

Study on the Small and Medium Industries Marketing Infrastructure for the State of Tripura



North Eastern Development
Finance Corporation Ltd.



I - WIN Advisory Services Limited
(Formerly ICICI-West Bengal Infrastructure Development Corporation Limited)

TITLE OF THE STUDY

STUDY ON SMALL & MEDIUM INDUSTRIES MARKETING INFRASTRUCTURE FOR THE
STATE OF TRIPURA

EXECUTIVE SUMMARY

Tripura would be the gateway of the North- East with the completion of the three major international connectivity projects with Bangladesh - Agartala-Akhaura international rail link in West Tripura, Feni Bridge in South Tripura and inland waterways connectivity at Sonamura in Sepahijala district. Even though the state has rich cultural heritage under its past relations with neighbouring regions (now Bangladesh), it had been lagging behind in industry, trade and commerce mostly due to its inaccessibility to mainland India. The State and Central Government have been continuing their effort to bring the state at par with the rest of the country.

Considering the landlocked situation of the state, the SME sector has to emerge as the suitable solution for the industrial development in the state. Tripura has several endowments for development of enterprises in this sector; it is the only state after Kerala that abounds in rubber plantation in India. Besides this, it has an advantage in the production of other natural resources such as Bamboo, Jackfruit and Pineapple. The state has significantly shown its diversification in the production of handicrafts. Although Tripura's legacy with respect to handicrafts is well known all over India, it has failed to emerge as a large sector in the State. The constraints such as inadequate banking services, high transportation cost, interrupted power supply, bad roads, shortage of skilled labour, etc, which not only add to the variable cost, also brings down the profit margin of the SME units in the state to a great extent. In addition to these, lead time for machineries in Tripura takes 3-4 days, as compared to a few hours in the main business centers like Kolkata.

The government has taken several initiatives to encourage the growth of enterprises in the state. A dedicated Tripura Industrial Development Corporation has been established. Over the period, a single- window facility has been put into place for the prospective entrepreneurs. Restoration of benefits of transport cost subsidy, transparent and online sanction of other benefits allowed by both the Central and State Governments to MSMEs and large industries are expected to improve the overall industrial scenario and GDP of the state. The government has arranged many road shows in different state capitals of India to attract entrepreneurs to the state.

I-Win Advisory Services Ltd. has been entrusted through a competitive bidding

process to carry out this study on “Small and Medium Industries Marketing Infrastructure for the State of Tripura” under NEDFi’s TEDF to study the ground situation, to understand the gaps in marketing infrastructure for smooth operation of Small and Medium Enterprises (SME) in the State of Tripura and recommend appropriate interventions for the way forward. As a part of the study, I-Win interacted with 125 entrepreneurs across the sectors and districts of Tripura.

The consultant has interacted with different government officials of Tripura at both the district and State level. Few cases of success and failure stories have also been undertaken and interacted to have better insights into the ground realities in the SME sector of the state.

Major findings from the study Characteristics of the SME units in the state

Sources of Raw material: Raw materials are sourced from outside the state.

Machineries: Semi-automated or fully-automated machineries are used in the production process.

Products: Significant difference in product features is not observed.

Market for finished goods: Manufacturers aim to cater state level market where they face stiff competition from inside as well as from outside players. Market size is comparatively bigger compared to that of micro units. Similarly, capacity of the plant is comparatively higher. Due to limitation of the size of the market and cut throat competition, successful manufacturing units do not go for higher capacity plant. These units also look for markets in other North Eastern States.

Sources of Finance: These units avail term loan from banks along with financial assistance available under different Central and State schemes. Besides mortgage of primary security, equivalence amount of collateral is also insisted upon for these units. However, the entrepreneurs are satisfied with the banking facilities available in the State.

Employment pattern: Technical people are required to be brought from other states (particularly from West Bengal) and for other positions local people are hired.

Infrastructure requirement: For marketing, every unit has its own strategy. Some of them are strong in quality and some on marketing. However, successful units put more emphasis on quality of products and relationship with marketing channels (through competitive commission). Units have laboratory facility of their own for maintaining quality of product. In the marketing side, the units do not have any issue with the availability of supporting marketing infrastructure. Generally local entrepreneurs take up these projects.

Positive commonalities -

- ❖ Tripura offers a peaceful and conducive atmosphere for setting up MSMEs, which are

of two categories – traditional and non-traditional.

- ❖ Industrial labour in the state is cheaper as it has a moderate cost of living. Moreover, the state has a stable socio-political environment presently.
- ❖ Of late, the State Government has initiated various measures for improving road quality for better rural connectivity and inter-state connectivity.
- ❖ Traditional activities like bamboo crafts, wood-based products, rice milling, etc., are backed by family tradition.
- ❖ Non-traditional activities require entrepreneurial skill as well as skilled labour as far as possible.
- ❖ Moderately helpful banking facility.

Negative Commonalities-

- ❖ In most cases, a competitive nature of market is visible in SME products.
- ❖ In some cases, competition from outside product is stronger.
- ❖ Entrepreneurs of larger units generally look forward to and depend on the external market for marketing their products as the volume of local demand is not sufficient to sustain break-even scale of production at competitive prices.
- ❖ The state enjoys natural advantage in rubber, bamboo and tea products, which have good demand outside the state. Prices of raw rubber are administered by Rubber Board and it is dependent on demand-supply condition in larger context of the country.
- ❖ The skill and knowledge of the Bengali and Manipuri weavers passed over the generations resulting in the production of exquisite handloom fabrics and products which are found lagging behind for want of a good brand image. This traditional activity is spread all over the state, mainly in the rural hinterland. The handloom products can have a prospective market both in India and abroad provided these have a good packaging and branding back up and a sound marketing strategy. Such strategies must involve media and setting up of selling outlets in wholesale and retail mode outside the State.
- ❖ Despite initiatives of the Central and State Governments for improving connectivity through railways and road transport facilities for the SME entrepreneurs, a lot more needs to be done for improving the entire value chain for better and smooth marketing of products to the outside market.

