



## PROBLEMS OF MSMEs IN ARUNACHAL PRADESH & ASSAM

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### ABSTRACT

The MSMEs (Micro, Small and Medium Enterprises) face several problems in their day-to-day operations and overall functioning, like in production and marketing of their products. It is difficult for them to sell their output at remunerative prices and cannot spend much on advertising, marketing research, etc. They also face stiff competition from large firms. Inadequate infrastructural facilities and access to credit are other major problems. The MSMEs also find it difficult to recruit and motivate skilled managerial and technical personnel. They are mainly reluctant to adopt modern. A prominent drawback of the MSME sector is that a predominant number (94%) of the enterprises are in the unorganized sector. Due to this, there is lack of reliability and hampers monitoring of development initiatives and formulation of appropriate schemes to meet the differential needs of the heterogeneous profile of the enterprises. The MSMEs in Arunachal and Assam are not enjoying any better policies instead of having such resources and talents. The major problems faced by MSMEs of these regions are lack of access to equity and credit. This sector also has poor paying capacity and therefore faces shortage of skilled manpower resulting in absence of managerial capabilities, marketing channels and brand building capacity. The Sector faces a number of problems - absence of adequate and timely banking finance, limited capital and knowledge, non-availability, identification of new markets, constraints on modernisation & expansions, non availability of highly skilled labour at affordable cost, follow up with various government agencies to resolve problems etc.

**KEY WORDS:** MSMEs, Problems, Arunachal Pradesh, Assam.

Small is beautiful!(Schumacher), the small-scale sector has emerged as an engine of growth all over the world. In India the MSMEs has played a catalytic role in socio-economic transformation of the country. This sector has exhibited tremendous capacity for employment generation, greater resource use efficiency, and technical innovation, promoting inter-sectoral linkages, raising exports and reducing regional imbalances. but still there are many problems faced by entrepreneurs to establish themselves as a part of MSME sector. Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. SME's Contribution towards GDP in 2011 was 17% which is expected to increase to 22% by 2012. There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years.

The study is a explanatory study based on secondary research and provide the types of problems faced by the MSMEs in the North Eastern region of India with special attention to Arunachal Pradesh and Assam. The following literature review has been done for the study purpose.

**Dr. Padmasani, S. Karthika (2013):** A study on problems and Prospects of Micro, Small and Medium Scale Enterprises in Textile Exports with special reference to Tirupur and Coimbatore District. The paper has studies and examined the problems of MSMEs in the era of global economy and also identified the factors affecting MSMEs.

**Garg Dr. Neeru (2014):** Micro, Small and Medium Enterprises in India: Current Scenario and Challenges., This paper made an attempt to highlight the growth of this sector and analyze various problems and challenges faced by MSME sector in India in general. The study revealed that except marginal increase in growth rate in employment generation, the growth rate in other parameters is not encouraging.

#### Problems of MSMEs in Arunachal Pradesh and Assam:

The North East Region (NER) States comprises of eight states Arunachal Pradesh, Assam, Meghalaya, Mizoram, Nagaland, Manipur, Tripura and Sikkim, which cover 263179 Km<sup>2</sup> of area that is 8% of India's total area face a number of critical developmental challenges. The North East region is characterized by low per capita income, low capital formation, inadequate infrastructural facilities, communication bottleneck and geographical isolation from the mainstream. It is also characterized by inadequate exploitation of the natural and human resources, for which industrial activities are very low in the entire region and high unemployment rate among the relatively highly literate people. The biggest problem facing the NER is the lack of adequate and reliable infrastructure. Industrial backwardness of this region is reflected in the fact that the contribution of the manufacturing sector to the state domestic product of the region is much smaller than the contribution of this sector to the national product in the country. Despite of different policies and supports provided by the Government, benefits to the north east economy is extremely marginal. It cannot attract much of the

investment and also entrepreneurs. It may be noted that private capital is yet to be interested in investing in infrastructure development in the North East. This sector can stimulate economic activity and is entrusted with the responsibility of realising various objectives generation of more employment opportunities with less investment, reducing regional imbalances etc. The MSMEs are not in a position to play their role effectively due to various constraints. The problems of MSMEs Arunachal Pradesh and Assam are not much different from that of the problems of MSMEs in the national level are facing, yet following are some of the specific problems faced by the MSMEs of these two region. The MSME sector face problems at every stage of their operation, whether it is buying of raw materials, manufacture of products, marketing of goods or raising of finance. The various constraints, the various problems faced by small scale industries are as under:

