from the economic point of view. Although he put valuable suggestions and policy recommendations for the future development of the state, he did not give any specific strategy for the development of small scale and cottage industries in the state.

Rualkhuma (1997)⁴⁷ focused on the industrial development of Mizoram, which is indeed a geographical interpretation of the existing bottlenecks and problems rather than economic analysis. He laid stress on the development of small scale and village industries to boost the over all economic development of the region. His work did not give any concrete solutions on the existing problems and drawbacks of industrial development from economic perspective.

⁴⁵ Agarwal, A.K. (1999): 'Industry of Mizoram' in Banerjee, A. and Kar, B. (ed.), Economic Planning and Development of North-Eastern states. Kanishka Publishers, New Delhi, pp.232-240..

⁴⁶ Lianzela, (1994): Economic Development of Mizoram, Spectrum Publications, Guwahati, pp. 142-156.

⁴⁷ Colney, Rualkhuma, (1997): Small and cottage Industries in Mizoram, LL.B.Associates, Aizawl.

Thangmawizuala (1985)⁴⁸ is of the opinion that the political disturbances especially the insurgency in Mizoram caused a great setback in the progress industrial development in the state. According to him, the existing small scale and cottage industrial units could not make the desired progress due to the disturbances. The main hindrances for industrial development in the state are lack of good communication facilities, financial difficulties and the absence of market outlets.

The above studies on industrialization have been found severely inadequate to explain the real phenomenon of industrialization in Mizoram due to the reason that no major attention have been given by these studies to different aspects of industrialization in the state. Moreover, because of its unique geographical location and its poor infrastructure, the policy recommendations that are applicable to other parts of the country may not necessarily be suitable for the region. It is in this background that a major study covering the various aspects of small scale and cottage industry in the state is proposed to be carried out.

1.4- OBJECTIVES OF THE STUDY

Mizoram is bestowed with rich natural- forest and agricultural resources. Most of the state's wealth lies untapped yet, and these could provide a strong base for industrial development. Despite enormous latent potentialities for setting up of various resource based industries, no significant progress could be achieved in the

⁴⁸ Thangmawizuala, H. (1985): Economy of Mizoram, Seminar on 'Tribal Economy of NER', Spectrum Publications, Guwahati.

field of industrialization in the state. With a view to bring about sustained and balanced regional development of this region and also to improve the living standard of the Mizo's, the present study aims to focus on problems and prospects of industrial development especially that of small scale and cottage industries in the state. In order to make the study not only of academic interest but also of practical utility, the following objectives have been set.

1. To study the structure and growth of small scale and cottage industry in the state.
2. To examine the level of contribution of these units in providing employment and income opportunities to the people.
3. To examine the problems of small scale industries related to finance, marketing etc. in the study area.
4. To analyze the impact of Government Policies towards the development of small scale and cottage industries in the region.
5. To suggest suitable measures for the development of small scale and cottage industries in Mizoram.

1.5- HYPOTHESES

To meet the objectives of the study, the following hypotheses are postulated for empirical verification in the study:

1. The area suffers from excessive and acute unemployment and under employment problem.

2. Persons suffering from underemployment are interested in taking up complementary jobs to uplift their level of living.
3. There is a lack of innovations and entrepreneurship in the state.

1.6- METHODOLOGY AND DATA BASE

In order to achieve the objectives our present study requires both primary and secondary data. Accordingly, a field survey has been conducted to obtain primary data adopting a sampling design of “two stage purposive sampling” with the selection of industries at the first and industrial units at the second stage.

Information is obtained from the eight districts namely Aizawl, Champhai, Kolasib, Lawngtlai, Lunglei, Mamit, Saiha and Serchhip about the existing cottage and small scale industries. For this purpose an aerial survey of the district head quarters has been done. Various cottage and small scale industrial units were visited and informal meeting and interview was conducted with the owners and workers of these units. Information has been gathered from the Directorate of Industries, Government of Mizoram from the personal interview with the Director, Joint Director, Project Officers and the Dealing Assistants of different sections.

A total number of 4773 SSI units were found to be functioning in the state⁴⁹ in 2001 which is spread unevenly across the eight districts. These units were engaged in 73 different trades which

⁴⁹ Directorate of Industries, Government of Mizoram. Aizawl

have been classified into 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 of their existing industrial units. These sample units has been clustered in to 6 groups depending on the nature of their activities. 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.

In order to accomplish the objectives, the present study is mainly based on both primary and secondary sources of information. The secondary data is mainly congregated from published and unpublished works on the related topics. Census reports, economic surveys, journals, news papers, government and non government organizations (NGOs) associated with the industrial sector especially the Directorate of Industries, Directorate of Economics and Statistics, Directorate of Agriculture and Minor Irrigation, DICs, SIDBI, SISI (Now MSME Development Institute), ZIDCO, MIFCO, ZENICS, MKVIB, ZOHANDCO etc. various issues of Statistical Handbook of Mizoram, Basic Statistics of North Eastern Region, published by NEC, Shillong, various publications and reports of Development Commissioner, Ministry of SSI, New Delhi etc. were also a major source for secondary information. Moreover, web resources also an important source of secondary information. In addition, personal interviews and informal discussions also held with the government officials, policy makers and NGOs to know their reactions and suggestions.

The primary data has been collected mainly from extensive field survey of the sample units. To obtain primary information, personal interview has been conducted through well designed questionnaires especially prepared in view of the objectives of the study. Quick survey of 15 SSI unit located in Aizawl has been conducted to make the required modifications in the questionnaire. Consequently, the final questionnaires were distributed among the owners, entrepreneurs or managers. Besides, unstructured interview and informal discussions were also held with the owners and workers SSI units. Though the questionnaire was prepared in English, local language was also used during the interview.

Due to the fact that majority of the SSI units in the state do not maintain proper account of their business, it was not possible to gather time series data on the variables like investment, employment and production etc. from primary sources. As a result our study is mainly based on cross sectional data for the period 2004-05.

The information collected from primary and secondary sources has been edited, categorized and arranged in logical order. In the process, certain errors and omissions were detected and corrected subsequently. Tabular analysis was done both manually and also with the 'Statistical Package for Social Scientists' (SPSS) and Eviews software.

The collected data so arranged has been examined with the help of appropriate statistical tools to draw the inherent facts. In analyzing

data, simple statistical techniques such as percentage, comparisons, mean and coefficient of correlation has been used to deduce the association among variables, in order to reach conclusions. The correlation co-efficient between variables has been tested by employing the bi-variate model.

1.7. CHAPTERIZATION

The present piece of work is divided in to seven chapters as follows:

Chapter-I basically deal with a brief introduction on the topics, importance of the study. It also reviewed a number of literatures on the subject at local, regional, national and international level. Apart from these, objectives of the study, hypothesis, and methodology applied, limitations of the study and the chapterization scheme is also incorporated in this chapter.

Chapter-II mainly deals with the brief history of Mizoram, its location, area and boundary. It also includes an epigrammatic discussion on topography, climate and rain fall of the state. Besides the economy, population profile, administrative structure, soil & minerals and various flora and fauna of the state is also included in this chapter.

Chapter-III explains the role and contribution of cottage and small scale industries in economic development and includes meaning and concept of cottage and small scale industries, the underlying differences, registered and unregistered SSI units, its role in

regional and backward area development. It also includes the role and contribution of small scale industries in economic development India and the specific role in Mizoram's economy.

Chapter-IV discusses the growth and development of cottage and small scale industries. It includes philosophy behind cottage and small scale industries, growth and development of SSI in Mizoram. Various institutional supports fostering the growth of cottage and small scale industries and the existing industries in the state is also included in this chapter.

Chapter-V deals with the problems offsetting cottage and small scale industries. It includes a brief introduction on the problems faced by cottage and small scale industries, specific problems of SSI in North Eastern region and the problems pertaining to the SSI in Mizoram is highlighted. The chapter concluded with the detail data analysis based on field survey.

Chapter-VI: It mainly discusses the various aspects of Government policies pertaining to small scale and cottage industries announced at the central and state level from time to time and their impacts on cottage and small scale industries in Mizoram.

Chapter-VII: The last chapter presents the summary of major findings, suggestions and conclusions.

1.8. LIMITATIONS OF THE STUDY

Researchers usually come across many constraints and barriers in the course of their studies. The present study on the small scale and cottage industries in Mizoram was not an easy task as the units are dispersed over a wide geographical area with unique characteristics, managed and run by persons with moderate level of education. During the course of present study, the researcher faced many problems which were resolved to the desired level; however these were very cumbersome and time consuming. The following are the main limitations of the study:

1. The main difficulty faced in the present study is of lingual in nature. Most of the sample units are run by Mizos while the researcher is a non-mizo, not fluent enough in the local mizo language. There was a communication gap which some how overcome with the cooperative and amicable nature of the Mizo people who worked as an interpreter.
2. Majority of the units do not maintain proper and uniform records or accounts of their business. Moreover the sector is unorganized and disclosure of accurate information by entrepreneurs left doubt. However, efforts on the part of the researcher managed to gather the adequate information as much as possible for the purpose of data analysis.
3. All the aspects relating to the cottage and small scale industries in the state could not be covered in the present study leaving scope for further research in the field. However sincere efforts have been made by the researcher to make the

study meaningful which may serve as a milestone for further studies in the field.

CHAPTER- II

MIZORAM –BRIEF HISTORY OF ITS LAND AND THE PEOPLE

- *2.1- Location, Area and Boundary*
- *2.2- Topography, Climate and Rainfall*
- *2.3- Flora and Fauna*
- *2.4- Soils and Minerals*
- *2.5- Administration*
- *2.6- Population Profile*
- *2.7- Economy*

2.1 LOCATION, AREA & BOUNDARY

The State of Mizoram under the Indian Union is situated on the North-Eastern corner of India. The erstwhile Lusai Hill district became Union Territory on 21st January 1972 and got statehood on 20th February 1987. The Mizo district was not only upgraded but also got its present name Mizoram.

Mizoram, the name of the state is a combination of two words-Mizo and Ram. Ram means country or land, thus Mizoram means the land of the Mizos.¹ The State is bounded on the north by Cachar district of Assam and the state of Manipur, on the east and south by Myanmar (Burma), on the west by Bangladesh and the state of Tripura. The state is geographically located between 21.58° to 24.35°N latitude and 92.15° to 93.29°E longitude². The tropic of cancer runs through the territory. The boundary with Myanmar extends 404 kms. and Bangladesh over 318 kms. Thus, it occupies an area of great strategic importance, having a total boundary length of 722 kms with Bangladesh and Myanmar. The length of the state from north to south is about 277 kms and the width from east to west is about 121 kms. The territory having a total area of 21,087 square kilometers consisting of eight districts.

¹Zakhuma K. M. (2001): Political Development in Mizoram From 1946 to 1989, Mizoram Publication Board, Aizawl. P.14.

²Socio-Economic Review 2000-01. Mizoram at a Glance . Directorate of Economics and Statistics, Government of Mizoram, Aizawl. P.2.

2.2 TOPOGRAPHY, CLIMATE AND RAINFALL

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.

The State has perhaps the most variegated topography in the North-East with the average height of the hill to the west of the state is about 1000 metres which gently rises to 1300 meters to the east. Some areas however are of higher ranges which go up to the height of over 2000 meters. The Blue Mountain or Phawngpui, with a height of 2065 metres, situated in the south eastern part of the state is the highest peak in Mizoram.

The eastern half of the state can be classified as mountainous terrain province. The altitude here varies from 400 to 2157 meters.³ The average elevation in this province is 1500 meters. In the eastern corner, bordering Manipur state and Myanmar run Sialkal Ranges. The highest peak of this range is called Lengteng, which stood at 2149 meters above the sea level. The other peaks in this province are Naunuarzo and Sur with the height of 2141 meters and 2018 meters respectively. In the middle east of Aizawl District,

³ Ramthara R. (1998): 'Socio-Economic Impact of Village Grouping in Mizoram- A geographical Analysis', (Unpublished Ph.D Thesis), Department of Geography, NEHU, Shillong, p.29.

there are Chalfilh ranges and Tawi range with an elevation of 1905 meters and 1885 meters respectively.

Other noticeable ranges are Mawmrang ranges located in the middle of Chalfilh and Sialkal ranges in Aizawl district; Hmuifang range at the central part of the region and Riek range in the west of Aizawl Mountain.

The western part of Mizoram shows characteristics of ridge and valley type topography. This province covers nearly half of the area of the state. The altitude in this region varies between 40 meters to 1550 meters and the coverage elevator is 700 meters. In this province, Mamit range and Hacheheck range in the western part of Aizawl district are noticeable

There are only a few patches of flat lands scattered at all places in Mizoram. They are generally located in the middle of hills and narrow valleys. These plains are believed to have been found in the beds of silted-up lakes as they are covered with rich alluvial soil. The largest plain in Mizoram is located at Champhai, which is known as the '*Rice-Bowl of Mizoram*'. Champhai plain is 194 kilometers east of the State capital Aizawl, bordering Myanmar in the east has a length of only 11.27 kilometers and the width is 4.83 kilometers. The whole area has been converted into permanent wet rice cultivation.

The second largest plain area is situated at North Vanlaiphai in the south-eastern corner of the State capital. Thenzawl is another

important plain in the southern part of Aizawl district. Besides, there are small patches like Chemphai and Chhimluang west of Bilkhawthlir in the north, Zawlpui by the side of Mat river in Lunglei district, Hortoki and Bhairabi along the Tlawng river, are found in Mizoram. There are also plain areas at Tuisenhnar near Khawzawl, Ngengpuiphai by the side of Ngengpui river and Chamdur in the western part of Lawngtlai district, which are also used for permanent cultivation.

There are a number of rivers, both small and big, found in Mizoram but only a few of them are large enough to worth mentioning. The most important river is the Dhaleswari (Tlawng) river in northern Mizoram, flows north to join the Barak river in Assam's Cachar district. The Sonai (Tuirial) river, Rukni (Serlui) river and the Tuivawl river which drain the northern portion of the state and eventually fall in to the Barak.

The Kolodyne (Chimtuipui) river, which originates in the Myanmar, is an important river in the southern Mizoram. It has four tributaries, namely Mat, Tuichang, Tiau and Tuipui which drains the southern hills. All the rivers in the state are fed by monsoon rains. They swell rapidly during rainy seasons and recede shortly after the rain. During winter, the volume of water in the river became very less and most of them almost gets dry.

There are many lakes which scattered all over the state, but few of them are natural. They are formed at places, while hills and ridges

serve as a natural embankment on all sides. The most important lakes of the states are Palak, Tamdil, Rungdil and Rengdil.

The Palak Lake is situated in the Chhimtuipui district and covers an area of 30 hectares. The Tamdil Lake which means, a lake of mustard plants⁴ is situated about 110 kilometers from Aizawl. The Rungdil lake occupies an area of 2.5 hectares is a combination of two lakes lying side by side separated by a narrow strip of land.

Mizoram lies within tropical region; as such it enjoys a moderate climate. It is neither too hot in summer nor too cold during winter. In general, Mizoram has a pleasant climate. As the region falls under the direct influence of south-west monsoon, the state receives abundant rainfall. The climate is humid and tropical with short winter and long summer. During summer the temperature varies from 20°C to 30°C, whereas it varies from 11° to 21°C in winter. The four months between November and February is winter time in Mizoram which is followed by the spring. The storms come in the middle of April to signify the beginning of summer. The mercury starts rising and the hills come under the cover of a haze. The three months from June to August are known as the rainy season. The climate is at its moderate best in the two autumnal months September and October, when the temperature moves between 19°C to 25°C.

The average rainfall in the state is about 2514.8 mm per annum during the period 2001-2005. There is not much variation of

⁴ 'Mizoram – The Land of Peace and Progress', Directorate of Information and Public Relations, Mizoram, 2002. p.3.

rainfall in various parts of the state. Generally, it rains during May to September while July and August receives the heaviest rainfall. During the rainy season, landslides are common over the road sides and hill slopes. November to February are the dry months with minimum rainfall.

TABLE: 2.1
AVERAGE ANNUAL RAINFALL IN MIZORAM
(2001-2005)

S.No	Year	Rainfall (in mm)
1	2001	2535
2	2002	2648
3	2003	2546
4	2004	2751
5	2005	2094

Source: Statistical Hand book of Mizoram, 2006. Directorate of Economics and Statistics. Government of Mizoram.

TABLE: 2.2
DISTRICTWISE AVERAGE ANNUAL RAINFALL IN MIZORAM (in mm)
(1996 – 2002)

Sl No	Dist/Year	1996	1997	1998	1999	2000	2001	2002
1	Aizawl	2139.60	2026.60	2025.00	2306.00	2561.20	2364.40	2788.00
2	Champhai	N.A.	N.A.	N.A.	N.A.	2034.66	1914.66	2102.00
3	Kolasib	N.A.	N.A.	N.A.	N.A.	2895.00	3376.66	2788.00
4	Lunglei	3363.00	3772.00	3023.00	3326.00	3275.40	2343.40	2437.00

5	Lawngtlai	N.A.	N.A.	N.A.	N.A.	2751.00	2144.00	3203.00
6	Mamit	N.A.	N.A.	N.A.	N.A.	2820.20	2414.00	2713.00
7	Saiha	N.A.	N.A.	N.A.	N.A.	3643.50	2963.50	3334.00
8	Serchhip	N.A.	N.A.	N.A.	N.A.	2520.00	1985.00	2271.00
9	MIZORAM	2225.60	2169.90	2186.10	2371.00	2882.70	2535.00	2648.00

Source: Statistical Abstract 2002-2003, Department of Agriculture & Minor Irrigation. Government of Mizoram. Aizawl; pp.31-36.

2.3 FLORA & FAUNA

Mizoram has a rich tropical forest. The forest is inhabited by a large number of flora & fauna. At the lower altitude of the forest is filled with bamboo groves and wild plantains. Bamboo is perhaps the most important floral group in Mizoram. At higher altitude the woods get denser with canes and creepers.

Mizoram, being a thickly wooded state, has a very wide range of floral species many of which still remain unidentified. The most common floral species in Mizoram are Teak, Sal, Gamari, Duabanga, Chalmugra, Champa, Bel, Jackfruit, Mulberry, Oak, Banyan, Jungle neem and Pine etc.

Mizoram is a home to a large family of animals, birds, even larger family of insects. Important species of mammals found in the deep forests are Tigers, Elephants, Malayan Sun Bears, Himalayan Black

Bears, Small toothed Civet, clawless Otter, Serow, Hoolock Gibbon, Monkey, Capped Langur, Brush tailed Porkupines, Mongoose and barking deers.

The rich population of birds includes some rare species as Hornbills, Pea-pheasants, Lower peckers, Large hawks, Cuckoos, crow-pheasants and forest eagle etc. Attempts are being made to save these endangered species from extinction. However, Owl, Pheasants, Partridge, Hawk, Eagle, Egret, Heron, Cuckoo, Myna and Bulbul are the important birds of Mizoram. Moths and butterflies of various species and colors are found in the hills of Mizoram.

Orchids of various colors and shapes add a charming touch of colour to the landscape of Mizoram. The temperate evergreen forests are large store houses of orchids, of which over 150 species have so far identified. The orchids grow most abundantly on the trunks of tall trees as well as in steep ravines.

2.4 SOILS AND MINERALS

Mizoram is mostly a hilly terrain situated far away from the mainland. The soils of Mizoram terrain is sandy, mostly composed of Barail, Surma formations of geological age. The soils are usually poor in potash and phosphorous and the acidity is high. The uneroded soils on the other hand contains good amount of nitrogen due to accumulation of organic matters. The soils in the river

valleys are very fertile and heavier as they are brought down by the streams from higher altitudes.

