Government Interventions for MSME Growth in the North-Eastern Region: A Way Forward

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[1]*Received: 30/05/2025; Accepted: 24/07/2025; Published: 12/08/2025*

Abstract

Micro, small, and medium-sized enterprises (MSMEs) play a significant role in India's gross domestic product (GDP), exports, employment, and equitable regional development. Problems with infrastructure, limited access to capital, outdated technology, weak market links, low levels of knowledge, and many more are just a few of the obstacles this region must overcome to engage in any kind of economic activity. Examining the roles played by the Central and State levels of government, significant implementation gaps, and potential development paths, this article critically evaluates government initiatives in India's North-Eastern Region (NER) that seek to promote Micro, Small and Medium Enterprises (MSMEs). In order to shed light on the ongoing problems that hinder the growth of micro, small, and medium-sized enterprises (MSMEs) in the NER, the study combines national MSME schemes (such as credit guarantee, cluster development, technology and skill upgradation, and market access) with NER-specific initiatives and funding interventions. This paper proposes a mixed approach to achieving policy goals, drawing on findings from recent regional analyses and a review of relevant policies. This approach would involve investing in specific infrastructure, implementing interventions based on value chains in clusters, strengthening the last-mile delivery of central schemes, building capacity according to local value chains, and improving coordination between state and centre. Sustaining this upward trend will need targeted policies and ongoing investment in order to foster equitable development in the NER.

Keywords: *Government Intervention; MSME; Growth; Policy; North East*

1. Introduction

There are exceptional possibilities for MSME-led growth in Arunachal Pradesh due to the state's rich natural resources and varied artisan traditions. But unique limitations caused by the area's difficult terrain, low population density, and distance from big markets need responses from both the federal and state levels of government. In an effort to entice and support businesses, the state has recently crafted industrial and investment policies, and the federal government offers a variety of MSME schemes, including credit guarantee, marketing, technology/skill support, and cluster development, to encourage the expansion of small businesses. Inadequate local technical and managerial skills, a lack of access to cheap loans, gaps in infrastructure (roads, electricity, and logistics), and insufficient market connections outside the State continue to plague many businesses, even after these steps have been implemented. This misalignment between policy goals and results calls for research into local implementation of existing schemes, coordination between state agencies (industry, handloom/handicrafts, tourism, etc.) and central line ministries, and the most effective ways to use initiatives like NEDFi's regional support or cluster development to circumvent systemic

[1] *How to cite the article:* Ete M., Divakaran P., Geyi N. (August 2025); Government Interventions for MSME Growth in the North-Eastern Region: A Way Forward; *International Journal of Advancement of Social Science and Humanity;* Jul-Dec 2025, Vol 20, 40-48

obstacles. To make government assistance more successful for Arunachal's MSMEs, it is necessary to understand these dynamics and then devise realistic, area-specific initiatives.

The part of the economy that deals with making things is called industry. The phrase "micro and small-scale industry" describes the activities of sole proprietors and small businesses involved in micro-scale production and manufacturing. This term is most often used to describe rural industries based on agriculture that do not need massive investments in new infrastructure. Included in these SSI as well are the indigenous cottage and handicraft industries. For an economy as mostly rural as India's, the growth of small-scale enterprises is crucial. Employment opportunities for millions of Indians and substantial economic development would result from these SSI, most of which are agro-based. In terms of gross domestic product (GDP), industrial output (IGP), and job creation in India, the SSI sector is still very much alive and well. Economic growth and more equal development are two goals that the SSIs are widely believed to promote.

- **MSME:**

In 1955, the Small-Scale Industries Board defined small-scale industry as follows: "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 rupees five lakh." In 1977, small-scale industrial operations were classified as units with an investment of less than ₹10 lakh, and auxiliary units had an investment ceiling of ₹15 lakh. To be classified as small businesses, units needed an investment of less than ₹ 1 lakh. The allotted capital for small-scale industries was ₹60 lakh in 1991, for auxiliary units it was ₹75 lakh, and for micro firms it was ₹5 lakh. In 2000, it was increased to 1 crore for SSI and auxiliary units and 25 lakhs for small businesses. Furthermore, MSME are categorized into two groups: manufacturing enterprises and service enterprises, in line with the provisions of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. Regarding manufacturing enterprises, the following categories were established: micro, small, and medium. A micro enterprise was one where the investment in plant and machinery did not surpass ₹25 lakh; a small enterprise was one where the investment was between ₹25 lakh and ₹5 crore; and a medium enterprise was one where the investment was between ₹5 crore and ₹10 crore. For service businesses, a micro enterprise was one where the capital expenditure on equipment did not surpass ₹10 lakh; a small enterprise was one where the capital expenditure on equipment was between ₹10 lakh and ₹2 crore; and a medium enterprise was one where the capital expenditure on equipment was between ₹2 crore and ₹5 crore.

