



ECONOMY OF MSMEs IN NAGALAND: A CASE STUDY OF GREENPLY INDUSTRIES LTD., TIZIT, MON, NAGALAND

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Abstract

In an underdeveloped economy of Nagaland state, MSMEs are the best options to play a significant role in the process of economic development. To understand the importance and contributions of MSMEs the researcher have taken a case study of Greenply Industries Ltd. situated at Tizit in Mon district of Nagaland with an objective to assess its socio-economic impacts and to highlight the challenges and problems of the enterprise. In this study a descriptive survey method was used with 320 samples. The research established some important findings like (a) Apart from providing employment opportunities; the industry contributed for the upliftment of the general welfare of the rural population (b) The industry contributed to the conservation of the environment. (c) The study revealed that demands from informal groups, lack of local skilled labour and deplorable road conditions are some of the major problems.

Keywords: MSMEs, GIL, economy, employment, development, Nagaland.



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Introduction: Expansion of the industrial sector leads to a greater utilization of natural resources, creation of employment opportunities and improvement in the general standard of living. In a developing and labour abundant country like India, the MSME sector generates vast employment opportunities and produces a wide assortment of products ranging from conventional to innovative daily used items. Also in industrially underdeveloped states like Nagaland, MSMEs occupy an

important place due to their employment potential and their contribution to state economy. The present study is carried out to understand the importance and contributions of MSMEs with an objective to assess its socio-economic impacts and to highlight the challenges and problems of the workers and the enterprise.

With the shutting down of once famous government run Sugar Mill in Dimapur, Paper Mill in Tuli and Plywood Factory in Tizit, the industrial scenario in Nagaland has deteriorated. Despite its importance for economic development, the existing MSMEs in the state face many challenges and problems to grow to their full potential. There is huge scope to develop MSMEs with proper framing of policies by the government. The researcher have tried to enable the readers for a better understanding about the role of MSMEs as employment generators through the utilization of unexploited resources and new opportunities created by the MSMEs.

The current scenario of MSMEs in Nagaland demands for serious attention of the government and investors as depicted in the Table below:

Micro, Small and Medium Enterprises in Nagaland as on 31-03-2016

Sl. No.	Characteristics	Regd.SSI Sector
1.	Total No. of Permanent Regd. SSI units	1350
2.	No of Working Units	NA
3.	No of Closed Units	NA
4.	No of Women Enterprises	328
5.	Total Employment	10296
6.	Per Unit Employment	5
7.	Total Fixed Investment (Rs. in Lakhs)	31596
8.	Per Unit Fixed Investment (Rs. in Lakhs)	10
9.	Total Gross Output (Rs. in Lakhs)	NA
10.	Per UnitGross Output (Rs. in Lakhs)	NA
11.	No. of Units having Outstanding Loan with Institutional Sources	NA
12.	No. of Units Managed by ST	963
13.	No. of Units Managed by SC	17
14.	No. of Units Managed by OBC	113
15.	No. of Units Managed by Others	257

(Source: Report of the Directorate of Industries & Commerce, published by Directorate of

Economics & Statistics, Govt. of Nagaland: Nagaland Statistical Handbook, Kohima, 10th June 2016)

Unavailability of data on the number of working and closed units, total gross output and per unit gross output, per unit employment in absolute figure at 5 and the failure to classify the enterprises into micro, small and medium enterprises in line with central guidelines continue to show the underdeveloped nature of the state's industrial sector. Looking at the nature and types of SSI sector in Nagaland, there is dominance of services and proprietary type of organisation with comparatively less numbers of manufacturing and processing units. The establishment of SSI units on partnership, by private company and co-operatives too are comparatively less. All this depicts the large gap the state needs to meet in the development of her MSMEs sector. This is shown in the Table below:

Nature & Types of Organisation of MSMEs in Nagaland as on 31-03-2016

Sl. No.	Nature of Activity	Regd. SSI Sector
1.	Manufacturing/Assembling/Processing	394
2.	Repairing & Maintenance	107
3.	Services	1019
	Types of Organisation	
1.	Proprietary	947
2.	Partnership	34
3.	Private Company	29
4.	Co-operatives	27
5.	Others	113

(Source: Report of the Directorate of Industries & Commerce, Published by Directorate of Economics & Statistics, Govt. of Nagaland: Nagaland Statistical Handbook, Kohima, 10th June 2016)

Rationale of the study: This study is carried out to have a better understanding of the new opportunities created by the MSMEs through the utilization of unexploited renewable resources. The MSME sector being able to produce cost-effective products contributes significantly to job creation, innovation, exports and inclusive economic growth. They also offer one of the highest per capita employment investment opportunities, provide local employment opportunities and reduce rural-to-urban migration. Nagaland has enormous potential to become a hub of micro,

small, and medium enterprises especially in agro based MSMEs. Thus, there is an urge to understand the role, importance and contribution of MSMEs in the economic development of the state. With this background, the researcher have undertaken a case study of privately run Greenply Industries Ltd.(GIL) located at Tizit in Mon district of Nagaland. The rationales behind focusing on GIL Tizit are the following: (i) The state government has failed to run the same kind of enterprise in the same area. (ii) It is a backward rural area where labour is abundant having comparatively low literacy rate (iii) Abundant raw materials within the area (iv) The area is dominated by a single insurgent group with strong civil organization to deal with cases of multiple taxations.

