

Small-Scale and Cottage Industries in Arunachal Pradesh: Growth, Functioning, and Development Challenges

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Abstract

Small-scale and cottage industries play a significant role in the socio-economic development of Arunachal Pradesh by generating employment, promoting indigenous crafts, preserving traditional knowledge, and contributing to rural income. Despite abundant natural resources and government support, these industries face several challenges, including inadequate infrastructure, poor market access, limited finance, technological backwardness, and transportation constraints. This study examines the growth, functioning, and development challenges of small-scale and cottage industries in Arunachal Pradesh using primary data collected from 150 entrepreneurs through structured questionnaires and secondary data from government reports and published literature. The findings indicate that while employment generation and income improvement remain major strengths, infrastructural deficiencies and marketing problems continue to restrict industrial growth.

Keywords: *Cottage Industries; MSMEs; Rural Development; Employment Generation; Arunachal Pradesh*

I. Introduction

One of the most crucial components of economic growth is small-scale and cottage businesses. This is especially true in developing countries where large-scale industrialisation faces obstacles due to lack of resources, infrastructure, and suitable locations. Low capital investment, labour-intensive manufacturing techniques, local resource utilisation, and dependence on traditional skills and indigenous knowledge are characteristics of these sectors. Job creation, poverty alleviation, entrepreneurship, and equitable regional development are all greatly aided by them. For a long time, India's small-scale and cottage industries have been acknowledged as vital to the country's economy, particularly in rural and semi-urban regions, where they provide jobs for millions of people. Traditional crafts and artisanal techniques are sustained by these sectors, which contribute to industrial production and exports while also helping to maintain cultural heritage. For this reason, they are in a special position to help bring about long-term, comprehensive economic growth.

The northeastern Indian state of Arunachal Pradesh is home to a varied tribal people with unique cultural practices, an abundance of natural resources, and a plethora of wildlife. A large percentage of the population lives in rural and outlying regions, and the economy of the state is mostly based on agriculture. The area's rugged landscape, dispersed population, and lack of an established industrial infrastructure restrict its potential for mass production. As a result, cottage and small-scale enterprises have become good options for boosting rural economies and people's standard of living. Sustainable resource utilisation is promoted by these sectors via the creation of value-added goods that use

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locally accessible raw materials such bamboo, cane, lumber, medicinal plants, fruits, spices, and agricultural products. As a result of their growth, rural economies are bolstered and reliance on foreign markets and commodities is diminished.

The traditional handicrafts of Arunachal Pradesh provide a window into the cultural history of the state's many indigenous peoples. Among the many cottage industries that can be found in this state are weaving using a handloom, crafting with cane and bamboo, carving wood, producing carpets, ceramics, blacksmithing, traditional jewellery, and processing food. The local communities' habits, traditions, and everyday lives are profoundly impacted by these activities. Since women are the backbone of the handloom and craft industries, these sectors greatly aid in women's economic empowerment and the creation of family income. The traditional industries have seen a significant boost to their economic potential because to the growing demand for handcrafted, eco-friendly, and culturally genuine items in both local and foreign markets.

The governments of Arunachal Pradesh and India have, in recent decades, implemented a number of programs and regulations meant to foster the development of cottage and small-scale manufacturing. Several government departments and development organisations have offered financial aid, programs to foster entrepreneurship, activities to improve skills, technical support, infrastructure development, and marketing help. There has been a substantial improvement in production capacity, product quality, and market accessibility thanks to organisations that support micro, small, and medium companies; handloom development; handicrafts; rural industries; self-help organisations. Local entrepreneurs have been inspired to start businesses by these efforts, which is great news for the economy since it encourages self-sufficiency and the creation of jobs.

There are still several developmental obstacles for Arunachal Pradesh's small-scale and cottage businesses, despite their critical relevance. Production and marketing expenses are raised due to the state's challenging geographical characteristics and limited transportation infrastructure. Some of the factors that limit industrial development and competitiveness include a lack of access to contemporary technology, inadequate storage facilities, unstable electrical supply, a lack of trained labour, a lack of financial resources, and limited market connections. The inability to compete in bigger national and international marketplaces is exacerbated for many conventional businesses by their struggles with product standardisation, branding, packaging, and quality certification. The sale potential of domestically made products is further diminished by a lack of knowledge about online advertising channels, e-commerce possibilities, and export protocols. Raw material availability and manufacturing sustainability are both affected by climate change and environmental concerns.

Entrepreneurship, trained workers, raw materials, funding, institutional backing, technical advancement, and access to markets are the lynchpins of small-scale and cottage enterprises. Better productivity, higher product quality, more profitability, and sustainability in the long run are all possible outcomes of fortifying these areas. Businesses, nonprofits, and public and private organisations may work together more effectively to foster an environment conducive to economic growth in a given area. One way to boost competitiveness without sacrificing cultural identity is to promote innovation while valuing traditional knowledge.

