



---

## **Role of MSMEs in the Economic Development of North-East India: A Secondary Data Analysis**

**Sharon C S**

Department of Social Science, Calicut University Teacher Education Centre

---

**DOI : <https://doi.org/10.5281/zenodo.20093702>**

---

### **ARTICLE DETAILS**

**Research Paper**

**Accepted:** 18-04-2026

**Published:** 10-05-2026

**Keywords:**

*MSMEs, North-East India, Economic Development, Employment Generation, Government Schemes, Industrial Policy*

---

### **ABSTRACT**

Micro, Small and Medium Enterprises (MSMEs) serve as a critical engine of economic development, particularly in India's underdeveloped North-East region. This paper undertakes a systematic secondary data analysis to examine the growth trajectory, employment contribution, sectoral distribution, and policy ecosystem of MSMEs across the eight North-Eastern states — Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura. Drawing upon data from the Ministry of MSME, NSSO, MOSPI, and DoNER, the study reveals significant regional disparities in MSME registration, with Assam dominating at 3,50,000+ units while Sikkim records merely 15,000. The sector constitutes the primary source of non-agricultural employment in the region, though employment quality remains constrained by low wages and informality. Government schemes such as NEIDS, PMEGP, PMMY, CGTMSE, NERTPS, and the Cluster Development Programme have expanded enterprise creation, yet structural barriers — including infrastructure deficits, limited credit access, and skill mismatches — continue to impede sustainable MSME growth. The paper concludes with targeted policy recommendations encompassing infrastructure investment, financial inclusion, digital market linkages, and strengthened scheme implementation to unlock the transformative potential of MSMEs in North-East India.

---



## 1. Introduction

Micro, Small and Medium Enterprises (MSMEs) occupy a foundational position in India's economic architecture, contributing approximately 30% to GDP, 45% to total exports, and providing livelihoods to over 11 crore individuals (Ministry of MSME, 2023). As the second largest employer in the country after agriculture, the MSME sector plays a transformative role in fostering entrepreneurship, bridging the urban-rural income divide, and promoting inclusive growth.

The North-East region of India — comprising eight states, namely Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura — presents a paradox of abundant natural and cultural resources alongside persistent underdevelopment. Characterised by a predominantly agrarian economy, rich biodiversity, traditional craft traditions, and a young demographic, the region holds immense potential for MSME-led industrial growth. However, it has historically lagged in formal enterprise development, constrained by geographical remoteness, poor road and digital infrastructure, inadequate access to formal financial systems, and limited market linkages with the national economy (DoNER, 2022).

Recognising the strategic importance of this region — both for national security and inclusive development — the Government of India has introduced a range of targeted policy instruments including the North East Industrial Development Scheme (NEIDS), the PM Employment Generation Programme (PMEGP), and the Pradhan Mantri MUDRA Yojana (PMMY) to stimulate MSME activity. Yet the translation of policy intent into enterprise outcomes has remained uneven across the eight states.

This study undertakes a secondary data analysis to examine MSME growth trends, employment contributions, sectoral concentration, and the effectiveness of government interventions in North-East India. By synthesising data from the Ministry of MSME, National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation (MOSPI), and the Ministry of Development of North Eastern Region (DoNER), it seeks to provide a comprehensive empirical assessment that can inform future policy design and implementation.

## 2. Review of Literature

The role of MSMEs in economic development has been extensively documented in the literature. Ayyagari et al. (2011) demonstrated that small and medium enterprises are the dominant source of employment in developing economies, accounting for a majority of new job creation. In the Indian context, Mohanty (2019) argued that the MSME sector serves as a vehicle for bottom-up



industrialisation, particularly through its capacity to absorb semi-skilled labour from the agricultural sector.

Studies specific to the North-East region have highlighted both the potential and the constraints facing the MSME sector. Nath and Hazarika (2018) found that agro-processing and handloom enterprises in Assam and Manipur are economically significant but remain technologically stagnant, limiting their scalability. Deka (2020) examined the credit gap in North-Eastern MSMEs, noting that the credit-to-deposit ratio in the region consistently falls below the national average, indicating that bank deposits mobilised locally are not being channelled into productive local investment.

