# ENTREPRENEURSHIP AND MSME SECTOR IN MIZORAM

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CHAPTER 3

ENTREPRENEURSHIP AND MSME SECTOR IN MIZORAM

This chapter highlights the entrepreneurship development programmes and practices initiated to strengthen the MSME sector in Mizoram. In addition, the recent initiatives taken by the Ministry of MSME for the promotion of micro, small and medium enterprises have also been discussed.

3.1 MEANING AND CONCEPT OF SMALL SCALE INDUSTRIES

Industrial units are generally classified between small scale, medium scale and large scale units considering their size, capital resources and the number of labourers engaged upon (Dhar P.K, 2005). In India, the first official criterion for Small Scale Industry (SSI) 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 labour force. One of the attractive features of small industry is its ability to create new jobs at a minimal cost (Ram K. Vepa, 1988).

The definition of small scale industries in India has changed over the years. A retrospective view of this changing definition is given below (Kaur, 2003).

Small Scale Industries Board (SSIB) defined small scale industry in 1955 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 ₹ 5 lakh’.

In 1960 the Ministry of Commerce and Industries modified the above definition on the recommendation of the Small Scale Industries Board. According to this definition, ‘small scale industries will include all industrial units with a capital investment of not more than ₹ 5 lakh, irrespective of the number of persons employed’.

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In 1972, the government of India constituted a committee for drafting legislation for small scale industries, which suggested that the small scale industries might be classified into the following categories.

1. Tiny industry: Tiny units are those in which the investment in fixed assets is less than ₹1 lakh or ₹4,000 per worker and the annual turnover does not exceed ₹5 lakh.

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

3. Ancillary unit: Ancillary unit is the one rendering services and supplying or proposing to render 50 per cent 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 investment limit in fixed assets of ancillary unit is fixed at ₹10 lakh.

The Industrial Policy Resolutions 1948, 1956 and more particularly the Industrial Policy Statement 1977 have offered a special favour for the development of small scale industries. Initially the fixed capital investment limit of the small scale units was restricted to ₹5 lakh and later on, the limit has been raised to ₹10 lakh for small scale unit and ₹15 lakh for ancillaries in 1975. Again in 1980, this fixed capital investment limit was raised to ₹15 lakh for small units and ₹20 lakh for ancillary units. In 1985, this investment limit was further raised by the government to ₹35 lakh for small scale industries and ₹45 lakh for ancillary units.

Again, the Industrial Policy Statement, 1990 raised the investment ceiling in plant and machinery to ₹60 lakh for small scale industries and ₹75 lakh for ancillary units, and for the ‘tiny’ units the limit was also raised from ₹2 lakh to ₹5 lakh. Small scale industries were given extra incentives for exports. Thus their investment limit was raised further to ₹95 lakh on condition that these small scale units should export 30 per cent of their output by the third year of their commencing production.
3.2 THE NEW POLICY FOR SMALL SCALE INDUSTRIES IN 1991

The Government of India announced the new policy for Small Scale Industries in 1991 for promoting and strengthening the small, tiny and village industries. The primary objective of this policy was to impart more vitality and growth impetus to the small scale sector, so that the sector can contribute in terms of growth of output, employment and exports. The other objectives are: to decentralise and delicense the sector; to deregulate and the sector; to review all the statutes, regulations and procedures and effect suitable modifications wherever necessary; to motivate small and sound entrepreneurs to set up new enterprises; to maintain sustained growth in productivity and attain competitiveness in the market economy, especially in the international markets; to industrialise the backward areas of the country; to accelerate the process of development of modern small enterprises, tiny enterprises and village industries through appropriate incentives, institutional support and infrastructure investments; and to provide impetus to the growth of small scale industries so that they contribute to the growth of output, employment and technological upgradation of small scale industries.

The major highlights of the policy statements were: Hike in investment limit for tiny sector up from ₹ 2 lakh to ₹ 5 lakh; service sector to be recognised as tiny sector; support from National Equity Fund for projects up to ₹ 10 lakh; marketing of mass consumption items by National Small Industries Corporation under common brand name; compulsory quality control for products that pose risk to health and life; a special monetary agency to be set up for small scale sector’s credit needs; an export development center to be set up; legislation to ensure payment of small scale industries bills; a new scheme of integrated infrastructure development to be implemented; and incentives and services package to be delivered at the district level.

In 1997 the Government of India again enhanced the investment ceiling in plant and machinery for SSIs and ancillary units from ₹ 60 lakh and ₹ 75 lakh respectively to ₹ 3 crore and that for the tiny sector has also been raised from ₹ 5 lakh to ₹ 25 lakh.
Thus, the investment limit of SSIs would also apply to ancillary and export oriented units for which no separate limit has been prescribed.

In 2000, the investment limit for small scale and ancillary units has been reduced by the Government of India from existing ₹ 3 crore to ₹ 1 crore. However, the investment ceiling for tiny industry remained unchanged.

3.3 MICRO AND SMALL ENTERPRISES

Majority of the people in India are living in rural areas drawing their livelihood from agriculture and allied sectors. The government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding markets and capacity building of the entrepreneurs/artisans and their groups/collectives. Therefore, the government of India, with a view to facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, the Micro, Small and Medium Enterprises Development (MSMED) Act was passed in 2006.

There is no globally accepted definition of MSMEs. Different countries use different criterion, most of the definitions are based on investment ceiling and number of people employed. In India, MSMED Act 2006 defines MSMEs. The Act introduces the concept of ‘enterprise’ as opposed to the earlier concept of industry. According to the Act, MSMEs are classified into (1) enterprises 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 and (2) enterprises engaged in providing or rendering services.

The limit for investment in plant and machinery/equipment for manufacturing and service enterprises, as per the Act are shown in Table 3.1 and Table 3.2.
Table 3.1

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in plant and machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Micro enterprise</td>
<td>Does not exceed ₹ 25 lakh</td>
</tr>
<tr>
<td>2 Small enterprise</td>
<td>More than ₹ 25 lakh but does not exceed ₹ 5 crore</td>
</tr>
<tr>
<td>3 Medium enterprise</td>
<td>More than ₹ 5 crore but does not exceed ₹ 10 crore</td>
</tr>
</tbody>
</table>

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

Table 3.2

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Micro enterprise</td>
<td>Does not exceed ₹ 10 lakh</td>
</tr>
<tr>
<td>2 Small enterprise</td>
<td>More than ₹ 10 lakh but does not exceed ₹ 2 crore</td>
</tr>
<tr>
<td>3 Medium enterprise</td>
<td>More than ₹ 2 crore but does not exceed ₹ 5 crore</td>
</tr>
</tbody>
</table>

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

3.4 ROLE OF MICRO AND SMALL ENTERPRISES IN INDIA

The Micro, Small and Medium Enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 32 million persons in over 13 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture (Annual report 2008-09, Ministry of MSME).
3.4.1 Employment generation

The MSEs play an important role in Indian economy in terms of employment. This sector is the largest employment provider in India next to agriculture sector. The MSE sector in India has grown significantly since 1960, when there were only 12376 MSEs providing employment to 10 lakh people. Of which direct employment was 1.85 lakh. An annual production level was ₹ 875 crore. At the beginning of the tenth plan, 249 lakh people in the rural and urban areas were employed in 105.21 lakh MSEs. This has increased to 295 lakh people in 128 lakh units in 2006-07; an average annual growth rate of 4.4 per cent in the number of these units and 4.62 per cent in employment. If the units in the khadi industries, village industries, and coir industries are taken into account, the employment is estimated to be over 332 lakh. With the inclusion of handlooms, handicrafts, wool, and sericulture, the total job in the MSE sector in India goes up to 650 lakh. The employment intensity of the registered units indicates that an investment of ₹ 0.72 lakh is required for creating one employment in MSME sector as against ₹ 5.56 lakh in the large organised sector. MSEs also go a long way in checking rural–urban migration by providing villagers and people living in isolated areas with a sustainable source of employment. Among the MSEs in India, the dispersed food products sector generates maximum employment (13.7 per cent of total employment in the MSE sector), followed by non-metallic mineral products (10.9 per cent) and metal products (10.2 per cent). In chemicals and chemical products, machinery parts except electrical parts, wood products, basic metal industries, paper products and printing, hosiery and garments, repair services, and rubber and plastic products, the contribution ranges from 5 per cent to 9 per cent. In all other industries the contribution is less than five per cent (Eleventh Five Year Plan 2007-12, vol.III).

Per unit employment is highest (20) in units engaged in beverages, tobacco, and tobacco products. Next come cotton textile products (17), non-metallic mineral products (14.1), basic metal industries (13.6), and electrical machinery and parts (11.2). Per unit employment is highest (10) in the metropolitan areas and lowest (5) in the rural areas. Non-metallic products contribute 22.7 per cent to the employment
generated in the rural areas, followed by food products (21.1 per cent), wood products, and chemicals and chemical products. As for the urban areas, food products and metal products almost equally share 22.8 per cent employment. Machinery parts except electrical, non-metallic mineral products, and chemicals and chemical products between them account for another 26.2 per cent employment. Metal products, machinery and parts except electrical and paper products and printing (total share being 33.6 per cent) are the leading industries in metropolitan areas. The presence of MSEs across states is not uniform. Tamil Nadu (14.5 per cent) makes the maximum contribution to employment followed by Maharashtra (9.7 per cent), Uttar Pradesh (9.5 per cent), and West Bengal (8.5 per cent). Per unit employment is high—17, 16, and 14, respectively in Nagaland, Sikkim, and Dadar & Nagar Haveli. Madhya Pradesh has the lowest figure of 2. In all other cases it is around six (Eleventh Five Year Plan 2007-12, vol.III).

3.4.2 Sustaining economic growth
As per the estimates made by the Planning Commission, in order to achieve the target of 10 per cent growth in the Eleventh Plan, the MSE sector needs to grow at 12 per cent. Table 3.3 indicates the growth of the SME sector in terms of number of units, employment, and production. Non-traditional products account for more than 95 per cent of the SSI exports. The performance of garments, leather, and gems and jewellery units has been remarkable in the last decade. The SSI sector dominates in export of sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food, and leather products. The US, Europe, and West Asia are the major export destinations. MSEs often act as ancillary industries for large scale industries providing them with raw materials, vital components, and backward linkages. For instance, large cycle manufacturers of Ludhiana rely heavily on the small MSEs of Maler Kotla which produce cycle parts. MSEs also promote eco-friendly growth, especially in difficult terrains and the ecologically sensitive areas. In large tracts of barren desert land in Barmer and Kutch, in the scattered dhanis of Udaipur, in the hilly hamlets of J&K, Ladakh, Himachal, and the North Eastern Region, in the tribal hinterlands of central India, they are the only source of
livelihood. Hence, the small scale sector makes a very valuable contribution to the accumulation of foreign exchange resource of the country (Eleventh Five Year Plan 2007-12, vol.III).

### 3.4.3 Making growth inclusive

The MSE sector is a microcosm of all vulnerabilities; it touches upon the lives of women, children, minorities, SCs, and STs in the villages, in the urban slums, and in the deprived pockets of flourishing towns and cities. For many families, it is the only source of livelihood. For others, it supplements the family income. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and deprivation. It focuses on people’s skills and agency. Different segments of the MSE sector are dominated by different social groups. Women are mostly found in the unregistered sector, food processing enterprises, manufacturing enterprises, and weaving, and often work part time in the family enterprises. Women and small children roll bidis, make agarbattis, do zari and sequin work for meagre wages. Large number of Muslims are found in the unorganised weaving sector and in power looms. STs produce wonderful handcrafted articles and are involved in sericulture. In the North Eastern Region, most women know the art of weaving. As per the Quick Results of Fourth All India Census of MSMEs (2006-07), 13.85 per cent of the enterprises were women enterprises, 49.46 per cent of the enterprises were owned by socially backward groups viz. SCs, STs and OBCs. In states like Tripura, 50 per cent of rural men and 35 per cent rural women are engaged in MSEs. In Nagaland and Mizoram over 68 per cent of urban men are with MSEs (Eleventh Five Year Plan 2007-12, vol.III).

The performance of MSME sector, its achievement from 1992-93 to 2009-10 in terms of critical parameters like number of units, fixed investment, production, employment and export is given in Table 3.3.
## Table 3.3

### MSMEs Performance: Units, Investment, Production, Employment and Exports

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Total MSMEs (lakh numbers)</th>
<th>Fixed investment (` crore)</th>
<th>Production at current prices (` crore)</th>
<th>Employment (lakh persons)</th>
<th>Export (` crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1992-93</td>
<td>73.51 (4.07)</td>
<td>109623 (9.24)</td>
<td>84413 (4.71)</td>
<td>84413 (5.33)</td>
<td>17784 (28.10)</td>
</tr>
<tr>
<td>2</td>
<td>1993-94</td>
<td>76.49 (4.07)</td>
<td>115795 (5.63)</td>
<td>98796 (17.04)</td>
<td>182.64 (4.46)</td>
<td>25307 (42.30)</td>
</tr>
<tr>
<td>3</td>
<td>1994-95</td>
<td>79.6 (4.07)</td>
<td>123790 (6.9)</td>
<td>122154 (23.64)</td>
<td>191.4 (4.79)</td>
<td>29068 (14.86)</td>
</tr>
<tr>
<td>4</td>
<td>1995-96</td>
<td>82.84 (4.07)</td>
<td>1255750 (1.58)</td>
<td>147712 (20.92)</td>
<td>197.93 (3.42)</td>
<td>39248 (7.62)</td>
</tr>
<tr>
<td>5</td>
<td>1996-97</td>
<td>86.21 (4.07)</td>
<td>130560 (3.82)</td>
<td>167805 (13.68)</td>
<td>205.86 (4.00)</td>
<td>44442 (13.23)</td>
</tr>
<tr>
<td>6</td>
<td>1997-98</td>
<td>89.71 (4.07)</td>
<td>133242 (2.05)</td>
<td>187217 (11.57)</td>
<td>213.16 (3.55)</td>
<td>48979 (10.21)</td>
</tr>
<tr>
<td>7</td>
<td>1998-99</td>
<td>93.36 (4.07)</td>
<td>135482 (1.68)</td>
<td>210454 (12.41)</td>
<td>220.55 (3.46)</td>
<td>54200 (10.66)</td>
</tr>
<tr>
<td>8</td>
<td>1999-2000</td>
<td>97.15 (4.07)</td>
<td>139882 (3.32)</td>
<td>233760 (11.07)</td>
<td>229.1 (3.88)</td>
<td>69797 (28.17)</td>
</tr>
<tr>
<td>9</td>
<td>2000-01</td>
<td>101.1 (4.07)</td>
<td>146845 (4.90)</td>
<td>261297 (11.78)</td>
<td>238.73 (4.21)</td>
<td>71244 (2.87)</td>
</tr>
<tr>
<td>10</td>
<td>2001-02</td>
<td>105.21 (4.07)</td>
<td>154349 (5.11)</td>
<td>282270 (8.03)</td>
<td>249.33 (4.44)</td>
<td>86013 (20.73)</td>
</tr>
<tr>
<td>11</td>
<td>2002-03</td>
<td>109.49 (4.07)</td>
<td>162317 (5.16)</td>
<td>314850 (11.54)</td>
<td>260.21 (4.36)</td>
<td>97644 (13.52)</td>
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<tr>
<td>12</td>
<td>2003-04</td>
<td>113.95 (4.07)</td>
<td>170219 (4.87)</td>
<td>364547 (15.78)</td>
<td>271.42 (4.31)</td>
<td>124417 (27.42)</td>
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<tr>
<td>13</td>
<td>2004-05</td>
<td>118.59 (4.07)</td>
<td>178699 (4.98)</td>
<td>429796 (17.90)</td>
<td>282.57 (4.11)</td>
<td>150242 (20.76)</td>
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<td>14</td>
<td>2005-06</td>
<td>123.42 (4.07)</td>
<td>188113 (5.27)</td>
<td>497842 (15.83)</td>
<td>294.91 (4.37)</td>
<td>182538 (21.50)</td>
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<tr>
<td>15</td>
<td>2006-07</td>
<td>261.01 (111.48)</td>
<td>500758 (166.20)</td>
<td>709398 (42.49)</td>
<td>594.61 (101.62)</td>
<td>202017 (50.34)</td>
</tr>
<tr>
<td>16*</td>
<td>2007-08</td>
<td>272.79 (4.51)</td>
<td>558190 (11.47)</td>
<td>790759 (11.47)</td>
<td>626.34 (5.34)</td>
<td>202017 (10.67)</td>
</tr>
<tr>
<td>17*</td>
<td>2008-09</td>
<td>285.16 (4.53)</td>
<td>621753 (11.39)</td>
<td>880805 (11.39)</td>
<td>659.35 (3.5)</td>
<td>N. A.</td>
</tr>
<tr>
<td>18*</td>
<td>2009-10</td>
<td>298.08 (4.53)</td>
<td>693835 (11.59)</td>
<td>693835 (11.59)</td>
<td>695.38 (5.47)</td>
<td>N. A.</td>
</tr>
</tbody>
</table>

The figures in brackets show percentage increase over the previous years

*Projected

3.5 RECENT INITIATIVES

The Ministry of Micro, Small and Medium Enterprises has taken various initiatives for the promotion of micro, small and medium enterprises which are described below.

