

MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs) IN NAGALAND: AN OVERVIEW

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a transformative role in Nagaland's economy, highlighting their significance as catalysts of economic growth and employment generation in a region characterized by its unique challenges. This study explores three key objectives: (1) analyzing the growth and distribution of MSMEs in Nagaland (2) assessing their role in job creation, and (3) identifying key challenges that hinder their growth. Employing a comprehensive descriptive and analytical methodology, this investigation leverages a wealth of secondary data from governmental sources and academic research. Findings reveal that Nagaland has 27,083 registered MSMEs, of which 99% are micro-enterprises. The sector generated 39,046 jobs in 2022-23, with Dimapur (12,813 jobs) and Kohima (6,536 jobs) as the leading contributors. Despite this growth, financial constraints, inadequate infrastructure, and limited digital adoption remain major challenges. Addressing these barriers through better financial accessibility, skill development, and policy interventions is crucial for sustaining MSME-led growth. This study not only sheds light on the vibrant world of MSMEs in Nagaland but also provides a roadmap for policymakers and stakeholders to harness the entrepreneurial spirit of this sector, positioning it as a cornerstone of economic resilience and sustainable growth

Keywords: MSMEs, Employment generation, Nagaland, Government initiatives, Sustainable growth.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the very threads that weave together innovation, resilience, and growth. Often overshadowed by larger industries, these small enterprises are, in fact, the silent powerhouses driving economies and sparking entrepreneurship, fostering creativity, and providing livelihoods to millions. The Micro, Small, and Medium Enterprises (MSMEs) was established by the Government of India through the Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006. With subsequent revisions by the Government of India, MSMEs are classified as follows:

Enterprise Category	Previous Classification (2020)		Revised Classification (2025)	
	Investment (₹ Crore)	Turnover (₹ Crore)	Investment (₹ Crore)	Turnover (₹ Crore)
Micro	Up to 1	Up to 5	Up to 2.5	Up to 10
Small	Up to 10	Up to 50	Up to 25	Up to 100
Medium	Up to 50	Up to 250	Up to 125	Up to 500

(Source: Union Budget 2025-26)

This classification includes entities involved in the manufacturing, production, processing, and preservation of goods and commodities. In India, the MSME sector accounts for nearly 30% (FY 2018-23) of GDP and plays a crucial role in addressing regional disparities. The MSME sector plays a vital role in the country's economic development and its contribution to exports and the country's gross domestic product (GDP) has gained major significance in India (Nanda, P. and Kumar, V., 2023). In 2013-2014, India had 4.89 crore MSMEs employing 11.14 crore people. It contributed 8% to GDP, 45% to manufacturing output, 40% to exports, and 21% to employment (Chandreshkumar. P, et.al., 2018)

Nagaland, in Northeast India, showcases how MSMEs have become a key source of non-agricultural employment, especially in rural and semi-urban areas. The MSME Development and Facilitation Office (MSME-DFO) supports these enterprises across 16 districts through initiatives like cluster-based competitiveness enhancement, credit facilitation, technology upgradation, marketing support, and skill development. Additionally, the MSME-DFO promotes exports, organizes training on export strategies, and facilitates participation in international trade fairs. The State Champions Control Room (SCCR) also addresses MSME grievances and incorporates feedback to improve services.¹

Recent developments in Nagaland's MSME sector emphasizes a strategic focus on fostering growth and resilience. Notably, on August 27, 2024, Chief Minister Neiphiu Rio inaugurated the World Bank-assisted RAMP scheme, aimed at accelerating MSME performance and capacity-building. Also, the MSME-DFO has rolled out the "My MSME" app, a digital tool designed to enhance accessibility and streamline application tracking for entrepreneurs, further promoting sustainable economic growth in the region. (MSME annual report 2021-22). Earlier efforts include the approval of the Agra based rural Technology and incubation Centre under NTTTC, and a Tool Room & Training Center (TRTC) in Dimapur in 2019 and 2016 respectively, and a proposed Mini Technology Centre in Razhaphe Basa, which aims to support the cultivation of medicinal and aromatic plants, both reflecting a long-term commitment to nurturing MSMEs as drivers of regional development.