Research on government scheme effectiveness in the region points to mixed outcomes. While PMEGP has demonstrably increased enterprise registration (KVIC Annual Report, 2022), field-level studies by Sharma and Borah (2021) suggest that many beneficiaries lack the managerial capacity to sustain operations beyond the initial subsidy period. The literature broadly converges on the view that structural interventions in infrastructure and market access are prerequisites for sustainable MSME development in peripheral regions (Ghosh & Roy, 2019).

### 3. Methodology

This study employs a secondary data analysis methodology, drawing upon government reports, national surveys, and published statistical databases. The primary data sources include the Annual Report of the Ministry of MSME (2022-23), the Sixth Economic Census conducted by MOSPI, NSSO survey reports on unincorporated enterprises, KVIC annual reports pertaining to PMEGP implementation, and district-level banking statistics from the Reserve Bank of India.

State-wise MSME registration data for 2022-23 were obtained from the Udyam Registration Portal managed by the Ministry of MSME. Employment estimates were cross-referenced between NSSO and Ministry data to ensure consistency. Government scheme disbursement figures were sourced from KVIC and SIDBI databases. The analysis adopts a comparative approach, examining performance indicators across the eight North-Eastern states and benchmarking them against national averages where relevant.

Limitations of the study include the inherent constraints of secondary data — particularly the risk of definitional inconsistencies across data sources and the underrepresentation of the informal MSME sector in official statistics. Nonetheless, given the breadth and official provenance of the sources utilised, the findings are considered reliable for analytical purposes.



#### 4. MSME Sector: National Overview

The MSME sector is defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which was revised in 2020 to incorporate dual criteria based on investment in plant and machinery and annual turnover. Under the revised framework, micro enterprises are defined as units with investment up to ₹1 crore and annual turnover up to ₹5 crore; small enterprises as those with investment up to ₹10 crore and turnover up to ₹50 crore; and medium enterprises as units with investment up to ₹50 crore and turnover up to ₹250 crore (Ministry of MSME, 2020).

Nationally, micro enterprises account for over 99% of all MSMEs, underscoring the dominance of very small-scale units in the sector. As of 2022-23, there are over 6.3 crore operational MSMEs in India, employing upwards of 11 crore persons and contributing approximately 30% to national GDP and 45% to total merchandise exports (Ministry of MSME, 2023). The services sector leads in terms of enterprise count, while manufacturing contributes the highest share of MSME output value.

The sector serves as India's second largest employer after agriculture, providing critical livelihood support to semi-skilled and unskilled workers who may lack access to formal large-industry employment. This employment absorptive capacity makes MSME development particularly important for regions with surplus agricultural labour, such as North-East India.

#### 5. MSMEs in North-East India: Registration and Sectoral Profile

Despite the region's developmental potential, the North-Eastern states collectively account for only 1.5–2% of total national MSME registrations, reflecting a profound regional industrial disparity. As per Udyam Registration data for 2022-23, Assam leads with approximately 3,50,000 registered MSMEs, followed by Tripura (70,000), Manipur (55,000), Meghalaya (45,000), Nagaland (30,000), Mizoram (28,000), Arunachal Pradesh (20,000), and Sikkim (15,000) (Ministry of MSME, 2023).

The dominance of Assam reflects its larger population base, comparatively better infrastructure, and historical presence of agro-processing industries including tea, jute, and silk. The significant gap between Assam and the remaining seven states underscores the need for differentiated policy interventions that account for state-specific constraints and opportunities.

Sectorally, MSMEs in the North-East are concentrated in agro-processing, handicrafts, handloom weaving, forestry-based enterprises, and retail trade. These sectors leverage the region's comparative advantages in natural resource availability and indigenous craft traditions. However, manufacturing



MSMEs — which tend to generate higher value-addition and more stable employment — remain underdeveloped, primarily due to limited industrial infrastructure, high logistics costs arising from the region's landlocked geography, and restricted access to raw materials and markets.

The post-pandemic period witnessed a gradual recovery in MSME formation, aided significantly by the simplification of registration procedures through the Udyam portal, which replaced the earlier Udyog Aadhaar system. The digitisation of registration has improved data availability and enterprise formalisation, though a substantial portion of micro enterprises in remote areas continue to operate outside the formal registration ecosystem.

## 6. Employment Generation

MSMEs constitute the most significant source of non-agricultural employment in North-East India, absorbing a sizeable proportion of the workforce that transitions out of subsistence agriculture. The region's limited presence of large industries and public sector enterprises makes the MSME sector's employment role even more critical than in more industrialised states.