**Promulgation of MSMED Act, 2006**

A significant achievement of the Government is the enactment of the ‘Micro, Small and Medium Enterprises Development Act, 2006’, which aims to facilitate the promotion and development and enhance the competitiveness of MSMEs. The Act has come into force from 2nd October 2006 and it fulfills a long-cherished demand of this sector. Apart from giving legal strength to the definitions of micro, small and medium enterprises, this Act also contains penal provisions relating to the delayed payment to these enterprises.

**KVIC Act Amendment in 2006**

The Khadi and Village Industries Commission (KVIC) Act, 1956 has been comprehensively amended in 2006, introducing several new features to facilitate professionalism in the operations of the Commission as well as field-level formal and structured consultations with all segments of stakeholders. A new Commission has also been constituted in July 2006.

**Prime Minister’s Employment Generation Programme**

A national level credit linked subsidy scheme, namely, ‘Prime Minister’s Employment Generation Programme (PMEGP)’ was introduced in August 2008 by merging erstwhile PMRY and REGP schemes of this Ministry with a total plan outlay of ₹ 4485 crore towards margin money subsidy for generating an estimated 37.38 lakh additional employment opportunities during the four terminal years of Eleventh Plan (2008-09 to 2011-12). An amount of ₹ 250 crore has also been kept towards backward – forward linkages. Under this programme, financial assistance is provided for setting up of micro enterprises each costing up to ₹ 10 lakh in service sector and ₹ 25 lakh in manufacturing sector. The assistance is provided in the form of subsidy up to 25 per cent (35 per cent for
special category including weaker sections) of the project cost in rural areas while it is 15 per cent (25 per cent for special category including weaker sections) for urban areas. During 2009-10, disbursements were made in 39,335 cases utilising ₹ 742.76 crore as margin money subsidy. The estimated employment generation is for 4.42 lakh persons. An amount of ₹ 906 crore including ₹ 836 crore margin money subsidy has been provided in budget estimate of 2010-11 for assisting 60,000 units for creation of around six lakh additional employment opportunities.

**Promotional package**

In March 2007, the government announced a comprehensive package for the promotion of micro and small enterprises, particularly in view of the fast changing economic environment, wherein, to be competitive is the key of success. These, *inter alia*, include credit and fiscal support, cluster-based development, infrastructure, technology and marketing support. Capacity building of MSME Associations and support to women entrepreneurs are the other important features of this package.

**Task Force on MSMEs**

A Task Force under the chairmanship of the principal secretary to Prime Minister was constituted to address the issues of MSME sector. The Task Force submitted its report in record time and has made recommendations in the areas of credit, marketing, labour, rehabilitation and exit policy, infrastructure, technology, skill development, taxation and development of MSMEs in the North-Eastern Region and Jammu & Kashmir. A large number of recommendations have been implemented and several other recommendations are at an advanced stage of implementation. A Council on MSMEs under the chairmanship of Prime Minister has been constituted to lay down the broad policy guidelines and review the development of the MSME sector. For ensuring timely/speedy implementation of the recommendations of the Task Force and follow-up on the decisions of the Prime Minister’s Council on MSMEs, a Steering Group under the chairmanship of principal secretary to the Prime Minister has also been constituted.
Fourth All India Census of MSMEs

The Quick results of Fourth All India Census of MSMEs (2006-07), which was launched in May 2008, were released during 2009-10. The results reveal that there are 2.61 crore MSMEs in 2006-07, providing employment to about 6 crore persons. Of the total MSMEs, 28 per cent are in the manufacturing segment and 72 per cent in the services segment. This is the first census after the enactment of the MSMED Act, 2006 and includes, for the first time, medium enterprises.

Enhanced credit flow to the MSE sector

For strengthening the delivery of credit to the MSEs, the Government of India announced a ‘Policy Package for Stepping up Credit to Small and Medium Enterprises (SME)’ in August 2005 for doubling the credit flow to this sector within a period of five years. This has resulted in a significant increase in the credit flow from Public Sector Banks (PSBs) to the micro and small enterprises (MSE) sector — with the outstanding credit of public sector banks increasing from ₹ 1,02,550 crore at the end of March 2007 to ₹ 2,78,398 crore at the end of March 2010. With constant monitoring and efforts made by the government, the credit flow from PSBs to the MSE sector has registered a growth of 47.4 per cent, 26.6 per cent and 45.4 per cent during 2007-08, 2008-09 and 2009-10 respectively — higher than the stipulated 20 per cent in the policy package.

Credit Guarantee Scheme

The Government of India has set up a Credit Guarantee Fund to provide relief to those micro and small entrepreneurs who are unable to pledge collateral security in order to obtain loans for the development of their enterprises. For making the scheme more attractive to both lenders as well as borrowers, several modifications have been undertaken which, inter alia, include (i) enhancement in the loan limit to ₹ 100 lakh, (ii) enhancement of guarantee cover from 75 per cent to 85 per cent for loans up to ₹ 5 lakh; (iii) enhancement of guarantee cover from 75 per cent to 80 per cent MSEs owned/operated by women and for loans in the NER, (iv) reduction in one-time guarantee fee from 1.5 per cent to 1 per cent and
annual service charges from 0.75 per cent to 0.50 per cent for loans up to ₹ 5 lakh, (iv) reduction in one-time guarantee fee for NER from 1.5 per cent to 0.75 per cent. As a result, the scheme has been able to overcome the initial inhibition of bankers and is steadily gaining in acceptance. Further, efforts made to enhance the awareness have led to increasing the coverage from 68,062 proposals (for loans of ₹ 1705 crore) at the end of March 2007 to 4,37,465 proposals (for loans of ₹ 18,165 crore) at the end of October 2010. The government is making concerted efforts to further enhance the awareness of the scheme throughout the country for enhancing the coverage of the scheme.

National Manufacturing Competitiveness Programme
The government has launched an all-India campaign under the National Manufacturing Competitiveness Programme (NMCP) for the MSMEs, which has ten specific components aimed at improving their processes, designs, technology and market access. These components seek to introduce the best elements of industrial competitiveness in the MSME sector, which has often been unable to afford such practices and techniques. The ten components of the scheme are (i) Building awareness on Intellectual Property Rights for MSMEs; (ii) scheme for providing support for entrepreneurial and managerial development of SMEs through incubators; (iii) enabling manufacturing sector be competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT); (iv) mini tool rooms under PPP mode; (v) marketing assistance/support to MSEs (Bar Code); (vi) lean Manufacturing Competitiveness Programme for MSMEs; (vii) promotion of Information & Communication Tools (ICT) in Indian MSME sector; (viii) design clinics scheme for MSMEs; (ix) marketing assistance and technology upgradation scheme for MSMEs; and (x) technology and quality upgradation support to MSMEs.

All the ten components have been operationalised and the guidelines of the scheme have been notified.
MSE-Cluster Development Programme (MSE-CDP)

The programme is being implemented for holistic and integrated development of micro and small enterprises in clusters through soft interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organising workshops, seminars, training, study visits and exposure visits), hard interventions (setting up of Common Facility Centers) and infrastructure upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs).

The guidelines of the MSE-Cluster Development Programme have been comprehensively modified in February 2010 to provide higher support to the MSEs. The scope of the scheme includes: (i) preparation of Diagnostic Study Report with Government of India grant of maximum `2.50 lakh (`1 lakh for field offices of the Ministry of MSME). (ii) soft interventions like training, exposure, technology upgradation, brand equity, business development, etc with GoI grant of 75 per cent of the sanctioned amount of the maximum project cost of `25 lakh per cluster. For North East & Hill States, clusters with more than 50 per cent (a) micro/ village (b) women owned (c) SC/ST units, the GoI grant will be 90 per cent. (iii) Detailed Project Report (DPR) with GoI grant of maximum `5 lakh for preparation of a technical feasible and financially viable project report. (iv) hard interventions in the form of tangible assets like common facility centre having machinery and equipment for critical processes, research and development, testing, etc. for all the units of the cluster with GoI grant up to 90 per cent of the cost of project of maximum `15 crore. (v) Infrastructure Development with GoI grant of up to 80 per cent of the cost of project of `10 crore, excluding cost of land. (vi) Exhibition Centers by Associations of Women Entrepreneurs of women owned micro and small enterprises with GoI assistance at 40 per cent of the project cost. Over 460 clusters have been undertaken for various cluster development interventions (i.e., diagnostic study, soft interventions, and hard interventions) and 126 proposals (including 28 for upgradation of existing industrial estates) have been taken up for infrastructure development under the scheme.
Credit Linked Capital Subsidy Scheme

To make the Credit Linked Capital Subsidy Scheme (CLCSS) more attractive, the following amendments were made with effect from 29 September 2005: (a) the ceiling on loans has been raised from ₹ 40 lakh to ₹ 1 crore; (b) the rate of subsidy has been raised from 12 per cent to 15 per cent; (c) the admissible capital subsidy has now been based on the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit; and (d) the practice of categorisation of MSEs in different slabs on the basis of their present investment for determining the eligible subsidy has been dispensed with. Further, the ambit of scheme was enlarged in 2009-10 to include 201 new technologies, including 179 technologies relating to pharmaceutical sector. The coverage under the scheme has shown considerable increase and up to October 2010, 10,952 MSEs have benefited under the scheme with the total subsidy sanctioned amounting to ₹ 514.13 crore.

Entrepreneurship and skill development

In line with the overall target set by the Prime Minister’s National Council on Skill Development (NCSD), the Ministry has taken up skill development as a high priority area. Under the Entrepreneurship/Skill Development Programmes conducted by various organisations of the Ministry of MSME, about 3.5 lakh persons were trained during 2009-10 which is an increase of more than 33 per cent over previous year. To further expand the coverage of training programmes, a new component under the scheme of ‘Assistance to Training Institutions’ has been added to, *inter alia*, provide assistance to the training institutions/centres established by Partner Institutions (PIs) of national level Entrepreneurship Development Institutes (EDIs) and franchisees of National Small Industries Development Corporation (NSIC). Further, the Ministry of MSMEs provides all such trainings to disadvantaged sections of the society like the trainings for SCs/STs, free of cost. A number of programmes are also being organised for women and other weaker sections of the society free of cost, besides providing a monthly stipend of ₹ 500 per month during the entire period of training.
Rajiv Gandhi Udyami Mitra Yojana

The scheme aims to promote and support establishment of new micro and small enterprises through handholding of potential first generation entrepreneurs, who have already successfully completed Entrepreneurship Development Programme (EDP)/Skill Development Programme (SDP)/Entrepreneurship-cum-Skill Development Programme (ESDP) of at least two weeks’ duration, or have undergone vocational training from ITIs. One of the main objectives of handholding is to guide and facilitate the potential entrepreneurs in dealing with various procedural and legal hurdles and completion of various formalities which are required for setting up and running of enterprise successfully and to save them from harassment at the hands of various regulatory agencies for want of required compliances. It will not only increase the proportion of potential entrepreneurs trained under various EDPs/SDPs/ESDPs/Vocational Training (VT) in setting up their enterprises, more importantly, it will also enhance survival or success rate of newly set up enterprises.

As a component of this scheme, the Ministry has recently launched a MSME Call Centre (known as ‘Udyami Helpline’) with a toll-free number 1800-180-6763. The Udyami Helpline, inter alia, provides basic information on how to set up an enterprise, various schemes being implemented for the promotion of MSMEs, accessing loans from banks and further contacts for obtaining detailed information.

Performance and Credit Rating Scheme

To sensitise the MSE sector on the need for credit rating and encourage the MSEs to maintain good financial track record enabling them to earn higher rating for their credit requirements, the government in April 2005 launched the ‘Performance and Credit Rating Scheme’. The implementation of the scheme is through NSIC. Reputed rating agencies have been empanelled by NSIC from which the MSEs can select the one to be engaged by it for obtaining the rating.
The Ministry of MSMEs subsidises the cost of rating by sharing 75 per cent of the fee charged by the rating agency, subject to a ceiling of ₹ 40,000.

**National Small Industries Corporation**

To provide an opportunity for first generation entrepreneurs to acquire skills for enterprise building and to incubate them to become successful small business owners, NSIC has set up 47 Training-cum-Incubator Centers (TICs) under Public Private Partnership (PPP) mode. NSIC has also launched a Business to Business (B2B) Web portal to provide marketing facilities to national and international MSMEs. The MSME Info Call Centre of NSIC has been made functional to provide information about the schemes and activities being implemented for the benefits of MSMEs. Further, NSIC has established a Marketing Intelligence Cell in May 2010, which shall provide database and information support to the MSMEs on marketing of their products and services.

**Khadi Reform Development Programme (KRDP)**

In order to revitalise and reform the traditional khadi sector with enhanced sustainability of khadi, increased artisans welfare, increased incomes and employment opportunities for spinners and weavers with lesser dependence on government grants, a Khadi Reform and Development Programme was formulated by the Ministry of MSME in consultation with Khadi and Village Industries Commission (KVIC), Asian Development Bank (ADB), Department of Economic Affairs (DEA) and Price Waterhouse Coopers (PWC). This programme is proposed to be implemented in 300 selected khadi institutions willing to undertake the identified reforms. The DEA has arranged a sum of US$ 150 million equivalent to ₹ 717 crore (approx.) from ADB to be given to KVIC as grant in four tranches over a period of 36 months. After completion of procedural formalities, and signing of necessary agreement and announcement by ADB, the first tranche of ₹ 96 crore was released to KVIC in February, 2010. The second tranche of ₹ 192 crore has been earmarked in BE 2010-11.
Market Development Assistance (MDA) Scheme
The scheme has been introduced w.e.f. April 1, 2010 and envisages financial assistance at 20 per cent on value of production of khadi and polyvastra which will be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The scheme has been introduced on the basis of recommendation of several committees constituted during the past few decades and after running several pilot projects in the past. The need had arisen because khadi production so far was not based on market demand or performance and the rebate system did not benefit the spinners and weavers. Also KVIC was constrained to devote most of its resources for administration of rebate; to the detriment of its remaining responsibilities regarding development of the sector. MDA seeks to rectify this imbalance and provide flexibility to the khadi institutions to take innovative measures to improve its marketing infrastructure such as renovation of outlets, training sales persons, computerisation of sales, design improvement, publicity, discount to customers, improved equipments of production, training of artisans and capacity building so that khadi can attract more customers not just because of discount, but because of its quality design and appeal. Most importantly, for the first time a definite share of 25 per cent of MDA has been earmarked for spinners and weavers which will give them a prominent role in the entire khadi chain of activities. An amount of ₹ 345.05 crore has been earmarked to be incurred during 2010-11 and 2011-12 as MDA.