Literature Review

Studies at the National Level: According to Subrahmanya (2004), In order to make Indian small industries become internationally competitive the focus must be turned to technology development and strengthening of financial infrastructure. Also examining the opportunities and challenges of MSMEs in India, De (2009), revealed that MSMEs in India face many challenges but none are as difficult as the challenge of financing. Similarly, Garg (2014), highlighted that the major challenges besides lack of finance faced by MSMEs are management skills, infrastructure and lack of knowledge on foreign markets and market information. Mehraj (2015), analysed the contribution of MSMEs in employment and growth of India's economy and concluded that MSMEs play a significant role in inclusive growth of the Indian economy.

According to Mehta (2013), if the government, bank and financial institutions take pride in servicing MSMEs, the twin problems of unemployment and poverty constituting a major development challenge in India can be solved. Analogously, assessing the performance and prospects of MSMEs in the North Eastern Region (NER) of India, Rajpal (2015), found that poor infrastructure, political disturbances and market unavailability have retarded the development process of MSMEs in this region.

On the role of e-commerce in the development of MSMEs in Dimapur district of Nagaland, Sinha (2016) revealed that there is a significant growth of e-commerce ventures with a view to sell 'Made in Nagaland' products to the rest of the world and that it plays a supportive role for the growth of MSMEs in the state. The result of a similar study by Aier (2015), revealed that despite many speculations on financial problems faced by entrepreneurs in Nagaland, the pivotal goal of

every business should be creating sales because there are very few problems in business that sales cannot solve

The reviewed literature reveals that while MSMEs have proven their potential for bringing in economic and social growth in an economy, they are also hindered by a number of problems in terms of finance, technology, labour and marketing. It should be mentioned that in Nagaland, besides scarce availability of capital, its geographical isolation, chronic insurgency problem and the terrain discourages potential investors from investing in large scale in the state. MSMEs on the other hand do not require huge capital but generate employment opportunities within a short period. Also if the local environment facilitates their growth and development, the size and diversity of activities of MSMEs makes them highly adaptable. The research is, therefore, undertaken to make a detailed study on the case of an individual unit.

Objectives of the study

1. To study the status of employment generation by the enterprise.
2. To investigate the socio-economic impacts of the enterprise.
3. To know the challenges and problems faced by the enterprise.

Research Questions

1. Whether the establishment of GIL Tizit created ample employment opportunities for the people of the state.
2. Whether the establishment of GIL Tizit has positive socio-economic impacts on the people of the area.

Methodology: The study is both exploratory and descriptive in nature. The sample size in the study consists of 320 employees. Questionnaires and a structured interview schedule were prepared for collection of primary data and other secondary data were used. Statistical techniques like percentages were used for interpretation of the result.

Area of the study and the Industry: The GIL Tizit Unit is strategically located along the Tizit River at Lapalampong village under Tizit circle of Mon District, Nagaland and occupies approximately 20 acres of land with large availability of raw materials and labour in the surrounding areas.

The industry was initially established on 28 November 1990 as 'Mittal Laminates Private Limited'. It changed to Mittal Laminates Limited in 1994 and finally in 1996, it became Greenply Industries Limited (GIL). It is one of India's largest interior infrastructure companies engaged in

the manufacturing of plywood and allied products. The Company's manufacturing units are situated at Tizit in Nagaland, Kriparampur in West Bengal and Bamanbore in Gujarat.

The Company's major brands in the plywood premium segment are 'Green Club 500,' 'Green Club plus 700,' 'Green Gold Platinum,' 'Green Gold' 'Green Absolute', 'Wood Crest' while 'Ecotech,' 'Jansathi,' 'Bharosa Ply,' falls under the plywood mid and low segment. In the Tizit unit the company produces Green Gold and Eco tech.

Data analysis and discussion: According to the definition of MSME 2007, GIL Tizit can be categorized under medium sized industry. The industry functions with a Board of Directors and 580 employees headed by Managing Director.