LITERATURE REVIEW

The development of Micro, Small, and Medium Enterprises (MSMEs) is often rooted in theories of regional economic development, such as the endogenous growth theory, which emphasizes the role of local entrepreneurship and innovation as key drivers of economic expansion. Schumpeter's theory of innovation further complements this view, suggesting that MSMEs, through their adaptability and innovation, foster economic dynamism. In isolated regions like Nagaland, where large-scale industries are scarce, MSMEs become central to sustaining economic activity, employment generation, and wealth distribution.

Jarinaa and Manida (2024): Their study explores the role of rural entrepreneurship in strengthening the MSME sector, particularly in fostering self-reliance, reducing unemployment, and mitigating rural-to-urban migration. Given that many MSMEs in remote areas struggle with market access and resource constraints, their findings emphasize the importance of localized enterprise support initiatives.

Kumar and Vese (2024): Their work evaluates government initiatives aimed at MSME promotion, noting the sector's significant contributions to economic development. However, the study also identifies critical obstacles such as inconsistent policy implementation and inadequate financial support, which hinder the sustained growth of small enterprises.

Sulistiowati et al. (2024): Their study highlights the importance of dynamic capability and innovative work behavior in enhancing MSME performance. The findings suggest that skill development, strategic resource management, and adaptive business practices are key drivers of resilience and growth, particularly for enterprises facing market fluctuations and operational limitations.

Ahamed (2023): His study examines barriers to MSME growth in rural and geographically isolated regions, identifying financial inaccessibility, outdated technology, and inadequate infrastructure as primary constraints. These findings resonate with challenges faced by MSMEs operating in less industrialized regions, where connectivity and institutional support remain limited.

Elsmere and Begum (2023): Their research highlights the role of financial inclusion, infrastructure investment, and digital literacy in unlocking the full potential of MSMEs. The study suggests that targeted policy measures aimed at improving access to credit and digital tools can significantly enhance the competitiveness of enterprises in underdeveloped regions.

Khongsai and Varma (2023): A comparative study on MSME development across Northeast India, their research finds that while infrastructure gaps and technological barriers persist, strategic government interventions have supported growth in sectors such as agriculture, handicrafts, and tourism. These industries, often central to local economies, benefit from targeted entrepreneurship programs.

Mahesh et al. (2023): Their research underscores the role of government intervention in addressing MSME constraints. The study emphasizes that well-structured policies, focusing on technology adoption, access to markets, and financial assistance can drive sustainable economic development, particularly in regions with emerging small-business ecosystems.

OBJECTIVES

1. To analyze the growth and distribution of MSMEs in Nagaland.
2. To evaluate the contributions of MSMEs to employment generation and economic resilience.
3. To identify challenges that impede their growth.

LIMITATIONS OF THE STUDY

The limitations of this study primarily stem from the reliance on secondary data sources, which may not fully capture the most current or comprehensive conditions of MSMEs in Nagaland. Additionally, the study is confined to a state-level analysis, without focusing on specific districts or sectors, potentially limiting the understanding of regional variations in MSME challenges and opportunities.

METHODOLOGY

This study employs a descriptive and analytical research approach, relying on secondary data collected from diverse sources such as peer-reviewed research journals, academic articles, newspapers, and official government reports. To ensure a comprehensive understanding of the subject matter, a thematic synthesis was conducted to identify key challenges and opportunities faced by MSMEs in the study area. Furthermore, data triangulation was employed to enhance the reliability and validity. The study also incorporates charts and tables to present data effectively, facilitating a clearer interpretation of trends and patterns.

GROWTH AND DISTRIBUTION OF MSMEs IN NAGALAND

The growth and distribution of MSMEs in Nagaland have been significantly supported by institutions like the Nagaland Handloom & Handicrafts Development Corporation Ltd. (NHHDC Ltd.), established in 1979 with the objective of promoting traditional handloom and handicraft products. The Corporation plays a crucial role by providing raw materials, organizing exhibitions, and marketing products through its emporiums both within and outside the state. In the fiscal year 2015-16, the Corporation invested ₹6,05,682 for procurement of raw materials and ₹36,66,308 for the purchase of finished goods. It achieved total sales amounting to ₹36,15,195, further highlighting its contribution to the MSME sector.¹ The MSME sector in Nagaland has evolved from a foundation rooted in traditional crafts to a more diversified landscape of enterprises. Recent trends indicate a growing interest in

1 Department of Industries and Commerce: <https://industry.nagaland.gov.in/nagaland-handloom-handicrafts-dev-corp-ltd-nhhdc-dimapur/>