The biggest state in India's northeast, Arunachal Pradesh, has a wealth of natural resources that should be used for the state's development. Despite huge untapped potential, the state's industrial expansion is still in its early stages. Make in India, Digital India, Stand-up India, Start-up India, and Skill India is just a few of the recent policy measures that the Union Government has launched to bolster manufacturing. The basic idea behind these programs is to make doing business easier, which would encourage more private investment from both local and international sources, and eventually turn India into a major manufacturing powerhouse. To encourage investment throughout their states, some state governments have recently laid out their policies on industry, manufacturing, and investment. The Arunachal Pradesh State Industrial and Investment Policy, 2020 is the result of thorough debates that addressed all matters pertinent to investments, company development, and industrial growth in the state.

2. Literature Review

Sharma, Ashok. (2025) Small and medium-sized businesses (SMEs) in the Papum Pare area of Arunachal Pradesh are thoroughly examined in this book. The research, which is based on substantial fieldwork, indicates that despite the district's encouraging indications of industrial development under the new state industrial strategy, SMEs confront several hurdles. Some examples of these problems include underutilization of capacity, restricted availability to raw materials, insufficient funding, and bad infrastructure. Few businesses serve rural regions; most are located in major cities. The book emphasizes how local single owners' rule, how few young women and people of color start businesses, and how little marketing and technological innovation there is. A complicated lending procedure, poor productivity, and fierce market rivalry are the main reasons the industry suffers, even if there is considerable institutional support and government programs to help. It promotes inclusive SME growth, streamlines loan availability, improves infrastructure, and boosts entrepreneurship. For anyone involved in regional economic development, including entrepreneurs, lawmakers, and scholars, this study is a must-have resource.

Upadhyay, Vandana & Thapa, Dol Bahadur. (2024) Using primary data obtained from 450 informal sector workers across seven urban locations in East Siang and Papumpare districts, this research dives into the characteristics of the urban informal sector in Arunachal Pradesh. To better understand the socioeconomic features of workers in the informal sector, this inquiry seeks to shed light on contractual connections, forms of employment, and earnings quality. The significance of policies that are responsive to gender dynamics is highlighted by migration patterns, which in turn reveal the economic causes that drive rural-urban movement. Levels of education highlight the susceptible workforce, indicating the need for programs to improve skills. There is an echo of Lewis's dualism theory in the character of employment, with a focus on self-employment. The sector's versatility is shown in the vast range of payment systems. Monthly payments are the most common, offering stability, but they also highlight the difficulties associated with irregular revenues. Lastly, the hours worked reveal that the informal sector's jobs are quite labor-intensive, which has an effect on workers' health.

Kumar, Ravi & Singh, Kaushalendra & Ete, Leeyir. (2021) Arunachal Pradesh is the most biodiverse and economically prosperous Himalayan region. The whole gorgeous terrain, brimming with cultural riches and stunning natural scenery, is part of the eastern Himalayan region. This state in India's northeast has been one of the least researched up to now, and it was once known as "Terra Incognita" until the turn of the twentieth century. The socioeconomic growth of the state is now going through a period of change, and this is seen differently in various areas. Given the current state of social capital, it is critical to promote an appreciation for its value and stress the necessity of efficient use of resources. To be sure, entrepreneurs are a potent tool for progress and monetary transformation. In order to solve the social difficulties facing the state and provide a boost to its developmental agenda, the long-term solution is to encourage social innovation and entrepreneurship. In fact, it calls for an inspiring environment that puts an emphasis on vital competencies, encourages creativity, and embraces a new, more sustainable perspective on technology and resources. So, using a practice-based approach, this article investigates the state's potential for social innovation and entrepreneurship in relation to current social issues.

Kharmawphlang (2019). Taking into account crucial elements including industrial growth, unemployment, resource mobilization, and economic development, Kharmawphlang sought to evaluate the growth patterns of industrialization in North East India. In order to solve problems like unemployment, regional inequality, and income creation, the research stresses the need to comprehend industrial development in a growing area. The research concludes that industrialization has far-reaching and long-lasting social, political, and economic consequences.

