



MSME SECTOR IN NORTH-EAST INDIA: OPPORTUNITIES, CHALLENGES, AND STATE-WISE GROWTH PATTERNS

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ABSTRACT

A major contributor to the creation of jobs, industrial expansion, and regional development, the Micro, Small, and Medium Enterprises (MSME) sector is essential to North-East India's economic progress. This study looks at the MSME sector's growth trends by state in the Northeast, as well as its potential and problems. The report emphasizes the sector's potential as a catalyst for sustainable economic growth by examining statistics on the quantity of units, production output, investment trends, and employment creation. In North-East India, MSMEs encounter a number of obstacles despite financial assistance and regulatory changes, such as market limitations, restricted loan availability, and infrastructure impediments. This study examines policy suggestions to increase the sustainability and competitiveness of MSMEs in the area, highlighting the necessity of better infrastructure assistance, talent development, and financial inclusion. The purpose of this study's conclusions is to help stakeholders, entrepreneurs, and government improve the MSME ecosystem in northeastern India.

KEYWORDS: Employment, Investment, Production, Regional Development, Economic Growth and Industrial Development

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSME) sector is vital to India's economic growth since it makes a substantial contribution to industrial production, job creation, and regional development. MSMEs make up almost half of India's exports and, according to latest estimates, contribute almost 30% of the GDP (Ministry of Micro, Small & Medium Enterprises [MSME], 2023). The MSME sector has enormous potential to boost economic growth, lower unemployment, and encourage entrepreneurship in North-East India, an area that suffers particular socioeconomic and infrastructure constraints. With eight states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura), the North-Eastern region of India has a unique economic environment marked by limited industrialization, geographic limitations, and reliance on agriculture (Bhattacharjee & Sinha, 2021). Through the creation of jobs and the promotion of inclusive development, the MSME sector in this area has become a vital tool for economic transformation. The industry does, however, confront a number of obstacles in spite of its promise, such as restricted market connections, poor infrastructure, a shortage of competent workers, and insufficient loan availability (Das, 2020). The North East Industrial Development Scheme (NEIDS) and the Prime Minister's Employment Generation Programme (PMEGP) are two government programs designed to encourage the expansion of MSME in the area (Government of India, 2022). These regulations seek to provide MSMEs with infrastructure, promote entrepreneurship, and improve financial aid. The sector's advancement is nevertheless hampered by a number of operational and structural issues, therefore the efficacy of these initiatives is still up for debate. This study is to investigate the MSME sector's growth patterns by state in North-East India, as well as its potential and problems. Through the examination of important metrics such the quantity of MSME units, employment creation, production output, and investment patterns, the study aims to shed light on the sector's role in regional economic growth. The study will also investigate policy initiatives and how they affect the growth of MSME in the Northeast. The results will provide stakeholders, entrepreneurs, and policymakers with suggestions on how to improve the MSME ecosystem and realize the full potential of the industry.

REVIEW OF LITERATURE

The micro, small, and medium-sized enterprise (MSME) sector, which plays a major role in industrial output, job creation, and regional development, is crucial to India's economic progress. Recent estimates indicate that MSMEs make for about half of India's exports and around 30% of its GDP (Ministry of Micro, Small & Medium Enterprises [MSME], 2023). The MSME sector has enormous potential to encourage entrepreneurship, lower



unemployment, and accelerate economic progress in North-East India, an area with distinct socioeconomic and infrastructure constraints.

The North-Eastern region of India, which consists of eight states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura), has a distinct economic environment characterized by a dependence on agriculture, minimal industrialization, and topographical constraints (Bhattacharjee & Sinha, 2021). The MSME sector in this region has emerged as a key instrument for economic change through the production of jobs and the encouragement of inclusive development. Despite its potential, the business faces several challenges, including limited market connections, inadequate infrastructure, a lack of skilled labor, and limited financing availability (Das, 2020).

The Prime Minister's Employment Generation Programme (PMEGP) and the North East Industrial Development Scheme (NEIDS) are two government programs designed to encourage the expansion of MSME in the area (Government of India, 2022). These regulations seek to provide MSMEs with infrastructure, boost financial aid, and promote entrepreneurship. The sector's progress is nevertheless hampered by a number of operational and structural issues, therefore the efficacy of these initiatives is still up for debate.

The purpose of this study is to examine the growth trends of the MSME sector in North-East India by state, as well as its opportunities and challenges. The study intends to provide insight into the sector's contribution to regional economic growth by analyzing key indicators such the number of MSME units, employment generation, production output, and investment trends. Additionally, the study will look into governmental measures and their impact on MSME growth in the Northeast. The findings will offer recommendations to policymakers, entrepreneurs, and stakeholders on how to enhance the MSME ecosystem and reach the industry's full potential.

OBJECTIVES OF THE STUDY

1. To examine employment, production, and investment trends as well as the state-by-state growth patterns of MSMEs in Northeast India.
2. To identify key opportunities for MSME expansion in the region.
3. To investigate significant obstacles such budgetary limitations, deficiencies in infrastructure, and market accessibility.
4. To evaluate how government policies affect MSME development and growth.