Industrializations of an area depend to a great extent on the availability of minerals and its uses. Unfortunately in Mizoram, no major mineral deposits of economic importance have been explored so far. The Geology Mining wing of the Directorate of Industries has undertaken the geological survey and investigation in various parts of the state. Due to the combine efforts of the department and various national and international Organizations like Geological Survey of India, Oil and Natural Gas Commission, Indian Oil Corporation, some important mineral have been located in several parts of the state.

Shell limestone band of 1-3 meters thick has been explored near Tuirial Bridge, Sesawng, Muthi, Kawrtethawveng, Lallen, West Phaileng, Kawnpui, Chawngte and Blue Mountain. The estimated reserve of the shell limestone is about 1,00,944 cubic meters. Due to the poor content of CaO (25 40 %), it cannot be utilized for cement manufacturing.⁵

Deposit of greenish sandstone/ siltstone of 3-5 meters thickness are found in North Vanlaiphai, Tuipang and Siatla. Extensive deposits of good quality sand have been found in the river beds of saihapui, Meidum, Tuirini, Tiau, Sairang and Chawngte etc- which are very good for different construction works. Annually about 50500 cubic meters of sand can be extracted from these river beds.

⁵ Status of mineral based industries in Mizoram, Geology and Mining Wing, Directorate of Industries, Government of Mizoram, Aizawl.

In the bank of river such as Tut, Tuirial, Tuirini, Chemphai, Momcherra and Borai, good quality of clay, shell deposits are exposed. Coal seam of about 1 meter thickness has been identified in North west of Kolasib. Detail survey and investigation is being carried out about the feasibility of their extraction. Hydrocarbon ie. Oil and gas source rock is exposed in the eastern part of Mizoram. North Hlimen, Bukpui and Teiduhkan in Cachar border is the most feasible area for hydrocarbon exploration. Short term and long term planning is required for the exploration and exploitation of hydrocarbon in Mizoram. During the year 2003 an agreement has been made by the Government of Mizoram with O.N.G.C. and I.O.C. under The New Exploration Licence Policy, Government of India, to explore the potential of hydrocarbon available in Mizoram.

Mizoram, being a young state, the mineral resources are yet to be explored. For the proper utilization and exploitation of these mineral resources, lots of efforts and investigations have to be done.

2.5 ADMINISTRATION

The administrative history of Mizoram, formerly known as Lushai Hills can be traced from 1891 when the British annexed the hills. The region was then divided by the British in to two districts namely, North Lushai Hills and South Lushai Hills with their head quarters at Fort Aijal (now Aizawl) and Fort Lungleh (now Lunglei) respectively. The administration of the district was under a

superintendent each. Infact, the British Government was careful not to disturb the prevailing set up of the Mizo Society, virtually leaving the actual administration of the people at the hands of the Chiefs.

On April 1, 1898, the North and South Lushai Hill districts were amalgamated under a new name i.e. Lushai Hills.⁶ The new district was put under one administration as part of Assam. Since then Lushai Hills was administered by the Superintendent as a representative of the Viceroy of India.

With the Independence of India, the Lushai Hills was made an autonomous district under the sixth schedule of the Constitution of India. A regional Council was created in 1953 for the reigon inhabited by the Pawi, the Lakher and the Chakma.

In 1954, the Lushai Hill District was renamed as Mizo District by an Act of Parliament called Lushai Hills District (change of name) Act 1954. The next year i.e. in 1955 the Chieftainship was abolished and was replaced by the 'Village Council'.

Around this time political consciousness began to grow among the Mizos and consequently got momentum following a devastating famine known as 'Mautam', which ravaged the entire districts in 1959. Mautam, a phenomenon of fifty year cycle, has peculiar symptoms of widespread flowering of bamboo trees accompanied by an incredibly high proliferation of rats which came hoards, first

⁶ Rosanga, O. (1990): 'Economic History of Mizoram (1900-1940)', (Unpublished Ph. D Thesis), Department of History, Delhi University, p.35.

feeding on the bamboo flowers, then swarming over the paddy fields and other crops and devouring all the crops.

The distress of the devastating mautam famine left a mark in the heart of some Mizos and is interlinked with a secessionist movement with the aim of attaining independence as sovereignty for the Mizo Hills. Steadily the movement gained strength and eventually took up arms on February 28, 1966 in a bid to achieve its goal. The Mizo Hills was immediately declared a 'Disturbed Area' and security forces were inducted to maintain law and order.

On January 21, 1972, according to the provision of the North-Eastern Area (Reorganization) Act of 1971, the Mizo District was upgraded in to Union Territory and renamed as Mizoram. One of the first administrative moves taken by the Government of the new Union Territory was to divide Mizoram in to three districts, Aizawl, Lunglei and Chhimtuipui with their head quarter at Aizawl, Lunglei and Saiha respectively. The regional Council in the areas occupied by Pawi, Lakher and Chakma was also divided in to three Autonomous Districts viz – Mara, Lai and Chakma.

On the passage of the Constitution 53rd Amendment Bill and the State of Mizoram Bill (1986) by the parliament on August 7, 1986 Mizoram became the 23rd State of Indian Federation. Initially Mizoram State was divided into three districts, namely Aizawl, Lunglei and Chhimtuipui districts. For administrative purposes those districts were re-organized and four new Districts namely Mamit, Kolasib, Champhai and serchhip districts were created out

of old Aizawl District and Chhimtuipui district were divided in to two districts namely Lawngtlai and Saiha district just prior to Mizoram Assembly Election 1998.⁷

At present Mizoram has eight districts, three Autonomous District Councils, twenty three Subdivisions and twenty two Rural Development Blocks (Table 2.3 & 2.4). Aizawl District, the state capital is having three subdivisions- Aizawl Sadar, Sakawrdai and Saitual. Saiha, the remotest district bordering Myanmar is having only two subdivisions namely, Saiha and Tuipang. All other districts are having three subdivisions including the newly created districts of Mamit, Kolasib, Champhai and Serchhip. Besides having three subdivisions Lawngtlai district is also having two Autonomous District Councils i.e. Chakma and Lai Autonomous District Council while Mara Autonomous District Council falls under the jurisdictions of Saiha district.

⁷ Directorate of Information and Public Relations, Government of Mizoram, Aizawl.

TABLE: 2.3
NAME OF DISTRICTS WITH HEAD-QUARTER & SUB-DIVISIONS

Sl No	Name of the District	Head Quarter	Subdivision
1	Aizawl	Aizawl (Sadar)	Aizawl (Sadar), Sakawrdai, Saitual
2	Champhai	Champhai	Champhai, Khawzawl, Ngopa,
3	Kolasib	Kolasib	Kolasib, Vairengte, Kawnpui
4	Lawngtlai	Lawngtlai	Lawngtlai, Tuichhak, Chawngte
5	Lunglei	Lunglei	Lunglei, Hnahthial, Tlabung
6	Mamit	Mamit	Mamit, Kawrthah, West Phaileng
7	Saiha	Saiha	Saiha, Tuipang
8	Serchhip	Serchhip	Serchhip, North Vanlaiphai, Thenzawl

Source: Compiled from Statistical Handbook, Mizoram, various issues.

TABLE: 2.4
GEOGRAPHICAL AREA, POPULATION AND ADMINISTRATIVE
STRUCTURE OF MIZORAM
(2001)

Sl No	Name of District	Head Quarter	Area (sq.km)	Population (in number)	No of subdivision	No of R.D. Blocks
1	Aizawl	Aizawl	3576.31	325676	3	5
2	Champhai	Champhai	3185.83	108392	3	3
3	Kolasib	Kolasib	1382.51	65960	3	1
4	Lawngtlai	Lawngtlai	2557.10	73620	3	2
5	Lunglei	Lunglei	4538.00	137233	3	4
6	Mamit	Mamit	3025.75	62785	3	3
7	Saiha	Saiha	1399.00	61056	2	2
8	Serchhip	Serchhip	1421.60	53861	3	2
9	MIZORAM	AIZAWL	21087.00	888573	23	22

Source: Compiled from Statistical Handbook, Mizoram; Various issues.

The three Autonomous District Councils are located at the Southern part of Mizoram. Chakma and Lai Autonomous District

Councils are located in Lawngtlai District while Mara Autonomous District Council is located at Saiha District. (Table: 2.5)

TABLE: 2.5
AUTONOMOUS DISTRICT COUNCILS
WITH HEAD QUARTERS, AREA & POPULATION
(2001)

Sl. No	Name of Autonomous District	Head Quarter	Area sq.km	Population (in number)
1	Chakma	Kamalanagar	686.35	34529
2	Lai	Lawngtlai	1870.75	73620
3	Mara	Saiha	1399.90	61056
TOTAL			3957.00	169205

Source: Statistical Handbook, Mizoram, 2004.

Among the eight administrative districts Lunglei is the largest with an area of 4538 square kilometer and four Rural Development Blocks while Kolasib District is the smallest with an area of 1382.51 square kilometer. Each District is administered by a Deputy Commissioner while the Sub-Divisional Officer (civil) is the administrative head of the Sub-Division.

There are 22 Rural Development Blocks in the State, each under a Block Development Officer. According to the 2001 census, there are 22 Towns, 817 Villages in the state while 707 villages are inhabited and 110 villages are un-inhabited.

2.6 POPULATION PROFILE

(a) Size and Growth

The Population of Mizoram according to 2001 census is 8, 88,573. The Scheduled Tribe population in the state was 8,39,310 i.e. 94.45 per cent of the total population of the state. The Scheduled Caste population was only 272. The population consists of 459,109 males and 429,464 females, by which the sex ratio works out to be 935 females per 1000 males. The density of population as compared to other major states of India is still very low. Stated otherwise, the population is thinly distributed as compared to other states. The density of population in the state as per the latest Census is 42 per square kilometer while that of all India is 324 according to 2001 census. Table: 2.6 show the decadal variation of population in Mizoram during 1901 – 2001. In 1901 the total number of population in Mizoram was only 82,434 persons which increased to 8, 88,573 in 2001.⁸ This shows that during the last century, the population of Mizoram has increased by 8, 06, 139 persons, i.e. 978 percent. On an average, the population of Mizoram has increased by 80, 613 persons per decade during the period 1901 – 2001.

⁸ Final Population Totals, Census of India 2001, Series-16, Mizoram, Government of India. Directorate of Census Operations, Mizoram., p.1.

TABLE: 2.6
DECADAL VARIATION OF POPULATION IN MIZORAM
(1901 -2001)

Sl No	Year	Persons	Density (Per sq. km.)	Males	Females	Decadal variations	% of Decadal variations
1	1901	82434	4	39004	43430	-	-
2	1911	91204	4	43028	48176	+8770	10.64
3	1921	98406	5	46462	51754	+7202	7.90
4	1931	124404	4	59186	65218	+25998	26.42
5	1941	152786	7	73855	78931	+28382	22.81
6	1951	196202	9	96136	100066	+43416	28.42
7	1961	266063	13	132465	133598	+69861	35.61
8	1971	332390	16	170824	161566	+66327	24.93
9	1981	493757	23	257239	236518	+161367	48.55
10	1991	689756	33	358978	330778	+195999	39.69
11	2001	888573	42	459109	429464	+198817	28.82

Source: Census of India, 1981. Series - 31. Mizoram, Census of India, 1991. Series - 17. Mizoram and Census of India, 2001, Series - 16. Mizoram.

The decadal growth rate shows that the lowest growth rate, i.e. 7.90 percent was witnessed during 1911 -1921 where as the

highest growth rate, i.e. 48.55 percent was registered during 1971 - 81. However, the decennial growth rate of population during the period 1991 to 2001 was 28.82 per cent, which works out to be around 2.8 per cent per annum which was observed to be lower by 10.87 percent than the previous decade. The growth rate of population of the state has been higher than the national average in the past decade.

(b) District wise Distribution of Population

District wise distribution of population with density is given in table: 2.7. Since the area is hilly, the topography is not so much suitable for comfortable and heavy concentration of population in one locality and, also because the traditional system of occupation continues to be the mainstay for a large section of the society, the State has as many as 707 inhabited villages and 22 towns.⁹ The total number of households in the state is 176,134. Consequent upon the internal reorganization of the state in 1998, it now has eight districts carved out of the erstwhile three districts. The total population in the 22 notified towns is 441,006 and the rest 447,567 is distributed in the 707 villages which indicate that the average population in the villages is about 633. This again indicates that the distribution of population between rural and urban areas is 50.37 per cent and 49.63 per cent respectively. This indicates that the state is highly urbanized

⁹ Statistical Handbook of Mizoram, 2006; Directorate of Economics and Statistics, Government of Mizoram, Aizawl.

TABLE: 2.7
DISTRICTWISE AREAS AND POPULATION OF MIZORAM
(2001)

Sl No	Name of District	Area (sq/km)	Population	Density (per sq. km.)	Percentage of total population
1	Aizawl	3576.31	325676	91	36.65
2	Champhai	3185.83	108392	34	12.20
3	Kolasib	1382.51	65960	47	7.42
4	Lawngtlai	2557.10	73620	28	8.29
5	Lunglei	4538.00	137233	30	15.44
6	Mamit	3025.75	62785	21	7.07
7	Saiha	1399.00	61056	43	6.87
8	Serchhip	1421.60	53861	37	6.06
9	MIZORAM	21087.00	888573	42	100

Source: Statistical Handbook, Mizoram, 2004.

The heaviest concentration of population is in Aizawl District, the state capital with a population of 3,25,676 followed by Lunglei and

Champhai district. More than half of the total population of the state (64.29%) lives in these three districts alone. This may be due to the better infrastructural and other civic amenities available in these districts as compared to other parts of the state. Serchhip district with an area of 1421 square kilometer is having a total population of only 53,861 persons shows the lowest concentrations of human settlement.

The density of population is highest in Aizawl district which is about 91 as compared to the state average of 42. Mamit, the newly created district shows the lowest density of population (21). Lunglei, the second largest city in the state has the density of only 30 people while Kolasib district has 47, Saiha with 43 person. The over all density of population in the state is much below as compared to the national density of 324.

(c) Work Force and Occupational Structure

An important aspect of a countries population relates to the size and the structure of its total work force. The total number of healthy persons with capabilities to work constitutes the working population of a country. The workers participation rate or the proportion of population engaged in economic activities varies from one region to another depending upon several factors like age, sex, life expectancy, definition of worker, wage structure, attitude towards work and availability of work etc.¹⁰

¹⁰ Zonunthara, S.R. (2001): 'Working of Public Distribution System in Mizoram', (Unpublished Ph.D Thesis), Department of Economics, NEHU, Shillong, p.66.

TABLE: 2.8
OCCUPATIONAL STRUCTURES IN MIZORAM
(2001)

Sl. no	Category	Number	Percentage
1	Total population	888573	
2	Number of workers (Total work force)	467159	52.6%
3	Cultivators	256332	54.9%
4	Agricultural labourer	26783	5.7%
5	Household industrial workers	7100	1.5%
6	Other workers	176944	37.9%

Source: Mizoram at a glance; Directorate of Census Operations, Government of India. Aizawl, Mizoram.

The Occupational structure is given in table: 2.8 which clearly show the distribution of work force among various sectors of the economy. Occupational structure of a country means the distribution of work force in various activities or occupations. All occupations are broadly divided in to three groups, viz. (1) Primary or Agricultural sector, which includes cultivation and other occupation allied to agriculture, like animal husbandry, forestry,

fishery, horticulture etc. (2) Secondary or Industrial sector which includes large, medium and small manufacturing units, constructions etc. (3) Tertiary sector or Service sector includes trade, transport, communication, bank and other government and non-government services.

Agriculture is the major economic activity of a very large proportion of population in Mizoram and in India too. The total working population in Mizoram is 4,67,159 ¹¹ out of which there are 3,62,450 main workers and 10,4,709 marginal workers and 4,21,414 non-workers. At present about 70% of the population are engaged in agriculture. According to the 2001 census, 60.66% (cultivators and agricultural labourers) of the total work force is engaged in the primary sector of the economy (Table: 2.8) whereas only 1.5 percent and 37.9 per cent of the total work force is engaged in the secondary and tertiary sector respectively.

Census of 2001 reveals that out of the total population of 8,88,573 in the state, 3,62,450 were main workers, 1,04,709 were marginal workers and the rest 4,21,414 were non-workers. Main workers are those who worked for six months or more and the marginal workers are those who worked for less than six months.¹²Main workers constitute 40.8 per cent of the total population and the marginal workers constitute 11.8 per cent of the total population in the state. The work participation rate was 52.6 per cent in the state in 2001 as against 48.90 per cent in 1991 census.

¹¹ Economic Survey Mizoram 2007-2008, Programme and Planning Implementation Department, Government of Mizoram, Aizawl, p.6

¹² Ibid. p.92.

TABLE: 2.9
MAIN AND MARGINAL WORKERS IN MIZORAM
(1991 and 2001)

(in number)

Workers	1991 CENSUS			2001 CENSUS		
	Rural	Urban	Total	Rural	Urban	Total
MAIN WORKERS						
Male	99722	78289	178011	120662	104766	225428
Female	69615	42691	112306	80937	56085	137022
MARGINAL WORKERS						
Male	7048	8322	15370	18193	19387	37580
Female	13962	17696	31658	36252	30887	67129
Total	190347	146998	337345	256044	211115	467159
workers	(51.19)	(46.23)	(48.9)	(57.20)	(47.87)	(52.6)
Total	371810	317946	689756	447567	441006	888573
Persons						

Source: Economic Survey Mizoram 2007-2008, p.92.

Note: Figures in the brackets shows percentage of total work force.

According to the 2001 census, the proportions of workers in rural areas were higher (57.20%) than in urban areas (47.87%) in the state (Table: 2.9). The proportion of male and female workers to total work force worked out to 56.30 per cent and 47.70 per cent respectively in the year 2001.

Work participation rate which is defined as the percentage of total number of workers, both main and marginal to the total population has increased from 48.9 per cent in 1991 to 52.6 per cent in 2001 in the state. Champhai district recorded the highest work

participation rate of 62.85 per cent while Saiha district shows the lowest WPR with 44.19 per cent. The WPR in rural areas has indicates an increasing trend from 51.19 per cent in 1991 to 57.20 percent in 2001 while that of urban areas has increased from 46.23 per cent to 47.87 per cent.

(d) Literacy Level

Literacy level among the people is an important indicator of the quality of population of a country or state. As per the report of the National Sample Survey Organization (NSSO), Mizoram was declared as the top in literacy level among the other states in India with a literacy rate of 95 percent. However, the latest survey reveals that the literacy rate has been showing a decreasing trend over the years in the state.¹³ According to the 2001 census Kerala topped in the literacy level among other states in India with 90.9 per cent literacy level leaving Mizoram behind at the second position with 88.8 per cent literate persons.¹⁴

District wise literacy level is shown in Table: 2.10 which indicate that the over all literacy level in the state of Mizoram is 88.80 per cent. Aizawl district shows the highest level of literacy (96.5%) among its population while Lawngtlai district shows the lowest level of literacy with 64.7 per cent literacy level. However, the literacy rate in the state is much higher as compared with the national

¹³ State of the States, 'India Today', Vol. XXXII, No.38, 18-24 September 2007, p.48.

¹⁴ Statistical Handbook of Mizoram, (2004): Directorate of Economics and Statistics, Mizoram Aizawl. p.3.

level. While the literacy percentage in India is 64.8 in 2001, Mizoram is having 88.80 per cent literacy level.

TABLE: 2.10
DISTRICTWISE LITERACY RATE IN MIZORAM
(2001)

SL. NO	DISTRICT	LITERACY (in percentage)
1	Aizawl	96.50
2	Champhai	91.20
3	Kolasib	91.30
4	Lawngtlai	64.70
5	Lunglei	84.20
6	Mamit	79.10
7	Saiha	82.20
8	Serchhip	95.10
9	MIZORAM	88.80

Source: Statistical Handbook of Mizoram 2004. p.3.

