



Short Communication

Review of Micro, Small, and Medium Enterprises (MSMEs) of Arunachal Pradesh

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) constitute an important segment of the economy in terms of their contribution to generating employment opportunities, industrial production, creation of an entrepreneurship base, and maintaining an appreciable growth rate. The MSME sector has often been termed the engine of growth for developing economies. In Arunachal Pradesh MSME sector has a huge contribution to the economy in terms of providing employment opportunities, promoting equitable economic growth, decreasing regional disparities, and enhancing export potential. Arunachal Pradesh is a tribal economy, and the contribution of MSME to the economy is quite remarkable. This paper evaluates the current scenario of the MSME sector of Arunachal Pradesh and also attempts to focus on the increase in registered MSMEs in the past five-year period. The study is a review that was conducted with the help of secondary data retrieved from MSME Annual Reports, other government reports, newspapers, and research papers.

Keywords: Micro, small and medium enterprises, Entrepreneurship, Arunachal Pradesh

I. Introduction

The Micro, Small, and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly to the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital costs, next only to agriculture. The Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very vibrant and dynamic sector of the Indian economy over the last few decades. By encouraging entrepreneurship and creating major employment opportunities at a relatively cheap capital cost, it is the second largest contributor to the economic and social development of the nation after agriculture. The MSMEs are widening their domain across sectors of the economy, producing a diverse range of



products and services to meet the demands of domestic as well as global markets. The development of MSME is essential in a tribal economy like that of Arunachal Pradesh, which is particularly a subsistence economy. For this industrially backward state of the North Eastern Region, there is an increasing need for healthy MSMEs. It is indispensable to pay more attention to the state's MSME framework and the growth of MSME under the various plans and policies of the governments of India and Arunachal Pradesh. The growth of MSMEs in the state is also equally important to seize the opportunities and create an empowering business environment. MSMEs play an important role in the present scenario in a context that it provides greater resource use efficiency, capacity for employment generation, technological innovation, promoting inter-sectoral linkages, raising exports, and developing entrepreneurial skills. Their location flexibility is an important advantage in reducing regional imbalances. In addition, there are many economic and sociological factors that make a strong case for advocating a big push for this sector in the present phase of economic growth.

II. Objective

The main objective of this study is to briefly highlight the current scenario of micro, small and medium enterprises in Arunachal Pradesh, and to analyze the growth of micro, small and medium enterprises in Arunachal Pradesh from the period 2015-2020.

III. Methodology

The data are collected mostly from secondary sources by way of access to various Government policies/ programs including published Annual Reports, Journals, Books, and available official websites.

Concept of Micro Small and Medium Enterprise

'Micro', 'Small', and 'Medium' enterprises have been comprehensively defined in the Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006. The Act provides the first-ever legal framework for recognition of the concept of "enterprise". Under the Act, enterprises have been categorized broadly into those engaged in (i) manufacturing and (ii) providing/rendering services. Both the categories have been further classified into micro, small and medium enterprises based on their investment in plant or equipment (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services).

- Manufacturing Enterprises: (a) Micro enterprises – investment up to Rs. 25 lakhs; (b) small enterprises – investment between Rs. 25 lakh and Rs. 5 crores; (c) Medium enterprises – investment between Rs. 5 and 10 crores.
- Service Enterprises: (a) Micro enterprises – investment up to Rs. 10 lakhs; (b) small enterprises – investment between Rs. 10 lakhs and Rs. 2 crores; (c) Medium enterprises – investment between Rs. 2 and 5 crores. –

Beginning on July 1st, 2020, the new classification of MSME come into effect. Before 2006, the MSMED Act's classification for MSMEs was based on investments in plant, machinery, and equipment. For the

manufacturing and service units, it was different. In terms of financial constraints, it was likewise extremely low. The economy has changed significantly since that time. On May 13, 2020, the Aatma Nirbhar Bharat package announced a revision to the MSME classification criteria. This has been done to make business easier to conduct, to establish an objective classification system, and to be realistic with time. There will no difference between the manufacturing and service sectors. The previous classification criterion, which was only based on investment in plant and machinery, has also been updated to include a new turnover criterion. The new standards are anticipated to have several positive effects that will help MSMEs expand. Additionally, it has been agreed that the limits of turnover for any type of MSME units, whether micro, small, or medium, would not include the turnover related to exports. This is yet another step in the direction of ease of doing business. Thus, this will help in attracting investments and creating more jobs in the MSME sector.

MSME in Arunachal Pradesh- An Overview

Micro small and medium enterprises form an important sector in the economy of Arunachal Pradesh not only adding to the industrial base but also creating a social order of equality, employment, and justice. The directorate of industries of Arunachal Pradesh has come up with a state-specific industry classification that primarily focuses on those industries the state has 4 types of industries that can be found in the state (**Fig.1**). The industries are classified into different categories in different states.