Assam leads the region in absolute MSME employment with over 8,00,000 workers engaged in the sector. The combined employment across the remaining seven states is estimated at approximately 6–7 lakh workers, bringing the total North-East MSME workforce to approximately 14–15 lakh persons (NSSO, 2022). While this figure is substantial in the regional context, it represents a modest share of the national MSME employment base of 11 crore, again reflecting the region's underdeveloped industrial base.

A distinctive feature of MSME employment in the North-East is the significant participation of women, particularly in the handloom and handicraft sectors. Manipur records the highest female workforce share at approximately 55%, reflecting the state's strong cultural tradition of women-led weaving — embodied in the iconic Meitei textile crafts. Meghalaya, Mizoram, and Nagaland also record relatively high female participation owing to the matrilineal social structures prevalent among several indigenous communities in these states.

However, concerns persist regarding employment quality. Wages in North-Eastern MSMEs remain below both the national MSME average and applicable state minimum wages in several districts. The majority of workers lack formal employment contracts and social security coverage, rendering them vulnerable to economic shocks. The prevalence of seasonal employment — particularly in agro-



processing enterprises linked to harvest cycles — further limits income stability and restricts the sector's capacity for sustained poverty reduction (NSSO, 2022).

## 7. Government Policies and Schemes

Recognising the structural constraints facing North-Eastern MSMEs, the Government of India has deployed a range of targeted policy instruments. The North East Industrial Development Scheme (NEIDS), operational since 2017, provides capital investment subsidy, interest subsidy, insurance reimbursement, income tax concessions, and GST reimbursement to new industrial units established in any of the eight North-Eastern states, excluding Sikkim which benefits from a separate incentive framework (DoNER, 2022).

The PM Employment Generation Programme (PMEGP), administered by the Khadi and Village Industries Commission (KVIC), is a credit-linked subsidy scheme that offers a 35% subsidy to beneficiaries in North-Eastern and hilly regions — a rate significantly higher than the 25% subsidy applicable to general areas. The scheme has been instrumental in supporting first-generation entrepreneurs, particularly women and members of scheduled tribes, in establishing micro enterprises across the region.

The Pradhan Mantri MUDRA Yojana (PMMY) provides collateral-free loans of up to ₹10 lakh under three tiers — Shishu, Kishore, and Tarun — catering to enterprises at different stages of development. Assam has consistently ranked among the top states in MUDRA loan disbursements, reflecting the scheme's traction in the region's more developed banking corridors. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) complements PMMY by providing a credit guarantee cover for collateral-free loans, addressing the fundamental financing constraint faced by first-generation entrepreneurs who lack tangible asset collateral.

The North-East Region Textile Promotion Scheme (NERTPS) supports handloom and handicraft MSMEs through infrastructure development, capacity building, and market linkage facilitation — directly addressing the dominant MSME sub-sectors of the region. The Cluster Development Programme (CDP) promotes the formation of MSME clusters with common facility centres, shared infrastructure, skill development, and market access support, enabling individual micro enterprises to access economies of scale otherwise unavailable to them.



## 8. Key Challenges

Notwithstanding the policy effort, North-Eastern MSMEs continue to face a set of deeply entrenched structural challenges. Infrastructure deficit — encompassing inadequate road connectivity, erratic power supply, limited broadband penetration, and high logistics costs — remains the most binding structural constraint on MSME competitiveness. The region's landlocked geography, combined with underdeveloped transport networks, results in freight costs that are substantially higher than the national average, undermining the price competitiveness of North-Eastern products in external markets.

Access to formal credit remains severely restricted. The credit-to-deposit ratio of scheduled commercial banks in the North-East is consistently well below the national average, indicating that savings mobilised locally are not being intermediated into productive local investment. This reflects both supply-side constraints — including inadequate bank branch coverage in remote areas and conservative bank lending behaviour — and demand-side constraints arising from limited financial literacy and the absence of formal collateral (Reserve Bank of India, 2023).

MSMEs in the region face acute market integration challenges. The small size of the domestic market within each state, physical remoteness from large consumption centres, and underdeveloped export linkages — despite the region's proximity to South-East Asian markets — collectively restrict economies of scale and limit revenue growth potential. The absence of robust value chains connecting primary producers, processors, and end markets further fragments the sector.