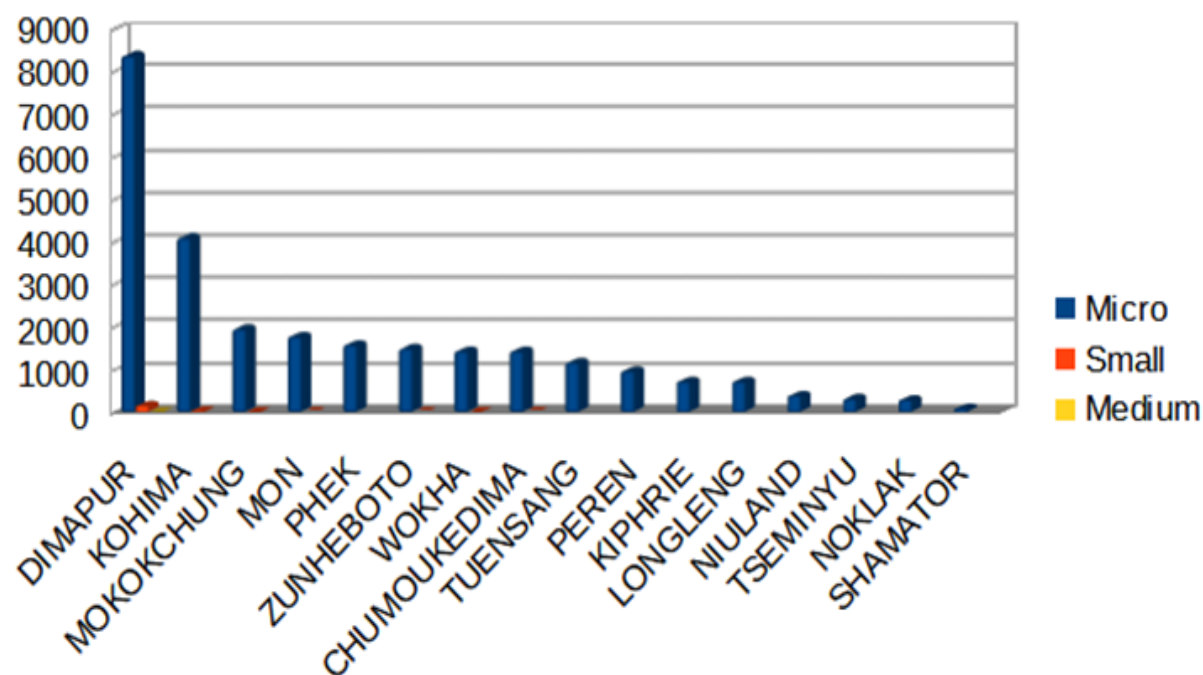
entrepreneurship among the youth, driven by government initiatives and a supportive ecosystem. However, challenges persist, which necessitate a detailed examination.

Table –1 District wise number of MSMEs in Nagaland (2024)

Sl.no	District Name	Micro	Small	Medium	Total Udyam
1	DIMAPUR	8372	157	15	8544
2	KOHIMA	4097	33	1	4131
3	MOKOKCHUNG	1955	14	1	1970
4	MON	1784	6	0	1790
5	PHEK	1580	1	0	1581
6	ZUNHEBOTO	1494	4	0	1498
7	WOKHA	1435	9	0	1444
8	CHUMOUKEDIMA	1431	7	0	1438
9	TUENSANG	1166	1	0	1167
10	PEREN	972	0	0	972
11	KIPHRIE	727	2	0	729
12	LONGLENG	725	0	0	725
13	NIULAND	394	1	1	396
14	TSEMINYU	319	0	0	319
15	NOKLAK	291	0	0	291
16	SHAMATOR	88	0	0	88
	Total	26830	235	18	27083

(Source: MSMEs Udyam Registration 2024)

Figure-1 District wise number of MSMEs in Nagaland.



In the figure no.1 we see a breakdown of the total number of Udyam-registered enterprises in various districts of Nagaland, categorized into Micro, Small, and Medium Enterprises (MSMEs). The total number of enterprises is 27,083, with the vast majority being micro-enterprises (26,830) 99.06%, followed by small enterprises (235) 0.87%, and a few medium enterprises (18) 0.07%. Dimapur has the highest number of enterprises (8,544) 31.55%, mostly micro, while Shamator has the fewest (88) 0.32%. The data highlights the prevalence of micro-enterprises in Nagaland, with minimal representation of small and medium-sized businesses across most districts.