Workshed Scheme for Khadi Artisans
Under this scheme, assistance is provided for construction of worksheds for khadi artisans for better work environment. Around 38,000 worksheds are targeted to be constructed between 2008-09 and 2011-12 at a total cost of ₹ 127 crore approximately, involving financial assistance of ₹ 95 crore as grant to KVIC from government of India’s budgetary sources. Financial assistance for establishment of workshed has been provided to 5951 artisans in 2009-10. In BE 2010-11, an amount of ₹ 20 crore has been earmarked for assisting 10,000 artisans under this scheme.
Scheme for Enhancing Productivity & Competitiveness of Khadi Industry and Artisans
The scheme aims to provide financial assistance to 200 of the ‘A+’ and ‘A’ category khadi institutions of which 50 institutions would be those which are managed exclusively by beneficiaries belonging to SCs/STs to make them competitive with more market driven and profitable production by replacement of obsolete and old machinery and equipment. The total cost of the scheme is ₹ 84 crore involving financial assistance of ₹ 71.14 crore as grants to KVIC from budgetary sources between 2008-09 and 2011-12. Twenty khadi institutions were assisted with financial assistance of ₹ 2.23 crore under this scheme in 2009-10. An amount of ₹ 21 crore has been earmarked in BE 2010-11 for assisting 60 khadi institutions under this scheme.

Scheme for Rejuvenation, Modernisation and Technological Upgradation of Coir Industry
Under the scheme, assistance is provided to spinners and tiny household sector for replacement of outdated looms and for constructing worksheds so as to increase production and earnings of workers. In 2009-10, 296 spinning units and 410 tiny household units have been assisted under this scheme and a target for assisting 320 spinning units and 880 household units has been fixed for 2010-11 with the budget allocation of ₹ 21 crore.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
This scheme was launched in 2005 for regeneration of traditional industries identified clusters in khadi, village industries and coir sectors with a view to make these industries more productive and competitive and increase the employment opportunities in rural and semi-urban areas. The objective of the scheme is to establish a regenerated, holistic, sustainable and replicable model of integrated cluster-based development of traditional industries in khadi, village and coir sectors. So far 105 clusters (khadi – 29, village industries – 50 and coir - 26) have been taken up under SFURTI and production has been started in 72 clusters. Cluster interventions will be completed in remaining 33 clusters providing employment to around 16,000 rural artisans in 2010-11.
Mahatma Gandhi Institute for Rural Industrialisation (MGIRI)

A national level institute named MGIRI has been established at Wardha, Maharashtra as a society by revamping Jamnalal Bajaj Central Research Institute in association with IIT, Delhi for strengthening the R&D activities in khadi and village industry sectors. The main objectives of the institute are: (i) to accelerate rural industrialisation for sustainable village economy so that KVI sector co-exists with the main stream, (ii) attract professionals and experts to Gram Swaraj, (iii) empower traditional artisans, (iv) innovation through pilot study/field trials, and (v) R&D for alternative technology using local resources.

National Board for MSMEs

The government has set up for the first time, a statutory National Board for Micro, Small and Medium Enterprises so as to bring together the representatives of different sub-sectors of MSMEs, along with policy-makers, bankers, trade unions and others in order to move towards cohesive development of the sector. The deliberations and directions of the National Board will go a long way to guide and develop enterprises in this sector — to become more competitive and self-reliant.

Fiscal benefits

The government has worked towards enhancing the level of fiscal incentives available for micro and small enterprises. Under the General Excise Exemption Scheme, exemption limit has been raised from ₹ 1 crore to ₹ 1.5 crore (in 2007-08 budget) and the turnover eligibility limit to avail the exemption benefits has been enhanced from ₹ 3 crore to ₹ 4 crore (in 2005-06 budget). Further, with effect from April 1, 2005, small service providers having a turnover of up to ₹ 4 lakh has been exempted from service tax. This exemption limit has been gradually raised to ₹ 10 lakh in the subsequent budgets. In order to encourage small and medium enterprises to invest and grow, the surcharge on all firms and companies with a taxable income of ₹ 1 crore or less has been removed with effect from April 1, 2007. The turnover limit for tax audit and for the purpose of presumptive taxation of small businesses has been enhanced to ₹ 60 lakh with
effect from April 1, 2010. To ease the cash flow position for small-scale manufacturers, they have been permitted to take full credit of central excise duty paid on capital goods in a single installment in the year of their receipt. Further, they have also been permitted to pay central excise duty on a quarterly basis, rather than monthly basis.

3.6 ELEVENTH PLAN STRATEGIES FOR PROMOTION OF MSEs

The Eleventh Plan strategies for the promotion of MSEs, as incorporated in the Eleventh Five Year Plan document, are given below:

- The Eleventh Plan approach to the MSE sector marks a shift from the welfare approach to that of empowerment. The Plan looks at this sector as an engine for sustained and inclusive economic growth and employment. The strategy is two-pronged—it focuses on livelihood and social security. This is not just a rights issue but also makes economic common sense—artisans and entrepreneurs can be most productive only when they are physically and mentally fit.

- The Eleventh Plan considers the MSE sector as an important segment of industry which is unorganised and hence needs support and access to all schemes of industry with special enabling provisions. As it is, Tribal Sub-Plan (TSP) and Special Component Plan (SCP) are constitutional requirements. Support for women’s empowerment and minority development has been stressed upon in the Prime Minister’s 15-point programme and in other flagship schemes of the government. It is known that it is mostly the STs, SCs, minorities, and women who are engaged in traditional livelihoods and in the small and micro sector. In the handloom sector alone, 60.6 per cent weavers are women, 10.76 per cent belong to SCs, 25.5 per cent to STs, and 42.65 per cent to OBCs.

- By providing enabling provisions for artisans, weavers, and small entrepreneurs within industrial policies and schemes will automatically fulfill the constitutional requirement and the commitments made by various plans. While planning
infrastructure development for industries, the needs of the micro and small sector would be kept in mind. There is need to move from adversarial to complementary relationships between various segments of industry and MSEs. For instance, handlooms can target hi-end exclusive products while power loom mills do bulk production for dhotis, towels, etc. Big brands can continue to develop products such as suitings, shirtings and t-shirts, etc.

- The MSE sector, including handlooms and handicrafts, presents an opportunity for exports. Exclusivity, which stems from the dispersed nature of this sector, is its biggest strength. And yet, the dispersed nature of the sector makes it difficult to meet bulk orders, raises quality control issues, robs the workers of bargaining power, limits access to credit and markets, results in absence of social security, and prevents enterprises from benefiting from economies of scale. The effort during the plan period will therefore be to organise this sector, to create clusters and SHGs of weavers/artisans to improve their bargaining power and to enable them to pool resources. These groups, comprising weavers, artisans, and entrepreneurs, will be given full control over cluster decisions and will be provided support in the form of credit, inputs, expertise and marketing links.

- The Working Group on MSMEs for the Eleventh Plan had projected the need for ₹2,96,400 crore as the working capital and term loans for MSEs during the plan. At present, there is no sub-sector target for the MSE sector within the overall stipulated 40 per cent ceiling for the priority sector lending. Since sub-targets have already been fixed at 18 per cent for agriculture and at 10 per cent for the weaker sectors, the MSE sector has to compete with real estate, housing, education, retail, etc. for the remaining 12 per cent. Considering the vital role of the MSE sector in generation of large-scale employment opportunities, consideration should be given to whether a separate sub-target for the MSE sector can be effectively introduced in all Scheduled Commercial Banks (SCBs). If this is not possible then other means must be found to incentivise lending to this sector.
For micro and small entrepreneurs who cannot bring in sufficient equity/promoter’s contribution, a flexible debt–equity ratio may need to be adopted while sanctioning export credit. Banks will be encouraged to ensure that all loans up to ₹ 5 lakh to MSEs (excluding credit from MFIs) are given free of collateral at the interest rate of eight per cent. Coverage under the Credit Guarantee Trust Fund (CGTF) will be increased. As international experience indicates cluster based financing is the most effective way of providing credit to MSEs, 100 MSE clusters based on the PPP model will be adopted on a pilot basis.

The Eleventh Plan proposed an aggressive marketing campaign using the media. Handlooms, handicrafts, food processing, and other cultural industries will be linked to tourism; circuits for heritage and fabric tourism will be developed. In the West, the cultural industries have become the most rapidly growing sector in the world, contributing over seven per cent of the world’s GDP. Giving an ‘industry’ status to craftspersons is important because it entitles them to tax benefits and export promotion schemes, makes them eligible for banking and credit support, and helps them lobby for protection of intellectual property.

Mapping of the MSE sector will be carried out and registration of products under the Geographical Indication Act will be encouraged and supported. Strict enforcement of laws relating to reservation will be carried out. Neglected areas such as occupational health, insurance, and so on will be taken up as an integral part of the MSE policy. Special emphasis will be laid on skill development and upgradation across all sectors.

An effective preference policy for procurement of goods and services produced by MSEs both at Central and State levels will be developed. A policy for women in the micro and small sector, particularly in the unorganised segments, will also be formulated to ensure that women get their rights and that their special needs are catered to.
3.7 SMALL BUSINESS UNITS IN MIZORAM

Mizoram is one of the most industrially backward states in India. The entire state has been notified as backward and is categorised as ‘No Industry State’ due to non-existence of large and medium industries (Economic Survey Mizoram, 2007-08). Only small scale industries and cottage industries exist in Mizoram while large and medium scale industries are almost absent. As per the Basic Statistics of NER (2006), there is only one large and medium enterprise in Mizoram. Development of industries in the state is an uphill task as the investors remain fearful to invest here due to its topography, small size market, entry restrictions, low end infrastructure and such other related factors. Mizoram is considered as a peaceful state in India and enjoys rich natural resources. Although opportunities exist to a great extent, the lack of vision and will to explore the opportunities hampers the industrial development (Bhartendu Singh and Singha RKPG, 2008). People prefer to spend money in construction of multi-storeyed buildings for earning rent but they lack enthusiasm to come forward to take up new ventures risky in nature (Agarwal A.K, 1999).

Mizoram continues to remain an industrially backward state. The disadvantages due to topographical and geographical condition of the state coupled with underdeveloped infrastructure and transport bottlenecks are the main hurdles for the first generation entrepreneurs of the state to transform the state towards industrialisation. The growth and performance of the manufacturing sector has been poor. The share of industry, consisting registered and unregistered units, to the state GSDP could marginally increase from 1.2 per cent at the beginning of Tenth Five Year Plan to 1.5 per cent at the terminal year (2006-07). The state has witnessed a low scale of migration of workforce from agriculture to non-agriculture sector. Business activities like tailoring, furniture making, automobile repairs, steel making, bakery, handloom weaving, blacksmithy account for 80 per cent of the total number of enterprises in the state. There is little scope for either medium or large scale industrial units and as such micro enterprises dominate the industrial scenario acquiring a prominent place in the socioeconomic development of the state (Economic Survey Mizoram, 2008-09).
The 2001 Census revealed that out of the total population, 52.57 per cent were workers and the rest were non-workers in Mizoram. It also revealed that out of the total workers, 54.9 per cent were cultivators and 5.7 per cent were agricultural labourers. This indicates that 60.6 per cent of the total workers were engaged in agricultural activities mostly by practicing shifting cultivation (also known as *jhumming*). However, the share of agriculture alone to the GSDP is hardly seven per cent at current prices during 2008-09 (Economic Survey Mizoram, 2008-09).

At this juncture Small Business Units (SBUs) has specific role to play in the context of the economy of Mizoram. SBUs are best suited in Mizoram as they require less amount of capital, low level of technical skill and less managerial expertise. The vast

**Table 3.4**

<table>
<thead>
<tr>
<th>Districts</th>
<th>Market value of fixed assets (₹ in lakh)</th>
<th>Original value of plant &amp; machinery (₹ in lakh)</th>
<th>Gross output (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mamit</td>
<td>3780</td>
<td>2437.6</td>
<td>7993.6</td>
</tr>
<tr>
<td>2 Kolasib</td>
<td>4822.5</td>
<td>3265</td>
<td>2425.3</td>
</tr>
<tr>
<td>3 Aizawl</td>
<td>28208.5</td>
<td>190128.6</td>
<td>515577.4</td>
</tr>
<tr>
<td>4 Champhai</td>
<td>8164.2</td>
<td>5887.2</td>
<td>26950.6</td>
</tr>
<tr>
<td>5 Serchhip</td>
<td>4726.5</td>
<td>3175.2</td>
<td>7452.2</td>
</tr>
<tr>
<td>6 Lunglei</td>
<td>24094.7</td>
<td>26760.8</td>
<td>75219</td>
</tr>
<tr>
<td>7 Lawngtlai</td>
<td>4201</td>
<td>2905.8</td>
<td>2946</td>
</tr>
<tr>
<td>8 Saiha</td>
<td>14241.5</td>
<td>7211.3</td>
<td>11038</td>
</tr>
<tr>
<td>Total</td>
<td>309091.1</td>
<td>241771.4</td>
<td>649602</td>
</tr>
</tbody>
</table>

Source: *Third Census of Small Scale Industries 2001-02*, Ministry Small Scale Industries, Government of India

natural resources and local raw materials can be exploited more efficiently by setting up SBUs in the state thereby creating employment opportunities mainly to the agricultural labourers and local artisans, which in turn, helps in equal distribution of state income (Laskar, 2010). Table 3.4 shows the district-wise distribution of SBUs by select characteristics.
3.8 INDUSTRIAL INFRASTRUCTURE IN MIZORAM

Development of industrial infrastructure in the hilly terrain of Mizoram is not an easy task. The state government with its limited resources has established certain industrial areas with basic infrastructure. The industrial areas, though not fully provided with required infrastructure, are expected to solve many of the problems of industrial units. Enactment of Mizoram Industrial Areas (Management, Regulation and Control) Act, 2008 envisage allotment of industrial units of different declared industrial areas.

3.8.1 Industrial estates

The government of Mizoram under the aegis of central government aimed at engineering rapid industrial growth in the state by establishing industrial estates in many places. The government of Mizoram completed the construction of two industrial estates at Zuangtui and Kolasib. Development works for establishment of industrial estate at Chawngte is underway. Further, lands are being acquired for establishment of Industrial Estate at Mamit, Serchhip and Lawngtlai. The facilities offered by the state government are industrial plots and subsidy up to 25 per cent on development of land within the estate to the entrepreneurs.

Table 3.5

<table>
<thead>
<tr>
<th>Industrial area</th>
<th>Area (in bigha)</th>
<th>Total No. of plots</th>
<th>No of plots allotted</th>
<th>No of vacant plots</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Industrial Estate, Zuangtui</td>
<td>314.7</td>
<td>231</td>
<td>160</td>
<td>71</td>
</tr>
<tr>
<td>2 Industrial Estate, Bairabi</td>
<td>26.2</td>
<td>Not yet demarcated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Industrial Estate, Kolasib</td>
<td>10.2</td>
<td>Not yet demarcated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Industrial Estate, Pukpui</td>
<td>76.68</td>
<td>Not yet demarcated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Industrial Estate, Hmunhmeltha, Champhai</td>
<td>104.4</td>
<td>Not yet demarcated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Industrial Estate, Zote, Champhai</td>
<td>NA</td>
<td>Under construction by ZIDCO</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Economic Survey Mizoram 2009-10*, Department of Planning and Programme Implementation, government of Mizoram
3.8.2 Industrial growth center

The state government has taken up the scheme for establishment of Industrial Growth Center at Luangmual, Aizawl under fully Centrally Sponsored Scheme (CSS) with a total project cost of ₹ 15 crores. The central government had already approved and released the amount of ₹ 12.8 crore by which 85 per cent of works had been completed in 2007-08.

3.8.3 Export promotion industrial park

The government of Mizoram has taken up the scheme for establishment of Export Promotion Industrial Park at Lengte village which is 15 km away from Lengpui airport, with sanctioned amount of ₹ 650 lakh covering 178 hectares of land.