Opportunities for the way forward Agri-Horti Ventures

The unique superior quality pineapples produced in Tripura may be marketed in international market if adequate training is given for its appropriate storing, preservation and packaging. Tripura being famous for “Kew” and “Queen” varieties of pineapple for its special aroma and flavour has ample opportunities for its value added products. The NERAMAC factory at Nulkata for processing of pineapple may be rejuvenated with a suitable capacity to cater to the ever-increasing health drinks market. Rejuvenation of an anchor unit like NERAMAC may boost activities related to pineapple processing in the state. **With development of adequate expertise on storing, preservation and packaging for a longer period on transit, pineapple growers may have a lucrative market in the Middle-East, European countries.** The state also has natural advantage in bamboo, rubber and tea productions. The existing tea industries should be motivated to maintain quality and develop a good brand name to generate market demand.

Skill Institutes

One or more institutes may be established for development of entrepreneur skill of new and existing entrepreneurs. Such institute(s) must have provisions for extending support to existing entrepreneurs for analysis of their business scenario so as to advise them to plug loopholes and plan for upgradation of their setup as well as widening the scope of marketing in and outside Tripura.

IT enabled services

For development of IT industry, State Government may come forward and negotiate with big firms showing interest to serve Tripura and other seven sisters as well as some parts of Bangladesh from Agartala. The State Government is concentrating on making Agartala India's third internet gateway after Chennai and Mumbai. The capital city has been selected under the central government's flagship Smart Cities project. The leasing of the Internet bandwidth from Akhaura in Bangladesh to Agartala will enable the IT infrastructure in providing reliable Internet connectivity and improved Internet speed in the entire Northeast region. ***Such developments can also encourage the E-commerce sector to emerge as a major platform for e-marketing of products from the state.***

The state government is focusing on adopting IT for extending e-government facilities to the state citizens. The Mission Mode Project for computerisation of Commercial Taxes (MMPCT) is being implemented in the state to improve efficiency, transparency in the system and making income tax collection dealer friendly.

Tourism

Research has established that Tourism can be treated as an important engine of growth for states which have religious as well as natural tourist resources. Developing tourism circuits connecting Matabari, Bhubaneswari Temple, Pilak and Chhobimura, Kamlasagar, Neel Mahal, Akhaura border, Unakoti, Boxanagar, Ujjayanta Palace and other such places of interest can be taken up on priority basis. ***Promotion of handicrafts can be integrated with these tourist circuits to boost up the SME sector.*** Scope for “Homestay Tourism” in Northern Tripura should be explored. Development of hotels, transport and other related facilities may be promoted through PPP mode.

An appropriate marketing strategy for the unique handicrafts of Tripura, made of mainly bamboo and cane needs to be worked out for wider coverage and branding in order to encourage the next generations of traditional artisans to take up these exquisite crafts as a source of livelihood. Such traditional products can be sold in these facilities developed as part of the tourism circuits which could help the artisans engaged in such productions to get access to a wider market.

Health tourism

The Government may consider the fact that lot of Bangladesh nationals and citizens of Tripura and North Eastern States travel to Kolkata, Chennai, Bangalore and Hyderabad for treatment of ailments. If tie-up with big players like Tata Cancer Hospital, Apollo Hospital, Narayana Hrudayalay can be made to establish their units around Agartala, not only these people shall get relief but there shall be good scope for health tourism as well. The similarity in lifestyle, culture and economy between the people of Bangladesh and these areas of India, adding that this is one of the main reasons to choose Tripura.

Infrastructure , Connectivity and marketing of SME products

Peaceful and cooperative environment in the state is conducive to attract investment, but the bottlenecks in procuring raw materials and machineries from outside the states and marketing of finished products is not cost effective due to high transportation cost. Tripura has huge potential for development of SMEs, especially after introduction of broad gauge railway connectivity. Tripura is now securely connected with Delhi and Kolkata by direct trains. Bangladesh is likely to allow rail corridor for trains running between Agartala and Kolkata. This will reduce the travel time to almost 15 hours. Bangladesh is also likely to allow the use of Ashuganj port and the port of Chittagong for the purpose of Tripura and other North Eastern states. The state is strategically located for entering into the ASEAN market as well as market through Bangladesh.

Major development in road infrastructure with the the National Highway from

Matabari to Sabroom in Udaipur is becoming functional. Infrastructure of the Agartala Airport has been upgraded by extension of the airstrip and provision of night landing facilities. Telecom infrastructure is being upgraded in the state by laying an optical fibre cable (OFC) network, and connecting all towns by strengthening the internet backbone, among others.

Under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), US\$ 2.6 million has been allocated for the development of the storm drainage system in Ranirbazar, and US\$ 14.4 million for the development of roads in Belonia, Kailashahar and Kamalpur.

A modern food park has been set up near Agartala to boost the food processing sector. The Sikaria Mega Food Park Private Limited is a fully integrated facility that would enable reduction in wastage, better prices for farmers and an effective supply chain system.

This study undertaken under TEDF is an attempt to identify the constraints or gaps in the marketing infrastructure for developing indigenous enterprise and building on opportunities available for growth of the MSME sector in the state of Tripura.