2.7. ECONOMY

The economy of the state is mainly agrarian and solely depends on nature. Due to the unique topography of the state, there is a scarcity of plain and irrigable areas of land; a hill-type of shifting cultivation called jhumming is practiced by most of the cultivators. This type of cultivation follows a system in which the area of cultivation is shifted every year, leading to continuous deforestation and soil erosion. At present about 70% of the population are

engaged in agriculture. According to the 2001 census, 60.66% (cultivators and agricultural labourers) of the total work force are engaged in the primary sector of the economy (Table: 2.8) where as only 1.5 percent and 37.9 per cent of the total work force is engaged in the secondary and tertiary sector respectively.

(a) State Domestic Products

Estimate of State Domestic Product (SDP) is the most important single economic indicator to measure the overall economic development of a state. The State Domestic Product is defined as a measure in monetary terms of the volume of all goods and services produced within the boundaries of the State during a given period of time, usually one year, accounted without duplication. This covers all the goods and services produced within the State. Thus the 'goods' cover all possible items produced, for example, agricultural crops, livestock and livestock products, fish, forest products, mineral products, manufacturing of various consumer items for consumption, machinery, transport equipment, defence equipment and construction of buildings, roads, dams, bridges etc. Similarly, the 'services' cover a wide spectrum including medical and educational services, sanitary services, Government services etc. All goods and services produced during the period have to be included whether they are marketed i.e. exchanged for money or bartered or produced for own use. Another important feature of the measure is that it is an unduplicated value of output or in other

words only the value added at each stage of processing is taken into account while measuring the total.¹⁵

TABLE: 2.11
GSDP OF MIZORAM AT FACTOR COST BY ECONOMIC ACTIVITY
AT CONSTANT 1999-2000 PRICES
 (2005-08)
 (Rupees in lakhs)

Sl no	Industry	2005-06	2006-07	2007-08	% change over previous year
1	Agriculture, forestry and fishing	36189	37327	38507	3.16%
2	Mining and quarrying	793	798	803	0.63%
3	Manufacturing	3937	4274	4639	8.54%
4	Electricity, gas & water supply	8627	9050	9491	4.87%
5	Construction	25762	28499	29683	4.15%
6	Trade, hotels, transport and Communication	21672	22707	23949	5.47%
7	Financing, insurance, real estate & business services	46416	50819	55676	9.56%
8	Community, social and personal services	76754	83350	90040	8.03
9	TOTAL	220150	236824	252788	6.74%

Source: Economic Survey Mizoram, 2007-08, table 4.2, p. 17.

¹⁵ <http://www.sampark.chd.nic.in/>

The gross state domestic product (GSDP) at factor cost at constant prices during the year 2007-08 is Rs.2,52,788 lakhs as against Rs.2,36,824 lakhs for the year 2006-07 (Table : 2.11). The growth in GSDP during 2007-08 is estimated at 6.74 per cent as compared to the growth rate of 7.50 per cent in 2006-07 over the previous year. The over all growth has been contributed mainly by the high growth rate (over 8%) in the sectors of finance, insurance, real estate, business services, community, social and personal services.

The sectoral share of GSDP by industry of origin is displayed in table: 2.12, which clearly reveals that the pre dominance of service

TABLE: 2.12
SECTORAL SHARES TO GSDP
(2003-2008)

(in percentage)

SECTOR	YEAR				
	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and allied	16.95	16.98	16.44	15.76	15.23
Industry	18.46	17.08	17.77	18.00	17.65
Service	64.59	65.94	65.79	66.24	67.12
TOTAL	100	100	100	100	100

Source: Economic Survey Mizoram, 2007-08. p.20.

sector in terms of contribution to the State gross domestic product. Service sector has contributed the largest share of 67.12 per cent during 2007-08 (Table: 2.12) followed by Industry sector and

Agriculture and Allied sector with a share of 17.65 per cent and 15.23 per cent respectively.

The sectoral growth trend is also shows a noticeable trend. The service sector has grown at a steady rate, which implies that the structural changes have tilted in favour of service sector. The share of agriculture and allied sector in GSDP has shown a declining trend since 2004-05, which is not a favourable condition for a state like Mizoram, where majority of its population are still dependent on agriculture. The share of Industrial sector (including construction) is somehow shows an increasing trend. However, its contribution to the SDP is still very low at 17 per cent only, which may be attributed mainly due to the absence of any large industry in the state.

(b) Agriculture

The state economy is mainly agrarian, about 70 per cent of its total population is directly or indirectly dependent on agriculture. Due to the hilly topography of the state, there is a scarcity of plain areas where cultivation can be practiced with scientific methods, modern tools and on permanent basis. The agriculture is based on traditional system of shifting cultivation known as “jhuming”.

The years 2007 and 2008 are critical years¹⁶ for agriculture in Mizoram because of the onset of bamboo flowering which has adversely affect the food production in the state which in turn leads

¹⁶ Economic Survey Mizoram 2007-2008, Programme and Planning Implementation Department, Government of Mizoram. Aizawl, p.23.

to a famine like situation or “mautam”. Mautam, a phenomenon of fifty year cycle, has peculiar symptoms of widespread flowering of bamboo trees accompanied by an incredibly high proliferation of rats which came hoards, first feeding on the bamboo flowers, then swarming over the paddy fields and other crops and devouring all the crops.

The total geographical area of the state is 21,08,700 hectare in which 9.84 per cent is under fallow land and only 4.46 per cent is under net sown area (Table:2.13). The moderate slope areas are suitable for horticultural crops which cover about 21 per cent of total geographical area. Only 3 per cent of the total area is considered as available potential area for paddy and other seasonal crops. About 63 per cent of the total cropped area is under traditional “jhum” method of cultivation.

Paddy is the staple food of the people of Mizoram. The total production of paddy has decreased from 109,205 metric tones during 2002-03 to 60,131 Mt. during 2006-07; the area under rice cultivation has also decreased from 57067 hectare to 52853 during the same period (Table: 2.14). Rice yield per hectare during the year 2006-07 in the state is 1,770 kg which may be satisfactory compared to all India average of 1,913 kg. Besides rice, maize production occupies the second position in the state with 20969 M.T productions during 2006-07.

TABLE: 2.13
LAND UTILIZATION IN MIZORAM
(2006-07)

Sl. no	Area under	In '000 Hectare	Percentage of total
1	Forest	1593.700	75.57
2	Not available for cultivation	134.040	6.37
3	Other uncultivated land	79.230	3.76
4	Fallow land	207.543	9.84
5	Net sown area	94.187	4.46
6	TOTAL	2108.7	100

Source: Directorate of Agriculture and Minor Irrigation, Government of Mizoram, Aizawl.

TABLE: 2.14
AREA AND PRODUCTION OF PRINCIPAL CROPS
(2002 – 2007)

Year	2002-03		2003-04		2004-05		2005-06		2006-07	
	Area (ha)	Production (MT)								
Paddy	57067	109205	59196	114630	57085	107661	55754	99021	52853	60131
Maize	7489	14879	10481	20282	10505	19788	11742	22703	10775	20969
Pulses	4666	4986	4892	4313	6741	7971	6861	8663	5055	5833
Oil seeds	7132	5285	7532	5478	5817	5321	5870	5560	4077	3757
Sugarcane	1370	7443	1393	36174	1357	13565	1383	45953	1340	12187

Source: Economic Survey Mizoram, 2007-08. p.26.

The production of oilseeds has drastically decreased from 5285 MT in 2002-03 to 3757 MT in 2006-07. The above table shows that

there is a decline in both the area and production of principal crops during the period 2002-2007 in the state.

(c) Industry

Industrialization in Mizoram is at a very infantile stage. Under the complete absence of large and medium scale industries in the state, the industrial activities are confined to cottage and small scale industries. The entire state has been notified as backward and is categorized as “no industry state”. Weaving, bamboo and cane works, woodcarvings, pottery, blacksmithy and handicrafts have been the traditional household industries in Mizoram. However, these are mostly produced for home consumption till today.

The industrial or secondary sector which includes mining and quarrying, manufacturing, industry, construction, electricity, gas and water supply shared about 17.65 per cent to the total gross state domestic product (GSDP) during 2007-08.

The industrial development in the state is dominated by the small scale industrial units while most of the units are located in and around the capital city of Aizawl. There are 6332 registered small scale industrial units exists in the state in the year 2007¹⁷ while the state capital Aizawl shows the largest concentration of small scale industrial activities. Out of total 6332 small scale industrial units in the state in 2007, Aizawl district alone accommodate 4911 (77.56% of total industrial units) number of SSI units. Lunglei, the

¹⁷ Directorate of Industries, Government of Mizoram, Aizawl.

second largest city in the state have only 815 (12.87%) registered small scale units. Champhai, the district bordering Myanmar has only 79 registered small scale units. The newly constituted districts like Kolasib, Mamit and Serchhip shows very poor concentration of industrial activities which have only 85, 51, and 81 registered small scale industrial units respectively. This is mainly due to the poor infrastructural facilities faced by these newly constituted districts.

There are 73 different trades operating in the entire state of Mizoram¹⁸ which has been classified into 24 groups. The small scale industrial units includes food products like bakery and confectionery, pickle making, chow making, chips, ice cream etc, wood products and furniture's, knitting and tailoring, hosiery and garments, handlooms and handicrafts, steel fabrication, paper products and printing, bamboo products, leather and metal products, mini flour mills, computer and related activities, truck and bus body building, T.V. and electronics repairing units, chemical and chemical products, construction and related activities etc. and other miscellaneous manufacturing industries.

Metal products like steel fabrication, grills, shutters, gates, door and window frames, steel furniture's, utensils etc dominates the SSI sector which accounts for 16.59% (1051 units) of the total SSI units in the entire state in 2007. Wood products like carpentry works, furniture making, and mini saw mills etc. accounts for 13.75% (871 units) of the total SSI units in the state. Industrial units related to wood products are scattered all over the state. This

¹⁸ Directorate of Industries; Government of Mizoram, Aizawl.

is mainly due to the availability of plenty of forest resources in the state. These industrial units mostly cater the local needs.

The contribution of chemical and chemical products, machinery and apparatus, storage and warehousing is negligible due to the absence of any large and medium industry. Medical and health services shows only 0.078% of the total industrial units, which shows the poor medical facilities available in the state and indicates the most pathetic scenario of health care in the region.

(d) Infrastructure

Infrastructural facilities are a major factor on which the overall economic development of a country depends. Infrastructural facilities may be defined as capital of a society that is embodied in such forms as help direct productive activities.¹⁹ Infrastructure generally consists of transport and communications, power and electricity, water supply, banking and social overheads like health and education.

Basic indicators of infrastructure in Mizoram in 2007 are given in the table: 2.15. 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.

¹⁹ Agarwal, A.N. (1995): Indian Economy: Problems of Development and Planning, Wiley Eastern Limited, Delhi, p.144.

TABLE: 2.15
BASIC INDICATORS OF INFRA STRUCTURE IN MIZORAM
(2006-07)

1. Transport and communication

(a) Total road length	5783.51 kms.
(b) National Highway	886.00 kms.
(c) State Highway	698.84 kms.
(d) Surfaced Road	3938.95 kms.
(e) Unsurfaced Road	1844.56 kms.
(f) Total number of vehicles	58613 nos.
(g) Number of Post Offices	407 nos.
(h) Number of Telephone Exchanges	76 nos.
(i) Number of Cell phone provider	4 nos.
(j) Number of Air port	1 nos.
(k) Length of railway network	1.5 kms.

2. Electricity and Water Supply

(a) Installed Capacity	37.17 MW
(b) Number of villages electrified	570 nos.
(c) Per capita power consumption	155.69 KWH.
(d) Number of habitations with water supply	777 nos.

3. Health and education

(a) Number of Hospitals	10 nos.
(b) Community Health Centres	10 nos.
(c) Primary Health Centres	56 nos.
(d) Health Sub- Centres	366 nos.
(e) Birth rate	22.34 per'000

(f) Death rate	5.10 per'000
(g) Number of Primary School	1700 nos.
(h) Number of Middle school	1081 nos.
(i) Number of High School	502 nos.
(j) Number of H.S. School	80 nos.
(k) Number of College (including Law Colleges and Training Institutes	27 nos.
(l) Number of University (including ICFAI)	2 nos.

4. Finance and Banking

(a) Number of Banks	99 nos.
1. State Bank of India	26 branches.
2. UCO Bank	1 nos.
3. Vijaya Bank	1 nos.
4. Axis Bank	1 nos.
5. Industrial Development Bank of India	1 nos.
6. United Bank of India	1 nos.
7. Bank of Baroda	1 nos.
8. Punjab National Bank	1 nos.
9. Syndicate Bank	1 nos.
10. Mizoram Co-operative Apex Bank	11 nos.
11. Mizoram Rural Bank	54 nos.
(b) Total Deposits (Rs. in crores)	1345.12
(c) Total Advance (Rs. in crores)	760.24
(d) Credit Deposit Ratio	56.52%

Source: (1) Economic Survey Mizoram, 2007-08; Planning and Programme Implementation Department, Government of Mizoram.(2) Statistical Handbook Mizoram 2006; Directorate of Economics and Statistics, Government of Mizoam.

As such the road length per 1000 population is 6.50 kilometer. The number of motor vehicles per 1000 population in 2007 was 6.59 (Total-58613). The state is connected by meter gauge railway line with a total length of only 1.5 kilometer up to Bairabi. Besides, there is a Railway out agency at Aizawl and Public Reservation System at Lunglei which provides facilities for computerized railway booking for the people of the state. Mizoram has only one air port located at Lengpui near Aizawl which facilitates regular scheduled flights to and fro from Kolkatta, Guwahati and Imphal. There are 405 post offices and 76 telephone exchanges²⁰ in the state. Bharat Sanchar Nigam Limited (BSNL) has the exclusive monopoly in providing land line telephone services in the state while BSNL along with other three private service providers provides the cell phone services. Total number of landline subscribers in the state is 55,370 while the cell phone subscribers is 1, 71,296 up to 2007.

Mizoram is possessing vast potential of hydel power generation which is yet to be exploited. The installed capacity of power in the state is 37.75 mega watts (MW). The total consumption of electricity during 2006-07 was 151.22 MKWH while the domestic consumption is highest (66%) and the lowest is the industrial sector (2%), which reveals the backwardness of the sector. Out of total 707 inhabited villages in the state in 2001, 570 (80.60%) villages have been electrified. More over, 777 habitations in the state are equipped with safe drinking water supply either by piped supply system or by installing hand pumps.

²⁰ General Manager, BSNL, Aizawl, Mizoram.

There are 10 hospitals, 10 community health centres, 56 primary health centres and 366 health sub centres with 1645 beds in the state. The state has a Central University situated in the state capital Aizawl and campus of Institute of Chartered Financial Analyst of India (ICFAI) University. At present there are 27 Colleges including Law College and Training Institutes, 1700 Primary schools, 1081 Middle Schools, 502 High Schools and 80 Higher Secondary Schools.

As far as the Banking and Financial sector is concerned, the state shows a satisfactory progress. There are 99 branches of Banks functioning in the state including new generation bank like The Axis Bank. The total deposits with the Banks in 2007 was 1345.12 crore rupees (Table: 2.15) and the total advance is 760.24 crore rupees. The Credit Deposit ratio (CD) is 56.52 percent.

From the above it is clear that the state has inadequate infrastructural facilities to setup any large scale industry in the state though it has hydel power generation potential which if exploited fully may help in revenue generation to the state.

CHAPTER III

ROLE AND CONTRIBUTION OF COTTAGE AND SMALL SCALE INDUSTRIES IN ECONOMIC DEVELOPMENT

- *3.1- Meaning and Concept of Cottage and Small Scale Industries*
- *3.2- Cottage and Small Scale Industries- The Underlying Differences*
- *3.3- Registered and Unregistered SSI Units*
- *3.4- Role of Small Scale and Cottage Industries in Regional and Backward Area Development*
- *3.5- Role and Contribution of Small Scale Industries in Economic Development of India*
- *3.6- Specific Role of Small Scale and Cottage Industries in Mizoram*

3.1. MEANING AND CONCEPT OF COTTAGE AND SMALL SCALE INDUSTRIES

Cottage and small scale industries are defined in terms of investment in plant and machinery under section II B of Industries (Development and Regulation) Act 1951. The limit is revised from time to time to offset the impact of inflation and to meet the technological needs.

Cottage industry is the one which is run by an individual with the help of his family members with very little capital. Most of the cottage industries do not use power. According to the Fiscal Commission (1949-50) "*cottage industry is an industry which is run either as whole- time or part-time occupation with the full or partial help of the members of the family*". These industries are mostly run by the artisans in their own homes. The use of power and machines in these industries are very limited. The products produced in cottage industries are usually to satisfy the local demands. Number of hired-labour in this sector is very limited and the capital investment is also small. They are mostly located in villages and rural areas.

According to the Economic Commission of Asia and the Far East (ECAFE) "*cottage industries are those industries which are run fully or partially with the help of family members*"¹. In the words of Dhar and Lydall² "*cottage industries are mainly traditional industries*

¹ <http://www.ecafe.org/>

² Dhar P.N.and Lydall H. (1961): The Role of Small Enterprises in India's Economic Development, Asia Publishing House, Bombay.

which produce traditional goods with the traditional techniques". Examples of cottage industries are khadi industry, handicrafts, handlooms, cane and bamboo base industries, pottery, black smithy etc.

In India, the first official criterion for small scale industry dates back to the second Five Year Plan when it was defined in terms of gross investment in land, building, plant and machinery and the strength of the labour force.

In 1955 Small Scale Industries Board defined small scale industry as "*A unit employing less than 50 persons, if using power and less than 100 persons without the use of power and with capital assets not exceeding rupees five lakhs*"³.

The Ministry of Commerce and Industries modified the above definition in 1960 on the recommendation of the Small Scale Industries Board. According to it "*small industries will include all industrial units with a capital investment of not more than rupees five lakhs, irrespective of the number of persons employed*"⁴. Thus, this revision has enlarged the scope of employment opportunities in small scale sector, but the investment ceiling remains unchanged.

In 1972, the Government of India constituted a Committee for drafting legislation for small-scale industries, which suggested that

³ Small Scale Industries Board, quoted by Desai, Vasant. (1983), Organisation and Management of Small Scale Industries. Himalaya Publishing House, New Delhi, p.4.

⁴ Government of India, Ministry of Commerce and Industries, letter No.12 SSI(A) 136/137 dated 4th January 1960.

the small-scale industries might be classified in to the following three categories.⁵

a. Tiny Industry

Tiny units are those in which the investments in fixed assets are less than Rs. 1 lakh or Rs. 4000/- per worker and the annual turn-over does not exceed Rs. 5 lakh.

b. Small Industry

Small industry is one in which capital investment in fixed assets does not exceed Rs. 7.5 lakh irrespective of the number of persons employed.

c. Ancillary Industry

An ancillary unit is the one rendering services and supplying or proposing to render 50 percent of its production or total services, as the case may be, to other units for production of other articles. Moreover, such a unit should not be owned or controlled by any undertaking. The limit for investment in fixed assets of such an industry is fixed at Rs. 10 lakh.

The Industrial Policy of 1980, announced on July, 23 has revised the ceiling limits of investment in plant and machinery for small scale industries. According to the Industrial Policy resolution of 1980, the investment limit in small scale industries has been

⁵ Khan.R.R. (1979): Management of Small Scale Industries, S. Chand & Co. Ltd. New Delhi.p2

increased with a view to develop these industries. In case of small ancillary industries, the limit has been revised from Rs. 15 lakh to Rs. 25 lakh and for tiny industries it has been raised to Rs. 12 lakh from Rs. 1 lakh.