Employees Information:

Table 1: Community and Gender Composition of Employees in GIL Tizit

Community	No. of Employees			Percent		
	Male	Female	Total	Male	Female	Total
Local	121	55	176	21	9.3	30.3%
Non-Local	339	65	404	58.4	11.3	69.7%
Total	460	120	580	79.31	20.69	100

Source: field survey, 2016

Here, non-local stands for Non-Nagas. The data shows 70% of employees in the unit are Non-Nagas comprising people from Assam, West Bengal, Bihar, UP etc; while local employees, mostly Konyak Nagas constitute only 30%. Though there is not much difference in local and non-local female employees, the gender ratio shows very high male employees at around 80% with the rest 20% female employees.

Table 2: Age composition of Employees

AGE	Percent (%)	
	Local	Non-local
15-30	70	72
31-40	23	21
40& above	7	7
Total	100	100

(Source: field survey, 2016)

There is not much difference in the age composition with respect to local and non-local employees and no evidence of child labour.

Table 3: Educational Qualification

Qualification	Percent (%)	
	Local	Non-local
Illiterate	24	36
Primary	62	33
Secondary	12	11
Graduate +	2	20
Total	100	100

(Source: field survey, 2016)

The data shows that educational status is better with respect to the local employees. Majority of the local employees are literate or have acquired primary education whereas nearly half of the non-local employees are illiterate.

Table 4: Work experience

Years	Percent (%)	
	Local	Non-local
1-10	51	56
11-20 years	28	22
21-30 years	15	13
30 & above	6	9
Total	100	100

(Source: field survey, 2016)

With respect to work experience, it is observed that both local and non-local employees have almost the same overall working experience with the majority of them having the experience less than 10 years.

Table 5: Source of income and only breadwinner in the family

Response	Only source of income		Only Breadwinner	
	Frequency	Percent	Frequency	Percent
Yes	304	95	234	73
No	16	5	86	27
Total	320	100	320	100

(Source: field survey, 2016)

It is found that 95% of the employees rely on this job for their livelihood whereas very few numbers of workers i.e. 5%, practice additional jobs such as farming, carpentry, other handicrafts, etc. besides their shifts in the factory.

It is also found that 73% of the employees are sole breadwinners for their family while 27% admitted of other members engaging in different economic activities. The above data thus, shows the sole provision of livelihood the industry is providing to the people.

Table 6: Working environment

Response	Frequency	Percent
Poor
Moderate	125	39
Good	109	34
Excellent	86	27
Total	320	100

(Source: field survey, 2016)

The data reveals that workers have a satisfactory working environment in various sections of the unit.

Table 7: Job and Wage Satisfaction

Job Satisfaction			Wage Satisfaction		
Response	Frequency	Percent	Response	Frequency	Percent
Satisfied	74	23	Satisfied	64	20
Very Satisfied	198	62	Very satisfied	32	10
Can't Say	48	15	Not upto expectations	119	37
			Not satisfied	38	12
			Can't say	67	21
Total	320	100	Total	320	100

(Source: field survey, 2016)

The data shows positive responses with regard to job satisfaction with a high proportion of workers, i.e. 85% as satisfied or verysatisfied with the work assigned to them. However, with regard to wages, the workers' contentment was not satisfactory.

Table 8: Problems faced by the employees

Response	Irregular power supply	Improper working environment	Low incentives	Intolerable behavior of superiors	Low payment of wages	Long working hours
Strongly agree	-	-	-	-	-	80%
Agree	-	10%	60%	42%	55%	15%
Disagree	100%	90%	40%	58%	45%	5%

(Source: field survey, 2016)

The workers to a large extent are satisfied working in the GIL Tizit. They enjoy the benefits of regular power supply as well as a good working environment including friendly behaviour of the superiors. However, the workers faced problems such as low payment of wages, long working hours and low incentives.

Outlook of local residents: The study also revealed that the local residents residing nearby by the unit are very satisfied with the working of the company and have expressed their full contentment with the industry as depicted in Table 9 below:

Table 9: Outlook of local residents towards the GIL Tizit

Response	Percent
Poor	-----
Moderate	10%
Good	20%
Very Satisfied	70%
Should not be here	-----
Produces health hazards	-----

(Source: field survey, 2016)

Findings: Before the establishment of GIL Tizit, the source of income of the local people was mainly from the practice of traditional agriculture. Today it is found that the unit has created many new employment and income generating opportunities which has raised the economic status and social consciousness amongst the people.

Employment Opportunities: Presently, GIL Tizit provides employment to a total of 580 employees. However, the employment composition in the ratio of 70:30 percent in favour of non-locals does not represent a fair proportion.

Women employment: Although the job demands muscular strength for long hours, out of 580 employees the industry employs 120 female employees with no gender discrimination in wage payment against the working hours.