Challenges to the establishment, expansion, and operation of Arunachal Pradesh's small-scale and cottage businesses are the subject of this research. In doing so, it analyses the key challenges to their development and sustainability and looks at the ways in which they have helped create jobs, improve rural areas, increase incomes, empower women, and preserve cultural traditions. The paper goes on to say that the industrial sector can only be strengthened with the help of policies that encourage investment in infrastructure, new technologies, financial inclusion, and efficient marketing campaigns. The study's overarching goal is to aid those working to foster equitable, long-term, and well-rounded economic growth in Arunachal Pradesh by giving them a better grasp of the possibilities and limitations of these sectors.

II. Review Of Literature

Rai, Laxmi (2024) One key component of Arunachal Pradesh's economic development has been the state's micro, small, and medium-sized businesses. In addition to creating jobs, these MSMEs aid rural regions in becoming more industrialised, which in turn helps to level the income distribution in such areas? Small and medium-sized firms (SMEs) play a crucial role in the growth of the Arunachal Pradesh economy. Whether it's via exports, domestic production, operational flexibility, minimal investment needs, technology-oriented businesses, etc., SMEs contribute considerably. Small businesses in Arunachal Pradesh employ more people than any other sector, second only to agriculture. More than 80% of all businesses in the industrial sector are MSMEs, which contribute to industrial development, 40% of all industrial production, 80% of all industrial employment, 45% of all manufacturing value added, and 40% of all exports. The purpose of this article is to investigate the expansion and impact of Arunachal Pradesh's micro, small, and medium-sized businesses (MSMBs), as well as their function in the state's job market. This study has also covered the several issues that these MSMEs have while running their business.

Paul, Atul et al., (2024) The effect of fostering SMEs on GDP growth in India's North Eastern Region (NER) is assessed in this article. Even though they face obstacles including inadequate infrastructure and restricted access to markets, small and medium-sized enterprises (SMEs) in Northeastern regions (NER) play an important role in the region's economy. By offering subsidies, training opportunities, and financial help, government efforts such as NEIDS and MSME programs greatly contribute to the development of SMEs. The region's handloom, handicraft, agro-based, and tourist businesses have all seen remarkable development in recent years. But there are challenges for NER SMEs, such as a lack of trained workers and insufficient access to capital. There has to be focused policymaking and infrastructural upgrading to close the gap in industrial growth between NER and other parts of India. If NER's infrastructure, connection, and digital platform and e-commerce capabilities are upgraded, the results show that SMEs have the ability to propel economic growth. It is critical to fill skill shortages via specific training and education programs. To encourage long-term expansion of SMEs, policymakers should prioritise the joint action of relevant parties and the regular introduction of supporting measures. Innovative funding techniques and the socio-economic effect of SMEs on local populations in NER should be the focus of future study. Economic growth, government efforts, infrastructure development, North Eastern Region (NER), small and medium enterprises (SMEs).

Kumar, Ravi et al., (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. Up until the turn of the twentieth century, this region in India's northeast was known as "Terra Incognita," and it is still one of the least researched states in the nation. There are regional differences in the state's socioeconomic growth, which is now in a transitional period. Given the current state of social capital, it is critical to promote an appreciation for its value and stress the requirement 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.

Deb, Sukamal (2018) Businesses and their owners determine a country's economic fate. As the international economy continues to globalise, their creative ideas will be crucial in maintaining a competitive edge. Developing nations will not be able to make the most of their abundant natural resources unless they foster an entrepreneurial spirit. About 63% of India's population is of working age, making it a relatively youthful nation. Priorities must be set in order to cash in on this demographic dividend. A more stable development curve and societal and economic change may be achieved via youth engagement in creative activities and entrepreneurship. It is concerning that our nation is so unevenly distributed between regions. In this light, it is more appropriate to focus attention on Arunachal Pradesh and the North East Region. Micro and small businesses, which may be a source of entrepreneurial spirit, can help solve this region's problems. To do this, an ecosystem must be established to equip young people with the necessary skills, motivate them, and spark creativity and entrepreneurship. We have never faced problems like this before in this

century. Our young people need to get their act together if we are to meet the challenges posed by the rapid rate of change. It is crucial to recognise and recognise the entrepreneurial spirit, ideas, and success stories of young people as a means of motivating them.

Chakrabarti, Anjan (2009) Arunachal Pradesh's economy is expanding at a pace of over 7% per year, and the state's per capita income is above Rs. 20,000. Industry and services are growing at the expense of agriculture as a percentage of GDP. Based on these numbers, it seems that Arunachal Pradesh's economy is doing much better than the national average. In spite of the fact that the primary sector's contribution has decreased, neither the proportion nor the absolute number of people dependent on it has decreased. It is quite clear that the building industry is the primary contributor to the secondary sector. The manufacturing sector's insignificance demonstrates that industrial operations are either nonexistent or have a very little impact. A large portion of the building projects are spearheaded by the government. Once again, the majority of a state's GDP comes from the tertiary sector, which consists mostly of public administration and other service industries. Different kinds of government occupations are mostly included in these two categories. A low level of private sector activity is indicated by the small and unchanging contributions of the following industries: commerce, hotels, banking and insurance, real estate, and legal and business services. Arunachal Pradesh's budget is also in a glum state of affairs. Center grants-in-aid are its main source of funding. The state's tax income collection is pitiful. Government intervention, therefore, seems ubiquitous, and the economy will be vulnerable to its departure in whatever shape. The government's monopoly on economic policymaking, outside of agriculture, could be a barrier to building an economy that can support itself.