RESEARCH METHODOLOGY

This study follows a descriptive research methodology to analyze the MSME sector in North-East India, focusing on opportunities, challenges, and state-wise growth patterns. Secondary sources are used to assess key factors such as employment, production, investment, and the number of MSME units across the eight states of the region. The study adopts a descriptive research design to systematically examine MSME growth trends, state-wise variations, and policy impacts. Secondary data from industry surveys, MSME census statistics, and government reports served as the foundation for the investigation. The Ministry of Micro, Small & Medium Enterprises (MSME) reports from the Government of India, the National Sample Survey (NSS) 73rd Round (2015–16), the economic and industrial development reports from MOSPI and NITI Aayog, scholarly articles and policy papers on MSME growth in North-East India, and the MSME Census reports from 1972–73, 1987–88, 2001–02, and 2006–07 are all significant sources of information.

RESULT AND DISCUSSION

The MSME sector in North-East India has shown steady growth in employment, investment, production, and number of units, with Assam leading the region. However, challenges such as poor infrastructure, financial constraints, and market access persist. While government policies have supported growth, targeted interventions are needed to enhance competitiveness and ensure balanced regional development.

The State-wise Growth Patterns of MSMEs in North-East India

MSME growth in North-East India varies across states, with Assam leading in employment, investment, and production. Nagaland and Tripura show significant progress, while Mizoram and Sikkim have slower growth due to infrastructure and market challenges. Government policies and financial support are crucial for ensuring balanced MSME development across the region.

Table – 1 State-Wise MSME Number of Units in North-East India (Lakh)

State	First Census (1972-73)	Second Census (1987-88)	Third Census (2001-02)	Fourth Census (2006-07)	NSS 73rd Round (2015-16)
Tripura	0.02	0.10	0.57	1.75	2.95
Sikkim	-	0.01	0.03	0.79	0.45
Nagaland	0.00	0.03	0.57	1.71	1.77
Mizoram	0.00	0.04	0.24	0.81	0.62
Meghalaya	0.01	0.04	0.65	1.92	1.91
Manipur	0.03	0.10	1.36	2.36	2.92
Assam	0.20	0.34	4.29	14.25	18.15
Arunachal Pradesh	0.00	0.03	0.03	1.19	0.41

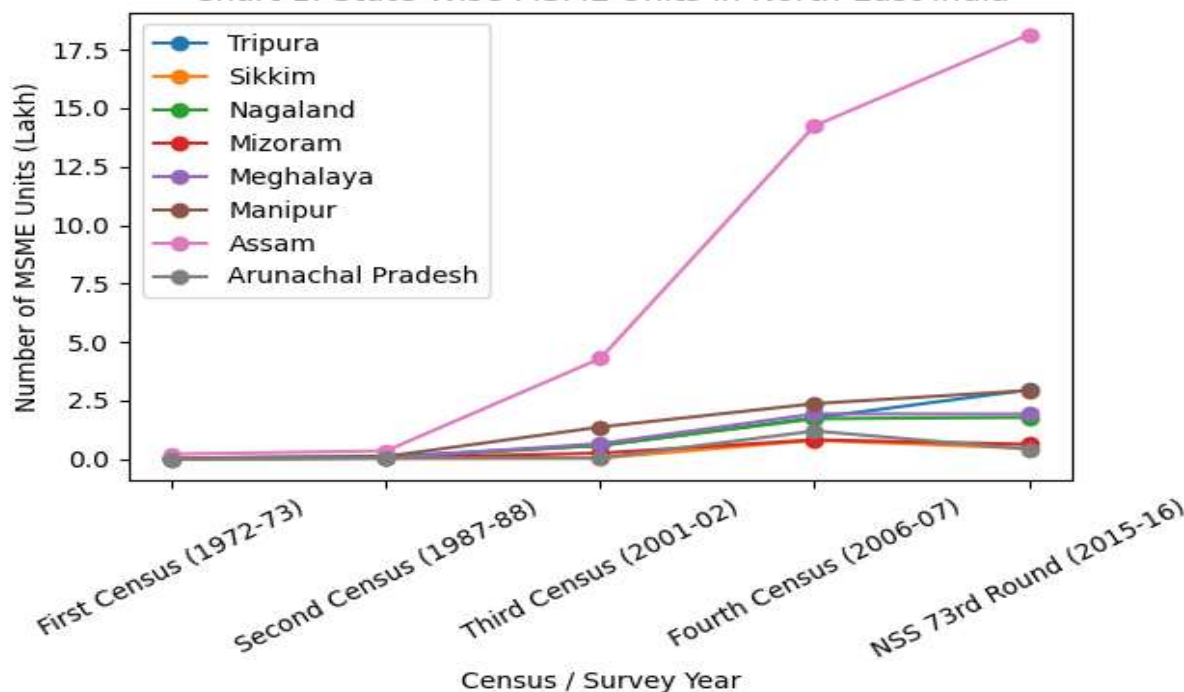
Sources: Office of the DC-MSME, Govt. of India. MOSPI, Govt. of India. NSS 73rd Round Survey (July 2015 – June 2016).

