

Chapter 4

Industry

While large scale industrialisation can never be a goal for this small hill state, growth and an improvement in people's prospects will require a shift away from a largely land-based primary production economy that still characterises the state. As pressure on the land increases, there has been a rise in the number of landless labourers and poverty. An increase in industrial activity in the state will expand employment opportunities and career choices, as well as increase the state's income and revenue base.

Developing an industrial base in an environmentally fragile hill state such as Meghalaya will call for an innovative approach to development. Added to the environmental and geophysical conditions are social and physical issues such as the absence of good connectivity, poor infrastructure, remoteness of small production units, a low technical and skills base, and the almost complete absence of any non-community land that can be used to promote enterprise.

4.1 CURRENT STATE OF INDUSTRY

The process of growth is typically associated with a structural change in the economy, which involves a shift from the agricultural and allied services sector towards industry. In Meghalaya, with over 80 per cent of the population dependent on land, a transfer of labour from agriculture to manufacturing and tertiary activities would represent an important step towards raising productivity. This shift is usually manifest in a rise in the share of industry and mining activity in the state's gross domestic product. Based on sectoral growth rates for the state over the past decade, the state appears to be undergoing the beginnings of a structural transformation.

Industry today accounts for one-fourth of the state's NSDP. Between 1999–2000 and 2007–08 (advance estimates), the trend share of industry in NSDP rose from 21.09 per cent to 25.7 per cent¹¹. The growth rate of industry during the Tenth Plan was 8.67 per cent (against the national growth rate of 9.76 per cent), and the targeted growth rate in the Eleventh Plan is 8 per cent against a national target of 10.5 per cent.

Like almost all the other north-eastern states, Meghalaya is largely dependent on wood and wood-based industries. The mining sector also contributes significantly to the state's income, and private entrepreneurs are involved in this process. However, private entrepreneurs, who have coal and limestone deposits in their land holdings, often extract the minerals and send them to Assam and Bangladesh for sale.

¹¹ Directorate of Economics and Statistics, Meghalaya, from the State Development Report, *Table 5.2*

Thus, in the absence of downstream industries in Meghalaya, little value addition takes place. Important industries are the manufacture of cement, lime, mini steel plants, granite cutting and polishing, and so on. Almost all of them are medium scale industries. Small scale industries include tailoring, wooden furniture making, cane and bamboo works, flour and rice mills, weaving, and baking. In fact, there are only a few large and medium sized industries (*see, Table 4.1*), and the sector mainly comprises small scale enterprises. All the large and medium size units are located in the rural areas.

Table 4.1: Large and Medium Industries in Meghalaya

Type of Industries	Number Of Units	Investment (Rs)	Employment (Number of Workers)
Cements	10	36,067.45	1,311
Steel units	48	15,073.84	1,925
Limestone mining and crushing plants	4	1,796.00	336
Foods	12	3,831.48	373
IMFL	3	489.94	99
Coke	2	756.00	70
Information technology	2	283.00	85
HDPE bags	4	1,373.40	135
Others	31	13,361.09	1,083
Total	116	73,032.20	5,417

Source: State Development Report 2008–09, Government of Meghalaya.

The small scale industries (SSIs) in Meghalaya are mainly engaged in producing food items, wood furniture, or non-metallic products, or are printing presses, or deal in repairs and services. Despite various handicaps, such as inadequate capital investment, shortage of technical skills, and so on, the number of small-scale units has increased. In terms of employment, however, the average number of workers per unit has barely increased, and the average net value of output per worker has actually declined.