3.8.4 Integrated infrastructure development center

The government already established one Integrated Infrastructure Development Center (IIDC) at Pukpui, Lunglei district, covering 25 acres of land. The project had been commissioned and appointed Mizoram Khadi and Village Industries Board (MKVIB) to look after the center. Moreover, the government of Mizoram has taken steps for establishment of IIDC at Zote (Champhai district) with an estimated cost of ₹ 456 lakh.

3.9 PROFILE OF SELECT INDUSTRIES IN MIZORAM

Handloom, handicraft, engineering workshop, carpentry etc are some of the important industries in Mizoram. In addition to these, there are registered and unregistered variety of cottage and small scale industries producing household consumption items. Brief description of select industries in Mizoram state are given as under.

Handlooms

Handloom weaving is one of the oldest traditional crafts of the Mizos. From time immemorial, the Mizo society is characterised by the use of colourful traditional dresses prepared by the local weavers. In many households, the Mizo women
practice this art of weaving cloth. With their high traditional skills, they turn out beautiful and colourful designs, bags, shawls and so on. This conventional method of producing cloth with the help of loin looms takes long hours to weave a piece of cloth which results in higher cost of production. Handlooms and handicrafts industry plays an important role for socioeconomic development of the state and it also safeguards the Mizo customs, traditions and culture which become the pride of the Mizo’s for its ethnic beauty, distinct characters and identity (Economic Survey Mizoram, 2007-08). A large number of Mizo women are engaged in this traditional industry but the quantum of surplus production is negligible to make any appreciable impact on the consumer market outside the state. Presently most of the traditional loin looms has been replaced by Zo-loom and Fly Shuttle looms due to its higher working capacity. The government of Mizoram is taking initiatives to modernise handloom and handicraft industry by introducing textile technology in the state and it is proposed to establish Regional Institute of Fashion Technology during 11th Five Year Plan. Up to 2008-09, there were 750 handloom and handicraft units with the total employment of 4700 persons, and 182 number of handlooms and weaving societies were registered under state government. The government of Mizoram is running three handloom training centers in Aizawl, Lunglei and Saiha. The total investment and annual turnover during 2008-09 stood at ₹ 35 lakh and ₹ 562 lakh respectively. The Mizoram Handloom and Handicraft Development Corporation Limited (ZOHANCO), a state government undertaking is implementing the Tribal Handloom Development Project (THDP) by way of providing necessary raw materials to the weavers and marketing finished products.

Bamboo based products

Bamboo and cane producing units form another important traditional industry of Mizoram. Mizoram has abundant bamboo resources with a variety of species which is spread over the whole of the state. The government of Mizoram collects the revenue of over ₹ 80 lakh every year and annual royalty of about ₹ 66 lakh. The annual availability from the total growing stock is estimated at 5.8 million MT. But presently only a small portion of it could be utilised as the total bamboo
consumption of the state stands at 23,815 MT. At present, bamboo forms only 30 per cent of forest department revenue. That is, a vast potential of bamboo resources in Mizoram in unexploited. A bamboo policy for the state of Mizoram was framed for optimum utilisation of vast untapped bamboo resources for improving rural economy and industrial development. ZOHANCO is entrusted by the state government with the responsibility of promoting handloom and handicraft enterprises in Mizoram. At present among the bamboo and cane products, Mizo hat is very popular. But if the art of bamboo craft is properly promoted and popularised, there can be many varieties of products like baskets, broom sticks, ceiling cleaner, mats, household furniture item etc. Though the market for these products is good for export potential, the market has not been exploited enough due to limited production.

**Bakery**

One of the most popular food based industry in Mizoram is bakery. There are many units scattered in the state but mostly concentrated in the state capital of Aizawl. Zote Bakery, Holy Cross Bakery, Hmingliani bakery are among the prominent firms.

As the government of Mizoram realised the importance and potential of food based industry in the state, strengthening of secondary activities in the field of food processing has started gaining momentum. The process of building up food processing road map is under way. Under the Mega Food Park Scheme of the central government in the Ministry of Food Processing Industries, the state government is now proposing Mega Food Park in which the primary produces of horticulture, agriculture and livestock will be properly linked with the processing centers through collection center, primary processing and central processing center. The introduction of organic cultivation and the development of processing network will boost the contribution of this sector towards the state economy.
Carpentry and furniture works

Furniture and wood related products is also the traditional craft of the Mizo. Among the tribal people in North Eastern Region, the Mizos are known for high level of skills in carpentry. Carpentry is an important entrepreneurial activity in Mizoram because the local demand of wood products is very high, which keeps the carpenters busy throughout the year. But scarcity of raw wood is one of the problems especially in Aizawl city. Further, the restrictions imposed by Supreme Court in January 1998 dampened the carpentry industry to some extent. According to the Supreme Court order, there shall be no fresh felling of tress in the forest except in accordance with the working plan of the state government. Unfortunately, Mizoram is not having such working plan till now. However, the Timber Working Scheme is formulated by the state government which is provided for departmental extraction of timber from areas outside the reserved forest.

Blacksmithy

Blacksmithy is an age old traditional cottage industry of Mizoram. It was practiced by the Mizos in rural areas even before the annexation of the land by the British. From time immemorial blacksmith occupied an important position in traditional Mizo society as he used to make tools and implements for agriculture, guns, knives and so on. For his services, he was remunerated in the form of rice collected from every house in the village. But this is an age old practice. Due to competition now the activity is more concentrated in small rural villages to meet the local demand only. Majority of the units are not registered with the government.

Engineering workshops

Majority of the units among the engineering workshops in Mizoram are automobile repair enterprises. Due to the rapid increase in automobile vehicles in the state the scope for the future prospect for this activity is bright. The total number of motor vehicles on road in the state up to the end of 2008-09 was 69130. The number of vehicles on road has increased by 7596 (10.99 per cent) over a period of one year as against 65134 at the end of the previous year (Economic Survey Mizoram, 2008-
09). However, this business suffers from the scarcity of trained and skilled manpower.

**Steel fabrication**

This activity is of recent origin in Mizoram. The activity of steel fabrication is closely linked with building construction. Its growth is noticed during the last two decades due to government patronage also. Steel fabrication industry does not require large amount of capital and a person with ITI qualification in welding course having some tools and implements can start it easily. This industry is expected to have bright prospect.

**Candle making**

Because of frequent disruption in power supply, there is a constant demand of candles in Mizoram. But the basic raw material ‘paraffin wax’ is under the control of government and the units were allotted with it depending on the availability of government quota. The Raw Materials-cum-Sales Depot under the Rural Industries Project supply the raw materials needed.

**Chow making**

This is another important business activity of cottage industries in Mizoram. It is noticeable during the last three decades. There is a good demand of chow in local market, most of the micro entrepreneurs engaged in this activity belonged to middle class and they face working capital problem. The entire production is meant for local consumption only.

**Tyre rethreading**

Tyre rethreading is one of the successful businesses in the state. The total number of registered vehicles of all types in Mizoram during 2006-07 was 56,584, it was 61,534 in 2007-08 and it was increased to 69,130 in 2008-09. In view of the rapid increase in the number of vehicles, the industry has a bright prospect of growth in the state.
Leather industry

Leather based industry is not so much developed in the state though raw leather is exported in huge quantities from the state. Some of the products produced from this industry are different kinds of footwear, handbags, belts etc (Laskar, 2010).

3.10 INSTITUTIONAL SUPPORT IN MIZORAM

In India there are various organisations, boards, agencies or corporations which are actively involved in the development of entrepreneurship. Some of them are working at the national level and some others are working at the regional or state level. Some of the national level institutions are National Small Industries Corporation Limited (NSIC); Khadi and Village Industries Commission (KVIC); Mahatma Gandhi Institute for Rural Industrialisation (MGIRI); National Institute for Micro, Small and Medium Enterprises (NI-MSME); National Institute for Entrepreneurship and Small Business Development (NIESBUD); Micro, Small and Medium Enterprises Development Institute (MSME-DI), Indian Institute of Entrepreneurship (IIE). In respect of Mizoram, some of the institutions which are involved in the development of entrepreneurship are described below:

3.10.1 State Directorate of Industries

During pre-union territory period, the only agency which was responsible for the development of industry in Mizoram was Rural Industries Project (RIP) headed by Project Officer, which was set up in 1962 in Aizawl. The Directorate of Industries headed by Director was created with the establishment of union territory in 1972. The Directorate of Industries is responsible for the development of industries in the state and implements various policies and programmes from time to time for the development of small and cottage industries. It is the nodal agency for implementing policies for the promotion of industries whether it is evolved by the central government or by the state government. The Directorate takes up all the matters relating to industrial development in the state - establishment of industries whether small or medium or large, registration of small scale industries (both provisional and
permanent), industrial loans and grants, training of entrepreneurs, acquisition of land for industries and development of industrial areas like industrial estates, formulation of schemes for the development of handlooms and handicrafts, food products; mines and minerals, oil and natural gas and so many other things. The Directorate has different sections and wings like handlooms and handicrafts wing, electronic and IT wing, and geology and mining wing. These wings are entrusted to look after various sections and have implemented various policies and programmes in their respective fields.

3.10.2 Mizoram Khadi and Village Industries Board (MKVIB)

Mizoram KVI Board was established in March 1986 by an Act of Assembly i.e., the Mizoram Khadi & Village Industries Act, 1982. As provided in section 17 of the Act, the Board shall perform the following functions and activities.

- To start, encourage, assist and carry on Mizoram khadi and village industries and to carry on trade or business in such industries and in the matters incidental to such trade or business.
- To help the people by providing them with work in their homes and to give loans and other form of monetary help to individuals, registered co-operative societies and registered institutions.
- To encourage establishment of co-operative societies for khadi and village industries and handicraft.
- To conduct training centers and to train people with a view to equipping them with the necessary knowledge for starting or carrying on khadi and village industries.
- To manufacture tools & implements required for carrying on khadi and village industries and to manufacture the products of such industries.
- To arrange for the supply of raw materials and tools and implements required for the same purpose; and to sell and to arrange for sale of the products of the said industries.
➢ To arrange for publicity and popularising of finished products of khadi and village industries by opening stores, shops, emporium of exhibitions and to take similar measures for the purpose.
➢ To endeavor to educate, public opinion and to impress upon the public, the advantages of patronising the products of khadi and village industries.
➢ To seek and obtain advice and guidance of expert in khadi and village industries.
➢ To undertake and encourage research work in connection with khadi and village industries and to carry on such activities as are incidental and conductive to the objects of the Act.
➢ To discharge such other duties and to perform such other functions as the government may direct for the purpose of carrying out the objects of the Act.

3.10.3 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 27 February, 1978 to aid, counsel, assist, finance, protect and promote the interest of the entrepreneurs in the state. ZIDCO is a joint venture of the government of Mizoram and Industrial Development Bank of India (IDBI) in the ratio of 51:49. The initial authorised share capital was ₹ 3 crores which was increased to 15 crores. Registered office of ZIDCO is located in Aizawl. Till date ZIDCO has one branch office in Lunglei. The branch office covers three districts viz. Lunglei, Lawngtlai and Saiha.

In order to achieve industrial development, the corporation undertakes various schemes and activities since its inception. It has completed construction of the Integrated Infrastructure Development Center (IIDC) at Pukpui (Lunglei district) and another IIDC at Zote (Champhai district) is under construction. The main objective of these centers is providing infrastructures and equipments to small industries. In addition, ZIDCO undertakes various activities to enhance industrial development in Mizoram. Some of them are: (1) providing loan to construct house, parking place and shopping complex under the scheme of HUDCO and National Minorities
Development and Finance Corporation (NMDFC), (2) arranging the supply of machinery and equipments to small scale and cottage industries; and (3) providing term loans under the refinance schemes of IDBI and SIDBI.

3.10.4 Mizoram Handloom and Handicraft Development Corporation Ltd. (ZOHANCO)

Handlooms and handicraft 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, bearing testimony of both traditional and modern taste, are often exhibited in various trade and industrial fairs and exhibitions. These are organised in the state, region and in various parts of the country, where they are appreciated and sold. The development of handlooms 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 youth of the state, particularly residing in the rural areas. For this purpose ZOHANCO was established in the year 1988, which is a state level undertaking.

The objectives of the Corporation are:

- To develop, aid, advise, assist, finance, protect and promote the interest of handlooms and handicrafts units in the state, whether owned or conducted by the government, statutory body, company, firm or individuals and to provide them with capital, credit means of resources and technical and managerial assistance for the conduct of their methods of manufacture, management, marketing and their techniques of production.
- To enter into contracts with, and take up indents for the Government of India and state governments in all their departments and corporations and other subsidiaries and branches and from any agency or officer, thereof, having the necessary powers for fabrication, manufacture, assembly and supply of goods, materials, articles and equipments of every description and to arrange for the performance of such contracts and indents by subcontracting them to, or placing orders in
respect thereof with concerns dealing with handlooms and handicrafts industries or others for the fabrication, manufacture, assembly for supply of such goods, materials, articles or equipments or such managerial services as may be necessary for connection therewith or such contracts and indents and to have the goods, material articles and equipments fabrication, manufactured, assembled and supplied.

- To take all necessary and requisite steps to utilise the potential productive capacity of plant and machinery operated by handlooms and handicrafts units.
- To effect coordination between handloom and handicrafts industry and other industries by suitable methods, similar to the aforesaid.
- To promote and operate schemes for the development of handlooms and handicrafts industries in the state of Mizoram and for the purpose to prepare the reports, blueprints, statistics and other information.
- To open emporia or sales depot for sale of the products of handloom and handicrafts industry.

3.10.5 Mizoram Food and Allied Industries Corporation Limited (MIFCO)

Mizoram Food and Allied Industries Corporation Limited (MIFCO) is a government of Mizoram undertaking which was set up under the Companies Act 1956 on 19 December, 1989 to look after growth, promotion and development of food processing industries in the state of Mizoram. Some of the activities undertaken by MIFCO for the development of food processing industries in Mizoram are:

- To engage in the processing and preservation of food items, fish, fruits and vegetables and to promote, establish, improve, develop, administer and assist food processing and allied industries in the manufacture or production of processed food, juice, squash, meat etc either for export or consumption in the country.
- To promote the development of food processing industries by operating suitable schemes including financing of any such industry or facility whether owned by private entrepreneurs or run by the government.
To conduct the Entrepreneurship Development Programmes (EDPs) in food processing for local entrepreneurs so as to enable them to start their own units.

MIFCO is the nodal agency for food processing industries in Mizoram and as such, it deals with all matters relating to promotion and development of food processing industries in Mizoram. MIFCO conducts periodical training courses in food preservation and processing at the Food Processing and Training Centers located in Sairang, Vairengte, and Chhingchhip for the benefit of private entrepreneurs both in the rural and urban areas. Moreover, EDPs in food processing have been conducted at each of the eight district headquarters of the state for local entrepreneurs so as to enable them to start their own processing unit.

During the initial period of MIFCO's incorporation, three production units viz. Fruit Preservation Factory, Vairengte; Ginger Oil and Oleoresin Plant, Sairang and Maize Milling Plant, Khawzawl and two on-going projects viz. Ginger Dehydration Plant, Sairang and Fruit Juice Concentrate Plant, Chhingchhip were transferred to MIFCO from the Directorate of Industries. Since the experimental production activities at these production units had shown negative performance due to their lack of techno-economic feasibility they were returned to the Directorate of Industries. Meanwhile six Food Processing and Training Centres have been set up with central assistance.

During the Eleventh Five Year Plan (2007-2012), MIFCO strive to promote food processing industries in the private sector so that a Project Consultancy Cell has been established to render assistance to entrepreneurs by way of preparing for them a Detailed Project Report (DPR) to seek financial assistance from the Ministry of Food Processing Industries, government of India and from various other sources and also availing loans from financial institutions. Moreover, on careful examination of the prevailing industrial scenario in food processing sector of the state, MIFCO proposes to take up only services related to projects like Pack House, Cold Chain, Cold Storage and Value Addition Center and for the benefit of potential entrepreneurs who will be helped and assisted by the Corporation.
3.10.6 Zoram Electronic Development Corporation Limited (ZENICS)

Zoram Electronic Development Corporation Limited (ZENICS) is a government of Mizoram undertaking which was set up in March 1991 under the Companies Act 1956 in order to develop electronics and allied industries in the state. It undertakes various projects and activities since its inception like cable TV network, assembling of TV sets and inverters, computer education, Consumer Electronics Training Centers (CETC) etc. The main objectives of the corporation are:

- Developing electronics and IT allied industries through manufacturing research in business activities
- Manufacturing and servicing of all audio visual equipments
- Development and perfecting electronic technology
- Organising seminars, exhibitions etc in the field of electronics and electrical engineering.
- Carrying out business of manufacturing, buying and selling electronics and allied items.