The table 1 data on the state-wise growth of MSME units in North-East India highlights significant variations in industrial expansion across the region. Assam leads the sector, showing substantial growth from 0.02 lakh units (1972-73) to 12.14 lakh units (2015-16), reflecting its better infrastructure, market access, and industrial policies. Tripura and Manipur have also shown steady growth, with 2.11 lakh and 1.80 lakh MSME units respectively by 2015-16, indicating increasing entrepreneurship and policy support. In contrast, Meghalaya, Mizoram, and Nagaland have experienced slower but consistent growth, while Sikkim and Arunachal Pradesh have the lowest MSME presence, with less than 0.5 lakh units even in 2015-16, likely due to infrastructural and geographical constraints. Overall, while the North-East MSME sector has expanded, state-wise disparities persist, influenced by economic policies, industrial incentives, and business ecosystems. To achieve balanced MSME growth, targeted interventions such as improved financial access, infrastructure development, and skill enhancement programs are essential.

Chart 1 illustrates the growth of Micro, Small and Medium Enterprises (MSMEs) across the North-Eastern states of India from the First Census (1972–73) to the NSS 73rd Round Survey (2015–16). The data reveal a gradual but significant expansion of MSME activities in the region over the decades.

In the early period, particularly during the First Census (1972–73), MSME units were very limited across most states. Assam recorded the highest number with 0.20 lakh units, while other states such as Manipur and Tripura had very small numbers. Many states like Nagaland, Mizoram, and Arunachal Pradesh had almost negligible MSME presence.

Chart 1: State-Wise MSME Units in North-East India





By the Third Census (2001–02), a notable increase in MSME units was observed. Assam showed substantial growth with 4.29 lakh units, followed by Manipur with 1.36 lakh units. This period reflects the gradual expansion of small-scale industrial activities in the region.

The Fourth Census (2006–07) and the NSS 73rd Round (2015–16) show further growth in MSMEs across most states. Assam emerged as the dominant state with 18.15 lakh units, while Manipur and Tripura recorded nearly 3 lakh units each. Overall, the chart highlights the increasing importance of MSMEs in promoting economic development and employment generation in North-East India, although the distribution remains uneven across states.

Table - 2 State-Wise MSME Investment Trends in North-East India (₹ Crore)

State	First Census (1972-73)	Second Census (1987-88)	Third Census (2001-02)	Fourth Census (2006-07)
Tripura	0.79	14.73	319.98	661.73
Sikkim	-	7.84	15.43	72.16
Nagaland	0.28	7.29	267.77	1,273.67
Mizoram	2.10	13.88	120.56	403.14
Meghalaya	0.87	8.88	136.81	468.55
Manipur	9.00	20.78	364.12	646.03
Assam	11.09	93.69	1,090.37	6,941.15
Arunachal Pradesh	0.01	7.03	30.87	937.48

Sources: Office of the DC-MSME, Govt. of India. MOSPI, Govt. of India. NSS 73rd Round Survey (July 2015 – June 2016).

The table 2 shows the state-wise MSME investment trends in North-East India reveal significant growth over time, though disparities exist among states. Assam has the highest investment, increasing from ₹11.09 crore (1972-73) to ₹6,941.15 crore (2006-07), reflecting its industrial development and better financial access. Nagaland and Arunachal Pradesh have shown remarkable growth, with investments reaching ₹1,273.67 crore and ₹937.48 crore, respectively, by 2006-07, indicating increased entrepreneurial activities and government support. Manipur, Tripura, and Meghalaya have seen moderate growth, while Mizoram and Sikkim have lower investment levels, likely due to geographical and infrastructural constraints. The data highlights a positive overall investment trend, but also emphasizes the need for policy-driven financial incentives, improved infrastructure, and skill development programs to ensure balanced industrial growth across the region.