- Infrastructure aspects adversely affect the functioning of small scale units. There is inadequate availability of transportation, communication, power and other facilities in the backward areas. Entrepreneurs are faced with the problem of getting power connections and even when they are lucky enough to get these they are exposed to unscheduled long power cuts
- Lack of enough awareness among people about government schemes, motivation and easy availability of funds are the main deterrents in the growth of MSMEs. While dealing with constraints, lack of power continues to be a major bottleneck. Subsidies and incentives alone cannot drive the growth.
- Policy makers attribute the lack of entrepreneurial spirit among people behind less number of business units in the region.
- These small scale units are also exposed to marketing problems. They are not in a position to get first hand information about the market i.e. about the competition, taste, liking, disliking of the consumers and prevalent fashion. With the result they are not in a position to upgrade their products keeping in mind market requirements. They are producing less of inferior quality and that too at higher costs. Marketing continues to be a challenge for SMEs, since they are unable to sell their products and services.
- Economic development of any region is an outcome of purposeful human activity. Lack of skilled manpower, high unemployment and land prices are other major hurdles in the region. Assam, being the largest state in NER, alone has 2.2 million unemployed youth. Downstream ancillary industries could generate around 1,50,000 jobs, but the Government of Assam doesn't have huge land bank to set up large industries and cannot acquire land by displacing small farmers.
- Finance is one of the most important problem confronting small scale industries Finance is the life blood of an organisation and no organisation can function properly in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem.

- Small scale industries normally tap local sources for meeting raw material requirements. These units have to face numerous problems like availability of inadequate quantity, poor quality and even supply of raw material is not on regular basis. All these factors adversely affect the functioning of these units. Small units face severe problems in procuring the raw materials whether they use locally available raw materials or imported raw materials. The problems arise due to faulty and irregular supply of raw materials.
- There is under utilisation of installed capacity to the extent of 40 to 50 percent in case of small scale industries. Various causes of this under-utilisation are shortage of raw material problem associated with funds and even availability of power. Small scale units are not fully equipped to overcome all these problems as is the case with the rivals in the large scale sector.
- Small scale entrepreneurs are not fully exposed to the latest technology. The units are striving hard to employ modern machineries and equipment in their process of production in order to compete with large industries. Most of the small units employ outdated and traditional technology and equipment. Lack of appropriate technology and equipment create a major stumbling block for the growth of small-scale industries.
- Most of the small-scale units are working below full potentials or there is gross underutilization of capacities. The small scale units are making only 40 to 50 percent use of their installed capacities. Various reasons attributed to this gross under- utilisation of capacities are problems of finance, raw material, power and underdeveloped markets for their products.
- Another important problem faced by small scale entrepreneurs is poor project planning. These entrepreneurs do not attach much significance to viability studies i.e. both technical and economical and plunge into entrepreneurial activity out of mere enthusiasm and excitement. They do not bother to study the demand aspect, marketing problems, and sources of raw materials and even availability of proper infrastructure before starting their enterprises.
- Managerial inadequacies pose another serious problem for small scale units. Modern business demands vision, knowledge, skill, aptitude and whole hearted devotion. Competence of the entrepreneur is vital for the success of any venture. An entrepreneur is a pivot around whom the entire enterprise

revolves.

- Small-scale units find it very difficult to compete with the product of large-scale units and imported articles which are comparatively very cheap and of better quality than small units product. Small businesses may have difficulty competing with large businesses that are able to mass produce products inexpensively. It is possible for a large scale firm to produce mass product at a time and that becomes cost efficiency also.
- Besides the above problems, small-scale units have been of constrained by a number of other problems also. They include, old and orthodox designs, high degree of obsolescence and huge number of bogus concerns. Due to all these problems the development of small-scale industries could not reach a prestigious stage in the NER.

To summarize, it can be said there are various problems faced by the MSMEs of the study area like absence of adequate and timely banking finance, limited capital and knowledge, poor infrastructure, non-availability of suitable technology, low production capacity, poor quality products, ineffective marketing strategy, lack of marketing ability, constraints on modernisation & expansions, incidence of sickness, delayed payments to banks and financial institutions, non availability of skilled labour at affordable cost, lack of awareness, managerial quality etc. These problems of the MSMEs are putting hurdles in the growth of the MSME sector in the region and the country as a whole.

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