III. Research Methodology

The present study adopts a descriptive research design to examine the growth, functioning, and development challenges of small-scale and cottage industries in Arunachal Pradesh. Both primary and secondary data were used for the study. Primary data were collected through a structured questionnaire administered to 150 entrepreneurs, selected using the Simple Random Sampling technique. Secondary data were obtained from government reports, MSME publications, research journals, books, and official websites. The collected data were analyzed using frequency, percentage analysis, and descriptive statistics, and the results were presented in tables for interpretation. Microsoft Excel and SPSS were used for data analysis.

IV. Data Analysis and Interpretations

Table 1: Gender Distribution

Gender	Frequency	Percentage
Male	92	61.3
Female	58	38.7
Total	150	100

The majority (61.3%) of entrepreneurs are male, while females account for 38.7%. This suggests increasing female participation, although men still dominate the sector.

Table 2: Educational Qualification

Qualification	Frequency	Percentage
Primary	28	18.7
Secondary	47	31.3
Higher Secondary	39	26.0
Graduate	29	19.3
Postgraduate	7	4.7
Total	150	100

Most entrepreneurs possess secondary or higher secondary education, indicating moderate educational attainment among industry owners.

Table 3: Major Benefits of Small-Scale and Cottage Industries

Benefit	Respondents	Percentage
Employment Generation	52	34.7
Income Improvement	39	26.0
Women Empowerment	24	16.0
Preservation of Traditional Skills	21	14.0
Rural Development	14	9.3
Total	150	100

Employment generation is perceived as the primary benefit (34.7%), followed by income improvement (26%), highlighting the socio-economic importance of these industries.

Table 4: Major Problems Faced by Entrepreneurs

Problem	Frequency	Percentage
Lack of Finance	36	24.0
Poor Infrastructure	41	27.3
Marketing Difficulties	33	22.0
Transportation Issues	24	16.0
Lack of Skilled Labour	16	10.7
Total	150	100

Poor infrastructure (27.3%) and financial constraints (24%) are the most significant barriers affecting industrial development.

Table 5: Satisfaction with Government Support

Opinion	Frequency	Percentage
Highly Satisfied	18	12.0
Satisfied	49	32.7
Neutral	38	25.3
Dissatisfied	31	20.7
Highly Dissatisfied	14	9.3
Total	150	100

Approximately 44.7% of respondents are satisfied with government support, while 30% remain dissatisfied, suggesting the need for improved implementation of support schemes.

Conclusion

Arunachal Pradesh's small-scale and cottage industries are crucial to the state's economy since they help with things like creating jobs, increasing revenue, developing rural areas, and preserving the cultural history of the state. Local populations, especially those in rural and indigenous regions, have developed these enterprises as viable means of subsistence because to the availability of natural resources including bamboo, cane, lumber, medicinal plants, and agricultural products. Income generation and the preservation of indigenous knowledge and culture are two side effects of traditional handloom weaving, wood carving, bamboo and cane goods, food processing, and agro-based businesses. They don't rely as much on agriculture and don't have as many seasonal job openings because of how labour-intensive they are, which benefits women, young people, and skilled craftsmen.

In spite of their great promise, Arunachal Pradesh's small-scale and cottage businesses have several developmental obstacles that hinder their growth and operation. Constraints on their development include a lack of contemporary technology, an inadequate transportation and communication network, a paucity of trained workers, a lack of funding, a lacklustre marketing department, and limited access to domestic and foreign markets. Isolation from other markets,

high transportation expenses, power outages, and a lack of industrial skills all contribute to these businesses' lack of competitiveness. Inadequate value-adding facilities and the lack of large-scale industrial clusters further restrict profitability and productivity, making it impossible for many businesses to achieve sustainable development.

But Arunachal Pradesh's small-scale and cottage businesses still have a lot of hope for the future. Emerging possibilities for industrial growth are being generated by the growing number of government efforts in the areas of entrepreneurial development programs, financial assistance schemes, skill development missions, and infrastructure improvement projects. The potential of traditional businesses is further enhanced by the rising demand for eco-friendly, artisanal, and organic goods in both local and international markets. The use of e-commerce platforms, digital technology, better branding, quality certification, and increased market linkages may greatly enhance the exposure and profitability of local goods. To speed up industrial growth even further, we should work to strengthen cooperative societies, promote innovation while valuing traditional skills, and encourage public-private collaborations. Hence, Arunachal Pradesh's small-scale and cottage industries have the potential to become a driving force behind inclusive economic growth, job creation, cultural preservation, and sustainable development if they receive continued policy backing, upgrade their technology, strengthen their capacities, and integrate effectively into the market. This will have a significant impact on the state's socio-economic progress in the long run.

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