Besides these, the Corporation is undertaking activities like computer education to government employees and private individuals, imparting repairs of electronics goods like TV, radio, inverters, computers etc, supply and maintenance of computers and peripherals to government departments and other necessary works given by the government.

3.10.7 Bamboo Development Agency (BDA)

On 9th January 2002, Bamboo Development Agency (BDA) has been established as a society under the Industries Department, government of Mizoram. The BDA since its inception in 2002 has been engaged in various activities for the development of bamboo sector in the state. With an objective to encourage, organise, develop and regulate resources, the agency is entrusted with research and development of bamboo and performs such functions as the government may prescribe from time to time. In order to infuse value addition to the bamboo resources,
activities like setting up of nine chipping clusters in various parts of the state are being taken up. Other activities include setting up of three units for round agarbati sticks, one unit for producing bamboo pebble mat and, two units for sliver and mat production. The agency has also set up 16 units for bamboo charcoal and vinegar production unit, which is finding its value in today’s market for which BDA has given 100 per cent assistance. The BDA has also taken up promotional activities under the Assistance to State for Infrastructure Development for Export and Allied Activities (ASIDE) (Ministry of Commerce and Industry, Government of India) scheme by constructing Export Promotional Industrial Park (EPIP) at Lengte and setting up of Bamboo Industrial Center for Export (BICE) at Bungthuam, which is solely for collection and export of bamboo chips to Nitol Group of Bangladesh paper mills. For dissemination of technology in the bamboo sector, Bamboo Technology Park (BTP) has been set up at Sairang under the funding of North Eastern Council (NEC) and Planning Commission. This park will involve technologies like bamboo treatment plant, test lab for bamboo properties, common facilities cum training center. In order to achieve progress in the bamboo sector development, the BDA is stepping forward in preparing a road map which will be realised soon in the near future.

In addition to the main objectives, the BDA performs such functions as the government may prescribe from time to time. Without prejudice to the general objects above, the objectives, in particular, of the agency are:

- To obtain fund, assistance, grant, contributions and loans towards development of bamboo and bamboo utilisation.
- Disburse grant, assistance, loan, advances to individuals, group, firms or organisation having object similar to that of the agency.
- To start, encourage, assist, lease, carry on and venture jointly bamboo based industries and to carry on trade or business in such industries and bamboo based activities and in the matters incidental to such trade or business;
- To encourage, assist and undertake bamboo based trade or business or profession or work for all round economic upliftment of the people and to encourage such
actions for discontinuation of ‘jhum’ system of cultivation’(i.e. shifting cultivation).

➢ To encourage, assist and undertake scientific management of natural bamboo resources for economic upliftment of the people and for protection of environment and ecology.

➢ To encourage, assist and undertake plantation of suitable variety of bamboo species for degraded and non-forest areas.

➢ To undertake any work, programme and function in bamboo sector development and related fields.

➢ To collaborate with any other institutions/organisations/persons having objects wholly or partly similar to that of the agency.

➢ To help the people by way of training, quality control, standardisation, assistance, scientific and technical support, market support, publicity, education, incentives and patronising in bamboo related activities.

➢ To manufacture machinery, tools and implements required for bamboo based industries, to arrange for supply of raw materials, tools and implements for the same purpose, and to sell and to arrange for sale of bamboo and bamboo based products.

➢ To acquire patent or license relating to any inventions, improvements or designs.

➢ To undertake and encourage research, development and application work in bamboo sector development and bamboo utilisation.

➢ To discharge such other duties and to perform such other functions as the government may direct for the purpose of carrying out the objects of the Agency.

3.11 GROWTH OF SMALL BUSINESS UNITS IN MIZORAM

Industrialisation in Mizoram is an infantile stage. As noted, the entire state has been notified as backward and is categorised as ‘no industry state’ due to non-existence of large and medium industry. As such, Mizoram continues to remain as an industrially backward state. In this background the history of industrial development in Mizoram before British period (before 1871), British period (1872-1947), before statehood (up to 1986) and after statehood (after 1986) will be discussed.
3.11.1 Pre-British period (before 1871)

The early Mizo society was migratory having little urge to amass household possessions. Agriculture was the principal means of livelihood. Due to lack of intercourse with the neighbouring areas, the tribes living in this hilly region had to produce all that they needed for their day to day use. It was their own requirement that inspired the tribal people to apply their skills in art and crafts. The age old industries, which played a vital role in the economy of the territory like basket making, weaving, pottery, metal work, lacquering, and smithy started showing a declining trend. Most of the cottage industries were part time occupations of the villagers and were run by members of the family without outside assistance (District Gazetteers Mizoram, 1989).

The products of Lushai hills during pre British period were confined to cane and bamboo mats and baskets. They were made chiefly by the inhabitants on the slopes of ranges bordering Burma (now Myanmar). For local use, spears, axe-heads, daos, hoes, and knives were manufactured. Iron was procured from Myanmar. Blacksmith were found throughout the hills. Wunhla, a village in the southern Chin Hills was famous for iron work. The blacksmith’s forge consisted of two bamboo bellows made out of two large bamboos standing upright with the pistons made of bamboo and cock’s feather and work by hand. Charcoal was used for furnace, and the anvil consisted of a block of stone or a log of wood covered with a sheet of iron. The weapons were neatly made, but the science of tampering metal was unknown. Native blacksmiths could make every portion of a flintlock gun except the barrel. Although the springs, which they made, were weak and often snapped, they nevertheless were often found in the gunlock. The melting of brass and telegraph wires was universally practiced. Armlets and bangles were made by pouring the molten metal into moulds made of a mixture of paddy-husks and clay. Both men and women wore ivory as earrings and necklaces. They also keep long hair and used hairpins and hair sticks generally made of bamboo. Men on important occasion wore a head dress made and composed of parrot feathers and porcupine quills inserted into a bamboo ring. Earthen pots were made everywhere for holding water and liquor. The pots were dried in the sun and baked. Pottery was
the work of women. Rawvan in the south was most noted for this industry and superior class of articles (Kabra K.C, 2008). Thus, the industries were carried out to meet the bare minimum domestic needs and no attempts were made to sell the products. The Mizo lost their zest to develop anything on commercial lines when expansion of trade and commerce provided them with an easy and frugal method of obtaining articles of daily use (District Gazetteers Mizoram, 1989).

3.11.2 British period (1872-1947)

During the British period though the interest of the British government was limited to its administration just by safeguarding its own economic interest, still it showed some interest in the revival of cottage crafts. Government assistance for the development of cottage industries in Mizoram dates back to 1939 when the District Superintendent made some endeavour to inject commercial bias in handloom cotton weaving industry. Some funds were raised for this purpose with personal contribution and loans from the government. Some the Mizos were sent to Kolkata (previously Culcutta) to undergo training in synthetic dyeing. Sir Robert Reid, the then Governor of Assam gave the organisation a building called ‘Reid House’ for the purpose. The government assisted through grants which was equal to staff charges for a period of three years. However, not much could be done in this respect and Mizo district remained industrially the most backward district of Assam during pre independence period. It is interesting to note that during 1910-11, the first industrial unit, ‘Synod Press Printing and Publishing’ (a printing press) was set up at Aizawl, which provided employment to 20 people with an investment of ₹ 0.70 lakh. Among the workers, 12 were skilled and the rest unskilled. Further, 14 were males and 6 females. This enterprise is owned by Christian missionary of the Presbyterian Church (Kabra K.C, 2008).

3.11.3 After Independence (After 1947)

After India got independence in 1947, the purview of the Assam State Cottage Industries Department was extended to the erstwhile Mizo district for the development of small scale and cottage industries. There existed one government
weaving training center at Lunglei in 1949 for imparting training to weavers. Subsequently, five more training centers in different crafts were opened in Lunglei sub-division of which four were at the Lunglei block headquarters viz., soap making training cum production center (1959), dyeing training cum production center (1959), wood works training cum production center (1961), cane works training cum production center (1961). The other (fifth one), handloom weaving training class was opened at Demagiri in 1961 (Kabra K.C, 2008).

The government of Assam took up a Rural Industries Project in Mizoram under centrally sponsored scheme at the instance of Planning Commission, government of India. The project office was established at Aizawl in December 1962 which became functional in January 1963. For implementation of projects and schemes certain committees were set up at center, state and project level. Execution of schemes started in January 1964. The project provided for training programme, common service facilities, other development programmes, schemes for sericulture, weaving etc (District Gazetteers Mizoram, 1989). Under the training programme, one clustered type training center at Aizawl, one tailoring, knitting and embroidery training center at Kolasib, training inside and outside the state, study tours and seminars for village artisans were arranged. Under the common service facilities scheme, service engineering workshop, purchase and demonstration on use of improved tools, raw materials cum sales depot were established. Under other development schemes, experiment on local raw materials were carried out, besides supplying improved tools at subsidised rates and constructing subsidised factory sheds. Industrial exhibitions were organised at times and in deserving cases industrial loans were given. Under the scheme for sericulture and weaving, establishment of a handloom demonstration party and concentration centers for rearing of mulberry silk worms and cultivation of mulberry trees were taken up. The weaving party made demonstration to convert the old and outmoded loin looms into modern ones.

Under the new district level set up, the Rural Industries Project (RIP) was converted into District Industries Center (DIC) under centrally sponsored scheme with a view to
provide service to cottage and small scale industries under a single roof. Under this scheme, Mizoram got two DICs, one in Aizawl and the other in Lunglei. The DIC undertook economic investigation on potential for the development of the district including provision of raw materials and other resources, supply of machinery and equipment, effective arrangement for credit facilities, marketing assistance, quality control, research, extension and entrepreneurial training.

As Mizoram was part of Assam, there was no separate organisation to look after the industrial development activities. The Assistant Director of Industry, Silchar was responsible for carrying out industrial development programmes. Practically there was no industrial development programme to boost up the pace of development in the region. Mizoram was defined as ‘No Industry District’ under Category A during this period. The factor responsible for this are: lack of funds, lack of organisational structure coupled with very poor infrastructural facilities (Lianzela, 1994). The industrial activity was restricted mainly to traditional cottage and small scale industries like carpentry, weaving, handicrafts etc with only 0.28 per cent of total industrial units run on electricity in 1961 (Roy Burman, 1970).

In 1971, Lalkhama Committee was formed to give recommendations to promote industrial development in the region. According to the report of the Committee, though there were 119 units under Rural Industries Project Aizawl, except for a handful of them, these could not be called industries in real sense of the term. The Lalkhama Committee suggested certain industries, which could not be conveniently developed in the Mizo Hills. These included agro industries such as manufacture of sugar, fruit preservation, tapioca starch making, oil expelling, bamboo pulp and board, saw mill, and processing of maize, banana, chilly and ginger and other small industries like tyre retreading, radio repairing, manufacturing of plastic articles, foot wear, hosiery goods, readymade garments, and aluminium utensils (Small Scale Industries Development Organisation, *Report on Development of Industries in Mizo Hills, 1971*).
In 1952, one new printing press in Aizawl came up. In 1954, two more units, one furniture making unit in Durtlang and one printing press (J.Buana press) in Lunglei were set up. In 1959, the first automobile workshop was set up in Aizawl. In 1960, one more printing press was established in Aizawl. In 1961, two new units came up in Aizawl, one an automobile workshop and the other fabrication unit. In 1962 also, one automobile workshop was established in Aizawl. To sum up, by the end of 1962, there were nine SBUs in Mizoram, out of which one was in Lunglei and the rest in Aizawl. From 1962 to 1971 owing to disturbance in Mizo district no industrial activity worth mentioning took place. The position regarding industries in Mizoram from 1952 to 1962 was presented in Table 3.6

Table 3.6

<table>
<thead>
<tr>
<th>Year</th>
<th>Districts</th>
<th>Aizawl</th>
<th>Lunglei</th>
<th>Chhim-Tuipui</th>
<th>Total No. of units</th>
<th>Cumulative Total</th>
<th>No. of persons employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Up to 1951</td>
<td></td>
<td>1</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>2 1952</td>
<td></td>
<td>1</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td>3 1954</td>
<td></td>
<td>1</td>
<td>1</td>
<td>Nil</td>
<td>2</td>
<td>4</td>
<td>39</td>
</tr>
<tr>
<td>4 1959</td>
<td></td>
<td>1</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>5</td>
<td>51</td>
</tr>
<tr>
<td>5 1960</td>
<td></td>
<td>1</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>6</td>
<td>57</td>
</tr>
<tr>
<td>6 1961</td>
<td></td>
<td>2</td>
<td>Nil</td>
<td>Nil</td>
<td>2</td>
<td>8</td>
<td>75</td>
</tr>
<tr>
<td>7 1962</td>
<td></td>
<td>1</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>9</td>
<td>87</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>8</td>
<td>1</td>
<td>Nil</td>
<td>9</td>
<td>9</td>
<td>87</td>
</tr>
</tbody>
</table>

Note: As on 31 December for all the years viz. 1952 to 1962

Source: Compiled from Census Report of Assam in Mizo district 1961; and Kabra KC, Economic Growth of Mizoram: Role of Business and Industry, p. 95

3.11.4 Before statehood (up to 1985-86)

To foster the industrial development activities in proper and systematic direction, the Directorate of Industry was created after the formation of union territory in 1972. At the state level there was one Director of Industry and one Assistant Director of Industry. At the district level, there was one Assistant Director of cottage industries
for Aizawl district, one Superintendent for Lunglei district and District Industries Officer for Chhimtuipui district. When the union territory of Mizoram was created in 1972 there seemed little scope for the department of industry to take up any planned programme as only two years of Fourth Five Year Plan were left. However, schemes to promote industrial estate, handlooms and handicrafts and sericulture were initiated. During 1972-73 and 1973-74, a craft center in Saiha, a Handicraft Training cum Production Center in Lunglei and a Weaving Training Center were established, and the total expenditure for industrial sector during these two periods were ₹ 15.29 lakh and ₹ 19.73 lakh respectively (Mizoram Progress of Industrial Development Souvenir, 1989).

Under the large and medium scale industrial sector, initiatives to start manufacturing units such as paper mills and plywood factories were taken up. A project proposal for 200 tonne capacity paper mill was prepared and a study for setting up mini sugar plant was also conducted. Preliminary study for setting up a ginger oil and oleoresin plant was conducted by the Central Food Technology Research Institute (CFTRI), Mysore. Preliminary works for setting up industrial estate in Aizawl and Kolasib were completed. Under village & small industries sector, 2125 artisans were assisted with grant in aid and 601 small scale entrepreneurs were assisted with small loans by the department of industry. Under the khadi and village industries scheme, apiary farms (bee keeping) were established in Aizawl, Lunglei and Chhimtuipui districts. Under the handloom scheme, fly shuttle looms were introduced among the weavers and about 225 weavers were given looms with accessories at subsidised rate, and also weaver service centers were established in different parts of Mizoram. Under the scheme of handicrafts, cane and bamboo craft production center was opened at Luangmual (Aizawl) and a craft center in knitting and tailoring was established at Saiitual in Aizawl district (Administrative Report, 1984).

During union territory period industrial development was mostly confined to small scale, cottage and tiny sectors by initiating loan facilities to entrepreneurs as short term measures. Training programmes were also initiated but mainly restricted to
handlooms and handicrafts. Attempts were made to identify viable industries by conducting industrial potential survey. A survey was conducted for Aizawl district by engaging Small Industries Extension Training Institute (Hyderabad). The Mizoram Small Industries Development Corporation Limited [now called Zoram Industrial Development Corporation (ZIDCO)] was set up in 1978. It has been rendering services by advancing loans to the entrepreneurs and by providing assistance in marketing of industrial products through emporia (Kabra K.C, 2008).