CONTRIBUTIONS OF MSMEs TO EMPLOYMENT GENERATION AND ECONOMIC RESILIENCE IN NAGALAND.

The Micro, Small, and Medium Enterprises (MSMEs) sector plays a crucial role in driving Nagaland's industrial development and fostering employment opportunities. It continues to broaden its impact across multiple industries, significantly contributing to the state's economic landscape through the production of a diverse array of goods and services.

Table-2: District wise number of employments in MSMEs in Nagaland 2022-2023

Sl. no	District	Regd.	Employment generated
1	Kohima	1238	6536
2	Dimapur	2274	12813
3	Phek	475	4874
4	Mokokchung	350	1442
5	Wokha	253	1430
6	zunheboto	787	3253
7	Tuensang	241	785
8	Mon	423	2165
9	Peren	262	1086
10	Kiphire	339	1711
11	Longleng	153	645
12	Noklak	59	273
13	Shamator	0	0
14	Niuland	49	282
15	Chumoukedima	231	1204
16	Tseminyu	67	547
	Total	7201.00	39046.00

(Source: Directorate of industries and commerce 2022-23)

The district wise employment data of MSMEs in Nagaland for 2022-23 reflects the sector's crucial role in job creation, with 39,046 jobs generated across 7,201 registered enterprises. District-wise variations highlight key economic centers, with Dimapur (12,813 jobs) and Kohima (6,536 jobs) leading employment generation. Other districts, such as Phek (4,874 jobs), Zunheboto (3,253 jobs), and Mon (2,165 jobs), also contributed significantly. In contrast, regions like Noklak (273 jobs) and Niuland (282 jobs) recorded lower employment figures, indicating disparities in MSME activity. Additionally, Shamator had 88 micro enterprises by the end of 2024, signifying growing entrepreneurship in emerging areas.

Table-3: Number of employments in MSMEs manufacturing industries in Nagaland 2020-2023

Years	Workers employed	Manufacturing industries
2022-2023	4958	190
2021-2022	4602	187
2020-2021	4732	186
TOTAL	14292	563

(source: Annual Survey of Industries (ASI), Nagaland, from 2020-21 to 2022-23)

Figure-2:

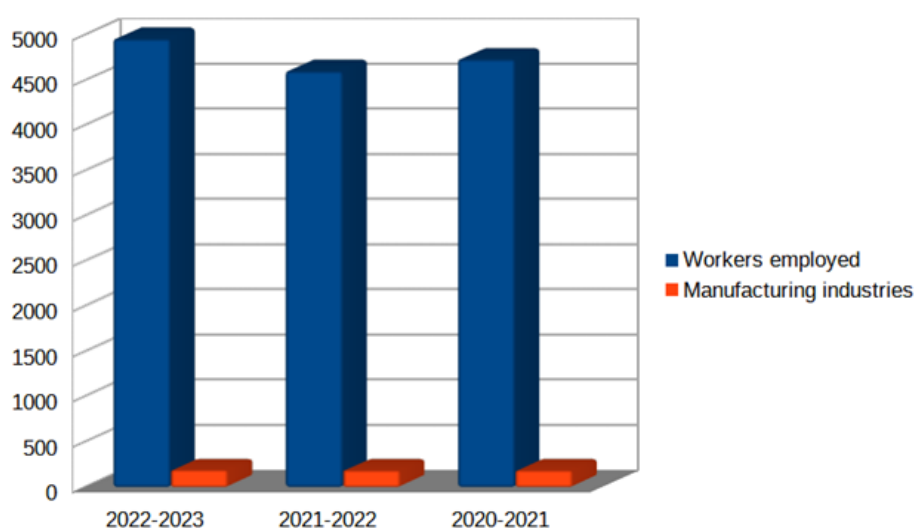


Figure-2 provides an overview of the employment trends within MSME manufacturing industries in Nagaland from 2020 to 2023. During this period, there was a noticeable increase in both the number of workers employed and the number of operational factories.

In 2022-23, the number of manufacturing workers rose to 4,958, reflecting a 7.74% increase from 4,602 workers in 2021-22. This followed a slight decrease in 2020-21, when 4,732 workers were employed. The total number of individuals engaged in factory operations also grew by 7.80%, from 5,347 in 2021-22 to 5,764 in 2022-23, showing a steady improvement in workforce engagement.