In March 1985, the Government has again revised the investment limit of small scale undertakings to Rs. 35 lakh. As per the Industrial Policy Resolution of 1990, the investment limit in plant and machinery for small scale industries has been raised to Rs. 60 lakh and correspondingly for ancillary units from Rs 45 lakh to Rs. 75 lakh.

In 1997, on the recommendation of Abid Hussain Committee, the Government has raised the investment limit in plant and machinery for small units and ancillaries from Rs. 60/75 lakh to Rs. 3 crore and that for tiny units from Rs.5 lakh to Rs. 25 lakh.

In 2000, the Union Government has reduced the investment limit in plant and machinery for small scale units from Rs. 3 crore to Rs. 1 crore. However the investment ceilings for tiny industries remain unchanged to Rs. 25 lakh.

In accordance with the provision of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006. the micro, small and medium enterprises are classified into two classes-

- a. Manufacturing Enterprises- The enterprise engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries

(Development and Regulation) Act, 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery.

- b. Service Sector- The enterprises engaged in producing or rendering of services and is defined in terms of investment in plant and machinery.

The limit for investment in plant and machinery for manufacturing and service enterprises are given in table 3.1 & table 3.2.

TABLE- 3.1
INVESTMENT LIMIT IN MANUFACTURING SECTOR

Enterprises	Investment in plant and machinery
Micro-enterprises	Does not exceed twenty five lakh rupees.
Small enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium enterprises	More than five crore rupees but does not exceed ten crore rupees.

Source: Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

TABLE -3.2
INVESTMENT LIMIT IN SERVICE SECTOR

Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

The definition of small scale industries has undergone changes over the years in terms of investment limits to boost up the development of this sector (Table-3.3).

TABLE-3.3
CHANGES IN THE DEFINITION OF SMALL SCALE INDUSTRIES IN TERMS OF INVESTMENT LIMITS

Sl. No	Year	Investment limits in plant and machinery	Additional Conditions
1	1955	Up to Rs. 5 lakhs	Less than 50/100 persons with/without power
2	1960	Up to Rs. 5 lakhs	No conditions
3	1966	Up to Rs. 7.5 lakhs	No conditions
4	1975	Up to Rs.10 lakhs	No conditions
5	1980	Up to Rs. 20 lakhs	No conditions
6	1985	Up to Rs. 35 lakhs	No conditions
7	1991	Up to Rs. 60lakhs	No conditions
8	1997	Up to Rs. 3 crores	No condition
9	2000	Up to Rs. 1 crore	No Condition
10	2006	Up to Rs. 5 crores	No conditions

Source: Compiled from various Acts and Notifications.

At present small scale industry (Micro, Small and Medium Manufacturing Enterprises) is defined as an industrial undertaking which is engaged in manufacturing, preservation, processing, mining and quarrying or assembling and in which the investment in fixed assets in plant and machinery whether held on ownership terms, on lease or on hire purchase does not exceed Rs. 5 crore ⁶ subject to the condition that the unit is not owned, controlled or subsidiary of any other industrial undertakings.

Small scale service sector enterprises (Micro, Small and Medium Enterprises) is defined as an enterprises engaged in producing or rendering of services of which investment in plant and machinery does not exceed Rs. 2 crore.

3.2 COTTAGE AND SMALL SCALE INDUSTRIES - THE UNDERLYING DIFFERENCES.

The Fiscal Commission remarks⁷ over the distinction of cottage and small scale industry is that *“Cottage industries are normally associated with agriculture in rural areas and provide part-time employment to the agricultural labourers, while small scale industries are established in urban and sub-urban areas and provide full time employment to the labourers”*.

The main difference as mentioned in First Five Year Plan (1951-56) between cottage and small scale industries are⁸:

⁶ Micro, Small and Medium Enterprise Development (MSMED) Act, 2006.

⁷ Jain.T.R.(2005): Indian Economy, V.K.Publications, New Delhi.p.271

⁸Government of India, Planning Commission, the First Five Year Plan. p.17

1. Cottage Industries are mainly located in villages although they are scattered all over the country while small-scale industries are mostly located in urban and suburban areas.
2. Cottage industry normally do not employ hired-labour as these units are primarily run by the members of the family at their own premises while small-scale industries produce goods with partially or wholly mechanized equipment employing outside labourers. Negligible or no capital is invested in cottage industries and production is done by hand with simple tools.
3. Small scale industrial units employ wage earning labour and production is done by the use of modern techniques which involves capital investments.
4. Small-scale industrial units use modern sophisticated machines run by power while in cottage industries the production is done by hand without the use of power.
5. The products of cottage industries usually meet local demands and supply ancillary goods to small-scale industries while the products of small-scale industries meet the demands for a larger area.

6. Small scale industries are located as separated establishment but cottage industries are located in the homes of the artisans.
7. Traditional goods like khadi, mattress, shoes, candle, cane and bamboo products are produced in cottage industries while small-scale industries produces many modern goods like radio, television, mixer-grinder etc.

3.3- REGISTERED AND UNREGISTERED SSI UNITS

Registration in the small-scale industrial unit is voluntary and solely depends on the desire of the proprietor or entrepreneur. The registration is done with the District Industries Centre (DICs) or the Directorate of Industries. Initially the registration is given on a temporary basis and subsequently, on the request of the concerned entrepreneur, permanent registration is granted. However, as far as the manufacturing units are concerned, their registration is mandatory under section 2m (i), and 2m (ii) of the Factories Act⁹. Besides, some state governments notify certain industrial activities for mandatory registration¹⁰, although they do not conform to the criteria laid down under Sections 2m (i) and 2m (ii). Such registrations are done under Sections 85 (i) or 85 (ii) by the concerned state governments.¹¹

⁹ Section 2m (i) refers to units engaging 10 or more workers and using power, where as Section 2m (ii) refers to units engaging 20 or more workers and not using power.

¹⁰ Government of India, (2004): Final Results, Third All India Census of Small Scale Industries 2001-2002, Ministry of Small Scale Industries. New Delhi, p.15.

¹¹ Section 85 (i) refers to units engaging less than 10 workers and using power and Section 85 (ii) refers to those units engaging less than 20 workers and not using power.

To obtain the knowledge regarding the activities of the small scale industrial sector and to improve the information-base of this sector, the Office of the Development Commissioner (Small-Scale Industries) of the Government of India has conducted three all India census so far. The first census was conducted in 1973-74 in respect of 2.58 lakhs SSI units registered up to 30.11.1973. The second census was conducted during 1990-91 in respect of 9.87 lakhs SSI units registered up to 31.3.1988. The latest and the most ambitious was the Third Census conducted during 2002-03 with reference year being 2001-02. In addition to 13.75 lakhs registered SSI units, this Census also covered 91.46 lakhs unregistered units making up a total of 105.21 lakhs SSI units. Collection of data for the unregistered SSI sector along with the registered SSI sector has considerably enhanced the information-base on the total SSI sector.

3.4- ROLE OF SMALL SCALE AND COTTAGE INDUSTRIES IN REGIONAL AND BACKWARD AREA DEVELOPMENT

'Backward area or backward region' is a term used to denote the backwardness of a particular region as compared to the other parts of the country. The reason of backwardness may be economic, geographical, political, social or cultural. Among the various causes, economic reason is the most prominent one.

Industrialization plays a very important role in economic development of a backward region. This is why *'industrial development'* occupies priority in the policy of regional

development. *“The concept of regional development was originated from the ideas of Stalin. The Burlow Commission in 1937 and the Political and Economic Planning Group in 1939 had mentioned about the need of regional development and thereby stressed the need for dispersal of some relevant industries in backward areas. By the term regional development we mean the attainment of economic development of a particular region of the country. Thus it also includes the process and the strategy to be adopted for the economic development of particular region along with other regions of the country.”*¹²

Backward area development is necessary for overall development of the country. In the absence of regional development of backward areas the industrial activities will be confined to a few selected areas of the country. This leads to unequal distribution of income and industrial development. Moreover, the main aim of regional development is to secure maximum efficiency in the utilization and exploitation of available resources would remain unfulfilled.

Regional development contributes and helps in the involvement and empowerment of common people by demolishing the geographical boundaries. It leads to an equitable distribution of employment opportunities and helps in reducing per capita income among different regions. It also helps to check rural-urban migration and the concentration of population and industry in a few big industrial centers of developed region and also reduces the growth of agglomeration.

¹² Dhar, P.K. (1991): Economy of Assam, Kalyani Publishers, New Delhi. p.3

Industrialization is the crying need of the hour and rapid development of industries in backward areas can be achieved only through promotion of small-scale industries.¹³ Small-scale industries can have profound influence by raising income level of the rural people, creating employment in our economy by diversification of production through ancillarisation, diffusion of ownership through the promotion of local entrepreneurship and geographical dispersal of industrial activities by setting up industries based on local resources.

The main aim of Small Scale Industries Development Programmes in various Five Year Plans is through equitable dispersal of industries for balanced regional development. The second five year plan while elaborating on this strategy stated “*Industrial expansion on the periphery of large towns could scarcely be said to reduce the concentration of industry, what needed therefore was a pattern of industrial activity in which a group of villages converging on their natural industrial and urban centre form a unit or to use the Karve Committee’s expression, a pyramid of industry based on a progressive rural economy.*”¹⁴

The main reason behind SSI Development is to initiate regional industrial balance by counteracting or neutralizing as far as possible the polarization of industrial activities within developed regions. With the development of small-scale industries in

¹³ Chowdhury, A. (2004): ‘Financing of Small Scale Industries in Assam- A case study of Kamrup district’, (Unpublished Ph.D Thesis), Deptt. of Economics, A.M.U. Aligarh, U.P. p.33.

¹⁴<http://planningcommission.nic.in/>

backward regions it is possible to maximize utilization of local resources both natural and human and it helps to minimize inter-regional gaps.

Since independence the Government of India has provided various incentives and concessions from time to time to promote industrialization in backward areas. The programme of industrial estates, rural industries projects, provision of capital and transport subsidies to those units located in the identified backward districts or regions, fiscal concessions to industries in backward areas and District Industries Centre (DIC) programmes were formulated and designed to promote and foster dispersed and decentralized industrial growth and thereby reduce regional disparities. Moreover, the government has set up various financial institutions for relieving and alleviating backwardness.

Institutions like “*National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), National Bank for Agricultural and Rural Development (NABARD), and Small Industries Development Bank of India (SIDBI)* were set up to promote and assist small-scale industries in backward or rural areas of the country. The Government of India has created the Rural Infrastructure Development Fund in NABARD to create infrastructure such as irrigation, roads, bridges, and market yards in rural areas.”¹⁵

The Khadi and Village Industries Commission is also helping the rural people in the village and cottage industries by providing

¹⁵ Kulkarni, P.R. (2001) ‘Financial Structure for backward Area Development’, SEDME (Small Enterprise Development Management and Extension) Journal, Vol-28. No.2. June, p.61.

various incentives and organizing various training programmes thereby increasing employment avenues in rural and backward areas. The Regional Rural Banks (RRBs) were also set up in 1975, which increased the scope of village and cottage industries. The RRBs used to provide various types of loans to the artisans and entrepreneurs in rural areas at concessional terms. The SIDBI and Commercial Banks are also playing crucial role in development and promotion of cottage and small scale sector in backward areas. The SIDBI is also operating various schemes such as Micro-credit, Mahila Vikas Nidhi, Rural Industries Programme, and Adoption of Clusters for Technology upgradation etc, to boost up industrial development in backward areas.

In spite of all these efforts, the distribution of small scale industries in our country is highly uneven. Some areas like Maharashtra, Andhra Pradesh, Haryana, U.P. and Gujrat etc are highly industrialized while the North-Eastern States, Bihar, Jammu & Kashmir, Himachal Pradesh etc are lagging far behind in industrialization. More than 50 percent of the districts in these States do not have significant number of SSI units. In practice SSI faces a lopsided regional growth due to lack of proper infrastructure for small-scale industries in various States.

But still we can be proud that, since independence we have achieved a high degree of self reliance and have created a strong industrial base for meeting the domestic requirements of the economy by introducing a wide variety of products. Many new medium and small scale industries have emerged and

entrepreneurial base has also been widened. The greatest achievement of the government policy measure is that, industry has spread in those backward and inaccessible areas where it did not exist earlier.

Now, the government should also play an important role in the liberalized set up in order to grow the industries in a balanced manner and infrastructure development should be initiated on a widespread basis so that the first generation entrepreneurs find it profitable to invest in areas that still remain unindustrialized.

Finally, 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 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.¹⁶

¹⁶ ICSI Herald, Vol-IX, No.9 & 10, September-October. 1998. p.19.

3.5- ROLE AND CONTRIBUTION OF SMALL SCALE INDUSTRIES IN ECONOMIC DEVELOPMENT OF INDIA

The role and importance of Small Scale, Village and Cottage Industries has equally been felt even in countries which are classic lands of big business and industrial set-ups. Such industries are very common in Japan, U.S.A., Switzerland, Sweden and several other countries.

In an over populated and developing country, like ours, the Small Scale and Cottage Industries have a vital role to play and therefore, it occupies a definite and important place in the upliftment of the rural economy of the region. The Government, at the Centre has made a clear announcement on the importance attached to this sector of Industries in its programmes and plan-outlays, from time to time for utilization of the massive manpower in both the rural and the urban areas.

The small scale industrial (SSI) sector is a vital constituent of India's industrial sector. It plays a prominent role in over all economic development of the country and contributes significantly to India's Gross Domestic Products and export earnings besides meeting the social objectives including that of providing employment opportunities to millions of people across the country, income equality, balanced regional development and creation of strong entrepreneurial base.

The SSI sector covers a wide variety of industrial activities categorized as under –

- (a) Village and cottage industries (VCI),
- (b) Small scale industries (SSI),
- (c) Ancillary industries (ANC),
- (d) Export oriented units (EOUs),
- (e) Small-scale service enterprises (SSSEs),
- (f) Small-scale business (industry related) enterprises (SSBEs)
- (g) Women enterprises.

The small-scale and cottage industries have an important role in India's industrial and economic development-

3.5.1. EXPANSION OF SSI SECTOR AND ITS OUTPUT

The small- scale industrial sector has recorded a high growth rate since independence inspite of stiff competition from the large sector and not so encouraging support from the government. This is evidenced by the number of registered units which went up from mere 16,000 units in 1950 to 36,000 units in 1961 and to 33.7 lakh units in 2000-2001.¹⁷ During the last decade alone, the small-scale sector has progressed from production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro-wave components, electro-medical equipments, T.V. sets etc.

¹⁷ Datt, R. and Sundaram, K.P.M (2007): Indian Economy, S. Chand & Company Ltd, New Delhi,p.677

Growth and contribution of small-scale industries during the period 1994-96 to 2004-05 is given in table: 3.4. It is clear from the above table that the number of units in SSI sector was 79.6 lakhs. This number has steadily risen to 118.6 lakhs during the year 2004-05. The annual average growth rate of this sector was 4.1 percent during this period.

TABLE: 3.4
GROWTH, PRODUCTION, EMPLOYMENT AND EXPORT IN SSI SECTOR
(1994-95 to 2004-05)

Year	No. of units (in lakh)	Production (Rs. crore)	Employment (in lakh)	Export (Rs. crore)
1994-95	79.6 (4.1)	1,22,154 (23.6)	191.4 (4.8)	29.068 (14.9)
1995-96	82.8 (4.1)	1,47,712 (20.9)	197.9 (3.4)	36,470 (25.5)
1996-97	86.2 (4.1)	1,67,805 (13.6)	205.9 (4.0)	39.248 (7.6)
1997-98	89.7 (4.1)	1,87,217 (11.6)	213.2 (3.5)	44,442 (13.2)
1998-99	93.4 (4.1)	2,10,454 (12.4)	220.6 (3.5)	48,979 (10.2)
1999-2000	97.2 (4.1)	2,33,760 (11.1)	229.1 (3.9)	54,200 (10.7)
2000-01	101.1 (4.1)	2,61,297 (11.8)	239.1 (4.4)	69,796 (28.8)
2001-02	105.2 (4.1)	2,82,270 (8.0)	249.1 (4.2)	71.244 (2.1)
2002-03	109.5 (4.1)	3,11,993 (10.5)	260.2 (4.4)	86,013 (20.7)
2003-04	114.0 (4.1)	3,57,733 (14.7)	271.4 (4.3)	97,644 (13.5)
2004-2005	118.6 (4.1)	4,18,263 (16.9)	282.6 (4.1)	1,24,417 (27.4)

Source: (1) Reserve Bank of India, Handbook of Statistics on the Indian Economy 2004-05. Mumbai, Table 34, p.77. (2) Ministry of Small-Scale Industries as given in Economic Survey, 2006-07.p.166. Note: Figures in brackets indicate the percentage growth over the previous year.

As far as the output of the SSI unit is concerned, it was Rs. 1,22,154 crore in 1994-95 and this has considerably risen to Rs. 4,18,263 crore in 2004-2005 (at current prices). Production in SSI

sector during the last ten years has recorded an annual average growth rate of 8.6 percent. The share of small-scale industries in the countries industrial output is around 39 percent.¹⁸

3.5.2. EMPLOYMENT GENERATION

A Small Scale or a Cottage Industry is labour -oriented and labour-intensive with relatively high labour-investment ratio. A given amount of capital invested in this sector of industries is likely to provide more employment, at least in short run, than the same amount invested in a large industry. It is estimated that an investment of Rs.1.00 lakh, in fixed assets, in a large industry may create, on an average, employment to 2-4 persons whereas the same amount of investment made in a small-scale industry, for the same purpose, might do so for 10-12 persons¹⁹. This is one of the main considerations for an overpopulated and developing country, where millions of people are either unemployed or underemployed, to utilize the possible potentiality of this sector for providing employment opportunity not only to the educated and technical manpower but also to the unlimited labour force which have been increasing, day by day, at a relatively low capital cost and very short gestation period.

Further, the encouragement to small scale and cottage sector would, no doubt, serve to counter the seasonal un-employment of the agricultural labour force and thus utilize it which otherwise

¹⁸ Misra, S.K. and Puri, V.K. (2007): Indian Economy, Himalaya Publishing House, Mumbai, p.475.

¹⁹ District Industries Centre (1993): Small Scale, Village and Cottage Industries in Meghalaya- A Guide to the Entrepreneurs, East Khasi Hills, Shillong, Meghalaya.

would go waste. The small-scale industrial sector has employed a total of 191.4 lakh people in 1994-95 (table-3.4) and this number has consistently risen to 282.6 lakh people in 2004-05. Within the manufacturing sector itself, small and cottage industrial sector contributes about four-fifths of manufacturing employment in India. Given the acute unemployment, underemployment and disguised unemployment problem in India, creation of employment opportunities will depend crucially to the development of small-scale and cottage industries. This would be clear from the fact that while employment in the industrial sector as a whole including large scale, medium scale and small scale has increased by only 2.21 percent per annum over the period from 1972 to 1987-88, employment in small-scale sector grew at the rate of 5.45 percent per annum over the same period.²⁰ As far as the future prospects of small-scale and cottage industry is concerned, the rural non-farm sector accounting for about 22 percent of rural employment can play a crucial role in the further expansion of employment opportunities in the rural areas. An important constituent of this sector is the manufacturing activity consisting mainly of textile-based and agro-based products and units producing construction materials. In urban areas employment potential seems to be the largest in the non-household and tiny units of the manufacturing sector.²¹

Obviously, the growth rate of small scale industrial sector has been faster both in terms of output and employment. In other words, the

²⁰ Goldar, B. (1993), 'Employment Growth in Modern Small Scale Industries in India', Journal of Indian School of Political Economy, Vol.V, No. 4, p.658.