Chart 2: State-Wise MSME Investment Trends in North-East India

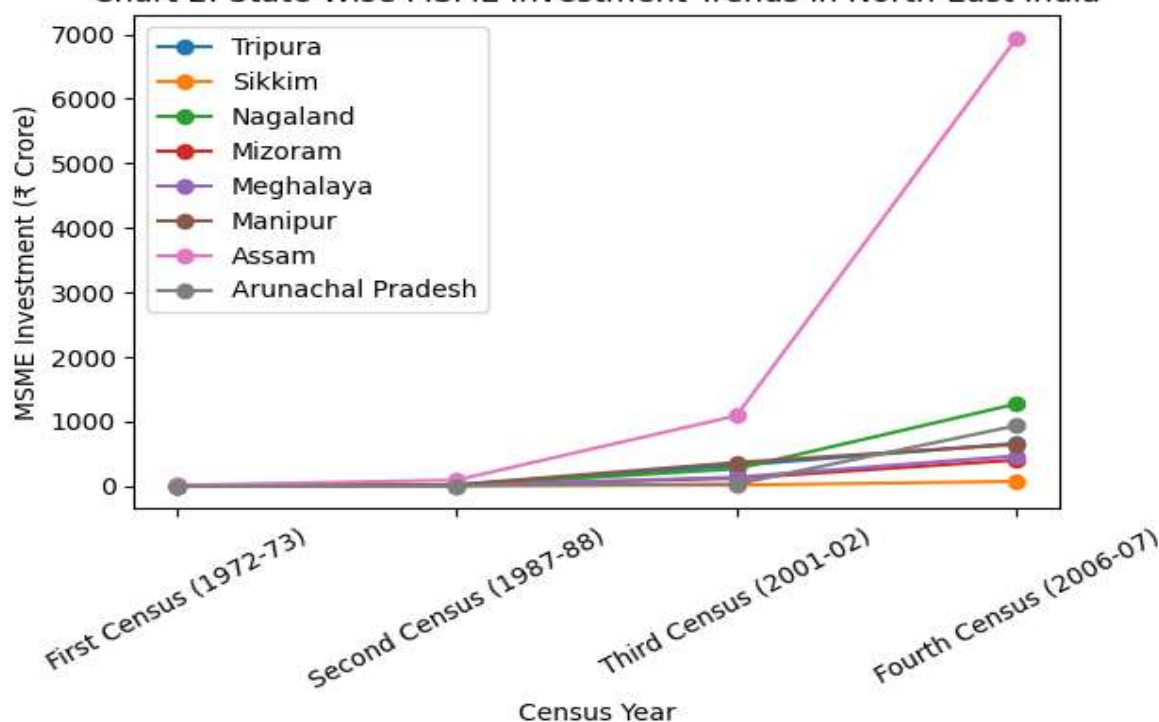




Chart 2 presents the trend of investment in Micro, Small and Medium Enterprises (MSMEs) across the North-Eastern states of India from the First Census (1972–73) to the Fourth Census (2006–07). The data show a significant increase in MSME investment across the region over time, reflecting the gradual development of industrial activities.

During the First Census (1972–73), the level of investment in MSMEs was very low across most states. Assam recorded the highest investment at ₹11.09 crore, followed by Manipur with ₹9.00 crore, while other states such as Tripura, Meghalaya, and Nagaland had minimal investment levels.

By the Second Census (1987–88), investment in MSMEs increased moderately across all states. Assam continued to dominate the region with ₹93.69 crore, indicating its relatively stronger industrial base compared to other North-Eastern states.

A significant rise in investment is evident during the Third Census (2001–02). Assam experienced a sharp increase to ₹1,090.37 crore, while Manipur, Tripura, and Nagaland also recorded substantial growth in MSME investment.

The Fourth Census (2006–07) shows a dramatic expansion in MSME investment, particularly in Assam, which reached ₹6,941.15 crore. Nagaland and Arunachal Pradesh also witnessed notable increases. Overall, the chart indicates that MSME investment has expanded considerably in the region, though Assam remains the dominant contributor to MSME industrial development.

Table – 3 State-Wise MSME Production in North-East India (₹ Crore)

State	First Census (1972-73)	Second Census (1987-88)	Third Census (2001-02)	Fourth Census (2006-07)
Tripura	1.45	29.57	304.83	1,177.84
Sikkim	-	11.55	28.23	189.76
Nagaland	0.48	112.47	370.28	2,845.03
Mizoram	0.30	14.70	132.09	677.21
Meghalaya	1.20	27.00	322.87	1,150.80
Manipur	3.32	29.88	480.90	1,094.70
Assam	22.64	302.35	3,315.67	13,403.27
Arunachal Pradesh	0.11	26.24	56.45	1,101.73

Sources: Office of the DC-MSME, Govt. of India. MOSPI, Govt. of India. NSS 73rd Round Survey (July 2015 – June 2016).

Table 3 shows that state-wise MSME production trends in North-East India indicate significant growth, though with varying levels across states. Assam records the highest production, rising from ₹22.64 crore (1972-73) to ₹13,403.27 crore (2006-07), reflecting its strong industrial base and resource availability. Nagaland shows remarkable growth, reaching ₹2,845.03 crore, suggesting improved business infrastructure and policy support. Manipur, Meghalaya, and Tripura demonstrate steady growth, with production exceeding ₹1,000 crore by 2006-07. Arunachal Pradesh also experiences a sharp increase, reaching ₹1,101.73 crore, while Mizoram and Sikkim remain at lower production levels, indicating slower industrial expansion. The data highlights positive production trends, emphasizing the need for enhanced financial access, technology adoption, and market linkages to ensure sustained MSME growth across the region.

