



A Study on Small and Medium Enterprise Growth in North East India

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Abstract: This paper evaluates the impact of Small and Medium Enterprises (SMEs) development on economic growth in the North Eastern Region (NER) of India. SMEs in NER are vital contributors to regional economic activity, leveraging local resources and traditional skills amidst challenges such as poor infrastructure and limited market access.

Government initiatives like NEIDS and MSME programs play a crucial role in fostering SME growth by providing financial aid, subsidies, and training opportunities. The region has witnessed significant growth in sectors such as handloom, handicrafts, agro-based industries, and tourism. However, SMEs in NER face obstacles including inadequate financial access and a shortage of skilled labor. Disparities in industrial development between NER and other regions of India underscore the need for targeted policies and infrastructure improvements.

The findings highlight the potential of SMEs to drive economic development in NER if supported by enhanced infrastructure, improved connectivity, and expanded market linkages through digital platforms and e-commerce. Addressing skill gaps through targeted education and training programs is crucial. Policy makers should focus on consistent implementation of supportive measures and collaboration among stakeholders to foster sustainable SME growth. Future research should explore innovative financing mechanisms and evaluate the socio-economic impact of SMEs on local communities in NER.

Key Words: Small and Medium Enterprises (SMEs), North Eastern Region (NER), economic growth, government initiatives, infrastructure development.

1. INTRODUCTION:

Small and Medium Enterprises (SMEs) are vital for global and regional economies, contributing significantly to GDP, innovation, and economic diversification. They account for over 90% of businesses globally and generate employment opportunities. In developing regions, SMEs drive local economies by providing employment, promoting entrepreneurial skills, and reducing poverty. They facilitate inclusive growth by reaching underserved markets and creating a balanced economic landscape. SMEs also enhance regional economic integration and competitiveness by adapting to market demands and leveraging local resources. Their importance is underscored by their capacity to stimulate economic activity, support social stability, and promote sustainable development.

Economic theories emphasize that Small and Medium Enterprises (SMEs) play a critical role in economic growth. The innovation theory suggests that small and medium-sized enterprises play a crucial role in driving technological advancements, leading to increased productivity and economic growth (Joseph Schumpeter, 1911). Endogenous growth theory suggests that the knowledge shared by small and medium-sized enterprises (SMEs) can improve the economy as a whole. (Paul Romer, 1986). Schumpeter's theory of creative destruction emphasizes that small and medium-sized enterprises promote competition, which in turn drives the replacement of outdated industries with more efficient ones. (Capitalism, Socialism and Democracy, 1942). The resource-based view theory suggests that small and medium-sized enterprises can gain a competitive edge and foster growth by being adaptable and utilizing their distinctive resources



effectively. (Jay Barney, 1991) Additionally, according to human capital theory, small and medium-sized enterprises frequently offer training and skill development programs that improve the quality and productivity of their employees (Gary Becker, 1964). Institutional economics highlights the need for favorable regulations to support small and medium-sized enterprises (SMEs), as these policies can boost their role in driving economic growth (Douglass North, 1990) In general, these theories highlight the different ways in which small and medium-sized enterprises (SMEs) can play a role in advancing economic development. However, it is evident from the aforementioned theories that while economic theories stress the significance of SMEs in driving economic progress, they may overlook the practical barriers that SMEs face, such as lack of resources, limited market opportunities, and regulatory challenges. Additionally, these theories tend to operate under the assumption of an ideal environment for SME success, without taking into account the real-world obstacles like economic fluctuations, cultural diversity, and the impact of global competition on small businesses.

The North Eastern Region (NER) in India, consisting of eight states, is known for its cultural diversity and natural resources. It shares international borders with China, Myanmar, Bangladesh, Bhutan, and Nepal. The region is home to numerous ethnic communities with distinct languages, traditions, and customs. Economically, the NER is primarily agrarian, with tea, bamboo, and horticulture being significant contributors. Despite its wealth, the region faces challenges like infrastructural deficits, limited industrial development, and political instability. However, initiatives to improve connectivity, investment, tourism, hydropower, and organic farming offer promising opportunities for economic growth.

2. LITERATURE REVIEW:

Pavlova and Ahmedova's (2015), study focuses on analyzing the economic situation in the North-Eastern region (NER) and promoting sustainable economic growth in the small and medium-sized enterprises (SME) sector. They conducted a detailed survey among SMEs in the region and gathered information from official statistics and reports. The paper includes recommendations for improving SME activity to enhance their survival and contribute to economic sustainability.