²¹ Papola, T.S. (2004): 'The Question of Unemployment' in Bimal Jalan (ed.), The Indian Economy, Problems and Prospects, Himalaya Publishing House, New Delhi, p.358.

output employment ratio for the small-scale sector is 1:1.4. The rapid growth of the small-scale industries has a great relevance in our national economic policies. The growth of small-scale sector improves the production of non-durable consumer goods of mass consumption. As such, it acts as an anti-inflationary force. If a big push is given to the small sector, it can become a stabilizing factor in a capital-scarce economy like India by providing a higher capital-output ratio as well as a higher capital employment ratio.

3.5.3. EFFICIENCY OF SMALL SCALE INDUSTRY

Unlike a large industry, which calls for a great deal of technical skill and manpower viz. engineers, foremen, accountants and so on, a small scale industry is relatively skill light and provides the entrepreneurs every opportunity to broaden his technical and managerial capability. Large industries require imported machineries, materials and technical know-how, small scale industries, generally, are less dependent on foreign machineries, raw-materials and they, being skill light, are “*quick yielding types*”, i.e. the time lag between execution of the project investment and commencement production is relatively short. Thus, low import intensity in the capital structure of the Small Scale Sector reduces the need of foreign capital or, foreign exchange earnings and obviates the difficulty in balance of payment, on one hand and also compromises between the highly inflationary potential, on the other. That is, this sector tries to arrest inflation simultaneously gearing up the rapid rise in the standard of living of the people because of their low capital intensity and less gestation period.

There is always a controversy over the issue of efficiency of small-scale industry vis-à-vis large scale industries. While some studies have pointed out that small-scale industries are more efficient, others point out that large scale industries are more efficient. Dhar and Lydall²² have under taken a study on the relative efficiency of small-scale industries in India during last fifties. They concluded that modern small-scale industry is fairly capital intensive; these units do not generate more employment per unit of capital than large scale industry. Similar conclusions were reached by Sandesara in a study conducted for the period 1953-58. Sandesara²³ found that, for a given volume of investment, small-scale units neither generate more employment nor produce more output compared to large scale units. Goldar²⁴ found that SSIs generally have low labour productivity, high capital productivity, low capital intensity and low total factor productivity. He inferred that modern small scale sector is relatively inefficient as compared to large scale industries in a large number of industries. He also found that the efficiency of SSIs varies directly with capital intensity, so that the SSIs can not be relied as a source of efficient employment generation.

However, there are some other studies which prove that small scale units are more efficient as compared to large scale industries. An important study on the efficiency of small scale industries was

²² Dhar, P.N. and Lydall. H, opcit.pp. 358-60.

²³ Sandesara, J.C. (1969), 'Size and Capital Intensity in Indian Industry: Some comments', Oxford Bulletin of Economics and Statistics, Vol.31, No.1.

²⁴ Goldar, B. (1988), 'Relative Efficiency of Modern Small Scale Industries in India', in Suri, K.B. (ed), Small Scale Enterprises in Industrial Development: The Indian Experience, Sage Publications, New Delhi, pp. 185-89.

conducted by SIDBI²⁵ Team in 1999 in association with National Council of Applied Economic Research. The study covers the period 1980-94, and reveals that the small scale industries, by investing only 7 percent to 15 percent of the total manufacturing sector's capital contribute to nearly one-fifth of the total industrial output and 35 to 40 percent of total employment in the industrial sector. The estimated relative total factor productivity of small scale industries during the study period is greater than one; suggesting that at the all India level, the small scale sector is more efficient than the large scale sector.

The employment potentiality is a major factor while discussing the efficiency of industries in a labour abundant country like India. Comparison of the SSI sector with large manufacturing sector made for the year 2001-02 by the Census Report²⁶ shows that small scale sector is a better employment generating sector. The employment generated by the small scale sector per Rs. One lakh investment was 1.39, as against only 0.20 in respect of the large manufacturing sector. This means that the organized large scale sector requires an investment of Rs. 5 lakhs to generate employment to one person while the unorganized small scale sector generates employment for seven persons with the same investment. With regard to investment-output ratio also, the small scale sector fared almost at par with the large scale sector- an investment of about Rs. 43,000 was required in the large scale sector to generate an output worth Rs. one lakh, whereas in the SSI sector,

²⁵ Small Industries Development of India, (1999), SIDBI Report on Small Scale Industrial Sector 1999. Lucknow.p.29.

²⁶ Government of India, (2004), Final Results: Third All India Census of Small Scale Industries 2001-02, Ministry of Small Scale Industries. New Delhi, p.68.

marginally higher investment of Rs. 48,000 is required to generate the same amount of output²⁷.

3.5.4. EQUITABLE DISTRIBUTION OF NATIONAL INCOME

Removal of inequalities in income distribution is one of the main objectives of India's successive five year plans. Development of small scale and cottage industries has contributed a lot to achieve the objective of our five year plans. Small scale and cottage industries are instrumental in the equal distribution of wealth and income. The income generated in large number of small scale and cottage industries are dispersed more widely in the community and also among different geographical regions as compared to the income generated by few large industries. In small scale industries the industrial capital is not concentrated in a few hands rather it is widely distributed in small quantities among large number of people throughout the country. In other words, the income benefit of small scale and cottage industry is derived by a large population while large industries more concentration of economic power. In this way small enterprises bring about greater equality in income distribution. Most of the small enterprises are either proprietary or partnership concerned, hence the relationship between the workers or the employers are more harmonious in small industry than in large industry.

Dhar and Lydall consider this argument as fallacious. Statistical evidence suggests that "*there is a common tendency in all countries,*

²⁷ Government of India, (2004), Final Results: Third All India Census of Small Scale Industries 2001-02, Ministry of Small Scale Industries. New Delhi. Table 50, p.68.

for the average wage to be lower in small factories than in large factories". Moreover, the virtual non-existence of trade unions in small factories enables the employers to exploit the workers to the maximum. Thus, it is true that the workers in small factories are neither economically better off than in large industries, nor do they obtain more benefits under social security schemes.

There is no doubt that the argument of Dhar and lydall does have some force on it. But on the contrary, it is also true that in a developing country like India, where unemployment, under employment and disguised unemployment is rampant, the low paid job is accepted under circumstances. In the absence of small enterprises, the workers have to lose even the small wage which they hope to get. Moreover, by a more effective implementation of the existing factory laws, the exploitation in small industry can be minimized. Thus there is no denying fact that small scale and cottage industries encourage the distribution of national income and wealth more equally among large number of population and region of the country.²⁸

3.5.5. CONTRIBUTIONS TO EXPORTS

During the post independence period and especially after the Second Five Year Plan, large numbers of modern small scale industries were established in India. As a result, the contribution of small scale industries in India's export earnings has achieved significant position. Small scale industrial sector plays a major role

²⁸ Datt, R. and Sundaram, K.P.M (2007): Indian Economy, S. Chand & Company Ltd, New Delhi. p.683.

in India's present export performance. About 45-50 percent of the Indian Exports is being contributed by SSI Sector²⁹. Direct exports from the SSI Sector account for nearly 35 percent of total exports. The number of small scale units that undertake direct exports would be more than 5000.

Besides direct export, it is estimated that small scale industrial units contribute around 15 percent to exports indirectly. This takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components for use for finished exportable goods. It would surprise many to know that non-traditional products account for more than 95 percent of the SSI exports³⁰. The exports from SSI sector have been clocking excellent growth rates in this decade. It has been mostly fuelled by the performance of garment, leather and gems and jewellery units from this sector. The lucrative product groups where the SSI sector dominates in exports are sports goods, readymade garments, woolen garments and knitwear, plastic products, processed food and leather products.

The major thrust areas for SSI exports are agriculture and allied, chemicals, plastic items, leather and textile product groups. The United States and European Union have been identified as the

²⁹ <http://smallindustryindia.com/ssiindia/performance.htm>.

³⁰ <http://smallindustryindia.com/ssiindia/exportmkt.htm>.

potential markets for textile whereas export of chemicals product groups holds a potential for Japan. Another interesting feature to note is the consistent increase in the percentage share of SSI Exports in the field of electronics and computer software. The percentage share in the field of electronics and computer export has more than doubled from 5.40 percent in the year 1999-2000 to 13.12 percent in 2001-2002³¹.

While bulk of the SSI export consists of such non-traditional items like readymade garments, sports goods, finished leather, leather products, processed foods, chemical and chemical products and a large number of engineering goods, states like Madhya Pradesh, Uttar Pradesh, Jharkhand, Karnataka, West Bengal and Maharashtra together accounted for 55.41% of the total exporting units in the country. The total export of small scale industrial products has increased from Rs. 155 crores to Rs.1, 24,417 crores in 2004-05 (Table-3.4) which signifies an increase in the total share of small scale industries in the total export of the country from 9.6 percent in 1971-72 to 33.1 percent in 2004-05.

3.5.6. MOBILISATION OF CAPITAL AND ENTREPRENEURIAL SKILL

A country like India, where capital and entrepreneurial skill is scarce; the small scale industrial sector has a distinct advantage so

³¹ Ibid.

far as the mobilization of capital and entrepreneurial skill is concerned. A large number of entrepreneurs are spread over small villages and towns throughout the country. Obviously large industries can not utilize them as effectively as the cottage and small scale industry does. This is mainly because cottage and small scale industries are distributed over the length and breadth of the country. Similarly, large scale industries can not mobilize the savings done by the people in rural and remote places far away from the towns and cities. This difficult task can effectively be accomplished by setting up a network of small scale and cottage industries. In addition, a large number of other resources spread over the country can be put in to an effective use by the cottage and small scale industries. The rapid development of cottage and small scale industries in the post independence period is a proof that given the necessary credit power and technical knowledge, a large quantity of latent resources of the economy can be mobilized for purposes of industrial development³².

3.6- SPECIFIC ROLE OF SMALL SCALE AND COTTAGE INDUSTRIES IN MIZORAM

Mizoram economy is still an agriculture dominated and hence it is categorized as an underdeveloped state. One among many reasons for its underdevelopment is the slow growth rate of industrialization. Industrialization plays a pivotal role in development of any region. Development of industries can increase income, output, and employment and can accelerate the rate of

³² Misra, S.K. and Puri, V.K. (2007): Indian Economy, Himalaya Publishing House, Mumbai, p.478.

growth of a backward area. Further industry tends to exercise profound influence on other sectors of the economy including agriculture.

In Mizoram industrialization is still at an infantile stage. The entire state has been notified as backward and is categorized as 'No Industry State'³³ due to the non-existence of any large and medium industry.

In the traditional Mizo-villages agriculture was the sole occupation. Their agriculture is still practiced on traditional jhum (shifting) cultivation. There was no alternative occupation worth mentioning as the village pottery, blacksmithy, handicraft etc. were carried out on a part time basis.

At present about 70 percent of the total population of the state are engaged in agriculture. Around 60.66 percent (cultivators and agricultural labourers) of the total workforce are engaged in primary sector of the economy³⁴ while the state is far away from self sufficiency in food grain production. Only 1.5 percent of the work force is engaged in cottage and small scale industries, the only industrial sector of the state, which reveals the industrial backwardness of the state.

The traditional shifting cultivation, due to decreasing returns over time; no longer remain desirable to the farmers to support their

³³ Government of Mizoram, Economic Survey, 2007-08. Planning and Programme Implementation Department, Aizawl. p.51.

³⁴ Government of India, Census of India 2001, Final Population Totals. Series-16, Mizoram, Directorate of Census Operations, Aizawl.

growing needs. Besides, there are hardly any plain area except Champhai, '*The Rice bowl of Mizoram*' and few other areas where cultivation can be practised with scientific methods, modern tools and on permanent basis. Agro based products like ginger, chilly, oranges, passion fruits etc. are grown intensively throughout the state, the farmers are forced to sell their products to outsiders at cheap rates as most of the 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.

Due to the above mentioned reasons, there is a discontentment among the farmers; they are very much keen to find an alternative occupation to support the growing needs of their expanding family members. The secondary and tertiary sectors of the economy has not yet fully developed to absorb all willing work force at once; the shifting of population from primary sector results in unemployment and underemployment in the economy³⁵.

Due to poverty and lack of technical knowledge, the unskilled people in rural are can not move from the traditional sector to a new sector. This in turn puts heavy pressure on agriculture which gives rise to disguised unemployment. Thus the fast growing population, together with decreasing job opportunities in the government sector and growing number of educated youths in the state make it a crying need for speeding up the process of industrialization in the state to absorb the rapidly increasing labour force.

³⁵ Laskar, B.I. (2007): 'Small Scale Industries in Mizoram-A study' in Ahmed, J.U.(ed.), Industrialisation in North-Eastern Region, Mittal Publication, New Delhi. p.44.

At this juncture cottage and small scale industry has specific role to perform in the context of Mizoram's economy. As 'No Industry State' the contribution of industrial sector in the state economy is negligible. The contribution of industry both registered and unregistered hardly reaches 1 percent to the GSDP.³⁶ The industrial Policy 2000 was announced during 10th Plan period which envisages various fiscal and financial incentives to local entrepreneurs. Further, the Government of India also announced new industrial policy for the north-eastern region "North East Industrial and Investment Promotion Policy" which was enforced with effect from 1st April, 2007. The policy covers the 8 North-eastern states including Sikkim and provides various incentives like exemption of Excise Duty, exemption of income tax, Capital Investment subsidy, Central Transport subsidy, Interest Subsidy, comprehensive insurance and substantial expansion of Industrial units etc.

Small scale and cottage industries are best suited in Mizoram as they require less capital, low levels of technical skills and less managerial experience. The vast natural resources and local raw materials can be exploited more efficiently by setting up small industries in the state. Location aspects of the traditional small scale and cottage industries are mostly rural and semi-urban. Thus they create employment opportunities mainly to the agricultural labourer and local artisans, which in turn helps in equal distribution of state income. Besides increasing the income of the

³⁶Government of Mizoram, opcit. p.51.

rural poor, these industries preserve craftsmanship and old age heritage.

Handloom and handicraft industry plays a prominent role in the socio-economic development of the state. The beautiful shawls and puan³⁷ of different designs reflect the weaving skill of the Mizo women. While Mizo women excel in weaving, the Mizo men reveals their talent by transforming mere functional bamboo, cane and wooden pieces in to works of art. These industries safeguard the Mizo customs, tradition and culture which become the pride of the Mizo's for its ethnic beauty, distinct characters and identities. Such small scale industries have high employment potential which enable a large number of people to earn a decent income and thus pave the way for social justice.

³⁷ A typical Mizo cloth used in various religious and cultural programmes in Mizoram.

CHAPTER IV

GROWTH AND DEVELOPMENT OF SMALL SCALE AND COTTAGE INDUSTRIES

- *4.1- Introduction*
- *4.2- Philosophy Behind Small Scale and Cottage Industries*
- *4.3- Growth and Development of Small Scale and Cottage Industries in Mizoram*
- *4.4- Existing Small Scale and Cottage Industries*
- *4.5- Institutional Support Fostering the Growth of Small Scale Industries*

4.1- INTRODUCTION

The pace of economic development of a country is preceded by the rate of industrialization in that country. Hence industrialization is considered as inevitable in a developing economy. Industrialization is a process in which economic gains of industrial progress, mainly in the nature of increasing returns are continuously created and wholly or partly realized.¹ In UNESCO “*industrialization means an absolute and relative growth in the importance of factories, mills, mines, power plants, railways and so on of manufacturing and closely related activities, especially activities involved in the building and operation of a modern economic infrastructure*”.

Industrialization is a continuous process which depends on the existing social structure in one hand and the rate of economic development or growth on the other. The available resources, availability of man power, the techniques of production, attitude of the government and its policies and programmes and also the social system favouring or disfavouring industrialization, all these together determines the progress of industrialization.

Industrialization usually passes through three different stages. In the first stage, industry concern itself with the processing of primary products like milling grains, tanning leather etc². In the second stage it starts producing somewhat finished products like breads, biscuits, leather bags etc. and in the third stage industry uses machines and equipments not only for direct satisfaction of

¹ Kuchhal, S.C. (1989): The Industrial Economy of India, Chaitanya Publishing House, Allahabad.

² Sharma, A.K. (2006): Industrial Economics, Anmol Publications Pvt. Ltd. New Delhi.

wants but also to facilitate future process of production. During the first stage of production, the country will be exporting bulk of its output whereas during the second stage; the industry will be capable of serving its local needs. Most of the developing countries have only reached the second stage of industrialization. Third stage of industrialization indicates industrial maturity of the nation. At this stage the country is in a position to export goods to other countries to meet their needs along with satisfying its own needs and necessities satisfactorily.

4.2- PHILOSOPHY BEHIND SMALL SCALE AND COTTAGE INDUSTRIES

The Small Scale Industrial sector has been considered as a powerful instrument for realizing the twin objectives '*accelerated industrial growth*' and creating '*productive employment potential*' in rural and backward areas. Small scale industries, including traditional village industries and modern small enterprises have been given an important place in India's economic planning for ideological and economic reasons.

Small scale, cottage and tiny industries play a very vital role in the country's economy despite phenomenal growth in the large-scale sector. In fact they contribute significantly in the national economies throughout the world and are considered to be the engine of growth in most of the developed and industrialized countries³ (Table: 4.1). While the contribution of SSIs in India is one of the highest, it can be noticed that India is perhaps the only

³ Government of India, Annual Plan, 2004-05. Planning Commission, New Delhi.

country, where the Industry is categorized as SSI on the basis of fixed investment.

TABLE: 4.1
CONTRIBUTIONS OF SMEs TO THE ECONOMY'S IN DIFFERENT
COUNTRIES

Country	Share of total establishment (%)	Share of output (%)	Share of employment (%)	Share of export (%)	Criteria for recognition
China	90	60	84	50	Employment
India	95	40	45	35	Fixed assets investment
Indonesia	99	36	45	11	Employment
Japan	99	52	72	13	Employment & assets
Korea	90	33	51	40	Employment
Malaysia	92	13	17	15	Share holders fund & employment
Singapore	97	32	58	16	Employment and assets
Taiwan	97	81	79	48	Paid up capital. Assets & sales.
U.S.A.	98	N.A.	53	N.A.	Employment

Source: www.cygnusindia.com Note- N.A. - Not available.

In a developing nation like India, where population is high and income is low, it is inevitable to develop the small industrial sector which absorbs more manpower with low capital. These industries not only provide employment opportunities with relatively small capital investment but are also a subsidiary source of employment to many others in the community. It has been estimated that an investment of Rs.1 lakh in fixed assets in a large industry may create on an average, employment to 2-4 persons whereas the same amount of investment made in small scale sector may generate employment for 10-12 persons⁴.

According to the estimates⁵, India has nearly 123.4 lakhs small scale industrial units, which account for over 95 percent of the establishments, 40 percent of industrial output and 35 percent of direct exports. They also account for over 50 percent of private sector employment and 40 percent of value addition in manufacturing. About 8,000 different categories of products are manufactured by this sector.

Currently there are about 123.4 lakhs SSI units in the country and about a third of them are in the 5 Southern states of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Pondicherry. Andhra Pradesh has 2.3 lakhs units of small scale industries contributing Rs. 4,800 crore to the National State Domestic Products in 2005-06.

⁴District Industries Centre (1993): Small Scale, Village and Cottage Industries in Meghalaya- A Guide to the Entrepreneurs, East Khasi Hills, Shillong, Meghalaya, p.6.

⁵ Government of India, Annual Report 2003-04. Ministry of Small Scale Industries, New Delhi.

During the period 2000-01 to 2004-05, the small enterprise sector registered continuous growth in production, employment and exports. During this period the average annual growth in the number of units was around 4.1 percent and whereas growth rate in employment was 4.3 percent. Further, the annual average growths in production, at current and constant prices, were 12.4 percent and 8.1 percent respectively. Thus, there has been a significant increase in the contribution of this sector to the economic development and employment generation in the country. Following table⁶ (Table: 4.2) will show the quantitative performance analysis of SSIs in India.