During the Sixth Five Year Plan (1980-85), the Industry department initiated schemes for balanced development of large, medium, village and cottage industries. Projects like mini paper plant, plywood factory etc were pursued. Saw mill cum timber seasoning plant, corrugated roofing sheets, mini sugar plant under NEC were taken up. After detailed techno-economic feasibility studies, projects like ginger oil and oleoresin plant at Sairang, ginger dehydration plant at Sairang and fruit preservation factory at Vairengte were taken up for implementation. Mineral exploration for industrial utilisation was also launched (Kabra K.C, 2008).

The industrial sector in Mizoram remained neglected and unorganised in even years after it attained the status of union territory in January 1972. The registered number of SBU's up to 1979 was only 19 units. Out of which only 107 persons were employed. In Lunglei district, 46 SBU's were registered in 1980 itself employing 213 persons. In Chhimtuipui district, the year 1985, 29 SBU's were registered employing 185 persons (Rualkhuma Colney, 1997).

The Mizoram Khadi and Village Industries Commission Board (MKVIB) was established in 1982. A separate Directorate was created for Sericulture, which became functional in 1985. During the Plan, a sum of ₹ 428.28 lakh was spent on village and small industries and ₹ 55.74 lakh on large and medium industries. The main instrument used to promote industrial development at that time was government schemes in terms of loans, grants-in-aid, power subsidy, interest subsidy and so on.
Table 3.7 and Exhibit 3.1 show the number of SBUs registered in Mizoram and number of persons employed up to 1985-86. With 19 units employing 107 persons in 1978-79, the figures have gone up to 1185 units employing 6022 persons by the end of 1985-86.

The average annual growth of SBUs from 1978-79 to 1979-80 was 694.7 per cent whereas the growth of employment was 635.5 per cent during the same period. A decrease in industrial units with the corresponding decrease in employment can be noticed in 1980-81. During 1981-82, while there was little increase both in terms of units and employment, the next two consecutive years recorded a declining trend.

### Table 3.7

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units registered</th>
<th>No. of persons employed</th>
<th>Average No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to 1978-79</td>
<td>19</td>
<td>107</td>
</tr>
<tr>
<td>2</td>
<td>1979-80</td>
<td>151</td>
<td>787</td>
</tr>
<tr>
<td>3</td>
<td>1980-81</td>
<td>120</td>
<td>555</td>
</tr>
<tr>
<td>4</td>
<td>1981-82</td>
<td>125</td>
<td>794</td>
</tr>
<tr>
<td>5</td>
<td>1982-83</td>
<td>118</td>
<td>483</td>
</tr>
<tr>
<td>6</td>
<td>1983-84</td>
<td>81</td>
<td>394</td>
</tr>
<tr>
<td>7</td>
<td>1984-85</td>
<td>235</td>
<td>1160</td>
</tr>
<tr>
<td>8</td>
<td>1985-86</td>
<td>336</td>
<td>1742</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1185</td>
<td>6022</td>
</tr>
</tbody>
</table>

Source: Directorate of Industry, government of Mizoram, Aizawl

However, there was a remarkable increase both in units and number of employment in 1984-85. The percentage growth of units and employment during this year were 190.1 per cent and 194.4 per cent respectively. Again, during the year 1985-86, a considerable growth in number of units and employment was noticeable. From 1978-79 the total number of units registered grew 62.3 times in 1985-86, and the number of persons employed grew 56.2 times during the same period.
Overall, these units employed five persons on average. The following are the observations made by Kabra K.C (2008) on the status of industries in Mizoram during early union territory period.

- During 1974-75 to 1989-90 though the budget allocation for industries in Mizoram increased 22 times from ₹ 23 lakh to ₹ 512 lakh, the number of SBUunits increased five fold only from 460 in 1974-75 to 2,205 in 1989-90. Similarly, jobs generated grew nearly six times from 2,015 in 1974-75 to 11,574 in 1989-90 as against 115 times increase in investment from ₹ 90 lakh to ₹ 10,424 lakh. Per unit capital investment in industries at ₹ 0.20 lakh in 1974-75 to ₹ 4.75 lakh in 1989-90 was very low, as basically these were village and tiny units rather than SSIs. The budget outlay 3.75 per cent showed that the state government’s efforts towards the promotion of industries were meagre. Perhaps the government was not exposed to industrial environment and did not give this sector due emphasis.

- Industry group-wise highest growth was recorded in chemical and chemical products, where number of units grew 13.8 times, employment 12.3 times and investment 4 times because of inclusion of soap manufacturing units. Basic metal and allied industries (aluminium) recorded growth of 7 times in number of units, 8.6 times in jobs and 17.1 times in investment. Leaving miscellaneous group apart, next highest growth was recorded in textiles and textile goods, where the increase in number of units was 5.9 times, employment 8.5 times and investment 144.8 times. In rubber, plastics etc group (including tyre rethreading) the number of units increased 5.8 times, employment 6.8 times and investment grew 99.9 times. In wood and wooden product group, there was increase of 4.9 times in number of units, 6.7 times jobs and 143.3 times in investment. In service based industries, number of units grew 4.7 times, employment 5.4 times and investment 82.5 times. Paper products, publishing and allied industries group registered a nominal increase of 3.8, 2.7, 81.1 times and food products and allied industries group 3.6, 3.8 268.8 times respectively. The least growth was metal products and parts and leather goods and repairing. The job oriented leather industry did not show adequate growth, perhaps because of non-availability of leather.
It was observed most of these units were proprietorship, as the Indian Partnership Act, 1932 is not made applicable to Mizoram. However, some units were registered as cooperative society.

Exhibit 3.1 No. of SBU's in Mizoram and No. of Persons Employed from 1978-79 to 1985-86

3.11.5 After statehood (After 1986-87)

Mizoram attained statehood on 20 February 1987. The creation of statehood coincided with the Seventh Five Year Plan (1985-90). Special attention was paid to handloom and handicraft enterprises and infrastructural development. Almost 80 per cent (₹ 1227 lakh out of ₹ 1546) was spent in respect of SBU's and 13 per cent (₹ 203 lakh) was in respect of large and medium industries and the rest 7.50 per cent (₹ 116 lakh) was for mines and minerals. During 1985-86 to 1989-90 the relative share of promotional expenditure on large and medium industries declined from 25.03 per cent in 1985-86 to 6.12 per cent in 1989-90. The same was reflected by corresponding increase in SBU's share from 74.39 per cent in 1985-86 to 84.11 per cent in 1989-90.
This indicates the relative importance of SBUs in the economy of Mizoram.

A scheme for agro-industries corporation was initiated during 1989-90 with a view to forming a corporation for the development of agro-horticulture based industries in Mizoram. The Mizoram Food and Allied Industries (MFAI) was first created as a separate cell under the Directorate of Industry, on the recommendation of the Central Food Technological Research Institute (CFTRI), Mysore. Later, the Mizoram Food and Allied Industries Corporation Limited (MIFCO) was incorporated in February, 1989, and later a fruit juice concentration plant was set up in Chhingchhip. Rural Industrial Development Center was set up in Aizawl for the purpose of supporting industrial units and for imparting training to artisans and workers of industrial enterprises. The Mizoram Handloom and Handicraft Development Corporation Limited (ZOHANCO) was incorporated in December 1988 which opened sales emporia in Aizawl and Lunglei. In the field of industrial infrastructure, small industrial estates in Kolasib and Zuangtui were set up.

In early 1990s, the Mizoram Food and Allied Industries Corporation Limited (MIFCO) expanded its activities and took over all the departmental projects like Ginger Oil & Oleoresin plant in Sairang, the Fruit Juice Concentration Plant in Chhingchhip, the Fruit Preservation Factory in Vairengte and the Maize Processing Plant in Khawzawl. Internal roads and buildings at Industrial Growth Center at Luangmual (Aizawl) were completed. Site for industrial estate in Pukpui and Lunglei was selected. During 1990-91 and 1991-92, a sum of ₹ 1339 lakh was spent on industrial sector, of which a major portion of about 88 per cent was spent on SBUs and over 11 per cent was spent for large and medium industries.

During this Seventh Five Year Plan, the government of Mizoram announced the first industrial policy in April 1989 with some incentives/subsidy schemes. This industrial policy was implemented during the Eight Five Year Plan (Singha RKPG and Dasgupta A, 2003). Later on, the Mizoram government announced New Industrial Policy 2000 which will be discussed in the next section.
The Eighth Five Year Plan witnessed the development of tea nurseries at Luangmual, Biate and Pawlrang. 315 tea grower families of Biate were given training and also assisted grant-in-aid in cash and kind. Under handloom and handicraft sector, 680 handloom weavers were given assistance in the form of subsidy, 305 persons were given training in fly shuttle loom weaving, and a few weavers were trained with a diploma course in handloom technology. Besides, 796 entrepreneurs were given training in knitting and tailoring, 1356 craftsmen were assisted with grant-in-aid and 25 primary societies were given margin money received from the government of India. To spread electronic culture in the state, 59 local youth were given training in electronics, six in radio and TV technology, and eight for computer courses at various institutes/centers. Awareness campaigns and seminars on computer and electronic and vocational training were conducted in various schools and colleges. Grant-in-aid was given to electronic entrepreneurs. Necessary machines and equipments were procured and quality control equipments were set up at Common facility Center (Kabra K.C, 2008).

Further, in this section, the growth of SBUs in the state of Mizoram from 1999-2000 onwards is discussed.

The number of registered SBUs in Mizoram and the number of persons employed are given in Table 3.8 and Exhibit 3.2. The numbers of units registered given in the table are the number of units registered during the year. It can be seen from the table that the number of registered units up to March 31, 2000 were 4554 and the total number of persons employed was 12,295. The number of persons employed showed an increasing trend except in 2007-08 where there was a significant decline in the number of persons employed, whereas the number of units registered per year was fluctuating. It can be seen that even though there has been a considerable increase in the number of units registered in some years, some particular years recorded a declining trend, indicating that the growth rates of SBUs are remarkably fluctuating. A high growth rate in a particular year does not reflect a high growth in the following year and vice versa. In 2000-01 the number of units registered was 127 units, but in
the next year there was a sharp decline in the number of units. At the same time the number of persons employed was increasing during this period. Again, from 2003-04 to 2007-08, the number of registered units was declining but the number of employment was increasing (except in 2007-08). One noticeable thing is the year 2007-08 and 2008-09 where there was a notable increase both in terms of registered units and number of persons employed. The registered SBU employed almost six persons per unit during 2008-09, compared to only three persons per unit during 2000-01. This indicates the entry of bigger units which could provide employment to more number of persons in recent past.

### Table 3.8

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units</th>
<th>Employment</th>
<th>Average No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Up to 1999-2000</td>
<td>4554</td>
<td>12295</td>
<td>2.7</td>
</tr>
<tr>
<td>2 2000-01</td>
<td>127</td>
<td>335</td>
<td>2.6</td>
</tr>
<tr>
<td>3 2001-02</td>
<td>92</td>
<td>369</td>
<td>4.0</td>
</tr>
<tr>
<td>4 2002-03</td>
<td>203</td>
<td>750</td>
<td>3.7</td>
</tr>
<tr>
<td>5 2003-04</td>
<td>340</td>
<td>979</td>
<td>2.9</td>
</tr>
<tr>
<td>6 2004-05</td>
<td>302</td>
<td>1116</td>
<td>3.7</td>
</tr>
<tr>
<td>7 2005-06</td>
<td>302</td>
<td>1228</td>
<td>4.1</td>
</tr>
<tr>
<td>8 2006-07</td>
<td>258</td>
<td>1376</td>
<td>5.3</td>
</tr>
<tr>
<td>9 2007-08</td>
<td>153</td>
<td>564</td>
<td>3.7</td>
</tr>
<tr>
<td>10 2008-09</td>
<td>704</td>
<td>4113</td>
<td>5.8</td>
</tr>
<tr>
<td>11 Total</td>
<td>7035</td>
<td>23125</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Directorate of Industry, government of Mizoram, Aizawl

However, it may be noted that though the business enterprises were registered under the label ‘small scale industries’ in government records, almost all of them, in fact, were generally micro enterprises by nature and character. The industrial development in the state is of comparatively a recent phenomenon. The process of industrialisation has slowly growing up, especially in the micro enterprises sector. However, the backwardness in infrastructures under the topographical and geographical condition of the state, the development of SBU could not attain optimum level. The long
tradition of shifting cultivation embedded in the mind of the first generation entrepreneurs of the Mizos need to be transformed into permanent engagement in the industrial enterprises.\textsuperscript{2}

It may be seen that the number of SBU as well as the number of persons employed by them has been gradually growing in Mizoram. As remarked by Rualkhuma Colney (1997) this may be because of the people in general are aware of the importance of establishing their own enterprises for generating employment. Like other states, Mizoram is also having acute unemployment problem both in rural and urban areas as well as among the educated youth. These jobless people having no alternative occupation are compelled to go for secondary occupations either as an entrepreneur or employee.

\textbf{Exhibit 3.2 No. of SBU in Mizoram and No. of Persons Employed from 2000-01 to 2008-09}

With the changing lifestyle, growing urbanisation and rising aspirations of people, the present prospective small entrepreneurs are finding better opportunities to set up their
businesses in the fields relating to repair services, construction activities, food and hotels and personal services.

The data relating to number of registered SBUs by type of business in Mizoram from 2001-02 to 2008-09 are given in Table 3.9. Different type of SBUs are grouped into 25 categories as seen in the table. Among 25 categories of business, metal products was the fourth biggest business in numbers in 2001-02 but in 2008-09 it was the biggest business in terms of number. Hence, in 2008-09, metal product units dominated the SBU sector as 17.4 per cent of the units were involved in activities relating to metal products like steel fabrications, steel window frame, steel gates, household items etc. The number of metal product units in 2008-09 was 2.06 times the number of units in 2001-02. But in terms of growth, the number of units engaged in construction grew at a fastest rate among all businesses. There was only a single unit relating to construction in 2001-02, but their number grew to 66 units in 2008-09. This means the number of construction units grew 66 times from the period 2001-02 to 2008-09. The SBUs relating to food items, wool, hosiery and garments and miscellaneous manufacturing business have been growing steadily. The entrepreneurs were not showing interest in certain businesses viz. electrical machinery, water works and chemical products. The entrepreneurs need to exploit the opportunities available in certain businesses such as education, medical & health services, and hotel & restaurants.