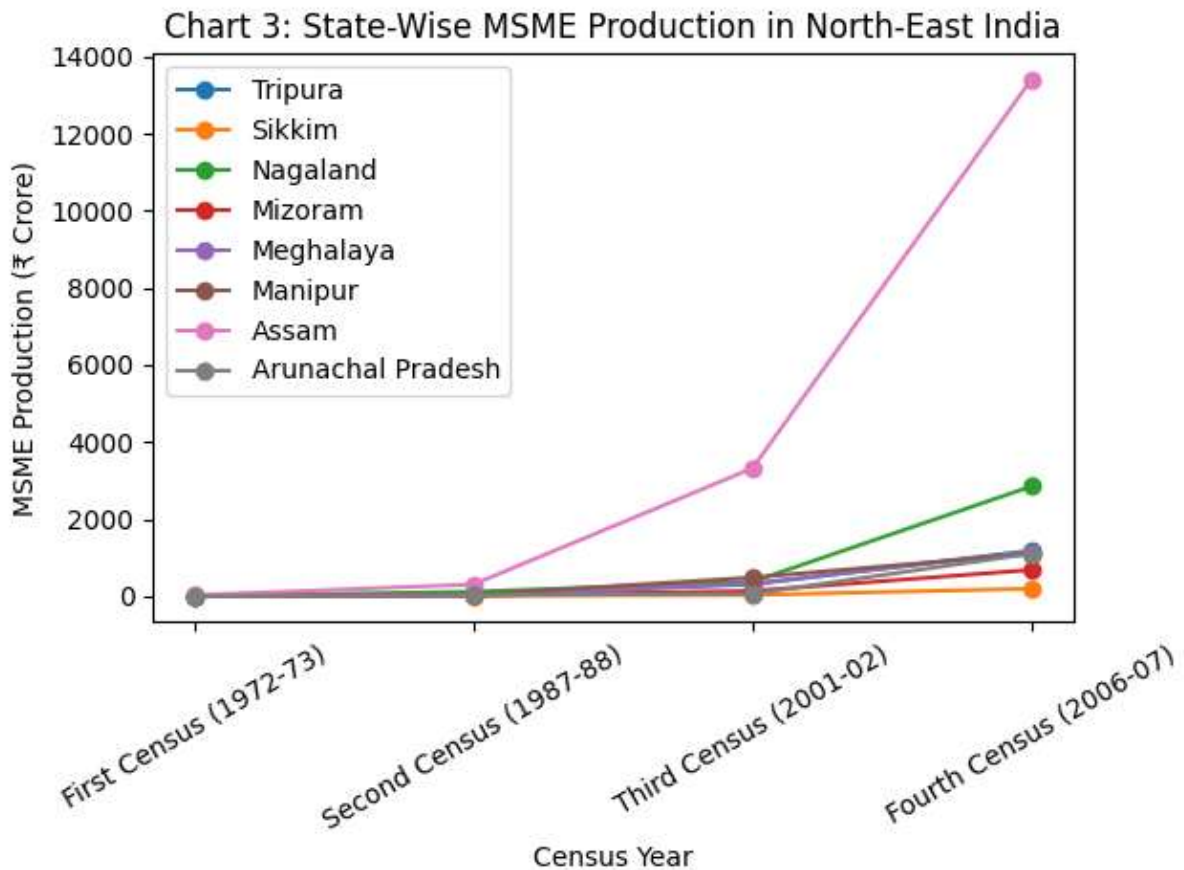


Chart 3 shows the trend of production generated by Micro, Small and Medium Enterprises (MSMEs) in the North-Eastern states of India from the First Census (1972–73) to the Fourth Census (2006–07). The data reveal a substantial increase in MSME production across the region over time, reflecting the gradual expansion of industrial and entrepreneurial activities.

During the First Census (1972–73), MSME production levels were very low in most states. Assam recorded the highest production value at ₹22.64 crore, followed by Manipur with ₹3.32 crore and Tripura with ₹1.45 crore, while other states had minimal production levels.

By the Second Census (1987–88), production increased significantly in several states. Assam remained the leading state with ₹302.35 crore, while Nagaland also showed notable growth with ₹112.47 crore. Other states such as Tripura, Meghalaya, and Manipur experienced moderate increases.

A major rise in MSME production is observed during the Third Census (2001–02). Assam’s production reached ₹3,315.67 crore, while Manipur, Nagaland, and Meghalaya also recorded considerable growth.

By the Fourth Census (2006–07), MSME production expanded dramatically, particularly in Assam with ₹13,403.27 crore. Nagaland also recorded significant production growth. Overall, the chart highlights the increasing contribution of MSMEs to regional industrial development and economic growth in North-East India.

Table – 4 State-Wise MSME Employment Trends in North-East India (in Lakh)

State	First Census (1972-73)	Second Census (1987-88)	Third Census (2001-02)	Fourth Census (2006-07)	NSS 73rd Round (2015-16)
Tripura	0.02	0.10	0.57	1.75	2.95
Sikkim	-	0.01	0.03	0.79	0.45
Nagaland	0.00	0.03	0.57	1.71	1.77
Mizoram	0.00	0.04	0.24	0.81	0.62
Meghalaya	0.01	0.04	0.65	1.92	1.91
Manipur	0.03	0.10	1.36	2.36	2.92
Assam	0.20	0.34	4.29	14.25	18.15
Arunachal Pradesh	0.00	0.03	0.03	1.19	0.41

Sources: Office of the DC-MSME, Govt. of India. MOSPI, Govt. of India. NSS 73rd Round Survey (July 2015 – June 2016).