Kharmawphlang (2019) attempted to analyze the growth patterns of industrialization in North East India by considering important factors such as industrial growth, unemployment, resource mobilization, and economic development. The study emphasizes the importance of understanding industrial growth in a developing region to address issues such as unemployment, regional disparities, and income generation. Overall, the study highlights the economic and socio-political impacts of industrial growth on society in a sustainable manner.

Qureshil, S. et al (2009) conducted a study on how small businesses can utilize Information and Communication Technologies (ICTs) to improve competitiveness and achieve growth. They used "Information Technology Therapy" on seven micro-enterprises to increase competitiveness, following the Focus Dominance Model and a modified model of micro-enterprise growth. The research aims to assist small businesses in achieving long-term growth.

Jamai, K. et al (2021), this study examines how different types of innovation affect the performance of small and medium-sized enterprises (SMEs). Results show that the impact of innovation varies depending on the industry, with product innovation being important for manufacturing firms and both marketing and product innovation playing a significant role in the growth of agro-food companies. Organizational and product innovation are found to be crucial for improving performance in the manufacturing and service sectors. The findings of this study can help managers choose the most effective innovation strategies for growth and assist policy makers in promoting firm development.

Taiwo, M. A. et al. (2012), this study looks at the role of Small and Medium Enterprises in the economic growth of Nigeria. Data was collected from 200 SME officers and managers in five local governments. The study found that common obstacles to SME growth in Nigeria include lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, low profits, and low demand. The study suggests that the government should help entrepreneurs by providing access to finance and information on business opportunities, technology, raw materials, markets, and machinery to reduce costs and improve efficiency.

Beisengaliyev et al. (2018), the article discusses the importance of small and medium enterprises (SMEs) in promoting economic growth in Kazakhstan. It examines the current state of SMEs and potential for future development, with a



focus on creating innovative businesses through collaboration. The article also suggests using state support to help SMEs in the production sector reach their full potential. Additionally, a regression model was created to analyze the impact of active SMEs and bank loans on SME output in Kazakhstan.

Juminawati et al. (2021), examined the impact of Micro, Small, and Medium Enterprises (SMEs) on economic growth. SMEs are seen as important drivers of regional economic growth, as they promote regional products and provide business opportunities. The study found that 90.1% of SMEs had a significant impact on economic growth, emphasizing the importance of their active participation in the country's economy.

3. RESEARCH GAP:

SMEs play a crucial role in global economic growth, but there is a significant research gap in the North Eastern Region (NER) of India. Most studies focus on national or state levels, neglecting the unique economic, social, and geographic conditions of NER. Limited research on SMEs' contribution to regional GDP, employment generation, and poverty alleviation hinders the formulation of effective policies and support mechanisms.

4. OBJECTIVES OF THE STUDY:

- To provide an overview of micro and small enterprise growth and status in North East region.
- To highlight the special features of individual state policies in North East India.
- To highlight the trend of industrial development in both the North East region of India and the country as a whole.
- To make a comparison of interstate growth between the North East region (NER) and India

5. METHODOLOGY OF THE STUDY:

This research utilizes a comparative analysis method to investigate the expansion and development of Small Scale Industries (SSI) in India, with a specific focus on the disparities between the North Eastern Region (NER) and other regions. Information was gathered on the distribution of SSIs in each state, including the number of units and their proportionate contribution to the national total. Various factors that impact industrial growth, such as government programs, the strengths of different sectors, challenges in infrastructure, and access to financial resources, were examined. Additionally, the study assessed the policies specific to each state in the NER to uncover unique strategies and potential opportunities for advancement, underscoring the importance of targeted interventions.

6. LIMITATIONS OF THE STUDY:

This study has limitations due to its reliance on existing data, which may not capture recent developments or informal sector contributions. Regional disparities and specific challenges in the North Eastern Region may require more localized data for accurate analysis. Furthermore, the study may not fully consider the specific effects of policies and how they are implemented differently in various states.