The MSME sector encompasses vast scope covering activities such as manufacturing, servicing, retailing, financing and constructions. In view of the government of India’s ever increasing importance given to MSME sector in national economy, more and more small industries and more and more entrepreneurs are going to enter in future (Rajasekharan, 2004). Industrialisation is one of the important means to usher in an economic and social transformation in the developing societies. More so, when agriculture cannot sustain the burden of increasing population, it is the industry and services sector, which have to shoulder the responsibility of sustaining and accelerating the pace of economic development (Jai Ganesh M, 2004). The same is
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food production</td>
<td>395</td>
<td>434</td>
<td>465</td>
<td>499</td>
<td>527</td>
<td>562</td>
<td>574</td>
<td>617</td>
</tr>
<tr>
<td>2</td>
<td>Beverage &amp; tobacco production</td>
<td>42</td>
<td>43</td>
<td>43</td>
<td>43</td>
<td>49</td>
<td>44</td>
<td>44</td>
<td>47</td>
</tr>
<tr>
<td>3</td>
<td>Wool, silk, synthetic fibre</td>
<td>135</td>
<td>139</td>
<td>163</td>
<td>194</td>
<td>218</td>
<td>258</td>
<td>268</td>
<td>312</td>
</tr>
<tr>
<td>4</td>
<td>Hosiery &amp; garments</td>
<td>319</td>
<td>339</td>
<td>341</td>
<td>354</td>
<td>368</td>
<td>357</td>
<td>362</td>
<td>482</td>
</tr>
<tr>
<td>5</td>
<td>Wool production</td>
<td>706</td>
<td>734</td>
<td>759</td>
<td>789</td>
<td>810</td>
<td>852</td>
<td>871</td>
<td>961</td>
</tr>
<tr>
<td>6</td>
<td>Paper products and printing</td>
<td>303</td>
<td>310</td>
<td>326</td>
<td>347</td>
<td>367</td>
<td>370</td>
<td>376</td>
<td>394</td>
</tr>
<tr>
<td>7</td>
<td>Leather products</td>
<td>19</td>
<td>21</td>
<td>22</td>
<td>22</td>
<td>23</td>
<td>25</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>Rubber and plastic products</td>
<td>85</td>
<td>87</td>
<td>91</td>
<td>97</td>
<td>106</td>
<td>112</td>
<td>112</td>
<td>113</td>
</tr>
<tr>
<td>9</td>
<td>Chemical products</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>10</td>
<td>Non metallic &amp; mineral products</td>
<td>25</td>
<td>26</td>
<td>28</td>
<td>29</td>
<td>29</td>
<td>31</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>11</td>
<td>Metal products</td>
<td>594</td>
<td>619</td>
<td>746</td>
<td>827</td>
<td>919</td>
<td>1006</td>
<td>1051</td>
<td>1225</td>
</tr>
<tr>
<td>12</td>
<td>Machinery &amp; parts except electrical</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>Electrical machinery</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>14</td>
<td>Misc. manufacturing industries</td>
<td>832</td>
<td>837</td>
<td>848</td>
<td>866</td>
<td>888</td>
<td>907</td>
<td>922</td>
<td>977</td>
</tr>
<tr>
<td>15</td>
<td>Water works &amp; supply</td>
<td>2</td>
<td>2</td>
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<td>3</td>
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<tr>
<td>16</td>
<td>Construction</td>
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<td>8</td>
<td>20</td>
<td>23</td>
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<tr>
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<td>78</td>
<td>84</td>
<td>117</td>
<td>123</td>
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<td>133</td>
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</tr>
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<td>14</td>
<td>15</td>
</tr>
<tr>
<td>19</td>
<td>Education, scientific &amp; research services</td>
<td>6</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>15</td>
<td>15</td>
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</tr>
<tr>
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<td>Medical &amp; health services</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>21</td>
<td>Personal services</td>
<td>585</td>
<td>603</td>
<td>593</td>
<td>620</td>
<td>648</td>
<td>743</td>
<td>655</td>
<td>690</td>
</tr>
<tr>
<td>22</td>
<td>Repair services</td>
<td>600</td>
<td>631</td>
<td>699</td>
<td>721</td>
<td>734</td>
<td>653</td>
<td>753</td>
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<td>24</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4773</td>
<td>4976</td>
<td>5316</td>
<td>5618</td>
<td>5920</td>
<td>6178</td>
<td>6331</td>
<td>7035</td>
</tr>
</tbody>
</table>

also true in the case of Mizoram in the sense that the number of micro enterprises and the number of persons employed by them as a whole is increasing every year. The MSME sector provides substantial scope for increasing employment as they are labour intensive and they require comparatively less capital. They have lesser gestation period and can easily be set up in rural areas or in backward areas. They need relatively smaller markets to be economical and hence they have advantage in being set up as ancillary units (Kalwajeet Singh, 2003). This type of business is highly suitable in a small and remote state of Mizoram.

3.12 MIZORAM STATE INDUSTRIAL POLICY

3.12.1 Industrial policy of Mizoram 1989

While making the policy resolution in 1989, the government of Mizoram was aware of the objectives of the central government with regard to upgradation of technology, export promotion, balanced growth, broad-based entrepreneurial skill and the improvement of technical skill for rapid growth of industries under a fast changing industrial scenario of the country. In consonant with these objectives, the government of Mizoram felt the need for establishing a common approach to industrial growth through various government departments, local bodies and other agencies dealing with industrial matters so as to channelise the growth of industry to a desired direction.

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 small scale industries like handloom and handicraft, and village and small cottage industries. Priority was assigned to agro and forest based industries, handloom and handicraft, sericulture and electronic industries. The policy also laid emphasis on even development of all sectors: large and medium, small scale, tiny, village and cottage industries.

The Industrial Policy 1989, considering the nascent stage of development in the state, laid accent on protection of the local small scale entrepreneurs in order to safeguard
the socio-cultural and ethnic identity of the indigenous people of Mizoram. Therefore, setting up of industries in small scale sector by outsiders was not allowed. However, investment from outside was allowed in medium and large scale industries in joint and assisted sectors. The intention of the government of Mizoram while announcing the first industrial policy was not only industrial growth 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 sector.

As a result of the policy direction given during the Eighth Five Year Plan period, significant growth in small scale industries, increase in production, awareness among the local entrepreneurs to set up own enterprises and improvement in basic infrastructure are now noticeable in Mizoram. It has been observed that, though there is no lack of enthusiasm among the local entrepreneurs to go for hi-tech investment, lack of finance and lack of locally available resources are the main difficulties. Further, the resources at the levels of government are also very limited to fund big projects.

### 3.12.2 New industrial policy of Mizoram 2000

In view of the continuing backwardness of the North Eastern Region, the government of India vide its notification No. EA/1/2/96-IDP dated 24.12.1997 announced the new industrial policy for the North Eastern Region. This policy aimed at encouraging investment in the industrial sector by announcing fiscal and other incentives for the purpose of overall economic growth of the region. In view of the national industrial policy which laid special emphasis for the development of industries in the North Eastern Region, the government of Mizoram had notified new industrial policy which is known as ‘New Industrial Policy of Mizoram 2000’. The main aims of New Industrial Policy of Mizoram 2000 are to engineer rapid sustainable growth of industry in Mizoram. It laid stress on encouraging industries utilising locally available raw materials. The government had adopted the approach for identification of thrust areas and promoting them with fiscal and other incentives. A broad policy on Foreign
Direct Investment (FDI) and investment from outside the state has been adopted on joint venture to safeguard the interest of tribal people of Mizoram. With the introduction of New Industrial Policy of Mizoram 2000, an attempt has been made towards development of local resource based industries during the Tenth and Eleventh Five Year Plans. The overall industrial growth has been experienced though it is much lower than the national average.

With regard to the change in global industrial scenario, national industrial policy and the economic development of the state, the government of Mizoram feels necessary to announce new industrial development policy for accelerating economic and industrial development of the state, and presently the government of Mizoram is stepping forward in preparing a new industrial policy for the third time which will be announced and enforced soon in the near future.\(^4\)

The main aim of the New Industrial Policy of Mizoram 2000 is to engineer rapid growth in the state by industrialisation of the state to a sustainable extent for the fulfillment of the following objectives.

- Enrichment of industrial growth potential lying in the sector like agriculture, horticulture, forest and establishment of proper linkage among the industries based on resources available in these sectors.
- 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.
- Identifying and developing entrepreneurial and managerial skills by providing suitable training programmes at district, sub-divisions and block levels and to create facilities for training of industrial labour on sustained basis.
- Ensuring balanced sectoral and regional growth by promoting industries under all sectors.
Promotion and modernisation of textile industry including traditional sericulture and handloom and handicraft sectors by induction of improved design, quality and technology so as to make textile industry a potential export oriented sector.

- Encouraging joint ventures between local entrepreneurs and industrialists from outside the state on selective basis.
- Encouraging joint ventures from outside the state with state’s own public sector undertakings and with resourceful local entrepreneurs.
- Encouraging self employment especially among technically qualified unemployed persons of the state for generating additional employment opportunities in the state.
- Allowing convergence of activities of all government agencies so as to make concerted approach towards industrial growth.
- Identifying sick industries and take measures for the revival of such units which have the potential to turn around.
- Making Mizoram a major center for the growth of fruit and food based industries by encouraging plantation and growth of different kinds of live stocks in the state.
- Making major entry in bamboo based industries by optimum utilisation of bamboo resources of Mizoram.
- Developing Mizoram as an attractive region for tourism industries.
- Encouraging quality control, standardisation and competitiveness of the local products.
- 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 and commerce in the state.
- Ensuring minimisation of pollution and encouraging eco-friendly units.
- Encouraging industry based on medicinal plants.

3.12.3 State subsidies

In addition to training of entrepreneurs and financing of industry by government agencies, a variety of subsidies and incentives are also given. As per the Incentive Schemes of 2000 (Government of Mizoram), all new industrial units in the private,
state public sector and in joint sector set up on or after 24 December, 1997 are eligible under the scheme. Existing industrial units\(^6\) undertaking expansion, modernisation or diversification made after 24 December, 1997 are also eligible under the scheme. Those existing industrial units which have already availed incentives similar in nature under the Incentive Scheme of 1989 and thereafter are not eligible under the schemes of 2000. A brief description of subsidies and incentives available to the entrepreneurs in Mizoram under the Incentive Scheme of 2000 (Industrial Policy of Mizoram, 2000) are given below.

*Subsidy on cost of project report*
An industrial unit is eligible to claim subsidy only for the amount of cost of project report already paid to the concerned consultant/agency as approved/recognised by the government of India or Director of Industry. An industrial unit is eligible to claim the subsidy only after taking effective steps.\(^7\) The amount of subsidy available is 90 per cent of cost in case of tiny units subject to a ceiling of ₹ 5000 per unit, 75 per cent in case of small scale and ancillary units and small scale service establishments subject to a ceiling of ₹ 25,000 per unit and 50 per cent in case of medium and large scale industries subject to a ceiling of ₹ 50,000 per unit.

*Land subsidy*
An industrial unit is eligible to claim subsidy on the amount of lease charge/fee on developed land allotted to the unit on the amount spent for the development of the allotted undeveloped land within the industrial estate, industrial growth center or industrial area declared by the Industries Department. The amount of subsidy admissible is 25 per cent of the lease fee of allotted developed/undeveloped land for the period of five years or 25 per cent of the amount spent by the unit on development of undeveloped land allotted.

*Factory rent subsidy*
The subsidy can be claimed by new tiny and small scale unit occupying the built up factory sheds within the declared industrial estate/industrial growth center/industrial
area on monthly basis. The subsidy can also be claimed by the existing tiny and small scale units on rent of built up factory sheds occupied for the expanded portion only. The subsidy is 50 per cent of the duly assessed rent of factory sheds subject to a ceiling of ₹ 30,000 per unit per year.

**Manpower development subsidy**

New and existing industrial units which have already gone into production which send their workers to institutions or registered/licensed industrial units outside Mizoram duly approved by the Director of industries for training for upgradation of their skill are eligible to claim the subsidy. An industrial unit is eligible to claim the subsidy on expenditure for managerial and technical training of its workers. For this purpose an industrial unit should give an undertaking that the trained workers will continue to be employed by it after training at least for a period of three years. The subsidy is limited to 50 per cent of the actual expenditure for training subject to a ceiling of ₹ 3000 per trainee and ₹ 25,000 per unit per year.

**Interest subsidy**

To bring the entrepreneurs at par with those benefited by RIP loan facility, a new scheme ‘interest subsidy’ was introduced for the first time in 1978-79 whereby the entrepreneur eligible to receive a subsidy equal to an amount of interest charged in excess of 5.5 per cent per annum by nationalised banks or financial institutions. Since then it continued in one form or other with minor modification. According to the first Industrial Policy of Mizoram 1989, the interest subsidy was available to the entrepreneurs at 4 per cent of the amount of term loan as well as working capital loan from banks for a period of five years with no maximum and minimum limit.

At present, an industrial unit is eligible to claim the subsidy only on the amount of interest on term loan and working capital loan already paid to the concerned banks/financial institutions/agencies. The subsidy is available only for the amount of interest where the repayment is made. An industrial unit may claim the subsidy for a period of five years from the date of commissioning of the unit. The interest on loan
paid by the industrial unit in excess of 8.5 per cent shall be subsidised up to a maximum of four per cent. Subsidy is limited to claim on the total amount not exceeding ₹ 3,60,000 paid by an industrial unit towards interest on term loan in a full year. However, for working capital loan, the total amount paid towards interest on which subsidy can be claimed shall be limited to ₹ 1,20,000 in a full year.

**Power subsidy**

An industrial unit is eligible for subsidy for charges on power consumed for industrial production. For this purpose a separate energy meter should be installed for the industrial purpose. The industrial unit should have power supply connection from authorised department or agencies. No subsidy is eligible for power consumed for domestic lighting and other purpose. The subsidy can be claimed by an industrial unit for five years from the date of commissioning of the unit. The limit of subsidy is 60 per cent of the total expenditure on power consumption in case of tiny, small scale and ancillary units, 50 per cent of the total expenditure in case of medium scale unit and 30 per cent in case of large scale unit.

**Subsidy on power line**

An industrial unit is eligible to claim subsidy on cost of drawal of power line from the main power lines to the site of the industrial unit/factory shed which is executed by the approved department/agencies. Subsidy is limited to 50 per cent of the actual expenditure subject to a maximum limit of ₹ 50,000 per unit.

**Subsidy on power generating set**

An industrial unit is eligible to claim the subsidy on the cost of captive generating set and installation charge thereof actually used for industrial purpose. The captive generating set for which subsidy is claimed should be a brand new and purchased directly from the manufacturers or its regional/local agents. In the case of second hand generating set, the cost of the generating set shall be calculated on the basis of the life of the generating set and the exact depreciated value. The installation of the generating set, on whose charge the subsidy to be claimed should be executed by the
supplier of the generating set or its regional/local agent or other approved agent. The subsidy on cost and installation charge of captive generating set to an industrial unit is limited to 50 per cent of the cost of generating set and installation charge thereof subject to a ceiling of ₹ 3,00,000 per unit.

State transport subsidy on plant and machinery
A new industrial unit is eligible to claim the subsidy on actual cost of transport of plant and machineries from the place of purchase to location of the unit. An existing unit is also eligible for the subsidy but for the expanded portion only. Subsidy is available for movement of plant and machineries from outside the state the actual cost of transportation by railway or on road or both from place of purchase to location of the industrial unit. If it is within the state the actual cost of transportation on road from the godown of the approved supplier/local agent of the manufacturer to the location of industrial unit is eligible. For the cost of transportation it should be the cost of transportation charged by the road transport agency approved by the Director of industries or the rate of transportation approved by the Director of industries. The subsidy available to the entrepreneur is 50 per cent of the actual cost of transportation by railway or on road or both.

State capital investment subsidy
This subsidy is available to new as well as existing industrial units (carrying out expansion, diversification and modernisation activities) on investment in plant and machinery at the rate of 15 cent of total capital investment for artisans and tiny units, 10 per cent subject to a maximum limit of ₹ 5,00,000 for small scale units and five per cent subject to a maximum limit of ₹ 10,00,000 for medium scale units. For the industrial units set up in thrust area, the subsidy is permissible at 20 per cent of the total investment in plant and machinery for artisans and tiny units, 15 per cent subject to a maximum limit of ₹ 7,00,000 for small scale unit and 10 per cent subject to a maximum limit of ₹ 15,00,000 to medium scale unit.
Concession on state and central sales tax
State sales tax exemption is available to the newly set up industrial units for a period of seven years from the date of commencement actual commercial production. However, for the industrial unit set up in thrust area the exemption period is 10 years. Besides, the exemption of central sales tax and central excise duty are also available which is governed by various notifications or orders issued from time to time by the government of India in this regard.

Price preference
Mizoram Preferential Stores Purchase Rules 1986 was replaced by the new Mizoram Preferential Stores Purchase Rules 1994. According to this rules, while making purchase by the government departments and government controlled organisations, preference should be given to products manufactured by local industrial units registered with the District Industries Center (DIC) or the Directorate of Industries or the Mizoram Khadi and Village Industries Board (MKVIB). Local registered units, while submitting quotations for their products to the government departments or government controlled organisations, are exempted from earnest money/security deposit.