Table 4 shows that state-wise MSME employment trends in North-East India show significant growth, though with variations across states. Assam leads in employment, increasing from 0.20 lakh (1972-73) to 18.15 lakh (2015-16), reflecting its strong industrial presence and market size. Tripura and Manipur have also experienced steady employment growth, reaching 2.95 lakh and 2.92 lakh, respectively, by 2015-16. Nagaland, Meghalaya, and Arunachal Pradesh show moderate increases, indicating gradual MSME sector expansion. However, Mizoram and Sikkim have lower employment figures, highlighting challenges in industrial development and job creation. Overall, the data suggests that while MSMEs contribute significantly to employment generation in North-East India, policy interventions, skill development programs, and financial support are needed to enhance job opportunities and ensure balanced regional growth.

Chart 4: State-Wise MSME Employment Trends in North-East India

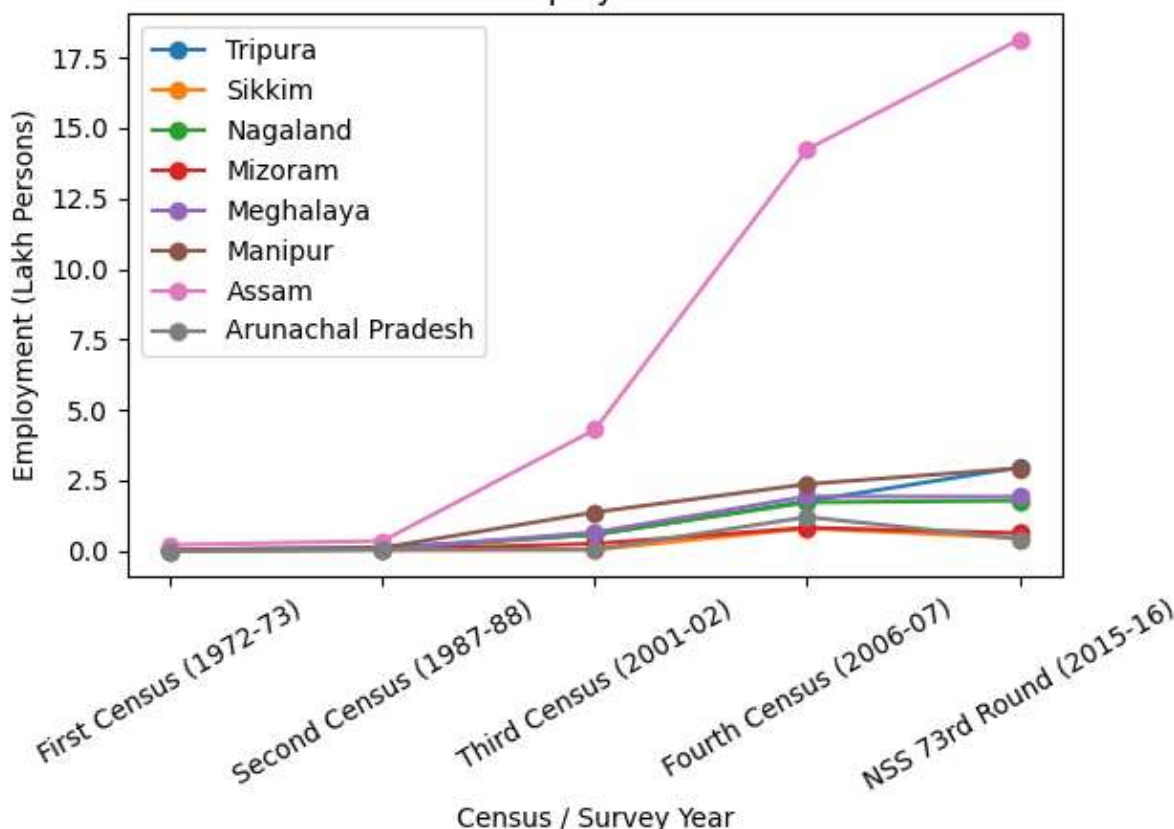


Chart 4 illustrates the employment generated by Micro, Small and Medium Enterprises (MSMEs) across the North-Eastern states of India from the First Census (1972–73) to the NSS 73rd Round Survey (2015–16). The chart indicates a steady increase in MSME employment over time, highlighting the sector’s growing role in job creation in the region.



During the First Census (1972–73), employment levels in MSMEs were extremely low in most states. Assam recorded the highest employment at 0.20 lakh persons, while Manipur and Tripura reported 0.03 lakh and 0.02 lakh respectively. Other states such as Nagaland, Mizoram, and Arunachal Pradesh had almost negligible employment in the MSME sector.

By the Third Census (2001–02), employment in MSMEs increased significantly. Assam witnessed a sharp rise to 4.29 lakh persons, while Manipur and Meghalaya also experienced considerable growth in employment opportunities.

The Fourth Census (2006–07) further reflects the expansion of MSME employment, particularly in Assam, which reached 14.25 lakh persons. States such as Manipur, Tripura, and Meghalaya also recorded notable increases.

According to the NSS 73rd Round Survey (2015–16), MSME employment continued to grow, with Assam leading at 18.15 lakh persons. Overall, the chart highlights the increasing importance of MSMEs in generating employment and supporting economic development in North-East India.

Opportunities for MSME Expansion in North-East India

The North-East area of India offers a wealth of potential for MSME expansion because of its strategic position, abundant natural resources, and developing entrepreneurial ecosystem.