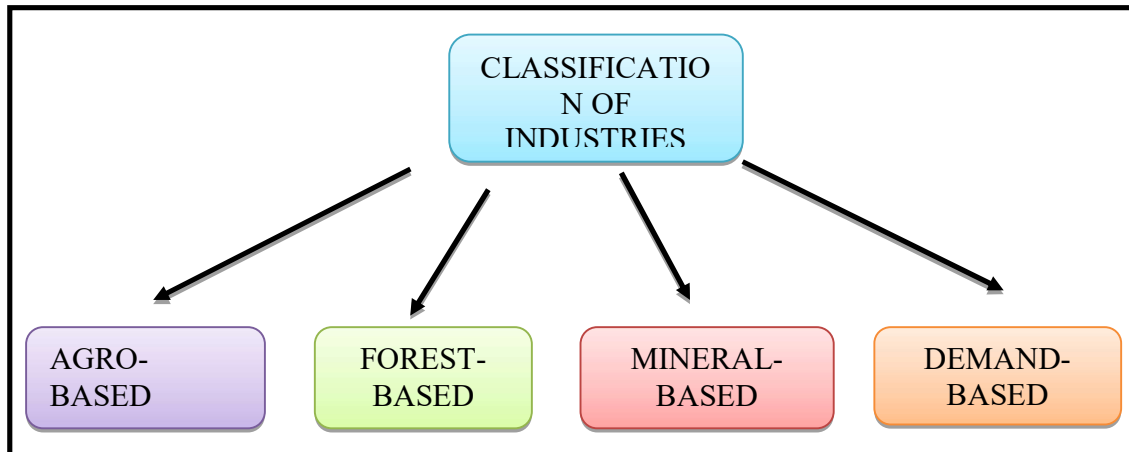


Fig. 1: Classification of industries in Arunachal Pradesh

A. Agro-based industries

- Tea factory
- Horticulture processing unit
- Mustard oil mill
- Rice mill, flour mill, etc.

B. Forest-based industries

- Cane and bamboo unit

- Sawmill
- Wood carving
- Wood furniture, etc.

C. Mineral-based industries

- Cement factory
- Stone-Crushing unit
- Ferrous alloy unit, etc.

D. Demand-based industries

- Printing press unit
- Steel fabrication unit
- Tourism
- Tailoring unit
- Weaving unit
- Garage, etc

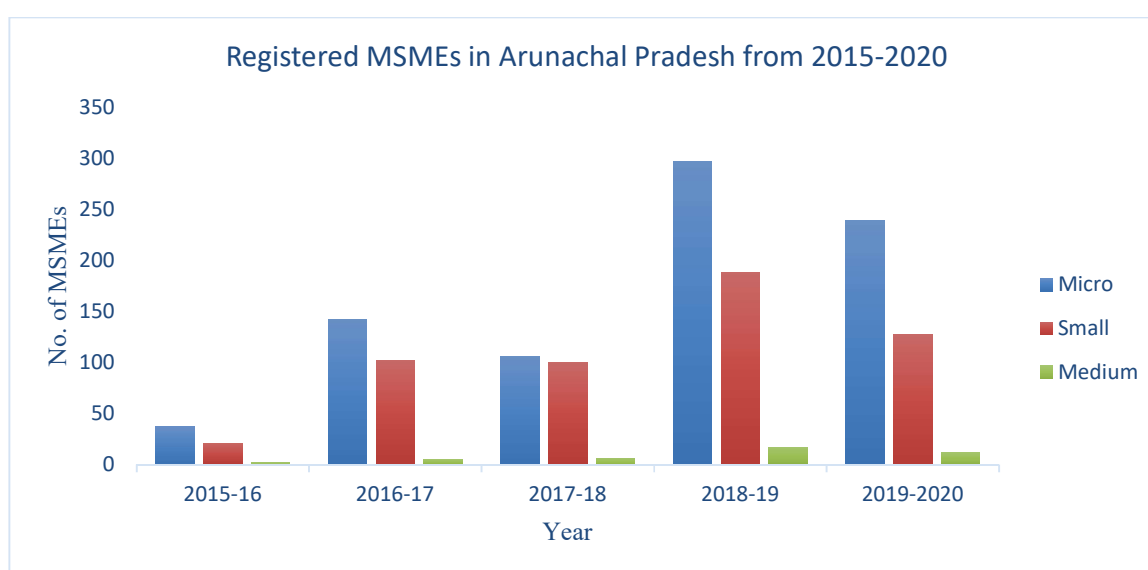
Micro Small and Medium Enterprises (MSMEs) form an important sector in the economy of Arunachal Pradesh not only adding to the industrial base but also creating a social order of equality, employment, and justice. One of the critical indicators to assess the successful development of the MSME Sector in an economy is the increased data on the opening of new MSMEs; it depicts the conducive environment for the opening and growth of such units as well as shows the high morale of entrepreneurs in the macroeconomics of the economy. Before the enactment of the MSME Act 2006, there was a system of registration of Small-Scale Industries by filing 'Entrepreneurs Memorandum Part-I' at District Industrial Centres (DICs). After the commencement of production, the entrepreneur concerned used to file 'Entrepreneurs Memorandum Part-II'. In September 2015 the Ministry of MSME started an online registration of MSME called 'Udyog Aadhaar Memorandum' which was continued till 2020. The Ministry of MSME on 26th June 2020 replaced the erstwhile process of filing of Udyog Aadhaar Memorandum, with 'Udyam' registration on a portal developed by this Ministry based on composite criteria of classification of MSMEs.

