

The Growth of MSMEs in Nagaland and its Impact

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Abstract:- This study explores the evolving role of Micro, Small, and Medium Enterprises (MSMEs) in Nagaland, comparing regional progress with the national context of India. Addressing a research gap in region-specific analyses, the study adopts a descriptive and analytical approach using secondary data, including the latest insights from the 2025 Union Budget and MSME Annual Report. The report highlights that Nagaland's MSME sector, largely comprised of micro-enterprises, has experienced significant growth, with employment increasing from 7,916 in 2020–21 to 46,227 in 2022–23, and a projected rise of approximately 10% to nearly 50,000 jobs in 2024–2025. Furthermore, the number of registered MSMEs is expected to reach 28,500 by 2025. Despite these gains, challenges persist, particularly in relation to limited access to finance, inadequate infrastructure, and the need for technological advancements. The study emphasizes the importance of tailored government policies, an emphasis on digital literacy, and strategic infrastructural investments to ensure sustainable growth and regional economic resilience. Implications of this study provide valuable insights to stakeholders aiming to enhance the MSME sector's competitive edge and foster broader, inclusive economic growth within Nagaland.

Keywords:- MSMEs, Nagaland, Economic Growth, Employment Generation, Policy Reforms in India, MSMEs extend beyond mere commercial ventures, underpinning the nation's economic strength. They account for nearly 30% of the country's GDP, drive innovation, and create millions of jobs every day. Across India, these enterprises are the engines that power local communities, supporting manufacturing, boosting exports, and nurturing entrepreneurship. To put it in perspective, back in 2013–14, there were about 4.89 crore MSMEs employing over 11 crore people, a clear sign of their pivotal role in shaping economic progress.

In Nagaland, the story is equally inspiring yet uniquely challenging. Here, the MSME sector is mainly made up of micro-enterprises that have rapidly become lifelines for local communities. Employment in Nagaland's MSMEs has jumped from 7,916 in 2020–21 to 46,227 in 2022–23, with expectations of reaching nearly 50,000 jobs by 2024–25 and around 28,500 registered enterprises by 2025. Recognizing the critical importance of this sector, the Union Budget 2025–26 has introduced a host of supportive measures. These include raising the investment and turnover limits to help businesses scale up, doubling the credit guarantee cover for micro and small enterprises (and startups), and launching new schemes aimed at supporting first-time entrepreneurs from disadvantaged backgrounds. Additionally, there's a clear focus on boosting productivity in key sectors like footwear, leather, and toy manufacturing. These initiatives are all about making it easier for MSMEs to grow, innovate, and overcome everyday challenges.

Understanding how Nagaland's MSMEs are faring compared to the national picture is key to grasping both the common drivers of success and the unique hurdles faced by this region. While the national MSME sector, boasting 5.93 crore registered enterprises and providing jobs to over 25 crore people, is a major contributor to India's global manufacturing reputation (with MSME products making up about 45.73% of total exports in 2023–24), Nagaland's journey offers its own lessons. The region, with its vibrant mix of micro-enterprises, faces issues like limited access to finance, infrastructural challenges, and a pressing need for modern technology. The measures announced in the Union Budget 2025–26, such as improved credit guarantees and specialized support for first-time and sector-specific entrepreneurs, are designed to address these very challenges. By comparing Nagaland's progress with the broader national trends, we can better identify

what works, what needs more attention, and how targeted policies can drive sustainable and

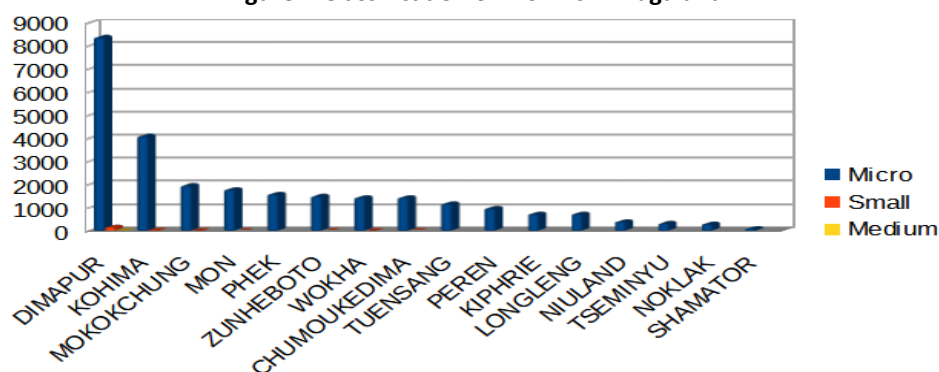
inclusive growth across all parts of India.

Table –1 Classification of MSMEs in Nagaland 2024.

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

(Source: MSMEs Udyam Registration 2024).