7. Discussion:

Growths of SMEs in the North East region

MSEs in North East India are growing due to government support and strengths in certain sectors like handloom and tourism. Challenges such as limited infrastructure and access to financing exist, but efforts to promote entrepreneurship are helping to build local economic resilience. The growths of SMEs in the North East region are discussed below:

- Government initiatives, such as NEIDS and the MSME programs, play a crucial role in fostering the growth of Micro and Small Enterprises (MSEs). These schemes offer support in the form of financial aid, subsidies, and training opportunities, contributing to the development and success of MSEs.
- The region has witnessed significant growth in various sectors such as handloom and handicrafts, agro-based industries, food processing, tourism, and bamboo products. These sectors capitalize on the local resources and traditional skills of the population.



- The promotion of entrepreneurship development has become increasingly important, with a focus on establishing incubation centers, offering skill development programs, and providing entrepreneurship training to inspire and empower young individuals in the community to launch their own businesses.

Status of MSEs in the North East:

MSEs in North East India encounter obstacles like poor infrastructure, restricted market opportunities, and struggles in obtaining financial assistance. However, there is potential for growth in sectors like handloom, handicrafts, and agro-processing, with government initiatives and entrepreneurship programs providing support. The status of MSEs in the North East Region is discussed below:

- **Geographical and Infrastructure Challenges:** Despite growth, MSEs face significant challenges due to poor infrastructure, limited connectivity, and difficult terrain. These factors affect supply chains and market access.
- **Credit and Financial Access:** Access to credit remains a critical issue. While microfinance institutions and cooperative banks are active, many enterprises still struggle to secure adequate funding from formal banking channels.
- **Market Access and Linkages:** Limited access to larger markets restricts the growth potential of MSEs. Efforts are being made to improve market linkages through digital platforms and e-commerce, but these are still in nascent stages.
- **Skilled Workforce:** The availability of a skilled workforce is another challenge. Although there are various skill development initiatives, there is still a gap between the skills provided and the industry requirements.
- **Policy Support:** While there is substantial policy support, the implementation and reach of these policies can be inconsistent. There is a need for more localized and targeted interventions to address specific regional challenges.

The North East region's MSE sector holds significant potential due to its unique resources and cultural heritage. Continued focus on improving infrastructure, enhancing financial access, and fostering market linkages, coupled with targeted policy support, can further accelerate the growth and sustainability of MSEs in this region.

The Special Features of Individual State Policies in North East India:

Each state in North East India has unique policies aimed at promoting economic development, particularly focusing on sectors like agriculture, tourism, and handicrafts. Some key features include:

- **Arunachal Pradesh:** In Arunachal Pradesh, there is a strong focus on the development of hydropower projects and improving tourism infrastructure. The state is prioritizing these areas for growth and investment in order to boost its economy and attract more visitors. Additionally, efforts are being made to enhance the overall tourism experience in the region through various initiatives and projects.
- **Assam:** Assam places a strong emphasis on the tea industry, supporting Micro, Small, and Medium Enterprises (MSMEs), and promoting skill development through programs such as the Assam Skill Development Mission.
- **Manipur:** In the state of Manipur, there is a strong emphasis on the promotion of handloom and handicraft industries. Various schemes are in place to provide financial assistance to artisans and craftsmen, as well as opportunities for skill development. The government of Manipur is dedicated to supporting and growing these traditional industries, recognizing their cultural and economic significance to the region. Through these initiatives, the state aims to empower local artisans, preserve traditional techniques, and boost the overall economy.
- **Meghalaya:** In Meghalaya, there are various policies in place to promote and support agriculture, horticulture, and eco-tourism. Additionally, incentives are provided to encourage the establishment of agro-based industries in the region.
- **Mizoram:** In Mizoram, there is a strong focus on promoting horticulture, fostering the growth of bamboo-based industries, and improving infrastructure to enhance connectivity within the state. These priorities reflect the government's commitment to supporting sustainable economic development and creating more opportunities



for its residents. Additionally, investments in these key sectors are aimed at boosting local employment, driving innovation, and attracting investments to further drive economic growth in the region. Through strategic planning and targeted investments, Mizoram aims to position itself as a leader in these sectors and create a more prosperous future for its citizens.

- **Nagaland:** Nagaland's government is promoting economic growth by increasing agricultural output, boosting tourism, and fostering entrepreneurship through financial incentives. It is also working on infrastructure development and sustainable development to enhance quality of life.
- **Sikkim:** Sikkim places a strong emphasis on promoting sustainable practices such as organic farming, eco-tourism, and the development of renewable energy projects. These initiatives aim to protect the environment and support the local economy while also attracting visitors interested in experiencing the region's natural beauty and eco-friendly initiatives.
- **Tripura:** Tripura is actively encouraging the cultivation of rubber, the development of handicrafts, and the growth of agro-processing industries. In addition, the state is implementing programs to enhance skill development and create connections to markets for these products.