Pavlova and Ahmedova's (2015) Analyzing the North-Eastern region's (NER) economic status and encouraging sustainable development in the SME sector is the primary subject of Pavlova and Ahmedova's. In addition to analyzing government data and publications, they carried out an extensive survey among the region's SMEs. In order to help SMEs survive and thrive, as well as contribute to long-term economic sustainability, the paper offers suggestions on how they might improve their operations.

3. Various Policies and Schemes in the North-Eastern Area (NER)

Small and medium-sized enterprises (SMEs) make up the majority of NER as significant industrialization and large-scale manufacturing are not present. Across all eight states, 73,889 MSME Units are now on record. Micro- and small-scale enterprises (MSMEs) account for 82% of all MSMEs in the area, according to Udyog Aadhar registration. Of all micro, small, and medium-sized enterprises (MSMEs), 56% are involved in manufacturing, while the rest provide services. Roughly 43 million people are employed by the manufacturing and services sectors. One percent of all investments in micro, small, and medium-sized enterprises (MSME) in the nation amount to INR15 lakh. In NER, the number of micro, small, and medium-sized enterprises (MSMEs) has been on the rise during the last decade. On the other hand, there has been a fall in the proportion of MSMEs to overall registrations in India. According to the SSI registration up to 2006, NER made up 2% of registered MSMEs; however, this percentage dropped to 1.34 percent during the EM registration period (2007–2015). Udyog Aadhar1 further reports that only 0.77 percent of units are registered from NER as of today. Compared to other parts of the nation, the establishment of industries is moving at a somewhat slower rate. It is evident that the area is not as desirable as other sections of the nation when it comes to industry and has not been able to build a business environment that is competitive. Therefore, to promote the launch and maintenance of micro, small, and medium-sized enterprises (MSMEs) in the area, it is critical to immediately enhance the industrial setup and provide a favorable industrial environment supported by systematic investments and sufficient infrastructure. The North-Eastern Area's MSME sector has been the focus of several government initiatives aimed at bolstering the industry. The following are examples of important plans and policies:

- **Northeast Industrial Development Scheme (NEIDS):** Announced by the Ministry of Industry and Commerce, the Northeast Industrial Development Scheme (NEIDS) offers capital investment subsidies, interest subsidies, and Good and Service Tax (GST) reimbursement to all MSMEs in the region, to promote employment and industrialisation.

- **Credit Support Schemes:** Loans to the North East Region (NER) are eligible for a reduced guarantee charge of 0.75 per cent under the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGTMSE), one of the credit assistance programs in Northeast India. Programs like the Advancing North East Portal provide information and direction on business, employment, and education; other pertinent programs include the Pradhan Mantri Mudra Yojana (PMMY) and the Prime Minister's Employment Generation Programme (PMEGP). Many Small and Medium Enterprises (SMEs) get financial assistance via these schemes.

- **North-eastern Region Textile Promotion Scheme (NERTPS):** NERTPS, or the North-eastern Region Textile Promotion Scheme, helps micro, small, and medium-sized enterprises (MSMEs) in the region's textile sector by funding their capacity building, infrastructure development, and technological upgrades. Plans for Establishing Industrial and Infrastructural Facilities State governments create plans for industrial and infrastructural development to entice investors and assist micro, small, and medium-sized enterprises (MSMEs) in the area.

- **Cluster Development Program:** To encourage MSME clusters in the area and boost innovation, competitiveness, and productivity, the Cluster Development Program takes cluster-based developmental measures by giving access to shared facilities, technology, and markets.

- **Export Promotion:** To encourage exports, APEDA runs the Financial Assistance Scheme (FAS). The program's stated goal is to ease the burden on exporters in order to boost the export of agricultural goods. APEDA acknowledges that infrastructure is critical to the development of agro-industries and the export of agricultural goods. Export promotion plans facilitate export activity in the area and provide chances to participate in international trade fairs and exhibits.