TABLE: 4.2
PERFORMANCE OF SMALL SCALE INDUSTRIES IN INDIA
(2000-06)

Year	No. of units(lakh)	Production (Rs.crore)	Employment in lakh	Export (Rs.crore)
2000-01	101.1	2,61,297	239.1	69,797
2001-02	105.2	2,82,270	249.1	71,244
2002-03	109.5	3,11,993	260.2	86,013
2003-04	114.0	3,57,733	271.4	97,644
2004-05	118.6	4,18,263	282.6	1,24,417
2005-06	123.4	4,76,206	294.9	N.A

Source: Economic Survey, 2006-07.

⁶ Government of India, (2007): Economic Survey 2006-07. Table 7.11A, p.149, New Delhi.

The philosophy behind cottage and small scale industries has been deeply discussed in a wide range of literature both by foreign and Indian experts and agencies including UNESCO. The cottage and small scale industries 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 rationale of traditional cottage and small scale industry may broadly be divided into modernist and traditionalist⁷. The modernists review the role of cottage and small scale industries in a historical perspective of economic development of human societies from the traditional stage to the pre-conditions of take-off, then take-off, age of mass-consumption to beyond consumption to express in the Rostowvian terminology.⁸ In this view while traditional industries are considered passing a phase in the process of industrialization and not be preserved in their existing forms but to be transformed into modern units, modern small scale industries are attributed a positive role to play in the process of industrialization of an economy by providing employment, generating income for the people as well economic surplus which is so crucial for further investment for accelerated economic growth. In this context, the aim of small industry development policy is not to *“keep small industry small- that is to prevent small units from growing. On the contrary, one test of the success of the development programme should be the extent to which small industry is stimulated and assisted to become a source of vigorous entrepreneurship, which in many cases may mean growth from*

⁷ Myrdal, G. (1958): Economic Theory and Underdeveloped Regions, Vora & Co., Bombay, p.38-39.

⁸ Rostow, W.W. (1969): The Stages of Economic Growth, Cambridge University Press.

*small scale to medium or even large scale establishment*⁹. The International Perspective Planning Team suggested that “*for lasting industrial growth, private initiative should be encouraged to the fullest*” and that its recommendations were based on a systematic approach to the overall problems- “*from raw materials, product design, techniques and equipments to trade education, finance and credit...*” with a view to leave management control in the body of private individuals to the greatest practicable extent.¹⁰

The other ideological basis for development of small scale industry is decentralization of economic power or what the Industrial Policy Resolution of 1956 calls “*a method of ensuring a more equitable distribution of national income*”. No doubt, growth of private entrepreneurship helps diffusion of income among the entrepreneurs and their employees and many varieties of consumer goods like biscuits, toothpaste, tooth brush, cosmetics etc. now produced by monopoly houses can be produced by small producers. Ours is a developing country with socialistic goals and therefore vigilance over the monopoly houses needs to be strict so that they can not subterfuge Government Policies in the name of ancillaries and small industry development programme.

Apart from the social objective of decentralization of economic power, the other most important rationale is that of spatial dispersal of industry which the small industry development programme is expected to perform. It is a very cogent argument for

⁹ Nunjundan, S., Rabinson, H.E.(1962): Economic Research for Small Industry Development, Stanford Research Institute, Asia Publishing House, Delhi.

¹⁰ Government of India, (1963): Report of the International Perspective Planning Team on Small Scale Industries in India.p.13.

a developing country like India where lopsided regional development has been a specific feature. It is a common belief that industry tends to move, due to internal and external economies, towards already industrialized regions, cities and metropolis which developed earlier by industrialization or by deliberate establishment of an administrative unit like a district headquarter or capital of a state.

Cottage and small scale industries are a useful instrument for industrial dispersal but *“it will be wastefully ineffective unless used in combination with other means of influencing the spatial pattern of industrial development and of economic and social development generally”*.¹¹ What is necessary for the purpose is dispersal of new large scale units to areas with definite potential for becoming industrial centers which may provide nuclei around which clusters of medium and small industry may grow. In this context example of Handloom Clusters at Thenzawl, Blacksmithy at Champhai, Milk production at Shiphir, wooden furniture’s at Baktawng may be mentioned.

As far as the food and agricultural product processing units are concerned, they stand on a different footing. Efficient processing and preservation of food and agricultural products, animal husbandry etc. require competent and efficient industries which can be best placed in rural areas close to the source of raw materials. Examples of such industries such as fruit and vegetable dehydration units for canning and bottling, sugar, confectionaries,

¹¹ Ibid,p.13.

edible oil, dairy products like butter and cheese, cattle feed processing and forest product units like saw mill and plywood factories and a host of such other industries can be developed in rural locations provide that the required infrastructural facilities like electric power supply, transport, communication, water supply etc. are there.

The traditional view about the role of cottage and small scale industries in our country is generally propagated by 'unreconstructed Gandhists'¹² who strongly opposed the building up of modern form of industry or otherwise opposed the revival of the traditional village industries. The idea of reviving the traditional industries comes from the approach to Gandhi's compassionate jest for khadi and other village industries and also from the significant role they are playing in providing employment, particularly to the rural poor. Gandhi's message to the mankind was a message of 'humanity'. He prefers a society based on the natural principles of peace, non-violence and equality where man will be free from all sorts of exploitation, fear and degradation. For this he visualized an economic system where large scale and key industries would remain under state control, small and village industries including agriculture would be managed as far as practicable by cooperatives and the inventions of science would be used for the benefit of human society.¹³ The best way to help traditional artisans is to improve not only the tools and instruments they use for production but also the designing,

¹² Myrdal, G. (1968): Asian Drama, Vol. II, p.1215. Penguin Books, London.

¹³ Rao, V.K.R.V. (1970): The Gandhian Alternative to Western Socialism, Bharatiya Vidya Bhavan, Bombay, pp.71-73.

packing and marketing of their products in such a manner that the measures, instead of displacing labour, provide for more employment with better earning and living conditions for the artisans.

The Sixth Five Year Plan (1980-85) also stressed the need for applying technology in rural industries with a view to “*reduce drudgery and fatigue and better standard of living of artisans and entrepreneurs*” which instead of causing reduction in employment potential, introduces a “*structural orientation and envisages adaptation of the industrial fabric in a manner conducive to enhancing the productivity and earnings of small entrepreneurs, artisans and craftsmen*”¹⁴.

Thus industry is the engine of growth of an economy and industrialization is the only way out to solve the problems of poverty and penury, unemployment and underemployment in our country. In this situation industrial development programmes must be based on a selective approach of what type of cottage and small scale industry would be able to withstand the competition of the growing large scale industries and what measures would reduce the hardship of the workers and artisans during the changeover from low productive to high productive occupations.

The wind is blowing in favour of modern small scale industries. However, some traditional industries particularly handicrafts should be restructured to meet specialized demand with relatively

¹⁴ Government of India, Sixth Five Year Plan, 1980-85, p.193.

modern technique and find a place in the industrial development programme.

4.3- GROWTH AND DEVELOPMENT OF SMALL SCALE AND COTTAGE INDUSTRIES IN MIZORAM

Mizoram was one of the backward district of Assam till 1972, when it became Union Territory and attained statehood in February' 1987 to become the 23rd State of Indian Union. In Mizoram, its 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 available in the state. Due to ethnic reason the political economy does not permit the free movement of potential investors, skilled labour force and cheap raw-materials from other part of the country.

Poor infrastructural facilities, remoteness of market, bad conditions of road networks and communication system especially during rainy seasons, absence of railways, irregular power supply, shortage and uncertainties in the procurement of essential raw materials and construction materials from outside the state etc. are prime factors hindering the introduction of high capital intensive methods of production¹⁵.

¹⁵ Agarwal, A. K. (1999): 'Industry of Mizoram', in Banerjee A. and Kar, B. (ed.) Economic Planning and Development of North-Eastern States, Kaniska Publishers, New Delhi,p.237.

On the eve of Statehood, Mizoram inherited a very weak industrial base and the entire state was notified as 'No Industry State' due to the absence of any large and medium industry. A few industrial units with only one industrial estate (Table: 4.3) was found in the state which are of small scale and traditional in nature like handloom, carpentry, tailoring, ice-plant, bakery, knitting, shoe making, candle making, bamboo works, rice huller etc. Table: 4.3 and Table: 4.4 show the industrial scenario of the state on the eve of state hood. The number of small scale industries in the state was abysmally small, only 259 units in the year 1985-86. This number has grown to 1762 units in the year 1990-91 at an average growth rate of 30 percent during the period.¹⁶

TABLE: 4.3
INDUSTRIAL SCENARIO OF MIZORAM ON THE EVE OF STATEHOOD
(1985-1991)

(in number)

Year	Large	Medium	Small	Ind. Tr. Institute	Industrial Estate
1985-86	Nil	Nil	259	Nil	Nil
1986-87	Nil	Nil	609 (57%)	Nil	Nil
1987-88	Nil	Nil	917 (34%)	Nil	Nil
1988-89	Nil	Nil	1190 (23%)	1	Nil
1989-90	Nil	Nil	1555 (23%)	1	1
1990-91	Nil	Nil	1762 (11%)	1	1

Source: Directorate of Industries, Government of Mizoram, Aizawl.

Note: Number in parenthesis shows the % growth over the previous year.

¹⁶ Government of Mizoram, Directorate of Industries, Aizawl.

TABLE: 4.4
DISTRICTWISE NUMBER OF SMALL SCALE INDUSTRIES IN MIZORAM
(1985-89)

District	1985-86	1986-87	1987-88	1988-89
Aizawl	236	562	825	982
Chhimtuipui	-	-	10	98
Lunglei	23	47	82	110
MIZORAM	259	609	917	1190

Source: Directorate of Industries, Government of Mizoram, Aizawl

Table: 4.4 show the district wise number of small scale industries during the period 1985-89. It is noteworthy here that there were only three districts viz. Aizawl, Lunglei and Chhimtuipui district. Aizawl district shows the highest number of small scale units (almost 80%) while Chhimtuipui district bordering Myanmar shows the lowest concentration of small scale industries in the state. Aizawl district, being the state capital, with comparatively developed infrastructure has contributed more towards the high concentration of small scale industries while the remote district Chhimtuipui has the lowest number of SSI. The remoteness and the inflow of foreign goods from China, Thailand, Singapore, Malaysia and other East-Asian countries via Myanmar may be responsible factor for it.

A time series data of cottage and small scale industries is given in table: 4.5 (1980-1990). Trade wise cottage and small scale industries are registered in the Industry Directory. The Directory

indicates that there are 52 trades operating in Mizoram excluding miscellaneous group. These 52 trades are classified into 11 industrial categories as per the classification given by the Ministry of Industries, Government of India. New Delhi¹⁷. The table: 4.5 displays the annual increase in the number of registered unit's along with corresponding increase in employment in each district of the state from 1980 to 1990. The table shows a positive relationship between the number of industries and employment i.e. with the increase in number of registered units, the corresponding number of person employed are increasing. With a mere 137 industrial units with 787 employees in 1980, the number has significantly grown to 2190 units with 11447 employees by March 1990 showing an average annual growth rate of 149 percent in industrial units during the decade. At the same time the growth in industrial employment shows a lower growth rate, it is 137 percent which indicates that the industrial units are still very small to keep pace with the growing unemployment in the state.

The main reason behind this high growth of industrial units from abysmally small number of 139 units in 1980 to 2190 units in 1990 is that the people in general became aware of the importance of this sector as well as the creativity of self employment inherent to cottage and small scale industries. Like any other backward region, unemployment especially of educated unemployment is prevalent in Mizoram too. These unemployed people, having

¹⁷ Singha, R.K.P.G. and 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 Publication, New Delhi, p.95.

TABLE: 4.5
DISTRICTWISE GROWTH OF SSI UNITS & EMPLOYMENT IN MIZORAM (1980-90)

Year	Aizawl District		Chhimtuipui District		Lunglei District		Mizoram	
	No. of Units Regd.	Employment (in number)	No. of Units Regd.	Employment (in number)	No. of Units Regd.	Employment (in number)	Total No. of Units Regd.	Total Employment (in number)
1980	93	574	-	-	46	213	139	787
1981	99	490	-	-	19	65	118	555
1982	118	753	-	-	10	41	128	794
1983	94	480	-	-	2	3	96	483
1984	64	313	-	-	17	81	81	394
1985	154	879	29	185	22	96	205	1160
1986	308	1569	10	79	25	94	343	1742
1987	329	1756	-	-	44	184	373	1940
1988	150	840	10	50	42	164	202	1050
1989	336	1871	98	342	39	156	473	2369
1990*	25	164	-	-	7	25	32	189
Total	1770	9689	147	656	273	1122	2190	11447

Source: Industry Directory, 1990

* Up to March, 31, 1990

having no other alternative occupation sometimes join in the secondary occupation either as a labourer or as an entrepreneur. As a result the total number of cottage and small scale industrial units alongwith the persons engaged in the sector has grown simultaneously and significantly.

The first step towards industrial development in the state was taken in 1972, when the Directorate of Industries was created. Industries The Department of industries in Mizoram implements all industrial development schemes whether sponsored by Central Government or by the State. It functions under the guidance and supervision of the Chief Minister and the Minister concerned.

The Secretary of Industry Department seeks guidance from concerned Minister from time to time for the smooth functioning of the department. The department is responsible to the State Government in all respects for planning, evaluation, execution and rational expenditure of funds for the purposes. The Department looks after establishment of major and minor industries, registration and licensing of industries, industrial loan, allotment of raw materials, acquisition of land for industries, development of industrial areas, cottage industries, handicraft schemes, mines and minerals, oil and natural gas in collaboration with central agencies, Handloom Development Schemes, computerization in government departments and other related matters.

4.3.1. SETTING UP OF SPECIALIZED INSTITUTES

(a) ZIDCO

Zoram Industrial Development Corporation Limited (ZIDCO) was set up in 1978 to aid, counsel, assist, finance, protect and promote the interests of entrepreneurs in the State. The corporation provides term loans under the refinance scheme of the Small Industries Development Bank of India (SIDBI) and the Industrial Development Bank of India (IDBI). Mizoram Khadi and Village Industries Board (MKVI) was established in 1982 to provide financial assistance to the traditional khadi, village and cottage industries and to create self-employment for the people.

(b) ZOHANDCO

Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANDCO) was set up in 1988. The main aim of ZOHANDCO is to develop the age old handlooms and handicrafts sector in the State.

(c) MIFCO

Mizoram Food and Allied Industries Corporation (MIFCO) was established in 1989 to look after the development, promotion and improvement of the processing and preservation of food, milk, fish, fruits and vegetables etc. The Corporation has started food processing plant at Sairang, Ginger oil and oleoresin plant at

Sairang, maize milling centre at Khawzawl, food preservation factory at Vairengte and Fruit juice concentrate at Chhingchhip.

(d) ZENICS

The Zoram Electronics Development Corporation Limited (ZENICS) was incorporated in March, 1991 to develop electronics and allied industries in the State. The Corporation has undertaken various pilot projects since its inception like cable T.V. network, assembling of T.V. sets and inverters, computer education, Consumer Electronics Training Centre (CETC), EPIC Project etc. At present the Corporation is running SWAN (State wide area network) Project, Smart card for Driving license and Registration of vehicles, Document Management System.¹⁸

4.3.2. STATE INDUSTRIAL POLICY

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, man power development subsidy, State transport subsidy on plant & machinery etc were announced to attract perspective entrepreneurs in to this sector.

¹⁸ Managing Director, ZENICS, Aizawl.

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. Government laid due importance on the development of infrastructure, man-power development, development of electronics industry, strengthening organizational setup, encouraging joint ventures between local entrepreneurs and industrialists from outside the state and exploration and development of mineral resources.

Consequently due to various initiatives 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. The number of SSI units registered has increased from 1555 units during 1989-90 to 2888 units in 2000 (up to 1.4.2000) at an annual growth rate of 8.5% during the decade¹⁹.

The industrial development in the state is dominated by the small scale industrial units while most of the units are located in and around the capital city of Aizawl (Table 4.6). The table given below shows the growth of small scale industrial units in different Districts of the state during the period 2001-2007.

¹⁹ Statistical Hand book, Mizoram (2000): Directorate of Economics and Statistics, Government of Mizoram, Aizawl,p.92.

TABLE: 4.6
DISTRICTWISE GROWTH OF SMALL SCALE INDUSTRIAL UNITS
(2001-07)

(in number)

Sl. No	District	Year						
		2001	2002	2003	2004	2005	2006	2007
1	Aizawl	3961	4053	4267	4458	4619	4753	4911
2	Champhai	N.A.	7	18	41	57	68	79
3	Kolasib	N.A.	5	27	37	53	69	85
4	Lawngtlai	89	97	100	118	127	132	106
5	Lunglei	512	580	611	663	714	777	815
6	Mamit	6	11	23	30	41	50	51
7	Saiha	202	216	224	231	248	253	204
8	Serchhip	3	7	28	41	63	77	82
9	MIZORAM	4773	4976 (4.25)	5298 (6.47)	5619 (6.05)	5922 (5.39)	6179 (4.33)	6332 (2.47)

Source: Directorate of Industries, Government of Mizoram. Aizawl.

Note: The figures in brackets show the percentage change over the previous year.

It is evident from the above table that there are 6332 registered small scale industrial units exists in the state in the year 2007²⁰ while the state capital Aizawl shows the largest concentration of small scale industrial units i.e. 4911 in 2007. It comes to 77.56 percent of the total industrial units in the state. The main reason behind this concentration of industrial unit in and around Aizawl city may be due to the better provisions of infrastructural facilities which are available as compared to other parts of the state such as power, transport, banking, marketing etc. Moreover, there exist the economies of scale, both internal and external in the state capital. Lunglei, the second largest city in the state have only 815 (12.87%) registered small scale units. Champhai, the district bordering Myanmar has only 79 registered small scale industrial units. The reason behind this poor growth of small scale industries in the district may be due to remoteness from main market centres and inflow of foreign goods from China, Thailand, Singapore, Malaysia and other East Asian countries via Myanmar. Those foreign goods were sold at very cheap rates as compared to the locally produced goods. The newly constituted districts like Kolasib, Mamit and Serchhip shows very poor concentration of industrial activities which have only 85, 51, and 81 registered small scale industrial units respectively. This is further mainly due to the poor infrastructural facilities faced by these newly constituted districts.

The Industrial development in the state is dominated by the small scale industrial units. There are 73 different trades operating in the

²⁰ Directorate of Industries; Government of Mizoram, Aizawl.

TABLE: 4.7
GROWTH OF SMALL SCALE INDUSTRIAL UNITS BY TYPE (2001-07)

(in number)

Sl.No	Type of Industries	Year						
		2001	2002	2003	2004	2005	2006	2007
1	Food products	395	434	465	499	527	562	574
2	Beverages, Tobacco and Tobacco products	42	43	43	43	49	44	44
3	Wool, silk, Synthetic Fibre Textiles	135	139	163	194	218	258	268
4	Hosiery and Garments	319	339	341	354	368	357	362
5	Wood Products	706	734	759	789	810	852	871
6	Paper Products and Printing	303	310	326	347	367	370	376
7	Leather Products	19	21	22	22	23	25	26
8	Rubber and Plastic Products	85	87	91	97	106	112	112
9	Chemical and Chemical Products	11	11	11	11	11	8	8
10	Non-Metallic Mineral Products	25	26	28	29	29	31	33
11	Metal Products	594	619	746	827	919	1006	1051
12	Machinery & Parts except Electrical	nil	nil	1	1	1	1	1
13	Electrical Machinery & Apparatus	nil	nil	nil	nil	nil	1	1
14	Misc. Manufacturing Industries	832	837	848	866	888	907	922
15	Water works & Supply	2	2	3	3	3	3	3
16	Construction	1	1	1	8	20	23	45
17	Activities Allied to Construction	78	84	117	123	123	133	133
18	Restaurants and Hotels	12	12	12	12	12	14	14
19	Storage and Ware Housing	nil	nil	1	1	1	1	1
20	Education, Scientific & Research Services	6	14	14	14	15	15	15
21	Medical and Health Services	1	2	3	4	4	5	5
22	Personal Services	585	603	593	620	648	743	655
23	Repair Services	600	631	699	721	734	653	753
24	Service not elsewhere classified	21	25	28	30	35	38	35
25	Others	1	2	2	4	10	17	24
26	TOTAL	4773	4976	5298	5619	5922	6179	6332

Source: Directorate of Industries; Government of Mizoram, Aizawl.

entire state of Mizoram²¹ which has been classified into 24 groups according to the Industry Directory (Table: 4.7) and accounts for a total of 6332 units.

