CHAPTER I

INTRODUCTION, REVIEW OF LITERATURE, OBJECTIVES AND METHODOLOGY

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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.\(^2\)

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

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.

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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 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”. 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. 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. 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.

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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 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.

According 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 includes 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 system, 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.\textsuperscript{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.

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.\textsuperscript{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 economy\textsuperscript{12}, 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 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 reasons, 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 spent 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. 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

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also places the researcher in a better position to interpret the significance of his own results.

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)\textsuperscript{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)\textsuperscript{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.

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

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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.

Dhar and Lydall (1961)\textsuperscript{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)\textsuperscript{20} the 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)\textsuperscript{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 can keep pace with the progressively expanding economy and do not become unsuitable tomorrow.

Professor A.M. Khusro\textsuperscript{22} (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)\textsuperscript{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)\textsuperscript{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).

The National Committee on Science and Technology report on Khadi and Village Industries (1975) 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) 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) 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) suggested that the programme of rural industries would require

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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.

Prasad (1983)\textsuperscript{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)\textsuperscript{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)\textsuperscript{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 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)\textsuperscript{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

\textsuperscript{32} http://www.bankingindiaupdate.com/nayak.html
standardization etc. expected to play a provocative role in halting technological obsolescence particularly among tiny units did not proved so effective.

Mali (1998)\textsuperscript{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)\textsuperscript{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.

Small scale industries can play an important role in the development of hills areas as revealed by Hamid (1989)\textsuperscript{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)\textsuperscript{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.

Ramesha (1999)\textsuperscript{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)\textsuperscript{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 raw materials. This region has enough employment opportunity with increasing industrial production and productivity especially of the small scale and cottage industries.

Khanka (1998)\textsuperscript{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)\textsuperscript{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 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 (1983)\textsuperscript{42} 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)\textsuperscript{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 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

\(^{44}\) 'Small Scale Industries in Assam- A Study in Greater Guwahati Area’ (2001): Indian Institute of Entrepreneurship, Guwahati.
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)\(^{35}\) 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)\(^{36}\) 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) 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 overall 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.

Thangmawizuala (1985) 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 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 state\(^{49}\) in 2001 which is spread unevenly across the eight districts. These units were engaged in 73 different trades which 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, 

\(^{49}\) Directorate of Industries, Government of Mizoram. Aizawl
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.