The number of factories in operation exhibited only marginal changes over the same period. In 2022-23, there were 193 factories, a small rise from 191 in 2021-22, following a similar minor fluctuation from 192 factories in 2020-21.

Overall, the years from 2020 to 2023 indicate a gradual recovery and expansion in employment within the MSME manufacturing sector, despite minimal growth in the number of operational factories. These trends suggest a focus on increasing workforce engagement, even as the number of factories remains relatively stable.

Table-4: Number of employments in MSMEs service sector in Nagaland 2020-2023

	Total	Manufacturing	service
2022-2023	46227	4958	41269
2021-2022	26062	4602	21460
2020-2021	7916	4732	3148
TOTAL	80205	14292	65913

(Source: MSME 2023, Annual Survey of Industries (ASI), Nagaland 2023)

Figure-3:

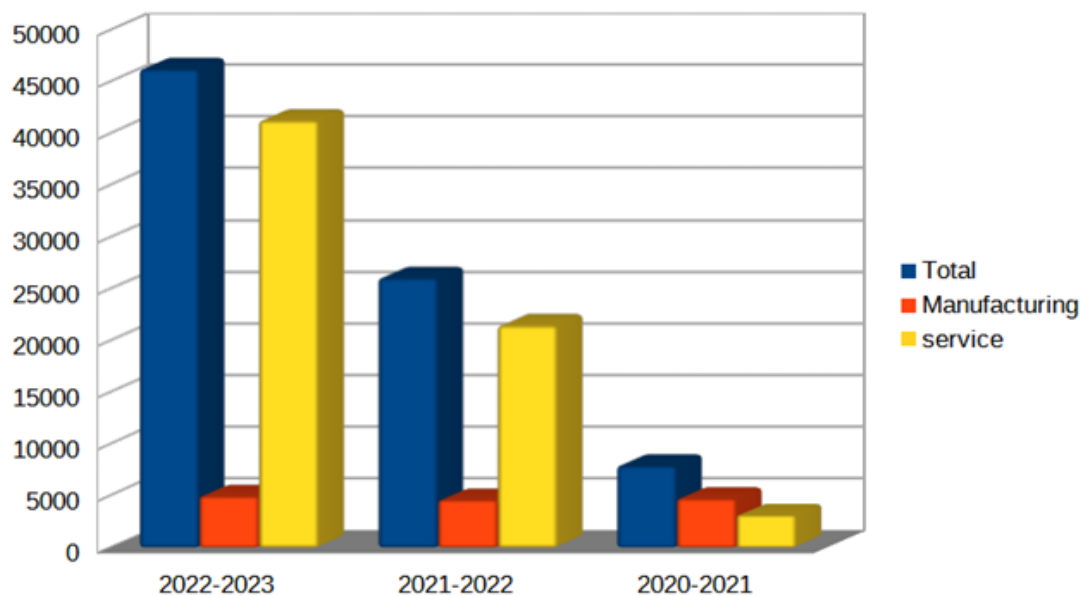


Figure -3 highlights the employment growth in Nagaland's MSME service sector from 2020 to 2023. In 2022-2023, the service sector employed 41,269 individuals, a significant increase from 21,460 in 2021-2022 and just 3,148 in 2020-2021. Over the three-year period, the service sector accounted for the majority of MSME employment, with 65,913 jobs, compared to 14,292 in manufacturing. This trend underscores the service sector's critical role in driving employment growth in Nagaland's MSME landscape during the period 2020-2023.

Key initiatives like the *Pradhan Mantri Employment Generation Programme (PMEGP)* have been instrumental in this employment surge. By focusing on engaging traditional artisans and unemployed youth, particularly in rural areas, PMEGP has not only created jobs but also enhanced the wage potential of artisans, thereby improving economic conditions at the grassroots level. With the requirement of training programs such as the Entrepreneurship Development Program (EDP), this scheme ensures that job creation is sustainable and that individuals are equipped with the necessary skills to thrive in the MSME sector.

The *MSME-Development and Facilitation Office (MSME-DFO)* further supports employment generation by expanding the market access of Micro and Small Enterprises (MSEs). Through initiatives like Vendor Development Programmes, MSMEs are integrated into supply chains of large-scale units and Public Sector Enterprises (PSUs), which generates employment as these smaller enterprises scale up to meet increased demand.

The *Khadi and Village Industries Commission (KVIC)* complements these efforts by focusing on non-farm rural employment, helping to reduce rural-to-urban migration. KVIC fosters job creation in traditional crafts and village industries, contributing significantly to rural economies and offering sustainable livelihoods.