International Standard Organisation/Bureau of Indian Standard Certification
For obtaining certification from International Standard Organisation (ISO) or Bureau of Indian standard (BIS), an industrial unit may claim reimbursement of 100 per cent of the expenditure incurred on registration fee, testing fee, purchase of testing equipments etc subject to a maximum limit of र 50,000. However, this maximum limit is र 1,00,000 for unit set up in thrust area.

Subsidy on registration fee of promotional council, commodity board and chamber of commerce
The amount spent by an industrial unit for obtaining registration with recognised promotional council, commodity board, chamber of commerce etc may claim reimbursement of actual expenditure on registration subject to a limit of र 20,000/-
Subsidy on 100 per cent export oriented unit

An additional five per cent capital investment subsidy for investment on plant and machinery subject to a maximum of ₹ 5,00,000 is made available to 100 per cent export oriented unit.

3.13 ACTIVITIES UNDERTAKEN BY MIZORAM GOVERNMENT

In addition to the above subsidies available to the entrepreneurs, the Department of Industries, government of Mizoram in collaboration with other government agencies undertook the following activities.

Feasibility and consultancy services

A branch office of Micro, Small and Medium Enterprises Development Institute (MSME-DI) [previously known as Small Industries Service Institute (SISI)] government of India, Aizawl provided services in the field of technical management, economic problems, preparation of project report etc since 1973. The institute guided the entrepreneurs in selecting items to be manufactured and in designing schemes. The institute also issues certificate for technical feasibility and it also undertakes industrial potential surveys, prepares state industrial profiles, renders economic information services, provides technical support services, makes plan for modernisation and technical upgradation, helps in locating new markets for products, and extends consultancy services to entrepreneurs. Besides, the North Eastern Industrial Consultants Ltd (NECON) provides various services to entrepreneurs such as preparation of project report, project appraisal and consultancy works on various matters concerned with the establishment of industries. NECON provides all types of services to the entrepreneurs and other clients. The services offered by it, inter alia, comprise of major activities, namely entrepreneurship development programmes (Jaitlay N.B, 1999). A consultancy bureau also works under the Directorate of Industries rendering various types of services to entrepreneurs in Mizoram.
**Industrial estates and area development**

The government of Mizoram aimed at engineering rapid industrial growth in the state by establishing industrial estates in many places. Two industrial estates at Zuangtui and Kolasib were completed. Development works for establishment of industrial estate at Chawngte and Champhai is underway. The government further projected to establish industrial estate in Mamit, Serchhip and Lawngtlai for which land are being acquired. The government also set up industrial growth center at Luangmual in Aizawl. The Integrated Infrastructure Development Center (IIDC) at Pukpui (Lunglei district) covering 25 acres of land had been set up. Scheme for establishment of Export Promotion Industrial park at Lengte is also taken up. A fruit park is also being developed at Chhingchhip for fruit industry.

**Rural service workshop**

An engineering workshop equipped with different types of machine tools and equipments has been set up in Aizawl to provide services to small scale automobile repairing workshops, which are not well equipped to perform these works with their limited machines, tools and equipments.

**Raw material depot**

The Raw Material Depot under Rural Industries Project (RIP) Aizawl is set up to provide the small entrepreneurs with scarce indigenous raw materials and miscellaneous raw material which are required by them, but difficult to procure. Such types of raw materials are stocked in the depot and sold at concessional rates. The items that are handled by the depot include knitting wool, dyed yarn, paraffin wax, aluminium ingots, aluminium circles, various types of soap making chemicals, shoe making materials, GI sheets and BP sheets.

**Marketing**

In order to provide assistance in the field of marketing for products of SSIs in Mizoram, Marketing Cell was set up under the Directorate of Industries. This cell undertakes collection and dissemination of all necessary information on marketing.
Further, in order to establish proper coordination, this cell maintains close liaison with different government agencies and SSI. As per the new Industrial Policy of Mizoram 2000, there is a Market Promotion Council (MPC) which is acting as an advisory council, it coordinates and interacts with the marketing agencies elsewhere to promote sales of local products inside and outside the country. One of the major areas of operation of this council is export promotion of locally identified exportable products like garments, processed foods, handloom and handicraft products and forest based industries.

**Turnkey project scheme**

There was a proposal by the Department of Industries to set up some need based engineering industries under this scheme. In the first phase, the government set up one barbed wire manufacturing unit in Mizoram. The department set up this factory on its own making all the necessary investment and then run and operated by the department. Later, it was handed over to the private entrepreneurs. The objective was to develop industrial atmosphere in the region and to create demonstration effect among the entrepreneurs so that they may also take up new ventures in setting up need based enterprises in the years to come. Table 3.10 shows the financial assistance received by SBUs in Mizoram from 2000-01 to 2007-08.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of units</th>
<th>Amount (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2000-01</td>
<td>899</td>
<td>13.49</td>
</tr>
<tr>
<td>2 2001-02</td>
<td>733</td>
<td>11.00</td>
</tr>
<tr>
<td>3 2002-03</td>
<td>633</td>
<td>9.50</td>
</tr>
<tr>
<td>4 2003-04</td>
<td>466</td>
<td>7.00</td>
</tr>
<tr>
<td>5 2004-04</td>
<td>566</td>
<td>8.50</td>
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<tr>
<td>6 2005-06</td>
<td>740</td>
<td>18.50</td>
</tr>
<tr>
<td>7 2006-07</td>
<td>870</td>
<td>21.78</td>
</tr>
<tr>
<td>8 2007-08</td>
<td>161</td>
<td>6.80</td>
</tr>
</tbody>
</table>

3.14 CLOSED UNITS

The small business units in Mizoram normally do not have a ready and regular market. Most of the products are for local consumption. On the other hand, as indicated by research studies, there were entrepreneurs who set up their units not because of their entrepreneurial foresight but because of not finding gainful jobs elsewhere (see Table 5.2 of chapter 5). As a result, such entrepreneurs are half-hearted in managing their enterprises. This is one of the reasons for industrial sickness of units.

It is also observed that the entrepreneurs are ignorant of the functions and management of such undertakings as industries. Moreover, it seems that they do not bother the fact that this sector requires hard labour, skill, intelligence, research, ideas from the beginning to the end; the sector is full of competition. 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 desperation (Singha and Dasgupta, 2003).

Mizoram is characterised by insufficient infrastructure for industrial development in terms of transportation, power supply, credit facilities and so on. A healthy business unit turns into sick if the infrastructural facilities are insufficient for all times (Vivek Deolankar, 2004). The per capita consumption of electricity in the state is lowest in industrial sector compared to other types of consumptions like domestic and commercial consumption. The frequent interruption of power is a big problem leading to discontinuing of work for a while. It has also been found from the entrepreneurs that it is the frequent interruption of power supply that matters than the heavy charges for power consumption.

There is a rich tradition of household industries, handlooms particularly, but this sector is under strain because of increasing competition from imported clothes (Kalpana Das, 2004). It is well known that the imported goods are far better in respect of quality and design than the local made goods. In this case, the local small industries
are vulnerable in the field of competition. This can also result in winding up of the enterprises. According to the Third Census of Small Scale Industries in 2001-02, there were 2718 registered SBUs in Mizoram, out of which 1328 units (48 per cent) were closed units. 62.8 per cent of the closed units were from Aizawl district. Distribution of district-wise closed units in Mizoram is given in Table 3.11.

Table 3.11

<table>
<thead>
<tr>
<th>Districts</th>
<th>No. of closed units</th>
<th>Percentage to the total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1 Mamit</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>2 Kolasib</td>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td>3 Aizawl</td>
<td>59</td>
<td>776</td>
</tr>
<tr>
<td>4 Champhai</td>
<td>32</td>
<td>107</td>
</tr>
<tr>
<td>5 Serchhip</td>
<td>8</td>
<td>29</td>
</tr>
<tr>
<td>6 Lunglei</td>
<td>9</td>
<td>68</td>
</tr>
<tr>
<td>7 Lawngtlai</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>8 Saiha</td>
<td>31</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195</strong></td>
<td><strong>1133</strong></td>
</tr>
</tbody>
</table>

Source: Third Census of Small Scale Industries (2001-02), Ministry of Small Scale Industries, government of India

3.15 PROBLEMS OF INDUSTRIALISATION IN MIZORAM

There are a number of problems which stand in the way of industrial development in the state of Mizoram. Some of them are natural whereas some are man made. Natural hurdles may be set right just by re-aligning the system, but man made hurdles cannot be solved easily. It may take generations to bring change in social outlook. The following are some of the general problems of industrialisation as evident from the research studies (Kabra K.C, 2008; Agarwal A.K, 1999).

3.15.1 High transport cost and inadequate power supply

Industrial units in the remote area have to incur additional transportation cost on import of raw materials and other inputs from other parts of the country. In the
absence of any mechanical engineering industry in the state, the small industrial units are required to import even a small and simple spare parts and accessories from outside the state. This may, cause undue delay in repair and replacement works. This may, in turn, retards production. Moreover, the manufacturing cost in Mizoram is also comparatively higher than that in the neighbouring states. The industrial units incur extra cost as compared to units in other states because of high transportation cost. Inadequate power supply is another reason for which Mizoram is industrially backward. It may be an ironical situation when it is seen against the fact that Mizoram is endowed with vast power potential.

3.15.2 No inducement to outside participation

Most of the businessmen in Mizoram are local entrepreneurs. Outside participation is almost absent due to restrictive regulations are in force. A non-Mizo person is prohibited to do business. If the proposed investment in plant and machinery is more than ₹ 50 lakh, a non-tribal may establish small scale industries in thrust areas in a joint venture with local entrepreneurs only. However, this is also subject to fulfillment of other conditions. A non-Mizo may establish medium scale or large scale industry in joint venture with the state government and this is also subject to fulfillment of certain conditions. Moreover, the provisions of Inner Line Regulation do not permit permanent inner line pass except to those who hold permanent trade license from the former Mizo District Council. For all these things there is no adequate competition among the local entrepreneurs due to absence of outside participation, which is detrimental to the growth of industry in Mizoram.

3.15.3 Limitations of supporting agencies

The state Directorate of Industries and DICs were set up to promote industrialisation in the state by providing services and incentives to the entrepreneurs. But one of the problems is to find the right and adequate personnel to fill up the technical and managerial posts in these government offices. As a result, training programmes in small scale industries to the entrepreneurs are
adversely affected. Non-preparation of proper action plan and lack of determination on the part of government officials are other obstacles in the industrialisation of Mizoram.

3.15.4 Lack of business orientation

There is a general lack of concern for industrial development among the entrepreneurs. There are many entrepreneurs who receive financial assistance from government agencies in the form of grants or incentives do not make investment in business, rather they prefer to divert funds for some other purposes. It is also observed that many of the entrepreneurs lack business orientation and knowledge of business management. There is neither management training institute to impart training in micro entrepreneurs in the state nor the educated youth prefer to go for such training elsewhere outside the state. Business and industry cannot grow without properly trained and technical and managerial personnel. Majority of the entrepreneurs in business and industry in Mizoram are from first generation entrepreneurs.

3.15.5 Lack of trained manpower

The industrial development in Mizoram also suffered due to non availability of trained and experienced manpower. Because of lack of adequate supervision, the efficiency of workers is below expected level and resulting in higher cost of production. There are many unemployed engineering graduates and graduates in business management in Mizoram but are not adequately for running industries.

3.15.6 Entry restriction

The restriction on the entry of outside people into the state of Mizoram regarding non-tribal people also created difficulty in the growth and development of industries in Mizoram. The high cost of production, high transportation cost, higher wage rate, weak bargaining, high cost of living etc are some of the important issues responsible for not attracting investment from outside the state.
Attitude of the local people to non-local businessmen prevented and discouraged outside people to make substantial investments in Mizoram.

3.15.7 Absence of industrial environment

The high literacy coupled with essential carpentry and mechanical skills possessed by the local people could not help much in creating industrial climate in the state. The youth possessing even the requisite technical education prefer to go for government jobs. They hesitate to start new enterprises. The easy going life style and the desire to earn quick and easy money have failed to break the vicious circle of non-industrialisation (Agarwal A.K, 1999).

3.15.8 Role of state government

Promotion of industrialisation in the state is one of the most important roles of state government. It is expected that the state government has to play a leading role in promotion of industries and entrepreneurship. In practice, the state government has not taken initiative to the desired extent. The meager state plan expenditure for industrial development is one indication of the fact. Late formulation of industrial policy is another indication. In Mizoram, the state industrial policy is declared for the first time in 1989 followed by the second in 2000. Most of the provisions remained unimplemented. It is expected from the state government to facilitate economic development of the state by making the situation more comfortable for the development of entrepreneurship.

3.16 CONCLUSION

With respect to industrial development, Mizoram is lagging behind the other states of India. Though the pace of industrialisation in the state had started during the British period, it could not attain much progress in industrialisation even after six decades of economic planning. Mizoram is endowed with fertile land and rich forest resources. Unless these resources are being utilised within the territory with proper efforts and in a systematic manner, the state cannot expect a boost in the level of development in the
economy. Though many new micro and small enterprises have been coming up in the state, the success rate is poor due to many problems. In a backward and remote state like Mizoram, micro and small enterprises are most suitable and they have a big role to play for the state economy. Though Mizoram is considered as peaceful state in India, the basic infrastructure needed for the growth of enterprises in terms of electricity, transport, communication and banking facilities pose a big challenge. Moreover, lack of vision, lack of willingness to explore the opportunities and absence of entrepreneurial mind hamper the industrial development.

In view of the prevailing situation in the state, the state government should take measures to create an environment conducive for the entrepreneurs to participate in the MSME sector. In this connection, the state government should permit non-Mizo entrepreneurs to establish enterprises in the state subject to certain conditions. The state government should also take appropriate measures to integrate the regional markets with national and international markets in order to explore opportunities for the entrepreneurs. There is ample scope for the development of enterprises on the basis of factor endowments in the state. The state government along with other stakeholders like banks and other financial institutions should encourage the entrepreneurs to set up more enterprises in the area of fruit processing, vegetable cultivation, horticulture, piggery and poultry in the state. Moreover, the state government should be proactive in evolving an industrial policy with a view to promote the large and medium enterprises in the state that would address the problem of industrial backwardness.

NOTES

1 The disturbance or insurgency can be traced back to 1959 when the Mizo Hills were hit by a severe famine known as Mautam. It was believed that Assam government was neither able to assess the intensity of impending famine nor could it rise to the occasion in dealing with it. There was an animated discussion in the Mizo Hills District Council at the slow moving process of the government of Assam while the rapid increase in rats due to Mautam were causing havoc. The members of the District Council were very angry with the government of Assam. Then the Mizo National Famine Front was formed. By the time the famine was over, it was overwhelmed by political consideration and converted itself into a political party known as Mizo National Front (MNF). Among the leaders in the party, there was a feeling of neglect and isolationism. Their Mizo identity overshadowed their identity as an Indian. The rising political consciousness resulted in the will to secede from the oppressor. As a result, the party fought for independence in 1966 and lasted for 20 years causing loss of a
number of lives and uncountable valuable properties. The accord was signed between the party and the government in 1986. Mizoram was given statehood and peace was restored.

2 Concept Note on Market Oriented Micro Enterprises Development under the Aegis of NLUP, Mr Lalhmunsiana, Manager, M&E, Directorate of Industries, Aizawl, p.1


4 Speech delivered by Mr R.L. Rinawma, Commissioner and Secretary, Industry Department, government of Mizoram, on Consultative Workshop on New Industrial Development Policy of Mizoram, at Aizawl, dated 4th October, 2010

5 New industrial unit means an industrial unit which has undertaken one or more effective steps on or after 1.4.2000 are considered as new units for the purpose of incentive schemes of 2000.

6 An industrial unit which is/was in commercial production/operation at any time prior to 24.1.1997 are considered as an existing unit for the purpose of incentive scheme of 2000.

7 Effective steps means 60 per cent or more of the capital issued for the industrial unit has paid up or substantial part of the factory building has been constructed or a firm order has been placed for substantial part of the plant and machinery required for the industrial unit.

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