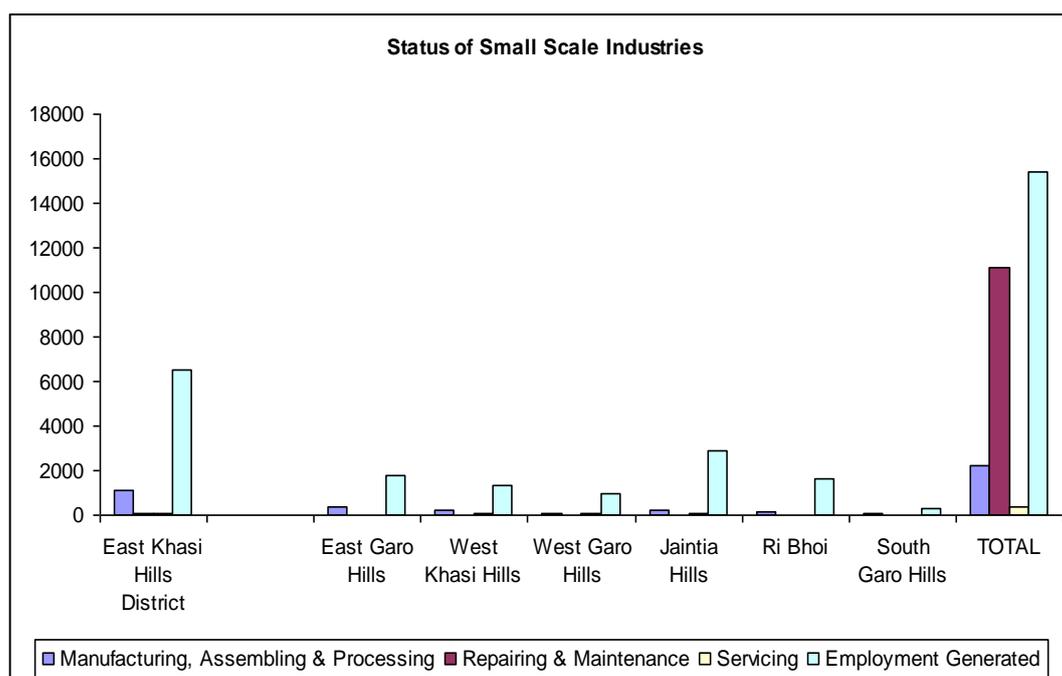
While the number of SSIs has increased in the state, the vast intra-regional disparities in the location of these units has continued, with East Khasi Hills accounting for 40 per cent of the total number of units, followed by West Garo Hills (20 per cent), Jaintia Hills (13 per cent), and Ri-Bhoi (11 per cent). The remaining districts account for less than 10 per cent of the SSIs in the state. The employment effects of this skewed distribution of industry are clear, as almost half (46 per cent) of the SSI employment occurs in the East Khasi Hills, with the share of SSI employment in the other districts mirroring the distribution of units (*Figure 4.1*).

Table 4.2: Small Scale Industries in Meghalaya

Districts	Manufacturing, Assembling, and Processing	Repairing and Maintenance	Services	Employment Generated
East Khasi Hills District	1,127	41	94	6,536
East Garo Hills	343	0	9	1,808
West Khasi Hills	214	27	86	1,307
West Garo Hills	100	11	75	959
Jaintia Hills	219	14	63	2,902
Ri-Bhoi	147	8	24	1,614
South Garo Hills	53	12	23	294
Total	2,203	11,123	374	15,420

Source: State Development Report 2008-09, Government of Meghalaya.

Figure 4.1: Small Scale Industries in Meghalaya



4.2 OPPORTUNITIES IN INDUSTRY

The state's human capital base and its strong resource base of land, forests, water, and mineral resources have been largely untapped for industrial purposes. Various opportunities and incentives have been extended to industrial units, both by the state and central governments, to attract private enterprises to invest in Meghalaya. Through its various industrial policies for the north-east (see the most recent one for 2007 in the annexure to this chapter), the government offers subsidies on the costs of infrastructure,

transport, training, power, and so on. New units in the north-east region are exempt from paying income tax for five years in sectors which are mineral based, horticulture and agro-based, and in the areas of power, tourism, healthcare, etc.