The small scale industrial units include food products like bakery and confectionery, pickle making, chow making, chips, ice cream etc, wood products and furniture's, knitting and tailoring, hosiery and garments, handlooms and handicrafts, steel fabrication, paper products and printing, bamboo products, leather and metal products, mini flour mills, computer and related activities, truck and bus body building, T.V. and electronics repairing units, chemical and chemical products, construction and related activities etc. and other miscellaneous manufacturing industries.

Metal products like steel fabrication, grills, shutters, gates, door and window frames, steel furniture's, utensils etc dominates the SSI sector which accounts for 16.59 percent (Table:4.7) of the total SSI units in the entire state in 2007. Most of these units are located in and around different cities and towns in the state and caters the need to the newly constructed buildings. Wood products like carpentry works, furniture making, and mini saw mills etc. accounts for 13.75 percent of the total SSI units in the state. Industrial units related to wood products are scattered all over the state. This is mainly due to availability of plenty of forest resources in the state. These industrial units mostly cater the local needs.

²¹ Directorate of Industries; Government of Mizoram, Aizawl.

The contribution of chemical and chemical products, machinery and apparatus, storage and warehousing is negligible due to the absence of any large and medium industry. Medical and health services shows only 0.078 percent of the total industrial units, which shows the poor medical facilities available in the state and indicates the most pathetic scenario of health care in the region.

4.4- EXISTING SMALL SCALE AND COTTAGE INDUSTRIES

As mentioned earlier, the industrial scenario in the state is featured by the existence of small scale and cottage industries which is unevenly distributed throughout the state. There were 4773 registered small scale and cottage industrial units in the state in the year 2001 which sharply grows to 5922 units in 2005 and again to 6332 in 2007²². Followings are the major small scale and cottage industrial groups functioning in the state.

4.4.1. AGRO-BASED INDUSTRIES

Agriculture is the main occupation of the Mizo people though it can not practiced with scientific methods, use of modern tools and on permanent basis. SSI units based on the agricultural products plays a significant role in the economy of Mizoram since the early stages of development. Most of the units are engaged in the manufacturing or processing of food products. Agro based products like paddy, ginger, chilly, orange, maize, banana, passion fruits, mustard, turmeric, sugarcane and such other crops are grown

²² Directorate of Industries, Government of Mizoram, Aizawl.

intensively throughout the entire state. At present there are 574 agro based SSI units in the state engaged in the manufacture of food products. Rice mill, paddy dehusking, gur making, chow making, oil mill, spice grinding, small flour mill, pickle making, chips making etc. are some of the important agro-based industries under the category of food products and allied industries. Recently grape cultivation is practised in the state particularly in Hnalan area and a few fruit juice making units has been set up in these areas.

4.4.2. FOREST-BASED INDUSTRIES

Nature has bestowed Mizoram with varieties of flora and fauna. The whole state is rich in forest and forest resources. Small scale and cottage industrial units based on the forest resources occupy a dominant place in the industrial sector of the economy. Out of total 6332 registered SSI units in the state at present, Forest based industries in the category of Wood Products contributes 871 units. Different species of bamboo, varieties of timbers like teak, eucalyptus, rubber, pine, magnolia and oak, cane, medicinal plants and herbs, broom etc. are some of the important forest products of Mizoram.

Wood Products like furniture making, door and window making, automobile body building , saw mill, bambooply, matply, fibre board, decorative items like telephone stand etc. bamboo products like bamboo bags, hats, baskets, tooth picks, mats, cane furniture's, carpentry works, citronella oil producing units etc. are

some major forest-based SSI units found in Mizoram. This group constitutes 13.75 percent of the total SSI units in Mizoram.

4.4.3. TEXTILE-BASED INDUSTRIES

Since time immemorial, Mizo society was characterized by the use of colorful traditional dresses prepared by the local weavers. Handloom and weaving is a popular household industry among the tribal of Mizoram. Handloom industry plays an important role for socio-economic development in the state in addition to safeguard the age old Mizo custom, tradition and culture.²³ The modern textile industries have not been developed in this region; most of the traditional loin-loom has been replaced by zo-loom and fly shuttle looms due to their higher working capacity. The use of improved power loom is very few in numbers among the hill people. Most of the looms are operated by hands. Some textile units such as ready made garments of cotton and wool, knitting and embroidery, tailoring etc. are there in the state. Most of the handlooms are specialized in the production of traditional dresses such as **Mizo puan**, **Mizo shawl** etc due to their uniqueness and high demand among the Mizo society and even in abroad. At present there are 630 registered textile based industries dispersed all over the state, while Thenzawl Handloom cluster in Serchhip district has attracted the World Bank attention for further development.

²³ Economic Survey Mizoram 2007-2008; Planning and Programme Implementation Department, Government of Mizoram, Aizawl, p.51.

4.4.4. MINERAL –BASED INDUSTRIES

Industrializations of an area depend to a great extent on the availability of minerals and its uses. Unfortunately in Mizoram, no major mineral deposits of economic importance have been explored so far. The Geology Mining wing of the Directorate of Industries has undertaken the geological survey and investigation in various parts of the region. Due to the combine efforts of the department and various other Organizations like Geological Survey of India, Oil and Natural Gas Commission, Indian Oil Corporation, some important mineral have been located in several parts of the state.

Deposit of greenish sandstone/ siltstone of 3-5 meters thickness are found in North Vanlaiphai, Tuipang and Siatla. Extensive deposits of good quality sand have been found in the river beds of Saihapui, Meidum, Tuirini, Tiau, Sairang and Chawngte etc. which are very good for different construction works. Annually about 50500 cubic meters of sand can be extracted from these river beds.

In the bank of river such as Tut, Tuirial, Tuirini, Chemphai, Momcherra and Borai, good quality of clay, shell deposits are exposed. Coal seam of about 1 meter thickness has been identified in North west of Kolasib. Detail survey and investigation is being carried out about the feasibility of their extraction. Hydrocarbon i.e. oil and gas source rock is exposed in the eastern part of Mizoram. North Hlimen, Bukpui and Teiduhkan in Cachar border is the most feasible area for hydrocarbon exploration.

At present there are only 33 units of mineral-based industries located in the entire state while most of the units are engaged in the production of bricks, decorative pillars, tiles, clay jars and potteries, RCC pipe, ring well, stone chips, stone crushing etc.

4.4.5. CHEMICAL-BASED INDUSTRIES

Chemical based industry is not at all developed in the state. Some chemical industries do exist in the hilly state, among these candle making, washing soap making, varnish making and NEO soap making are important. There are at present 8 registered units under the category of chemical and chemical products in the state. Some items like phenyl, washing soap, detergent powder, paints, cleaning powder etc. has been identified and recommended by the Development Commissioner, SSI to be produced under SSI sector in the state.

4.4.6. METAL-BASED INDUSTRIES

Metal-based industries occupy a dominant position in the industrial sector of the state. It is surprising that this category of industrial units alone shows the highest number among the registered SSI units in a hilly state like Mizoram. It may be noted that the units in this category consists of small repairing shops and infact they are not large manufacturer. The existing metal industries includes steel fabrication, grills and gate making, window and door frame making, steel and aluminum furniture's,

blacksmithy, cast aluminum utensils making, jewelry, silver smithy and gold smithy etc.

Presently there are 1051 units of metal-based industries in Mizoram (16.59% of total registered SSI) located mostly in and around urban areas. The reason behind the highest growth of metal based industry in Mizoram may be due to the growth of construction works in the state. Most of these metal based industrial products cater to the derived demand of newly constructed buildings and homes.

4.4.7. PAPER PRODUCTS AND PRINTING PRESS

Under the category of paper products and printing, there are 376 registered SSI and cottage units in the state at present. These units mainly produce various paper products like exercise book, register, paper packet, greeting cards, invitation cards, rubber stamps etc. Printing presses are mostly located in urban and semi urban areas of the state. Most of the machines using lead letters (old type) become obsolete and modern computer (DTP) and offset printing takes their place.

4.4.8. RUBBER AND PLASTIC BASED INDUSTRIES

Rubber and plastic based products manufacturing SSI units are an important segment of SSI in the state. There are 112 registered rubber and plastic products making units in the state. These

industries mainly produce Hume pipe, rubber pipe, rubber chappal, water tank, polythene bags etc.

4.4.9. LEATHER INDUSTRIES

Leather based industry is not developed in the state though raw leather is exported in huge quantities from the state. There are only 26 registered leather based industries in the state at present. These units mostly make footwear's like shoes, chappals and other leather products like hand bags, file bags, belts, etc. However, a considerable number of repairing units exists in urban, semi urban and even rural areas of the state.

4.5- INSTITUTIONAL SUPPORT FOSTERING THE GROWTH OF SMALL SCALE INDUSTRIES

The development and promotion of Small Scale Industrial undertakings in India falls under the purview of Ministry of Small Scale Industries (SSI) through the Development Commissioner of Small Scale Industries in India. There are many organizations, institutions and enterprises which tenders various types of support to the small scale and cottage industrial units in the state. Some of these institutions are working at national level; while others are working at regional, state and district level. The constitution of India has recognized the small scale industrial sector as state subject, consequently the development of this sector has become the prime responsibility of the concerned state government. However, the problems in implementing various development programmes relating to small scale industries have an all India

character; the Central Government has assumed the responsibility for planning and coordinating the basic programme of development.²⁴

4.5.1. NATIONAL LEVEL INSTITUTIONS

1. Ministry of Micro, Small and Medium Enterprises

The Ministry of Small Scale Industries and Agro and Rural Industries (SSI & ARI) was bifurcated into two separate Ministries viz. Ministry of Small Scale Industries and Ministry of Agro and Rural Industries in September, 2001. Again in May, 2007 these two Ministries have been merged into a single Ministry, namely, Ministry of Micro, Small and Medium Enterprises (MSME)²⁵. The MSME designs policies, programmes, projects and schemes in consultation with its organizations and various stakeholders and monitor the implementation with a view to accelerate the growth of small scale industries. The ministry also performs the function of policy advocacy on behalf of the SSI sector with other Ministries, Departments of the Central Government and the State and Union Territories. The aim of the Ministry of Micro, Small and Medium Enterprises is to strengthen the SSI sector, to enable it to remain competitive in market-led economy and generate additional employment opportunities. To achieve these objectives, the ministry tries to provide the SSI sector proper and timely inputs like:

- Adequate infrastructural facilities;

²⁴ Deb Ranabijoy (1993): Small Scale Industries in India- (A case study from Assam), Mittal Publications, New delhi.

²⁵ <http://www.msme.gov.in/>

- Adequate financial assistance from banks and financial institutions;
- Funds for technology upgradation and modernization;
- Modern testing facilities and quality certification laboratories;
- Modern management practices and skill up gradation through advanced training facilities;
- Marketing assistance.

The implementation of policies, various programmes, projects and schemes for providing infrastructure and support services to small enterprises is undertaken through its attached office- the Small Industry Development Organization (SIDO) and the National Small Industries Corporation (NSIC) Ltd., a public sector undertaking under MSME.

(a) Small Industries Development Organization (SIDO)

The Office of the Development Commissioner of Small Scale Industries is also known as the Small Industries Development Organization (SIDO). It was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector.

SIDO is an apex body for assisting the Ministry in formulating, coordinating, implementing and monitoring policies and programmes for the promotion and development of small scale industries in the country and is headed by the development

Commissioner (SSI). It has more than 70 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. It provides a wide spectrum of services to the micro, small and medium industrial sector. These include facilities for testing, tool check, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. SIDO also provides economic information services and advises Government in policy formulation for the promotion and development of small scale industries. The field offices also work as effective links between the Central and the State Governments.

Consequent to the increased globalization of the Indian economy, MSMEs are required to face new challenges. The office of the Development Commissioner (MSME) has recognized the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to small scale industries. Global trends and national developments have accentuated the office of the Development Commissioner's (MSME) role as a catalyst of growth of micro, small and medium enterprises in the country. It operates through a network of 30 Small Industries Service Institutes²⁶ (SISIs), 28 branches of SISIs and a host of other centers. These centers includes 4 Regional Testing Centers, 8 Field Testing Stations, 10 Tool Rooms, 2 Central Footwear Training Institutes, 1 Production Center, 6 Project-cum-

²⁶ Now MSME Service Institute.

Process Development Centres and 3 Training Institutes. The SIDO is operating in Mizoram through its field office Small Industries Service Institute (SISI) in Aizawl.

The main services rendered by SIDO are:

- Advising the Government in policy formulation for the promotion and development of MSMEs;
- Providing techno-economic and managerial consultancy, common facilities and extension services to MSMEs;
- Providing facilities for technology upgradation, modernization, quality improvement and infrastructure;
- Developing Human Resources through training and skill upgradation;
- Providing economic information services;
- Maintaining a close liaison with the Central Ministries, Planning Commission, State Governments, Financial Institutions and other Organizations concerned with development of MSMEs;
- Evolving and coordinating Policies and Programmes for development of MSMEs as ancillaries to large industries.

(b) MSME- Development Institutes

MSME - Development Institutes, formerly - Small Industries Service Institute (SISI), are field Institute of Office of Development Commissioner (MSME), under Ministry of MSME, Government of India. MSME - Development Institutes provides assistance for the promotion and Development of Micro, Small and Medium Scale

Industries in the in the entire country through 30 MSME-development Institutes and 28 branch Institutes.

Aim of this Institute is to implement policy guideline of government of India that is coming under Additional Secretary and the Development Commissioner (MSME), New Delhi of Small Industries Development Organization (SIDO), Government of India, Ministry of MSME. It is one of the prime organizations of Government which formulates and monitors the policies and program of the government for the promotion and development of micro, small and medium scale industries all over the country through MSME - Development Institute and its branch Institutes. MSME-Development Institutes is operating in Mizoram through its branch office located in Aizawl.

MSME-Development Institutes performs the following functions:

- Interface between Central and State Governments;
- Entrepreneurship Development Programmes;
- Technical support services and consultancy services;
- Development Efforts;
- Promotional Programmes;
- Export promotion and liaison activities;
- Ancillary Development.

The reports, which are prepared by MSME-Development Institutes, are used to give importance in the implementation of programmes on modernization, energy conservation, quality control, upgradation and pollution control for the benefit of entrepreneurs.

(c) National Small Industries Corporation Ltd. (NSIC)

National Small Industries Corporation Ltd. (NSIC), an ISO 9001 certified company established in 1955, is working to fulfill its mission of promoting, aiding and fostering the growth of small scale industries and industry related small scale services/business enterprises in the country. Over a period of five decades of transition, growth and development, NSIC has proved its strength within the country and abroad by promoting modernization, upgradation of technology, quality consciousness, strengthening linkages with large medium enterprises and enhancing exports - projects and products from small industries.

NSIC operates through 9 Zonal Offices, 33 Branch Offices, 14 Sub Offices, 10 NSIC Business Development Extension Offices, 5 Technical services Centres, 3 Extension Centres and 2 Software Technology Parks supported by a team of over 500 professionals spread across the country. To manage operations in African countries, NSIC operates from its office in Johannesburg.

NSIC carries forward its mission to assist small enterprises with a set of specially tailored schemes designed to put them in a competitive and advantageous position. The schemes comprise of facilitating marketing support, credit support, technology support and other support services.

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2. Small Scale Industries Board (SSIB)

The SSIB is an apex advisory body formed by the Government of India in 1954 to give advice to the Government on all issues pertaining to the Small Scale Industrial Sector. The Board facilitates the co-ordination and inter-institutional linkages and renders advice to the Government on various policy matters for the development of SSI sector. The chairman of the Board is the Union Minister of Industries. It also includes State Industry Ministers, selected members of parliament, Secretaries of various departments of Central Government, Financial Institutions, Public Sector Undertakings (PSUs), Industry Associations and eminent experts in the SSI sector as its member.

3. Entrepreneurship Development Institute of India (EDI)

The Entrepreneurship Development Institute of India (EDI) is an autonomous body and non-profit institution was set up in 1983. It is situated in Ahmedabad and is sponsored by many apex financial institutions, namely the IDBI Ltd, IFCI Ltd. ICICI Ltd and State Bank of India (SBI). The Government of Gujrat has also provided land for the setting up of EDI.

EDI is a National resource Institution committed for promoting entrepreneurship through education, research, training and institution building. EDI has a belief that entrepreneurs are not born but they can be developed through well conceived and well directed interventions. With this vision EDI aims to fulfill the following missions:

- To augment the supply of new entrepreneurs through education, research and training;
- Enterprise creation, employment generation and poverty alleviation at grass roots through developmental activities;
- To increase the competitiveness of Indian SMEs through cluster development;
- To create a cadre of trained social entrepreneurs;
- To act as a respiratory of knowledge in the area of women entrepreneurship development.

4. National Productivity Council (NPC)

NPC is a national level organization to promote productivity culture in India. It is established as a registered society in 1958 by the Government of India. It is an autonomous, tri-partite, non-profit organization with equal representation from the government, employers and workers' organizations, apart from technical and professional institutions and other interests on its governing council.

NPC provides consultancy and training services. It has a number of specialized divisions, which used to give tailor-made solutions to the agricultural industry. These divisions are manned by trained consultants which deals with the matters related to Industrial engineering, Plant engineering, Energy management, Human resource Development, Informal sector etc.

The head office of NPC is located in New Delhi while its regional office is found in almost all the state capitals. As such the council can take up assignments which have all India character. Since NPC is a tripartite organization, it is called in to take up sensitive assignments like manpower assessment, wage fixation, time and motion studies etc.

Besides providing training, consultancy and undertaking research in the area of productivity, NPC also implements the productivity promotion plans and programmes of the Tokyo based Asian Productivity Organization (APO), an inter-governmental body of which the Government of India is a founder member. APO is an umbrella body of all Productivity Councils in the Asian Region. NPC organize number of conferences, seminars and workshops of APO.

SIDBI has entered in collaboration with the Council in order to channelise the expertise of NPC to the small scale and cottage industrial sector. This agreement was made mainly to promote the concept of productivity in small industry clusters and for technological upgradation in small units.

5. National Institute for Entrepreneurship and Small Business Development (NIESBUD)

The National Institute for Entrepreneurship and small Business Development (NIESBUD) was established in 1983 by the Ministry of Industry (now Ministry of Micro, Small and Medium Enterprises), Govt. of India, as an apex body for coordinating and overseeing the activities of various institutions, agencies engaged in Entrepreneurship Development Particularly in the area of small industry and small business. The Institute which is registered as a society under Govt. of India Societies Act (XXI of 1860) started functioning from 6th July, 1983.

NIESBUD performs the following activities:

- Conduct training programmes for trainees and entrepreneurs preparing model syllabi for training various target groups;
- Undertakes researches and documentations;
- Conducts seminars, conferences and workshops etc;
- Develops training as well as teaching aids.