Figure-1 Classification of MSMEs in Nagaland.



The above figure-1 provides 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), followed by small enterprises (235), and a few medium enterprises (18). Dimapur has the highest number of enterprises (8,544), mostly micro, while Shamator has the fewest (88). The data highlights the prevalence of micro-enterprises in Nagaland, with minimal representation of small and medium-sized businesses across most districts.

Objectives:- The objectives of this research are : first, to compare MSMEs growth in Nagaland with India; and second, to identify challenges and opportunities for MSMEs in Nagaland.

Literature Review:- Over the years, the development of MSMEs in India has been shaped by a series of key policy milestones and economic reforms. Early initiatives aimed at formalizing small-scale industries have gradually evolved into support systems that include measures like the Atmanirbhar Bharat Abhiyaan and revised MSME definitions. These reforms have simplified registration processes, expanded access to credit, and promoted innovation. Studies by Chandreshkumar et al. (2018) and Manna and

Mistri (2017) illustrate how these policy shifts have transformed MSMEs from informal, traditional businesses into dynamic drivers of manufacturing, exports, and employment across the nation.

In Nagaland, the MSME sector presents a unique picture. Predominantly composed of micro-enterprises, this sector has witnessed impressive growth in recent years—employment has surged from 7,916 in 2020–21 to 46,227 in 2022–23, with projections suggesting nearly 50,000 jobs by 2024–25. Regional studies and case reports, such as those by Khongsai and Varma (2023) and Tase and Zatsu (2022), highlight how these small businesses have become vital for local job creation and economic development. However, these studies also point to challenges like limited access to finance and poor digital infrastructure that continue to hinder further growth.

When comparing Nagaland's MSMEs with those across India, clear differences emerge. Nationally, MSMEs amounting to about 5.93 crore registered enterprises employ over 25 crore people and contribute significantly to India's export strength, with MSME products accounting for nearly 45.73% of total exports in 2023–24. In contrast, Nagaland's MSME sector, while growing rapidly, remains largely micro in nature and grapples with unique regional hurdles such as geographic isolation and infrastructural deficits. Research by Kumar and Vese (2024) and Ahamed (2023) reveals that although there is impressive growth in employment in Nagaland, inconsistent policy impacts and financial constraints are persistent challenges.

Despite a rich body of literature on India's MSME sector, focused studies on Nagaland remain limited. While broader works address rural entrepreneurship and the challenges faced by MSMEs nationally (Jarinaa and Manida, 2024; Nanda and Kumar, 2023), there is a notable lack of in-depth, localized research on Nagaland. More empirical studies are needed to explore local success stories, digital transformation efforts, and the specific effects of government initiatives on Nagaland's MSMEs. This gap hinders our full understanding of the region's potential, and the tailored strategies required for its sustainable growth.

The relationship between MSME growth and economic development is multifaceted. Expanding MSMEs contribute to economic diversification by encouraging new industries and reducing dependency on a single sector. They also play a crucial role in generating employment and promoting social inclusion, particularly in regions where traditional job opportunities are scarce. Studies by Alsameer and Begum (2023) and Mahesh et al. (2023) emphasize that improvements in areas such as digital literacy and sustainable financing not only boost business performance but also foster a more inclusive and resilient economy. In Nagaland, this linkage is particularly evident, as the growth of micro-enterprises directly impacts local livelihoods and community development, offering both challenges and opportunities for further progress.

Methodology:- In the current study, we employ a Descriptive and Analytical approach, utilizing secondary data gathered from a variety of sources, including research journals, academic articles, newspapers, magazines, and relevant government documents. While thematic synthesis identified key challenges and opportunities. Data triangulation ensured reliability.

National Context and Policy Framework:- At the national level, MSMEs play a pivotal role in driving economic development. Recent policy measures, as evidenced in the Union Budget 2025–26, underscore the government's commitment to strengthening this sector. Notable policy reforms include an increase in the investment and turnover limits for MSME classification, raised by 2.5 and 2 times, respectively to facilitate business expansion and technological adoption. Moreover, the budget emphasizes enhanced credit availability by doubling the credit guarantee cover for micro and small enterprises from ₹5 crore to ₹10 crore and extending similar benefits to startups. These initiatives are projected to unlock an additional ₹1.5 lakh crore in credit over five years, thereby boosting access to finance.

In addition to these financial measures, it also outlines targeted support for first-time entrepreneurs from disadvantaged backgrounds and sector-specific initiatives, particularly in industries such as footwear, leather, and toy

manufacturing. Collectively, these national-level policies have helped create an enabling environment for MSMEs, which are now recognized as key contributors to India's economic output. With approximately 5.93 crore registered MSMEs employing over 25 crore people, and MSME products accounting for around 45.73% of total exports in 2023–24, the sector clearly stands as a backbone of India's economic resilience and global competitiveness.