1. **Abundant Natural Resources:** The region is rich in bamboo, tea, rubber, spices, and horticultural products, offering potential for agro-based industries, food processing, and eco-friendly product manufacturing.
2. **Organic Farming & Agro-Processing:** With increasing global demand for organic products, North-East India can emerge as a hub for organic agriculture and food processing industries, promoting exports and local employment.
3. **Handicrafts and Handloom Industries:** Traditional weaving, handicrafts, and bamboo-based industries provide opportunities for rural entrepreneurship and employment generation, especially with the rise of e-commerce platforms.
4. **Tourism and Hospitality Sector:** The scenic beauty, cultural heritage, and biodiversity of the region create vast potential for eco-tourism, adventure tourism, and homestay businesses, boosting MSME-led tourism enterprises.
5. **Cross-Border Trade Opportunities:** The region shares international borders with Myanmar, Bangladesh, Bhutan, and China, offering potential for export-oriented MSMEs in sectors like textiles, handicrafts, and processed food.
6. **Government Support & Policy Initiatives:** MSME growth is supported financially and infrastructurally by programs such as Startup India, the Prime Minister's Employment Generation Programme (PMEGP), and the North East Industrial Development Scheme (NEIDS).
7. **Infrastructure & Connectivity Improvements:** Projects like the Bharatmala and North-East Industrial Corridor are improving road, rail, and digital connectivity, facilitating market access and logistics for MSMEs.
8. **IT & Digital Economy:** The rise of digital platforms, IT-enabled services (ITES), and business process outsourcing (BPOs) offers opportunities for technology-driven MSMEs, enabling young entrepreneurs to tap into global markets.
9. **Renewable Energy Sector:** The region's vast potential for hydropower, solar, and bio-energy provides opportunities for MSMEs in sustainable energy solutions and green technologies.
10. **Skill Development and Entrepreneurship:** Government initiatives for skill training and vocational education are creating a workforce suited for MSME-driven industries, encouraging startups and self-employment.

MSMEs in North-East India have the potential to significantly contribute to economic growth, job creation, and sustainable development with the help of focused policies, enhanced infrastructure, financial access, and skill development. As a result, the region will become a vital component of India's industrial and entrepreneurial ecosystem.

Major Challenges Facing MSMEs in North-East India

Although the MSME sector in North-East India has enormous growth potential, a number of operational and structural obstacles prevent it from growing and remaining sustainable. These difficulties impact corporate operations and profitability and include, among other things, limited market access, infrastructure deficiencies, and financial limitations.

1. Financial Constraints

Limited access to financial resources is one of the most urgent problems facing MSMEs in Northeast India. The following factors make it difficult for many small business entrepreneurs to obtain sufficient funding:

- **Lack of Collateral & Credit History:** Most MSMEs are unregistered or operate in the informal sector, making it difficult for them to access bank loans due to the absence of credit history or collateral.
- **High Dependence on Informal Lending:** Due to low banking penetration, many MSMEs rely on private moneylenders who charge high interest rates, increasing financial burdens.
- **Delayed Payments:** Many small businesses face delayed payments from buyers, especially when supplying to large firms or government projects, leading to cash flow shortages.
- **Underutilization of Government Schemes:** Many business owners are either unaware of or find the application process challenging, despite the existence of programs such as the Prime Minister's Employment Generation Programme (PMEGP), Credit Guarantee Scheme, and Mudra Loans.

2. Infrastructure Gaps

The lack of adequate infrastructure significantly hampers MSME productivity and expansion. Key infrastructure challenges include:

- **Poor Transport Connectivity:** Several regions in North-East India lack efficient road, rail, and air connectivity, making it difficult for MSMEs to transport raw materials and finished goods at competitive costs.
- **Unreliable Power Supply:** Frequent power outages and high electricity costs negatively impact manufacturing and service-based MSMEs. Industrial units often rely on costly backup power solutions, raising operational expenses.
- **Lack of Industrial Clusters & Parks:** Unlike other regions of India, North-East India has fewer dedicated industrial zones or MSME clusters, limiting opportunities for collaborative business ecosystems and supply chain efficiencies.
- **Underdeveloped Digital Infrastructure:** Limited internet penetration and weak digital infrastructure restrict MSMEs from leveraging e-commerce, digital payments, and online marketing opportunities.

3. Limited Market Access

Expanding market reach is a significant challenge for MSMEs in the North-East due to several factors:

- **Small Local Consumer Base:** The local market's size is constrained by the area's lower population density and purchasing power when compared to other regions of India.
- **Challenges in Cross-Border Trade:** Although North-East India shares international borders with Myanmar, Bangladesh, Bhutan, and China, weak trade infrastructure and complex bureaucratic procedures make exporting difficult.
- **Lack of Branding & Marketing Strategies:** Many MSMEs fail to scale their businesses due to poor branding, packaging, and marketing strategies, reducing competitiveness in national and international markets.
- **Dependence on Intermediaries:** A lack of direct market access forces small businesses to rely on middlemen and wholesalers, who often take a significant portion of the profits.