The Institute acts as a nodal agency in the field of entrepreneurship for small business. It has given much emphasis on widening the entrepreneurial base by providing training to women entrepreneurs and youth under Entrepreneurship Development programmes (EDPs).

6. Indian Council of Small Industries (ICSI)

Indian Council of Small Industry (ICSI) is recognized by the Government of India as a premier National Apex of Small Scale Enterprise. ICSI encompasses within its fold over 1500 Associations of the decentralized sector. It was founded in the year 1979. ICSI caters to the need of small, tiny, rural, cottage enterprises and artisans. ICSI fosters the spirit of self-employment amongst the youth in preference to wage employment and in the process tries to build up a nation wide movement for self-employment. It is committed to protect, project and promote the interest of the Village and Small Industry Sector. Being an apex body, ICSI is representing in various Committees of the Central and State Governments, Autonomous Bodies and has emerged as a strong advocacy organization of the SSI sector.

ICSI is engaged in the following activities:

- Consultancy;
- Information dissemination;
- Entrepreneurship development;
- Training;
- Research and publication.

4.5.2. REGIONAL LEVEL INSTITUTES

In the North eastern region, organizations like **Indian Institute of Entrepreneurship (IIE)**, **North Eastern Industrial and Technical Consultancy**

Organization (NEITCO) and the **North Eastern Industrial Consultants Ltd** (NECON) have been actively involved in entrepreneurship development for an overall development of small scale and cottage industries in the region. Their activities have been supported and sponsored by organizations like the **North East Council** (NEC) and financial institutions like **Industrial Development Bank of India** (IDBI) and **Small Industries Development Bank of India** (SIDBI). Since early nineties, SIDBI has been playing a major role in sponsoring Rural Entrepreneurship Development Programme (REDP) and Women Entrepreneurship Development Programme (WEDP).

(a) The North Eastern Council (NEC)

The North Eastern Council (NEC) came into being by an Act of Parliament, the North Eastern Council Act, 1971 to act as an advisory body in respect of socio-economic development and balanced development of the North Eastern Areas consisting of the present States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. The NEC started functioning in the year 1972.²⁷

The members of the NEC consist of the Governors and the Chief Ministers of the Eight Member States including Sikkim. Apart from the Chairman and three Members nominated by the President of India.

²⁷ <http://www.necouncil.gov.in/aboutnec.htm>

NEC has undertaken various schemes for industrial development of the region. The important among the various schemes are:

(i) Scheme for promotion of industrialization in the North East (SPINE)

This umbrella scheme was sanctioned by the Planning Commission at a total cost of Rs. 5.00 crores for implementation during the 9th Plan. The scheme has five important components viz.

- Promotion of Industrial Products of the Region.
- Support to workshops on entrepreneurship for North East entrepreneurs.
- Training-cum-familiarization for N.E entrepreneurs outside the Region/consultancy for upgrading the capabilities/performance/output of promoting organizations/small units etc.
- Scheme for support to R&D proposals in the Industrial Sectors.
- Incentive scheme for promotion of Micro/Tiny enterprise in the North East.

(ii) The NEC has initiated a **Pilot Project** for production of fabric from Pineapple leaf fibre (PALF) through a cooperative.

This project was taken up for implementation during the 9th Five Year Plan of NEC. The basic raw materials are available in plenty in

different parts of the NE Region. The main objective of this project is the development of spin able fibres from unconventional resources such as pineapple, banana and bamboo leaves which mostly go as waste and their use for production of yarns, woven and knitted fabrics will earn additional income to the growers and promote both domestic and export market.

The technology for use of pineapple leaves has already been developed by the South India Textile Research Association (SITRA) under an UNDP sponsored programme.

(iii) The NEC has assisted in setting up of **Tea processing factories** for small tea growers in NE Region.

The scheme was taken up by the NEC under its 9th Plan. The basic objective of the scheme is to ensure processing and marketing facilities for green tea leaves produced by the small tea growers of the region. Till date five proposals have been received for setting up tea processing centres in the States of Meghalaya, Mizoram, Arunachal Pradesh and Nagaland which are being scrutinized. The schemes may be implemented by either a co-operative society or a corporation or partnership firm but in any case the profits would go to the farmers.

(iv) Support to Entrepreneurship development programme.

NEC over the last decade has been funding entrepreneurship development programmes in the region. Institutions like IIE,

NEITCO, NECON and NSIC located in the Region conduct the training programme with NEC's sponsorship. During the 8th Five Year Plan, 197 EDPs were conducted and about 4500 people participated in these programmes. NEC's target was to produce about 1000 entrepreneurs per year. A target of 40-45 nos of EDPs per year has been kept for the 9th Plan. 39 nos of EDPs including 8 nos of turn key EDPs and 10 nos Self Employment Awareness Programmes have been approved for the year 1999-2000.

(v) Support for development of entrepreneurs for strengthening production base for handicrafts and handlooms in North Eastern Region.

This scheme was introduced in 9th Plan of the NEC. It aims at improving upon the existing crafts- both handlooms and handicrafts in selected areas. The improvement will be achieved through design, development keeping in view the aesthetics, utility aspect and the taste and preferences of foreign/domestic buyers. It is also aimed to increase the volume of production of export worthy items. In order to fulfill the target, some clusters of entrepreneurs i.e. 7 each from all constituent States of NER specializing in different products will be created. The clusters will be located in potential areas and pockets where existing craftsman or weavers have already attained some level of production and entrepreneurial skill. Each cluster will contain 5 entrepreneurs having 10 craft persons/weavers under each of them. A package of services will be given to them which would include design development, technical upgradation, technical improvements such as treatment, dying,

preservation, bleaching etc. In addition assistance for procuring raw materials, improved tools/equipment and simple machinery would be provided. The implementing agency for this scheme is the **North Eastern Handloom and Handicrafts Development Corporation (NEHHDC)**.

The recent report of the progress of the scheme indicates that the first 4 clusters have already been completed and the next 8 clusters are being organized. It has also been decided that in order to increase the production base it would be necessary to procure few machinery such as bamboo splitting and slicing machines etc and set up Common Facility Centres wherever possible.

(vi) Manufacture of Shell Limestone Slabs and Tiles in Mizoram.

This scheme has been approved under NEC plan in 1998 and is being implemented by the Director of Industries, Geology and Mining Department, Government of Mizoram.

Shell lime stone deposit is found in different places which can be utilized for making Slabs and Tiles of different sizes. The presence of shells in the rocks provides a beautiful texture and design after cutting and polishing. The finished products would have good market both within and outside the region.

Besides above the NEC has undertaken the following schemes in recent years:

- Scheme for setting up of a 50 Mini Cement plant at Wazeho, Nagaland.
- Integrated Muga Development in Assam.
- Integrated Project for Muga Development in Meghalaya.
- Scheme for setting up Process-cum-product development centre for rubber based industries.
- Project DOVEMAP- Development of Village Economy by Mineral Appraisal Programme.

(b) Indian Institute of Entrepreneurship (IIE)

With an aim to undertake training, research and consultancy activities in the small industry sector focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 at Guwahati by the erstwhile Ministry of Industry, Government of India as an autonomous national institute.

The main function of IIE is to organize training programmes for prospective and existing entrepreneurs, personnel from support organizations, educated son and daughter of artisans and entrepreneurs and also teachers and students educational institutions. Moreover, the institute undertakes research and consultancy activities in the field of small industry and entrepreneurship. The IIE has completed its 14 years of existence on March 31st, 2008, during which it has organized about 600 training programmes, workshops, and seminars where thousands of entrepreneurs and youths of this region has participated.

(c) North Eastern Handloom and Handicrafts Development Corporation (NEHHDC)

North Eastern Handicrafts and Handlooms Development Corporation (NEHHDC), a Government of India Undertaking has been established in 1977. The main aim of NEHHDC is to promote and develop handloom and handicrafts in the region. The corporation provides technical, financial and other necessary support to local artisans. It also tries to carry forward the rich heritage of this region by reaching out into the production base and marketing these unique products around the country and abroad through its network of emporia and a large number of exhibitions, expositions and craft fairs.

(d) North Eastern Industrial and Technical Consultancy Organisation Ltd. (NEITCO)

The North Eastern Industrial and Technical Consultancy Organisation Limited (NEITCO) is a premier consultancy organization set up in 1973 by the all India financial institutions, Nationalised Banks and State Development Corporations under the aegis of the Industrial Development Bank of India (IDBI) to cater the consultancy needs of the North Eastern Region.

NEITCO's mission is to provide quality, cost effective and timely consultancy services to the clients and sponsors with utmost satisfaction. It has significantly contributed in the development of

entrepreneurship spirit among the youth in the NE Region in promoting self employment at grass-root level through a number of vocational and skill development programmes. The major beneficiaries of these programme includes small and medium entrepreneurs, researchers, academicians, state level bodies and other Government Departments.

4.5.3. STATE LEVEL INSTITUTIONS

In line with the National and Regional level organization there are various organizations established to promote and foster the industrial development in Mizoram. The main state level institution is the **Directorate of Industries**. The other important institutions are **Zoram Industrial Development Corporation (ZIDCO)**, **Mizoram Khadi and Village Industries Board (MKVI)**, **Mizoram Handloom and Handicrafts Development Corporation (ZOHANDCO)**, **Mizoram Food and Allied Industries Corporation (MIFCO)**, **Zoram Electronics Development Corporation Ltd. (ZENICS)**, **District Industries Centres (DICs)**, **Industrial Estates (IE)**, **Industrial Growth Centers**, etc.

(a) Directorate of Industries

In the erstwhile Assam State, the Mizo Hills District had a small Rural Industrial Unit headed by a Project Officer. Since the establishment of Mizoram U.T. in 1972, a Department of Industries was created with a Directorate headed by Director of Industries. Directorate of Industries is the nodal agency for development of industries in the state and is responsible for implementing the

policies for the promotion and development of small scale and cottage industries. Industries Department implements all industrial development schemes whether sponsored by Central Government or by the State.

The Directorate looks after all the matters related to industrial development like establishment of major and minor industries, registration and licensing of industries, industrial loan, allotment of raw materials, acquisition of land for industries, development of industrial areas, cottage Industries, handicrafts schemes, mines and minerals, Oil and Natural Gas in collaboration with central agencies, handloom development schemes, computerization in Government Departments and other related matters.

The Directorate has different wings like Handloom and Handicraft Wing, Electronics & I.T. Wing, Bamboo Section and Geology & Mining Wing which has been entrusted to look after the various sections.

(b) Zoram Industrial Development Corporation Limited (ZIDCO)

The Zoram Industrial Development Corporation Limited (ZIDCO) previously known as Mizoram Small Industries Development Corporation (MSIDC) was set up under the Companies Act, 1956 on 27th February, 1978 to aid, counsel, assist, finance, protect and promote interests of entrepreneurs in the State. ZIDCO is a joint venture of the Govt. of Mizoram and Industrial Development Bank of India (IDBI). Registered office of ZIDCO is located at Aizawl. Till

date ZIDCO is having one branch office at Lunglei. The branch office covers three districts viz- Lunglei, Lawngtlai and Saiha.

To achieve overall industrial development in the state ZIDCO undertakes various activities and schemes since its inception. It has recently completed the construction of Integrated Infrastructure Development Center (IIDC), a Central Government scheme, at Pukpui in Lunglei District and another IIDC at Zote, Chamhai is under construction. The main objective of the center is to provide infrastructure and equipments to small industries such as carpentry and small machinery plants. Besides, ZIDCO took various initiatives to boost industrialization in the state like:

- Provide term loan under the refinance schemes of IDBI and SIDBI.
- Provides loan to construct house, parking place and shopping complex under the schemes of HUDCO and National Minorities Development and Finance Corporation (NMDFC).
- Arranges the supply machineries and equipments to small scale and cottage industrial units especially incense stick making machines under the Bamboo Flowering & Famine Combat Scheme (Baffacos).
- Provides raw materials like good quality cement and rod to the construction industries.

(c) Mizoram Khadi and Village Industries Board (MKVIB)

Mizoram Khadi and Village Industries Board (MKVIB) is a statutory and promotional body, set up in 1986 by the Mizoram Khadi & Village Industries Act, 1982. The main objective of MKVIB is to promote and to provide for the better facilities of development and regulation for Khadi & Village Industries in the State of Mizoram.

MKVIB undertakes the following major activities:

- Start, encourage, assist and carry on Mizoram khadi & village industries;
- Give loans and other monetary helps to the villager to carry out khadi and village industry;
- Encourage establishment of co-operative societies for khadi and village industries and handicraft;
- Train people with a view to equip them with the necessary knowledge for starting or carrying on khadi and village industries;
- Manufacture tools and equipments required for khadi and village industries;
- Arranges supply of raw materials;
- Provide marketing facilities through advertisements, publicity and also through exhibition, fair and emporium;
- Undertakes and sponsor research activities in the field of khadi and village industries.

(d) Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANDCO)

The handloom and handicrafts are the most important and popular Industrial activities in Mizoram. The various handloom and handicraft products, bearing testimony of both traditional and modern taste, are often exhibited in various trade and industrial fairs and exhibition. The development of handloom and handicrafts is therefore found to be an important necessity not only to earn revenue for the State but also to provide avenues of large scale employment for youths of the State, particularly residing in the rural areas. For this purpose the **Mizoram Handloom and Handicrafts Development Corporation Limited** was established in the year 1988, which is a Government of Mizoram undertaking.

The main objectives and activities of ZOHANDCO are:

- Employment generation;
- To develop, aid, advise, assist, finance, protect and promote interest of handloom and handicrafts unit in the state;
- To provide them with capital, credit means of resources and technical and managerial assistance for the conduct of their methods of manufacture, management and marketing and their techniques of production;
- Training is imparted to craftsmen at the centre on a regular basis by the master craftsmen employed by the Corporation;
- The final products are sold through various Fair & Exhibitions, emporia of the Corporation within the State and outside.

(e) Zoram Electronics Development Corporation Limited (ZENICS)

Zoram Electronics Development Corporation Limited (ZENICS) is a public sector undertaking was set up in March 1991 under the Company Act 1956 to develop electronics and allied industries in the State. The Corporation has undertaken various pilot projects since its inception like cable T.V. network, assembling of T.V. sets and inverters, Computer education, Consumer Electronics Training Centre (CETC), EPIC Project etc.

Main Objectives of the Corporation:-

- To develop Electronics and IT allied industries through manufacturing research in business activities;
- Manufacturing and servicing of all audio visual equipments;
- Development and perfecting electronic technology;
- Organizing seminar, exhibition, etc. in the field of electronics and electrical engineering;
- To carry out business of manufacturing, buying and selling, etc.

The main duties of the Company are to have business ventures in electronics and more recently, Information Technology on profit motives. The Corporation undertakes the following activities-

- Computer education to Government employees and private individuals;

- Imparting repair of electronics goods like TV, video, Inverter etc;
- Supply and maintenance of computers and peripherals to Government Departments;
- Responding to quotations for supply of computers and peripherals;
- Other necessary works given by the State Government.

(f) Mizoram Food and allied Industries Corporation Limited (MIFCO)

The Mizoram Food and Allied Industries Corporation Ltd. (MIFCO) was setup under the Companies Act, 1956 on the 19th December, 1989 to look after the development, promotion and improvement of the processing and preservation of food, milk, fish, fruits and vegetables etc. The main objective of MIFCO is to exploit, absorb and promote the local resources especially agricultural and horticultural produce in the state.

MIFCO undertakes the following major activities to promote industrialization in the state:

- To engage in the processing and preservation of food, fish, fruits and vegetables, and to promote, establish, improve, develop, administer and assist food processing and allied industries, projects, enterprises, programmes, firms for manufacture or production of processed food, juice, squash, meat, etc either for export or consumption in the country.

- To promote the rapid development of food processing industries viz. agro-horticulture-based and meat, in the State of Mizoram and operate suitable schemes including the financing of any such industry or facility whether owned by the State or Central Government.
- MIFCO functions as the state nodal agency for food processing industries in Mizoram. As such, MIFCO deals with all matters relating to the promotion of food processing industries in the State.
- MIFCO conducts Periodical Training Courses in food preservation and processing at the Food Processing and Training Centers at Sairang, Vairengte, and Chhingchhip for the benefit of private entrepreneurs both in the rural and urban areas.
- Entrepreneurship Development Programmes (EDP) in food processing have been conducted at each of eight district headquarters of the state for local entrepreneurs so as to enable them to start their own processing units in the home and cottage scale.

In spite of all these efforts, initiatives and supports from the central as well as the state government the industrial scenario of the state has not changed much. The geographical location, land distribution and the social setup etc stand as a combination of obstacles towards industrial development in the state. Poor infrastructural facilities, remoteness of market, bad conditions of road networks and communication system especially during rainy seasons, absence of 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 the state are another drawback in the way of industrial growth.

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 underutilization and misappropriation particularly in financial areas. Subsequently the state could not optimally reap the fruits of various plans and policies announced by the Government from time to time.

CHAPTER- V

PROBLEMS OF SMALL SCALE AND COTTAGE INDUSTRIES

- *5.1- Introduction*
- *5.2- Internal and External Problems*
- *5.3- Inherent Problems of Small Scale and Cottage Industries in North Eastern Region*
- *5.4- Financial Problems*
- *5.5- Marketing Constraints*
- *5.6- Problems Regarding Raw Materials*
- *5.7- Infrastructural Bottlenecks*
- *5.8- Specific Problems of Small Scale and Cottage Industries in Mizoram*
- *5.9- Analyses of Survey Results*

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 unit¹. 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

¹ 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.²

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

² 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.³

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.⁴ 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

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

⁴ 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.”*⁵

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

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

industrial sector⁶ 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 2007-08.⁷ 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 percent⁸. 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

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

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

⁸ 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.⁹ 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.¹⁰ 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.¹¹ 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

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

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

¹¹ 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.¹² The northeastern states including Mizoram depend heavily on other industrially

¹² 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 middlemen¹³. 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.

¹³ 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.¹⁴ 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

¹⁴ 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.¹⁵ 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.

¹⁵ 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 MW¹⁶ 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 state¹⁷. 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.

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

¹⁷ 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 themselves¹⁸. 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

¹⁸Singha, 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 districts¹⁹. 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

¹⁹Directorate 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
4	TOTAL	120	100

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
7	TOTAL	120	100

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
5	TOTAL	120	100

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	TOTAL	120	100

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
TOTAL		120	100

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
7	TOTAL	120	100

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
7	TOTAL	120	100

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	TOTAL	120	100

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
7	TOTAL	120	806	166	972	93968.8	164084.0

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
5	TOTAL	120	100

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	TOTAL	120	100

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
5	TOTAL	120	100

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	TOTAL	30 (25.0)	54 (45.0)	21 (17.5)	9 (7.5)	3 (2.5)	3 (2.5)	120 (100)

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	Total	120	100

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	TOTAL	120	100

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
6	TOTAL	120	100

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.¹

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

¹ 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, etc². 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.

² 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.³ Amongst developing countries, India was the first to display special concern for small scale and cottage industrial sector, before it become fashionable do so.⁴

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”*.⁵ The colonial rule caused a de-industrialization of the country, and that the manufacturing

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

⁴ 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.

⁵ 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 industries⁶. 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.⁷

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.

⁶ Bala, N. opcit, p.17.

⁷ 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.⁸

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*”.⁹ 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:

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

⁹ 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".¹⁰ 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 23rd 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.....*"¹¹ The important features of the IPR were:

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

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

¹¹ 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.¹² 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

¹² 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 region¹³.

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:

¹³ 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 State¹⁴. 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.

¹⁴ '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 state¹⁵.

(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

¹⁵ '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 people¹.

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

¹ 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 bank² (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

² 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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