In summary, the unique policies of North East India demonstrate a strategic approach to economic development, with each state focusing on sectors that utilize local resources and cultural strengths. Despite obstacles like infrastructure issues and financial constraints, these initiatives aim to promote sustainable growth, create jobs, and improve quality of life in the region. It is important to continue supporting and effectively implementing these policies to fully realize the economic potential of North East India.

Trend of Industrial Development in both the North East Region of India and the Country as a Whole

To analyze the distribution of industrial units across different states in connection with the trend of industrial development, the numbers of units in each state over a period of time are shown in table-1. This will help us identify trends and patterns in industrial growth and distribution.

Table-1: Shows that the distribution of Units in State wise

S.L.No	Name of State/ UT	No. of units in the Total SSI Sector	Percentage to Total
1.	JAMMU & KASHMIR	73125	0.70
2.	HIMACHAL PRADESH	76198	0.72
3.	PUNJAB	376826	3.58
4.	CHANDIGARH	22247	0.21
5.	UTTARANCHAL	106484	1.01
6.	HARYANA	223294	2.12
7.	DELHI	177080	1.68
8.	RAJASTHAN	441572	4.20
9.	UTTAR PRADESH	1707977	16.23
10.	BIHAR	519351	4.94
11.	WEST BENGAL	771388	7.33
12.	JHARKHAND	132446	1.26
13.	ORISSA	388277	3.69
14.	CHHATTISGARH	263900	2.51
15.	MADHYA PRADESH	793552	7.54
16.	GUJARAT	530314	5.04
17 & 18	DAMAN & DIU & DADRA & NAGAR HAVELI	3010	0.03
19.	MAHARASHTRA	803568	7.64
20.	ANDHRA PRADESH	875430	8.32
21.	KARNATAKA	658821	6.26
22.	GOA	7097	0.07



23.	LAKSHADWEEP	532	0.01
24	KERALA	452826	4.30
25	TAMIL NADU	787965	7.49
26	PONDICHERRY	8860	0.08
27	ANDAMAN & NICOBAR ISLANDS	3203	0.03
29.	All India	10521190	100.00

Source: Prepared by the Researcher

The distribution of units in the Total Small Scale Industries (SSI) sector across Indian states and Union Territories reveals significant regional disparities. Uttar Pradesh leads with 16.23% of the total SSI units, underscoring its robust industrial base. West Bengal, Andhra Pradesh, and Maharashtra also show substantial contributions, each hosting between 7.33% and 8.32% of units, indicating their vital role in the sector.

States like Madhya Pradesh, Tamil Nadu, and Gujarat demonstrate strong industrial presence with percentages ranging from 5.04% to 7.54%. Conversely, smaller states and Union Territories like Lakshadweep, Goa, and Chandigarh hold minimal shares, reflecting limited industrial activity.

Overall, the data highlights a concentration of SSI units in more populous and industrially developed states, contributing to regional economic disparities. This suggests a need for targeted industrial policies to stimulate growth in less developed areas, promoting balanced economic development across the country. The distribution also emphasizes the importance of state-specific strategies to harness local strengths and address challenges unique to each region

Table-2: Distribution of Units in the Total SSI Sector, North East State-Wise

S.L.No	Name of State/ UT	No. of units in the Total SSI Sector	Percentage to Total
1.	SIKKIM	368	0.00
2.	ARUNACHAL PRADESH	1252	0.01
3.	NAGALAND	13861	0.13
4.	MANIPUR	47999	0.46
5.	MIZORAM	11116	0.11
6.	TRIPURA	24352	0.23
7.	MEGHALAYA	22520	0.21
8.	ASSAM	194379	1.85
	Total North Eastern Region	315847	

Source: Prepared by the Researcher

The distribution of units in the Total SSI Sector across the North Eastern Region (NER) of India highlights a relatively modest industrial presence compared to other regions. Assam leads the NER with 194,379 units, constituting 1.85% of the national total, underscoring its role as the industrial hub of the region. Manipur follows with 47,999 units (0.46%) indicating moderate industrial activity.