Agro and Horticulture-based Industry

An area with great potential for investment is food processing. The state produces a variety of fruit, vegetables, and other agro-based products that can be processed, packaged, and transported in various forms to other parts of the country. Fruits grown in the region include oranges, peaches, pineapples, pears, guavas, plums, and bananas, which can be prepared into jams, squashes, pulp, facial scrubs, and various other edibles and non-edibles for sale in markets away from the growing areas. Vegetables suitable for processing are jackfruit, tapioca, and so on. Turmeric of the best quality and a variety of medicinal herbs and plants are other items which flourish in the state and can be processed into herbal and health-based products. Other resource based products such as bamboo, silk, and forestry products are also common.

Minerals and Other Resource-based Industries

Meghalaya has proven deposits of several valuable minerals like limestone, coal, clay, glass sand kaolin, quartz, ironstone, and granite. Deposits of limestone and coal have been well explored in the state and sizeable reserves have been established, but the location and scale of other mineral deposits have not yet been verified.

The state also has sizeable deposits of radioactive minerals such as amounting to an estimated 13.5 million tonnes. In fact, uranium found in the West Khasi hills is of a higher grade than some of the best grade uranium being mined elsewhere in the country. However, protests by locals over the environmental and health related outcomes of uranium mining have stalled the development of this activity.

Handlooms and Silk Weaving

Weaving traditional shawls and textiles is a household occupation of most women in the state, and still continues in most rural homes. Around 90 per cent of all weavers in the state are women. Meghalaya's weaving tradition is based on excellent skill and workmanship. Cotton weaving is most common, but the yarn has to be 'imported' as there is no cotton production in the state. Of the 25,000 weaver households, 60 per cent are in the Garo Hills.

Another traditional occupation of rural women is the rearing of silkworms for eri, mulberry, and muga silk. This has mostly been done on a small scale in the past, catering mostly to the home and local areas because of the absence of marketing links. Both these enterprises can be scaled up with appropriate design and technical inputs, so that they provide a marketable surplus that can form a basis for rural non-farm employment and income for women. There is a large demand for silk from the Indian market, and exporters import large quantities of silk to fashion into finished garments for export. While Assam is

the largest producer among the north-eastern states, Meghalaya has conditions that are conducive to providing the Assamese silk industry some competition.

4.3 CONSTRAINTS IN AGRICULTURE AND HORTICULTURE

Despite its rich resource base, various handicaps have prevented it from developing strong linkages between the resource base and industry. Investment in industrial development has not been forthcoming in Meghalaya for various reasons.

Locational Issues

The state's location within the north-east region, with its tenuous connection to the rest of the country through a 22 km strip of land, has cut its production centres off from the main markets of Kolkata and Delhi, as well as raised the prices of inputs.

Physical Infrastructure

There is an absence of supporting infrastructure, both physical and financial. The hilly terrain, poor state of the roads, and absence of reliable transport infrastructure add to transport costs, and thus to the costs of production in this landlocked state. Existing power supply is inadequate to deal even with the present demand, even at this low rate of industrial activity. The state will need to have access to far larger quantities of good quality reliable power if it is to attract industry to set up production. Further, telecommunications remain weak at best, even though mobile telephony has begun to take off in the state. In short, the lack of connectivity to outside markets and centres hinders the growth of industry in today's climate, which relies on quick and easy communication.

Availability of Credit

A key handicap is the low availability of credit in the state and the region. The credit-deposit ratio of commercial banks was only 30 per cent and that of regional rural banks only 36.94 per cent in 2006.¹² Despite the priority lending targets of commercial and cooperative banks, credit to SSIs has been declining since the mid-1990s.

Marketing of Produce

Selling their output in larger markets so that they can realise good prices, rather than relying on local markets, remains a major aspiration for SSI producers, especially in rural areas. Poor physical connectivity limits their access to the markets of West Bengal and the rest of the country, and they are forced to rely on local demand, and thus local prices. Marketing is a major issue in Meghalaya for various reasons. For a start, producers lack access to information on markets and prices and on marketable products; they lack the skills and knowledge to tap new markets, or gauge the scale of operations and optimal volume of production. They may need to compete with larger producers, who can apply scale economies to their production processes.