As per the data from Annual Report 2021-22, Ministry of Micro, Small and Medium Enterprises, Govt. of India, the numbers of micro, small and medium enterprises significantly increased to 0.23 lakh. Likewise, their investment and employment potential have also seemed to increase. The registered MSMEs in Arunachal Pradesh from 2015 to 2020 are presented in table 1. The significant increase in the registration of MSMEs is shown in chart 1.

Table 1: Registered MSME of Arunachal Pradesh from the period 2015-2020 (Udyog Aadhar Memorandum)

Year	Micro	Small	Medium	Total MSME Registered
2019-2020	239	127	12	378
2018-2019	297	188	17	502
2017-2018	106	100	6	212
2016-2017	142	102	5	249
2015-2016	37	21	2	60
Cumulative	821	538	42	1401

Source: Ministry of MSME, GOI

Chart 1: Registered MSMEs in Arunachal Pradesh from the year 2015 to 2020

The enterprises in Arunachal Pradesh so far are functioning according to the MSME Act, 2006. However, the growth of small and medium enterprises in Arunachal Pradesh in the recent past five years has been significant. The District Industries Centres set up by the government have greatly contributed to the promotion of small and medium enterprises in rural areas. The number of registered MSMEs significantly increased from 60 to 378 constituting a 520% increase in five years. A significant increase in the number of MSMEs has been registered after 2016 with an increased rate of 315% in the year 2016-17 to 2017-18. The increase in registered MSMEs directly indicates increased investment and employment. The chart also reveals that among the registered MSMEs the highest number of registered enterprises each year is micro enterprises followed by small enterprises while medium enterprises are the least registered enterprises each year.

Table 2: District-wise Registered MSME of Arunachal Pradesh under Udyog Aadhar till 2020

District Name	Micro	Small	Medium	Total
Changlang	144	53	3	170
Dibang Valley	16	2	0	18

East Kameng	17	8	0	25
East Siang	75	45	10	130
Kra Daadi	1	0	0	1
Kurung Kumey	11	9	2	22
Lohit	94	42	0	136
Longding	14	6	0	20
Lower Dibang Valley	51	27	4	82
Lower Subansiri	91	45	3	139
Papum Pare	404	380	45	833
Tawang	11	8	1	20
Tirap	8	6	0	14
Upper Siang	6	8	0	14
Upper Subansiri	85	23	0	108
West Kameng	31	33	11	75
West Siang	101	55	3	159
Total	1134	750	82	1966

Source: Ministry of MSME, GOI

The table reveals that Papum Pare district, the capital region of Arunachal Pradesh has the highest number of permanently registered MSMEs in the year 2020 with 42.37% of the total MSMEs registered. Apart from the capital region, the highest registered MSME is from Changlang district with 8.65% of the total registered MSMEs in a year followed by West Siang district constituting 8.09%. Whereas comparatively new district Kra Daadi has a single registered MSME thus contributing the lowest percentage of registered MSMEs in Arunachal Pradesh. Among all the registered MSMEs, micro-enterprise is the most registered enterprise constituting 57.68 % which is more than half of all registered MSMEs. It indicates that start-ups in Arunachal Pradesh have low capital for investment so it is recommended that the government should make available credit to the MSMEs from various sources. Small enterprises comprise 38.15% which is also a good number whereas medium enterprises constitute only 4.17% of the total MSME registered in the year which is quite low in comparison with the other two enterprises. Arunachal Pradesh has a significant growth potential to develop and strengthen the capacity of MSMEs by using the available resource. The MSMEs have a huge opportunity to expand as supporting industries, which will unleash even more industrial growth. Therefore, the sector's development is crucial since it holds the key to inclusive growth and is essential for the overall development of the district. The MSME sector has the potential to grow and establish itself as the foundation of the Arunachal Pradesh economy.

IV. Conclusion

The MSME sector is characterized by low capital expenditures, operational flexibility, and locational mobility. MSMEs have been playing a significant role in the overall economic development of Arunachal Pradesh through the dispersal of industries into rural, semi-urban, and backward areas. The MSME sector solves the problems of poverty by providing gainful employment opportunities with low investment. To ensure the overall development, the state should work to increase the penetration of MSMEs across all of its districts. Also,

the Arunachal Government needs to provide adequate support and take certain measures to allow the MSME to develop to its full potential. Therefore, it is recommended that the government adopt certain new approaches including integrated policy, effective governance, enhance skill development, and accessibility to credit through government agencies particularly to MSMEs, to increase productivity and contribute to the economic growth of the state.

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