States like Nagaland, Tripura, and Meghalaya show smaller yet significant contributions, with unit percentages ranging from 0.13% to 0.23%. In contrast, states like Sikkim and Arunachal Pradesh have minimal industrial activity, each contributing less than 0.01% to the national total.

The overall industrial presence in the NER is limited, reflecting challenges such as geographical isolation, inadequate infrastructure, and limited market access. However, the existing industrial units underscore potential areas for growth. Strengthening connectivity, enhancing infrastructure, and implementing supportive policies could drive industrial development in the NER, promoting economic growth and reducing regional disparities.

Comparison of Interstate Growth between the Northeast Region (NER) and India

The comparison of interstate industrial growth in India reveals stark regional disparities. Uttar Pradesh, with 16.23% of the total SSI units, is a significant industrial powerhouse, followed by states like West Bengal, Andhra Pradesh, and



Maharashtra, which contribute between 7.33% and 8.32%. These states' substantial shares highlight their robust industrial bases and favorable conditions for small-scale industries.

In contrast, the North Eastern Region (NER) exhibits a modest industrial presence, with Assam leading at 1.85% of the national total. Manipur, Nagaland, Tripura, and Meghalaya contribute less significantly, with percentages ranging from 0.13% to 0.46%. States like Sikkim and Arunachal Pradesh have minimal industrial activity, each contributing less than 0.01%.

This disparity underscores challenges such as geographical isolation and inadequate infrastructure in the NER. Targeted policies to improve connectivity and infrastructure in these regions could foster industrial growth, balancing regional development. The comparison emphasizes the need for state-specific strategies to harness local strengths and address unique challenges, promoting equitable industrial development across India.

8. FINDINGS :

The most important results are briefly explained below:

- a. Government initiatives like NEIDS and MSME programs are crucial in fostering growth in MSMEs across North East India, providing financial aid, subsidies, and training opportunities.
- b. Significant growth is observed in sectors such as handloom, handicrafts, agro-based industries, food processing, tourism, and bamboo products, leveraging local resources and traditional skills.
- c. MSEs in the North East face challenges including poor infrastructure, limited market access, and difficulties in obtaining financial assistance, despite potential growth in sectors like handloom and agro-processing.
- d. There is a notable disparity in industrial development between the North Eastern Region (NER) and the rest of India, with NER states like Assam leading modestly in industrial presence compared to states like Uttar Pradesh and Maharashtra.
- e. Despite challenges, the North East region's MSE sector holds significant potential due to its unique resources and cultural heritage. Targeted policies focusing on infrastructure improvement, financial access, and market linkages are crucial for sustained growth and economic development.

9. CONCLUSION AND RECOMMENDATIONS :

In summary, the North East region of India offers a promising environment for the growth of Micro, Small, and Medium Enterprises (MSMEs) despite facing significant challenges. Government initiatives such as NEIDS and various MSME programs are crucial in providing necessary financial assistance, subsidies, and training opportunities. The region has seen impressive progress in industries like handloom, handicrafts, agro-based industries, and tourism, utilizing local resources and traditional skills. However, the development of MSMEs in the North East is hindered by insufficient infrastructure, limited market access, and difficulties in securing adequate financial backing. Resolving these issues will require coordinated efforts to improve connectivity, enhance infrastructure, and expand market connections through digital platforms and e-commerce. Additionally, addressing the shortage of skilled workers and ensuring consistent policy implementation are essential. The region's unique state policies that cater to local strengths demonstrate a strategic approach to economic growth, but disparities in industrial development across India call for targeted interventions. Despite these challenges, the North East's rich cultural heritage and untapped potential offer a compelling opportunity for sustained MSME expansion with a continued focus on infrastructure development, financial inclusivity, and policy backing.

10. Recommendation:

A major recommendation from the above summary is to prioritize and enhance infrastructure development, improve connectivity, and expand market linkages through digital platforms and e-commerce. These efforts are crucial to overcoming the challenges faced by MSMEs in the North East region, such as limited market access and inadequate financial support. Additionally, there is a need to address the skills gap by investing in skill development programs that align with industry requirements. Consistent and effective implementation of government initiatives and policies, particularly those aimed at supporting MSMEs and leveraging local strengths, will be essential to unlocking the region's



economic potential. Moreover, fostering collaboration between government bodies, private sector stakeholders, and local communities can further bolster MSME growth and contribute to balanced regional development across India.

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