¹² Meghalaya State Development Report

Low Base of Skills and Entrepreneurship

Despite its prominence as an educational hub for the north-east, Meghalaya has a paucity of skilled and trained professionals available for employment in industry because of the large-scale migration of young people to other parts of the country for work and training opportunities. An industry that sets up shop in the state may have to bring its own skilled workers, which may not always be practical. Another reason for the lack of industry is the general risk averseness of Meghalayans for various social and community reasons; they have traditionally preferred to invest surplus funds in fixed assets rather than in a business venture. The low rate of applications for the government self-employment schemes to ease rising youth unemployment is testimony to this lack of interest in starting a business venture and exploiting the market potential for locally produced goods.

Complex Land and Partnership Issues

Land tenure systems are complex and varied in the state, and there is very little land that is not community-owned which can be used for industrial purposes, or as collateral for raising loans. Business can often only be conducted through partnerships, which are based on non-business considerations as they involve having a local 'sleeping' partner, and this has led to complications for both partners.

Political Instability

Subversive political activity over the past decades also created an atmosphere of uncertainty and unstable investment climates, which have deterred private investors from sinking their money into what was already a new and untested location.

4.4 THE WAY AHEAD: OVERALL RECOMMENDATIONS FOR THE RURAL SECTOR

As we had mentioned above, developing an industrial base in Meghalaya will call for an innovative approach to development. Clearly, large scale and medium scale industry cannot proliferate in the state given the environmental and geo-physical constraints. Even private investment in smaller scale units has been slow to come despite various incentives, especially as many of the other states have equally attractive incentive packages. As has been often observed about Meghalaya and other north-eastern states, no amount of incentives and subsidies, such as those offered in various industrial policies, will attract industry to the state; private investment will only flow when there is a conducive environment that guarantees some returns on investment. Unless the government can set up an assured power supply, good reliable telecommunications networks, and transport links, large industrial enterprises, and perhaps even medium-sized ones, are not going to enter the state soon.

In the medium term, the way ahead has to be a focus on developing the state's stagnant SSI base through a judicious mix of direct and indirect state support, and inputs from the local people. Several of these units are located in the rural areas, and there is potential for an expansion in SSI activity, which would lead to a diversification in the rural

employment base, provide jobs for women, as well as stem the urban migration and urban congestion taking place.

Value Addition

Whether in the area of food, minerals, or forest-based products, efforts should be made to 'export' the produce in processed form, rather than in raw form, as is currently being done. Value addition carried out in the state, especially close to the centres of production, will add considerably to income and revenue for the state's exchequer, not to mention creating additional employment and income.

Cluster Approach

The scattered nature of small enterprises tends to hamper production, as producers face problems related to access to markets for produce and raw materials, information about techniques and designs, and so on. This has been tackled successfully in other parts of the country through a cluster approach to SSIs. This involves a locational clustering of enterprises producing the same, similar, or interrelated products, sometimes based on the same resources, which face common problems and need common markets. Meghalaya currently has two clusters — one for eri silk-weaving in Ri-Bhoi district, and one for cane and bamboo in Jaintia Hills. The functioning of these could be studied for recommendations and if successful, such clusters could be expanded to other types of SSIs.

Regional Distribution of Industry

Some attention has to be paid to the skewed distribution of industry in the state. As the table above showed, the East Khasi Hills district accounted for almost half the number of units and half the employment generated in SSIs. Efforts have to be concentrated on encouraging production and sale from other areas by setting up good marketing linkages and through concentrated inputs into technology and design.