4. Limited Access to Skilled Labor & Technological Adoption

MSMEs in the region face a shortage of skilled workers and low technology adoption due to:

- **Lack of Vocational Training Centers:** Many regions do not have access to proper skill development programs, leading to a shortage of trained professionals for industries such as handloom, agro-processing, and manufacturing.
- **Brain Drain & Migration:** Many skilled workers migrate to metros and other industrial hubs due to better job opportunities, leaving MSMEs with an unskilled or semi-skilled workforce.
- **Low Technology Penetration:** Many MSMEs still rely on traditional methods of production rather than adopting modern machinery, automation, and digital tools, leading to lower efficiency and competitiveness.

5. Bureaucratic and Regulatory Barriers

Despite government efforts to promote MSMEs in the North-East, several policy-related challenges hinder business operations, including:

- **Cumbersome Business Registration Processes:** Entrepreneurs often face delays in obtaining business licenses, environmental clearances, and tax registrations, discouraging formalization.



- **Inconsistent Policy Implementation:** While schemes like NEIDS (North East Industrial Development Scheme) offer financial incentives, delayed disbursement of funds and administrative inefficiencies reduce their effectiveness.
- **Complex Taxation & Compliance Requirements:** Despite the simplification of taxes brought about by the Goods and Services Tax (GST), many MSMEs find it difficult to comply because they lack awareness and digital literacy.

MSMEs in North-East India still confront operational and structural obstacles, despite their enormous growth potential. The MSME sector in North-East India can reach its full potential, spur economic growth, and provide job opportunities throughout the region with the help of the government, private sector involvement, and focused interventions.

The Impact of Government Policies on MSME Growth and Development

The growth and development of MSMEs in India are greatly influenced by government policies, especially in North-East India, where market and infrastructure issues are still present. Financial support, market expansion, and talent development have all benefited from a variety of programs and policy frameworks, but there are still issues with their efficient use.

1. Financial Support and Credit Accessibility

- MSMEs are assisted in overcoming their financial challenges via the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGTMSE), which provides loans without collateral. However, insufficient awareness and complex procedures restrict its reach.
- The Pradhan Mantri Mudra Yojana (PMMY) has improved credit accessibility for small businesses, but many MSMEs still struggle due to high-interest rates and strict banking norms.
- The North East Industrial Development Scheme's (NEIDS) subsidies and incentives have promoted entrepreneurship in the area, although business expansion is hampered by bureaucratic hold-ups in cash disbursement.

2. Infrastructure and Industrial Development

- The Bharatmala Project and North-East Industrial Corridor aim to improve connectivity and logistics, reducing transportation costs for MSMEs. However, many rural areas still lack proper road networks and power supply.
- Special Economic Zones (SEZs) and MSME Industrial Parks have helped create business clusters, but their impact remains uneven across states due to land acquisition challenges and policy inconsistencies.

3. Skill Development and Employment Generation

- Programs like Skill India, Stand-Up India, and Startup India have encouraged entrepreneurship and job creation, yet many MSMEs struggle to find skilled labor due to limited vocational training centers in the region.
- The PMEGP (Prime Minister's Employment Generation Programme) has helped create self-employment opportunities, but many applicants face delays in funding approvals.

4. Digitalization and Market Expansion

- The Digital India Initiative has facilitated online business registration, digital payments, and e-commerce integration, helping MSMEs reach larger markets. However, low digital literacy in some areas limits adoption.
- E-commerce support policies have boosted MSMEs' access to global markets, but logistics and warehousing constraints hinder full-scale expansion.

5. Ease of Doing Business and Regulatory Reforms

- GST reforms and single-window clearance systems have simplified taxation and compliance, but small enterprises still struggle with procedural complexities.
- Relaxation of labor laws has benefited MSMEs by providing flexible hiring options, yet lack of social security provisions for workers remains a concern.
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Full-scale development is nonetheless hampered by implementation issues, bureaucratic hold-ups, and infrastructure obstacles, despite the fact that government initiatives have greatly aided MSME expansion. To optimize MSMEs' contribution to economic growth and job creation in India, particularly in North-East India, it is imperative to strengthen market connections, policy implementation, and financial access.



CONCLUSION

The MSME sector in North-East India has tremendous potential for economic growth, job generation, and regional development. The sector has had steady growth in terms of employment, investment, production, and the number of units, with Assam dominating on most indicators. Other states that have shown encouraging growth include Tripura, Manipur, and Nagaland. But barriers like restricted market access, inadequate infrastructure, and budgetary constraints prevent it from realizing its full potential.

Despite government interventions through schemes like NEIDS, PMEGP, and MUDRA loans, the implementation gaps, lack of awareness, and bureaucratic delays reduce their impact. To ensure balanced and sustained MSME growth, there is a need for enhanced financial inclusion, infrastructure development, skill training, technology adoption, and better market linkages. Strengthening cross-border trade, digital transformation, and industrial clusters will further accelerate MSME-led growth in the region.

With targeted policy reforms, private sector participation, and improved ease of doing business, the MSME sector in North-East India can become a key driver of sustainable industrialization and economic prosperity, fostering self-reliance and inclusive development.

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