3.1 Technology Up-gradation and Skill Development

In order to equip the young people of the North Eastern (NE) area with marketable skills, the Skill Development Department of NEHHDC plans to launch a variety of training programs. In order to address the skill gap, these programs are a component of the government-supported initiatives that aim to empower and incentivise underprivileged children. The Skill Department aspires to be the gold standard when it comes to training program execution by coordinating and implementing strategies with all relevant entities in the skill ecosystem. Our primary goal is to provide exceptional training using industry-standard methodology, so that young people have more options that match the current and future needs of the labour market. Best practices in skill development training, defined deliverables with correct timetables, and a structured process have allowed the Skill Department to enrol lakhs of youths since its creation in NEHHDC. In addition to programs that help people hone their abilities, the department has a strong commitment to preparing young people for the workforce by providing them with EDP and ESDP training that focuses on financial and business literacy. Enterprise growth and finance connections are areas where the Department hopes to continue assisting once training has ended.

Despite the government's best efforts, infrastructure remains a significant obstacle to the expansion of micro, small, and medium-sized enterprises (MSMEs) in this area. Minimal barriers to entry. The region's development commissioner, the Ministry of Micro, small, and Medium Enterprises (MSME), and the government of India all agree that a reduction in bureaucracy and simplification of regulatory procedures would bring in investment and make it easier for businesses to expand in the area. Many programs and policies have been put in place to help small and medium-sized enterprises (SMEs) in the area flourish. In addition to the aforementioned plans and regulations, the government of India has introduced a plethora of other innovative initiatives and packages meant to boost the industry. In particular, the Atmanirbhar Bharat package for micro, small, and medium-sized enterprises (MSMEs) was introduced in response to the impacts of COVID-19. In addition, there were plans to promote and grow markets, provide credit and financial aid, encourage technological advancements, and foster training and development. As a result, extensive measures were put in place to attain inclusive development in this area of the economy. The government also sets aside a certain amount of money for NER in addition to these schemes and initiatives. Allocation of funds is a key component in improving the industry. In this vein, the sector is progressing thanks to the allocation of 10% of the budget to NER.

4. MSME & Entrepreneurship in North East

The idea that entrepreneurship might spur positive change in Northeast India has recently gained traction. The young of the area, bolstered by their education and exposure to global influences, have started to experiment with new ideas for businesses. Several variables, such as government programs, easier access to data and technology, and a desire for independence, have contributed to this renewed enthusiasm for entrepreneurship. Promoting a startup culture in the area has been greatly supported by government policies and activities. Some programmes aim to encourage and facilitate investments in local businesses, including Startup India Seed Fund, DST (INSPIRE), the Atal Innovation Mission, and the Prime Minister's Development Initiative for North East Region (PM-DevINE). In addition, by reducing red tape, increasing accessibility to capital, and promoting an innovative mindset, the Startup India program has created a favourable setting for new businesses to launch.

New opportunities for businesses have emerged in North East India as a result of the proliferation of digital connections and technological advancements. Emerging startups in industries including e-commerce, finance, healthcare, agritech, and tourism-tech are reaching out to clients globally via digital platforms. This has brought the region's unique products and services to the attention of people all over the world, which has resulted in the creation of jobs. Natural resources and cultural history in the area have also been the motivation for many new businesses. Organic farming, renewable energy, and handmade goods are some of the areas where entrepreneurs are putting their attention on environmentally friendly and sustainable business strategies. These initiatives bring in environmentally and historically concerned customers and investors while also helping to preserve the region's culture. Even though North East India's startup ecosystem is only getting off the ground, many are optimistic about the region's untapped entrepreneurial potential. Unresolved issues include gaining access to capital, establishing connections to markets, and enhancing skill sets. However, if the area is given the necessary resources, works together, and continues to prioritise innovation, North East India has the potential to become a hub of startups and entrepreneurship, changing the economic and social landscape of the region and promising a better future for its people. In order to realise the region's potential and bring forth its affluent future by 2047, this vision paper aims to explore the revolutionary impact of entrepreneurial endeavours and startups.