Self-Help Groups

An attempt has been made to tackle various issues related to small enterprise — lack of access to credit and markets, inculcating the entrepreneurial spirit, and empowering women — through the promotion of self-help groups (SHGs), which have been very successful, especially in the southern states of the country. The number of SHGs has grown in Meghalaya since 1980 to around 9,000 today, with almost half (47.45 per cent) being located in the West Garo Hills, followed by the East Garo Hills (13.51 per cent), and the East Khasi Hills (12.65 per cent). Most of the funds raised are used for animal husbandry projects (24.7 per cent), followed by small business activities such as grocery shops, tea stalls, and fruit and vegetable vending outlets, and for horticulture and agricultural activities.

Upgrading the Skills Base/Accessing New Technologies

Many of those in SSIs have low productivity because of their lack of exposure to more modern techniques, equipment, or designs and products. Whether in the area of

handloom, handicrafts, agro-processing, or silk weaving, workers need to be exposed to and trained in more modern methods of production, and shown how to use more recent technology. They need a support system, at least initially, to help them acquire these skills and technical know-how. To some extent they will also need help accessing raw materials or inputs, and markets for their products, especially if they are tapping into new markets such as health and beauty products, hotels (to sell their food products), etc.

Infrastructure

Poor road connectivity, absence of public transport, and lack of electricity supply hampers productivity, and needs to be dealt with.

4.4.1 The Way Ahead: Sectoral Recommendations

- **Handlooms:** With design and marketing interventions, weaving of traditional textiles could become a very profitable source of non-farm rural employment for women. Here too the government has a role to play in ensuring weavers have access to modern, improved looms and accessories, improved techniques for indigenous and natural dyes, design inputs from designers, perhaps from professional institutions, and so on.
- **Silk Production:** Meghalaya has the ideal environment for the development of a high quality silk industry. This is possible if there are appropriate interventions at all stages of production and marketing. For a start, plantation areas for silkworm food plants need to be expanded in either the community lands or within individual holdings, and the government has to provide the necessary support in the form of good quality silkworm seeds, and promulgation of scientific methods of silkworm rearing. At present the silkworm farms are inadequately equipped and poorly maintained, with ageing technology. Finally, the marketing of the produce requires market infrastructure (there is an absence of organised markets), enhancing managerial skills and technical know-how, and other inputs to ensure that producers receive a fair price for their produce.
- **Agro-processing:** Given the difficulties of transporting fresh produce to markets, the best way to prevent losses through spoilage is to process surplus fruit and vegetables close to the farms. If these processing and packaging plants can be located close to the growing areas, this will minimise the losses from transporting perishable produce over long distances. The success of Uttarakhand in processing locally grown apricots into a variety of products — jams, pulps, facial scrubs and oils, and even apricot soap — over the past years acts as a ‘best practice’ in this area. There is a sophisticated market for ‘organic’ nature and health products that any fruit and vegetable growing area should tap into. The large variety of medicinal plants and herbs can also be processed into products for export to the rest of the country. Under this category we also include activities such as grain processing (rice and flour milling), oil pressing, and so on, which can be done close to the planting sites, forming a source of rural non-farm based income and employment, which could help keep people in the rural areas. Crucial for this type

of activity is infrastructure, such as an assured supply of power, and well-developed marketing links.

- **Minerals:** Mineral-based industries can be established once the potential for other deposits has been ascertained through detailed surveys and drilling, and the collation of the results done in a geological or feasibility report. Such geological data have helped in the growth of several mining activities in the state.
- **Other Non-Traditional Industry:** Building on natural talents would help the state. For example, the state is well-known for its musical talent, and Shillong hosts a Bob Dylan festival every May, in which several talented local and non-local bands participate. Meghalaya could take a leaf out of Nagaland's book, where the latter has managed to get 'industry' status for its music industry, with all the attendant benefits. Fashion and textiles is another area where the state could develop a comparative advantage by setting up a good training institute within the state, and helping with marketing efforts, at least initially. Another industry or service is IT and IT-enabled services, which could attract several young people who currently work in other metropolises in a similar field.