A persistent skill mismatch compounds these structural barriers. Despite the expansion of vocational training infrastructure under the Skill India Mission, the skills imparted frequently do not align with the requirements of locally dominant MSME sectors, particularly in manufacturing and agro-processing. This mismatch results in trained workers seeking employment outside the region, depleting the local skilled labour pool available to MSMEs.

Technological backwardness is a further concern. Most MSMEs in the handicraft and agro-processing segments operate with traditional technologies and manual processes, limiting productivity, product quality consistency, and digital competitiveness. The limited adoption of e-commerce platforms — which could potentially bridge the market access gap — reflects both the digital infrastructure deficit and inadequate digital literacy among MSME operators.

Finally, the effectiveness of government schemes is substantially constrained by implementation gaps including limited beneficiary awareness in remote districts, weak banking infrastructure impeding



scheme delivery, bureaucratic complexity in accessing incentives, insufficient post-disbursement handholding support, and inadequate monitoring and evaluation systems to track enterprise outcomes beyond the point of initial subsidy disbursement.

## 9. Conclusions and Recommendations

MSMEs are the primary driver of non-agricultural employment and enterprise development in North-East India. Government schemes including PMEGP, NEIDS, and PMMY have made measurable contributions to enterprise creation and financial inclusion. However, the sector's potential for transformative economic impact remains significantly below its capacity due to persistent structural constraints in infrastructure, credit access, market linkages, and human capital.

On the basis of the foregoing analysis, the following policy recommendations are advanced. First, infrastructure development must be prioritised as the foundational prerequisite for MSME growth — particularly road connectivity to production clusters, reliable power supply, and broadband internet access to enable digital market participation. Second, financial inclusion must be deepened through expanded banking correspondent networks in remote districts, simplified credit appraisal norms for micro enterprises, and significantly wider CGTMSE coverage. Third, agro-processing, bamboo-based manufacturing, and handicrafts must be developed as high-priority MSME sub-sectors through dedicated value chain development programmes that leverage the region's biodiversity and indigenous knowledge systems.

Fourth, market linkages must be strengthened through the establishment of e-commerce facilitation centres, aggressive geographical indication branding for North-Eastern products to command premium pricing, and facilitated participation in national and international trade fairs. Fifth, policy implementation must be streamlined through state-level single-window clearance systems, proactive beneficiary outreach campaigns, and robust post-disbursement monitoring frameworks to maximise the development impact of existing scheme expenditure.

With sustained political commitment, targeted institutional investment, and stronger coordination between central and state governments, MSMEs have the potential to become the principal engine of economic transformation in North-East India — generating dignified employment, deepening entrepreneurial culture, and integrating the region meaningfully into the national and global economy.



## References

- Ayyagari, M., Demirgüç-Kunt, A., & Maksimovic, V. (2011). Small vs. young firms across the world: Contribution to employment, job creation, and growth.
- World Bank Policy Research Working Paper No. 5631.
- Deka, P. (2020). Credit access and MSME development in North-East India: A banking perspective. *Journal of North-East Indian Studies*, 10(2), 45–62.
- Department of Development of North-East Region (DoNER). (2022). Annual report 2021-22. Ministry of Development of North Eastern Region, Government of India.
- Ghosh, B., & Roy, S. (2019). Infrastructure, market access and small enterprise growth in peripheral regions: Evidence from India. *Regional Studies*, 53(4), 512–525.
- Khadi and Village Industries Commission (KVIC). (2022). Annual report 2021-22. Ministry of MSME, Government of India.
- Ministry of MSME. (2020). MSME sector redefinition: Revised classification criteria. Government of India.
- Ministry of MSME. (2023). Annual report 2022-23. Government of India.
- Mohanty, S. K. (2019). MSMEs and inclusive growth: The Indian experience. *Economic and Political Weekly*, 54(12), 37–44.
- Nath, H. K., & Hazarika, B. (2018). Technology adoption and productivity in North-East Indian MSMEs. *Asian Journal of Technology Innovation*, 26(1), 78–96.
- National Sample Survey Office (NSSO). (2022). Survey on unincorporated sector enterprises: Key results. Ministry of Statistics and Programme Implementation, Government of India.
- Reserve Bank of India. (2023). Report on currency and finance: North-Eastern states. RBI Publications.
- Sharma, A., & Borah, D. (2021). Post-disbursement viability of PMEGP enterprises in Assam: A field assessment. *Indian Journal of Rural Development*, 40(3), 112–129.