Regional Dynamics: Msme in Nagaland:- In contrast, the MSME landscape in Nagaland presents a more nuanced picture. Predominantly composed of micro-enterprises, Nagaland's MSME sector has experienced significant growth over recent years. Employment data indicate that the number of jobs in the MSME sector in Nagaland surged from 7,916 in 2020–21 to 46,227 in 2022–23. Projections suggest that this figure may rise to nearly 50,000 by 2024–25, with the total number of registered enterprises expected to reach approximately 28,500 by 2025. These figures are a testament to the critical role that MSMEs play in generating non-agricultural employment and stimulating local economic activity.

The evolution of the MSME sector in Nagaland is bolstered by regional initiatives aimed at fostering entrepreneurship and enhancing operational efficiency. Local bodies such as the MSME Development and Facilitation Office have implemented cluster-based initiatives, credit facilitation programs, and technology upgradation schemes to support the growth of these small enterprises. Digital innovations, including the rollout of the "My MSME" app, have further contributed to streamlining business processes and enhancing accessibility for local entrepreneurs. Additionally, strategic projects such as the World Bank-assisted RAMP scheme, launched in 2024, highlights the region's commitment to capacity building and sustainable growth. Despite these positive developments, the scale of Nagaland's MSME sector remains relatively modest when compared to national benchmarks, which necessitates a closer examination of local challenges.

Comparative Analysis: Challenges and Opportunities:- The comparative analysis between

the national landscape and Nagaland's MSME sector reveals several key challenges that are unique to the region. Although national policy frameworks have significantly boosted MSME growth across India, Nagaland's micro-enterprise-dominated sector faces distinct hurdles:

Access to Finance:- While enhanced credit guarantee schemes have bolstered access to finance nationally, MSMEs in Nagaland continue to struggle with complex banking procedures and high collateral requirements. These challenges limit the ability of local businesses to secure timely and sufficient funding, which is essential for scaling operations and adopting new technologies.

Infrastructural Limitations:- Nagaland's geographic isolation and underdeveloped infrastructure present major obstacles. Poor road connectivity, unreliable electricity supply, and limited internet penetration significantly increase operational costs and hinder market access. These infrastructural deficits not only affect day-to-day business operations but also reduce the competitiveness of local MSMEs relative to their counterparts in more developed regions.

Technological Gaps:- The adoption of digital technologies remains limited in Nagaland. Many MSMEs in the region have not fully integrated modern digital tools into their business processes due to low digital literacy and outdated management practices. This technological lag restricts their ability to participate in e-commerce, improve customer outreach, and optimize production processes.

Market Access and Integration:- Due to geographic constraints and the small scale of the local market, Nagaland's MSMEs often find it challenging to connect with larger national or international supply chains. Limited participation in trade fairs, exhibitions, and vendor development programs further exacerbates these issues, impeding the growth potential of local enterprises.

However, these challenges also open significant opportunities. The strong national policy support, as demonstrated by recent budgetary measures, offers a foundation upon

which Nagaland's MSMEs can build. Tailored interventions such as localized financial literacy programs, targeted infrastructure investments, and digital skill development initiatives could effectively address the specific needs of the region. Moreover, leveraging regional strengths in areas like handicrafts, tourism, and food processing could help create new market linkages and boost the overall competitiveness of local MSMEs.

Analysis and Policy Implications:- The comparison of national achievements with Nagaland's local realities provides a strong justification for the study's dual objectives. On the one hand, national data illustrate the broad success of supportive policies in driving MSME growth, innovation, and employment across India. On the other hand, the situation in Nagaland reveals that while the region has experienced impressive growth, its MSME sector remains hampered by unique challenges that are not as prevalent at the national level.

These findings have important policy implications. It is evident that while comprehensive national measures create an enabling environment for MSME development, region-specific challenges require customized policy responses. For Nagaland, this means devising localized financial instruments that simplify access to credit, investing in critical infrastructure improvements to reduce operational bottlenecks, and launching targeted digital literacy programs to modernize business practices. Such tailored strategies will not only help bridge the gap between Nagaland and the national average but also promote sustainable and inclusive growth at the regional level.

Conclusion:- By integrating national policy benchmarks with detailed regional data, this study successfully meets its objectives of comparing the growth of MSMEs in Nagaland with that across India and identifying the specific challenges and opportunities within the region. While the national MSME sector benefits from strategic policy support and vast scale, Nagaland's MSMEs, though growing rapidly, continue to face distinct challenges related to finance, infrastructure, and technology. Addressing these local constraints through tailored interventions is essential for

unlocking the full potential of Nagaland's MSME sector, thereby contributing to the broader goal of fostering resilient and inclusive economic growth.

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