Table 1: North East India Startups' Current Status

S. No.	State	Population (As per 2011 census)	Total DPIIT Startups	Women Led Startups	Population to Startup Ratio (1 startup for following population)
1	Arunachal Pradesh	1,383,727	36	19	3,84,36.86
2	Assam	31,205,576	1187	512	26,289.45
3	Manipur	2,855,794	133	52	21,472.14
4	Meghalaya	2,966,889	45	22	65,930.87
5	Mizoram	1,097,206	27	12	40,637.26
6	Nagaland	1,978,502	58	32	34,112.10
7	Sikkim	610,577	10	4	61,057.70
8	Tripura	3,673,917	97	43	37,875.43
	Total	4,57,72,188	1593	634	28,733.33

This figure is based on data from the 2011 census and will be kept up-to-date until March 2024, according to DPIIT (Startup India), the central agency for startups in India. A striking difference is shown when the startup-to-population ratios of North East India and the national average are compared. A rather vibrant entrepreneurial environment is shown by the fact that there is an average of one company for every 12,000 persons nationwide. On the other hand, the North East area has a far lower ratio than the national average, with only one company for every 28,000 persons. This disparity emphasises the need for specific entrepreneurial strategies and frameworks, as well as government involvement. Some states in the Northeast have much greater starting rates than others. Assam, Mizoram, Tripura, and Sikkim come closely behind Manipur. But in areas like Arunachal Pradesh, Meghalaya, and Nagaland, there is still a huge disparity in the startup counts. This discrepancy highlights the critical need for action from the government.

To encourage the development of startups in the North East, it is necessary to implement entrepreneurial policies and frameworks that are specific to the region's requirements. Entrepreneurial enterprises and startups have the power to provide livelihood possibilities, especially in rural India. Therefore, these interventions are essential. These policies may increase economic development and decrease rural communities' reliance on agriculture as a main source of income by promoting the formation of small-scale industries, farm-based firms, and service-oriented businesses. Microfinance and skill development programs are crucial in rural areas because they enable people to start their own businesses, which in turn increase their income and improve their quality of life. The following table illustrates the trend of startups in the North East area over the previous six years, using data from the Ministry of Commerce & Industries, Government of India, 2024. In order to evaluate the startup ecosystem in the area and plan for future actions, policymakers and stakeholders may use this data as a helpful tool.

Table2: North East Region Startups From 2006 to the Present

S.No.	States/UTs	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024
1	Arunachal Pradesh	2	-	4	9	17	36
2	Assam	62	108	181	282	362	1187
3	Manipur	3	10	33	31	26	133
4	Meghalaya	5	-	6	10	18	45
5	Mizoram	1	1	2	6	13	27
6	Nagaland	2	5	6	7	22	58
7	Sikkim	2	1	3	2	2	10
8	Tripura	7	17	11	25	23	97
	Year wise Total	81	142	242	363	466	1593

Employment Generation through Startups in NE:

One of the most important ways in which startups help North East India's economy grow and thrive is by creating jobs. Here is a breakdown, per state, of the total number of jobs created (as of 2022), according to the study by DPIIT and Invest India:

Table 3 shows the total number of jobs created per state as of 2022

S. No.	States/UTs	No. of Employees
1	Arunachal Pradesh	69
2	Assam	5,335
3	Manipur	806
4	Meghalaya	179
5	Mizoram	87
6	Nagaland	198
7	Sikkim	58
8	Tripura	1,005

	Grand Total	7,668

Startups can generate jobs in several ways, including:

- Direct job creation
- Indirect job creation
- Opportunities for entrepreneurship
- Training and skill development
- Innovation and new industries
- Jobs in rural areas
- Government initiatives and support

By generating both direct and indirect employment possibilities, encouraging entrepreneurial spirit, propelling innovation, and bolstering the region's socioeconomic growth, startups are vital in North East India's labor market.

5. Conclusion

We can conclude that in when telling the tale of this region's progress, the MSME sector is crucial. Despite the fact that the government has launched a plethora of programs meant to bolster the industry, there are still growth barriers that prevent it from reaching its full potential. Effective local delivery and synergy between government incentives and state action are crucial for MSME-led inclusive development in the North-Eastern Region. Policymakers must go beyond just announcing plans to achieve this. Improvements to physical and digital connectivity should be prioritised. Businesses with limited collateral should also have access to innovative financing. Sectoral clusters centred on horticulture processing, bamboo and forest products, handloom/handicrafts, and food processing should be encouraged, with shared common facility centres. Interventions aimed at scaling skills and technology should be contextualized to suit local strengths. To transform state and central resources into resilient, market-linked businesses throughout the NER, it is crucial to enhance monitoring efforts; use data-driven targeting based on state and district MSME profiles, and continuously build the capacity of state implementing agencies and MSME support institutions. North-Eastern states' micro, small, and medium-sized enterprises (MSMEs) have the potential to drive employment, livelihoods, and development that is evenly distributed throughout the area if policies are better coordinated and put into action.

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