Overall, these initiatives emphasize the strategic contributions of MSMEs to employment generation in Nagaland. By targeting both rural and urban areas and involving a wide range of stakeholders—from traditional artisans to modern enterprises—the MSME sector acts as a vital engine for economic development and job creation across the state.¹

CHALLENGES THAT IMPEDE MSMEs GROWTH IN NAGALAND.

The challenges encountered by MSMEs in Nagaland have been identified through an extensive review of literature and analytical research. Various scholars have highlighted critical structural and operational barriers that hinder the sustainable growth of these enterprises. The key challenges are as follows:

1. **Limited Access to Finance** – Many MSMEs in Nagaland face financial constraints due to strict collateral requirements, limited banking infrastructure, and lack of awareness about available financial support schemes. Studies have highlighted that despite initiatives like the Special Credit Linked Capital Subsidy Scheme and Atmanirbhar Bharat Abhiyaan, accessibility issues persist (Ahamed, 2023; Kumar & Vese, 2024). The challenge is further exacerbated by delayed supplier payments and non-performing assets (Mahesh et al., 2023).
2. **Infrastructural and Technological Constraints** – Poor infrastructure, including inadequate road connectivity, erratic power supply, and weak digital networks, significantly affects MSME operations (Khongsai & Varma, 2023). Technological adoption remains slow, particularly in rural MSMEs, due to high costs and limited

1 <https://msme.gov.in/sites/default/files/MSMESchemebooklet2024.pdf>

digital literacy (Jarinaa & Manida, 2024). These barriers prevent businesses from integrating into digital markets and leveraging e-commerce opportunities.

3. **Skill Deficiency and Workforce Challenges** – The shortage of skilled labor and lack of vocational training programs pose a major challenge for MSMEs in Nagaland. Limited access to skill development initiatives hampers productivity and innovation. Studies suggest that fostering creative self-efficacy and innovative work behavior among MSME actors can improve business performance (Sulistiowati et al., 2024).
4. **Market and Supply Chain Limitations** – Restricted market access, inefficient supply chains, and dependency on local consumers limit MSMEs' ability to scale. Rural enterprises face additional challenges in reaching wider markets due to weak distribution networks (Jarinaa & Manida, 2024). The lack of integration into national and global value chains hinders their competitiveness.
5. **Policy and Regulatory Gaps** – While government initiatives have played a crucial role in supporting MSMEs, inconsistencies in policy implementation and lack of awareness about support schemes remain significant barriers (Kumar & Vese, 2024). Bureaucratic inefficiencies and outdated labor laws also create hurdles for business growth and compliance (Mahesh et al., 2023). There is a need for more targeted and context-specific policies to address the unique challenges of MSMEs in Nagaland.

These challenges collectively limit the growth potential of MSMEs in Nagaland, emphasizing the need for strategic policy interventions, improved financial access, infrastructure development, and capacity-building initiatives to foster a more resilient MSME ecosystem.

Overcoming the financial, infrastructural, and technological barriers impeding MSMEs in Nagaland necessitates a multifaceted approach. Streamlining credit access through simplified banking procedures, enhancing infrastructure- particularly transport and energy systems and fostering digital literacy through targeted training programs are critical steps. Additionally, tailored government interventions, supported by strategic partnerships with financial institutions and private sector stakeholders, can help in unlocking the full potential of MSMEs, thereby driving sustainable economic growth and contributing to the broader regional development agenda.

SUMMARY AND CONCLUSION

In conclusion, it was observed that MSMEs play a crucial role in driving economic growth and employment in Nagaland. With over 27,000 registered enterprises, the sector has significantly contributed to job creation, generating 39,046 jobs in 2022-23. The service sector, in particular, has seen impressive growth, accounting for the majority of MSME employment. Programs like PMEGP and KVIC have further supported employment generation by targeting both rural and urban areas, promoting skill development, and

enhancing market access for MSMEs.

However, persistent challenges, including financial constraints, inadequate infrastructure, and limited technological integration, continue to hinder the realization of its full potential. To address these barriers effectively, it is imperative to implement targeted interventions aimed at improving financial access, upgrading infrastructure, and fostering digital literacy. With the right policies and targeted support, MSMEs can drive sustainable economic development and resilience in Nagaland, positioning them as a cornerstone of the state's economic future.

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