Infrastructural facilities: Most of the general workers and permanent staff are offered free quarters. The housing benefits include free water supply, 24x7 power backup and fuel wood. These benefits are also utilized by the general public residing adjacent to the industry.

The industry has also provided establishment of shops within the premises where basic daily requirements are made available to the general public as well at reasonable prices.

Inflow of newcomers: After the establishment of the GIL unit there is a high inflow of newcomers from neighbouring and other states in Tizit town. A drawback of the situation is that locals are not being given opportunities at a fair proportion.

Corporate Social Responsibility: The Company has constituted a CSR Committee in accordance with section 135 of Companies Act, 2013 to promote welfare activities for the society. The following social actions are so far carried out under CSR in Tizit branch:

a) Education: The Company supports students from economically weaker sections by setting up a tuition centre for lower primary sections. For this project, two instructors have been employed with the sole objective of nurturing children with different subjects. Besides, the company also provides school bus for children of the employees and local residents.

b) Mobile Medical Van: A healthcare project has been undertaken by the company through MMV providing basic diagnostic, medicine, curative, referral and cervical cancer vaccination and counselling services. The main objective is to provide access to medical services and create awareness in remote areas towards healthy and hygienic living. In 2016, the medical team successfully carried out this mission to about 40 villages.

Environment Sustainability: Towards the end of ‘sustainable development’, the company has initiated germinating and air layering nurseries where saplings are freely distributed to farmers approaching the company. Besides free distribution of saplings, the unit has initiated forestry farms to ensure raw material security in the long run. It has developed an integrated farm management project in 2013 to enhance the livelihood of the local group members associated with the project. The unit has a plantation area of approximately 1602 hectares with 260 local beneficiary households. The vast of the project area is on degraded or waste private land of the farmers which are not very suitable for growing crops. Some of the major tree species are Eucalyptus tereticornis Smith, Malia Dubia, CanariumSpp, TerminaliaSpp, etc. This plantation drive has led to the improvement of soil nutrient and fertility and has resulted in significant reduction in soil erosion. This initiative had also contributed to conservation of wildlife species and grazing needs of the livestock

Pollution Control: The unit minimized energy consumption and had in place a waste management system to comply with the requirements of Pollution Control Board’s standards in air and water quality. The unit is equipped with waste water recycling facility and ESP (electrostatic precipitator) to check emission. It is also observed that no petroleum product or coal is used in the boilers.

Sources of raw materials: The GIL Tizit procures raw materials entirely from Tizit circle in Mon district of Nagaland. The raw materials are measured and registered in truck loads. Individuals or groups of individuals supply bulk of woods directly to the industry.

Average Cost and Turnover: The study noted that on an average, 5745 truckloads of raw materials enter the industry annually at an average cost of Rs. 65000/- per truck load making an annual average cost of raw materials at Rs.37.34 crore. It is also noted that an average wage per month for 452 general workers is Rs. 8000 and general staff is Rs. 17000 making an annual average wage payment of Rs.6.9 crore totalling to an annual average wage and raw material costs of Rs. 44.24 crore. The study also noted that on an average 500 truckloads of finished product leaves the industry annually at an average price of 20 lakhs per truckload making a total annual average sale of Rs. 100.00 crores.

Problem faced by the enterprise: Since its inception there has been no major problem leading to shutting down of the enterprise. Some of the few problems and challenges that the unit continues to face are the following:

- a) **Taxation:** Though multiple taxation issues had lessened significantly with the intervention of various civil organizations including Konyak Union against illegal taxations, the unit continues to encounter this problem.
- b) **Intense competition due to the unorganized nature of the plywood industry:** The Indian plywood market is dominated by unorganized players. Although GIL enjoys a strong position in the organized plywood market, there are a number of players operating in an unorganized manner.
- c) **Deplorable road condition:** This results in heavy transportation costs for raw materials, finished products and in procuring wear and tear parts of the machineries

Conclusion: Apart from providing employment opportunities, the study found that GIL Tizit unit plays a significant role in uplifting the general welfare of the people involved in the unit and the surrounding areas thus aiding the improvement of living standard of the people. The industry also equally contributed to the conservation of the environment through the initiation of various plantation activities. The employment composition and the average annual turnover of the unit signify the fact that the wealth and resources of the state are being drained by people from outside the state. The study also revealed some problems affecting the growth of MSMEs in Nagaland. However, solutions to the problems are not a distant dream. It only needs honest political will. The researcher suggests that despite the constraints, MSMEs must be given top priority to find permanent solutions for the growth and development of the state. With the given natural endowments – climatic, topographical and natural vegetation in Nagaland, there is huge scope of establishing agro based MSMEs like the one of GIL Tizit in all the districts of the state. In Nagaland, MSMEs are the best options to develop the state economy which needs immediate attention from the government as well as investors.

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