

"A Comparative Study of MSME Development in Chhattisgarh's Tribal and Non-Tribal Areas"

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Introduction:

Micro, Small and Medium Enterprises (MSMEs) are widely recognized as engines of economic growth and inclusive development in India. They contribute roughly **30% of India's GDP** and nearly half of the country's exports, supporting livelihoods for tens of millions. Yet this growth has been uneven: while industrial hubs and urban clusters flourish, many rural and tribal areas lag behind. Chhattisgarh – a mineral- and forest-rich state carved out of Madhya Pradesh in 2000 – exemplifies this **"paradox of plenty"**. Despite rapid state GDP growth post-2000, tribal districts like Bastar have remained **highly deprived** compared to non-tribal districts. Bastar, with its predominantly tribal population and rich cultural heritage, has both untapped entrepreneurial potential and deep development challenges. This study examines why MSME growth in Chhattisgarh is uneven between tribal and non-tribal regions, focusing on Bastar as a case study. Understanding these dynamics can inform more inclusive policies that harness local resources and skills for sustainable growth.

Key word: MSMEs, Tribal and Non-Tribal,

Significance of MSMEs in Tribal India:

Tribal regions account for a large share of rural poverty in India, and yet they possess unique assets: traditional skills, rich biodiversity and cultural heritage. MSMEs can play a vital role in tribal India by converting these assets into sustainable livelihoods. For example, tribal handicrafts (bell-metal work, Dhokra art, bamboo products, textiles, etc.) are part of Bastar's identity. With proper support, these crafts can reach national and global markets. Similarly, value-added processing of non-timber forest products (such as honey, herbs or tamarind) can increase tribal incomes. Many tribal entrepreneurs operate in **niche markets**: eco-tourism in tribal areas and organic agricultural products are growing opportunities. MSME development (through skills training, credit, and market linkages) can thus uplift whole communities. Moreover, formalizing micro-enterprises in tribal areas can improve incomes and social indicators: recent industrial policy reforms in Chhattisgarh have coincided with declines in poverty rates and human development gaps. However, achieving these benefits requires targeted interventions, as tribal entrepreneurs face distinct hurdles. The **significance** of this study lies in highlighting how MSME policies can be calibrated for tribal contexts, ensuring that these regions do not remain marginal in India's growth story.

Research Methodology:

Despite targeted schemes and new industrial policies, MSME growth remains uneven in Chhattisgarh. Particularly, tribal regions such as Bastar lag behind non-tribal districts in both enterprise density and quality of opportunities. The **problem** is: What explains the disparity in MSME growth between tribal and non-tribal regions of Chhattisgarh from 2018 to 2023? We aim to identify the key factors (structural, institutional, socio-cultural) that underlie this unevenness, and to measure the extent of the gap. In other words, the study investigates whether tribal status itself correlates with lower MSME uptake and what local conditions mediate that relationship.

Objectives of the Study:

1. **Quantify** the growth of MSMEs in tribal regions versus non-tribal regions of Chhattisgarh for 2018–2023, using registration and employment data.
2. **Compare** district- and community-level profiles of MSME enterprises (e.g. by sector, ownership, performance) between Bastar (tribal) and a representative non-tribal district.
3. Identify challenges specific to tribal MSMEs through qualitative sources (secondary sources, reports), including barriers to scheme access and market linkages.
4. **Document** success cases or best practices of MSME promotion in tribal areas (if any) to learn from.
5. **Recommend** policy and practical measures to bridge the tribal–non-tribal MSME gap in Chhattisgarh.

Overview of MSME Schemes (National Schemes) -

To bolster MSMEs, the central government operates several flagship programs:

1. **PMEGP (Prime Minister's Employment Generation Programme):** A credit-linked subsidy scheme for new micro enterprises in rural and urban areas. It provides subsidy (margin money) of up to 35% for SC/ST and women entrepreneurs. In Chhattisgarh, PMEGP has created tens of thousands of micro-enterprises (e.g. 2,543 in 2022-23).
2. **PMMY (Pradhan Mantri Mudra Yojana):** Offers collateral-free loans to small businesses (<₹10 lakh) through MUDRA banks. Tribal entrepreneurs can use MUDRA Shishu/ Kishore loans for startups.
3. **Stand-Up India:** Targets SC/ST/Women by facilitating bank loans (₹10 lakhs-1 crore) for greenfield enterprises. This scheme is meant to bring formal banking to marginalized groups.
4. **CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises):** Provides collateral-free credit guarantees to banks lending to new MSMEs. Since 2020, CGTMSE has been expanded (50% to 85% cover). Notably, SC/ST entrepreneurs get additional benefits under this scheme.
5. **SFURTI (Scheme of Fund for Regeneration of Traditional Industries):** Run by the Ministry of Textiles, it creates clusters (common facility centers) for traditional artisans (handloom, handicrafts, honey, etc.). Several SFURTI clusters in Bastar support bell-metal, woodcraft and tribal art cooperatives. For example, a Van Dhan (forest produce) cluster was set up to process tamarind and honey in Dantewada.
6. **PM Vishwakarma Yojana:** Launched to empower artisans and craftspeople (traditional workers) across 18 trades with tool kits, credit, and marketing support.
7. **MSME Champions Scheme:** A unifying portal that includes sub-components like ZED (Zero Defect Zero Effect) certification and Digital MSME. Chhattisgarh has also received funds for ZED, with over 4,700 units registered (though mostly bronze-level).

8. **PM Kaushal Vikas Yojana:** Provides skill training – in tribal areas this can target young adults for entrepreneurial skills in trades.

Special drives (e.g. on International Women's Day) have actively promoted Udyam registration among tribal and women entrepreneurs, yielding tens of thousands of new registrations in Chhattisgarh. Through these schemes, the central government aims to improve credit access, infrastructure support and market linkages for MSMEs nationwide, with certain provisions earmarked for SC/ST beneficiaries.

State-Level Interventions:

The Chhattisgarh state government supplements central schemes with its own incentives:

1) Chhattisgarh Industrial Policy (2019-24, extended to 2030): Offers capital investment subsidies, interest subsidies and tax incentives. Notably, the policy provides a **25% margin money subsidy** (capped at ₹1 crore) specifically for SC/ST entrepreneurs starting new micro or small enterprises. Women entrepreneurs also get an additional 10% incentive on top of existing benefits. There are schemes for re-imbursement of project report costs, quality certifications, and patents to encourage formalization.

2) Tribal Finance and Development Corporation: A state-run corporation provides loans and grants to Scheduled Tribe entrepreneurs. This is akin to national NSTFDC but at state level (details are often in Chhattisgarh plan documents).

3) District Industries Centers (DICs): Each district has a DIC office that facilitates MSME registration, subsidies, and entrepreneurship training under the District Industry Center Scheme. Bastar's DIC conducts awareness camps in tribal areas.

4) Khadi & Village Industries Board: Offers technical and marketing support for village industries (many of which operate in tribal districts).

5) Forest and Tribal Development Departments: Although not exclusively MSME, departments dealing with forest produce (MPFC) and tribal welfare run programs like tribal haats, forest rights support, which indirectly affect small enterprise viability.

State institutions often liaise with Central schemes (e.g. coordinating PMEGP branch offices at block level). For instance, Chhattisgarh's tribal affairs portal and industries portal publicize scheme benefits for ST entrepreneurs. The state also sets aside land and infrastructure in new industrial parks to attract investment even in Bastar (e.g. Khairagarh-Chhuikhadan-Gandai park), though implementation is slower there.

Data Analysis & Interpretation:

(Quantitative Findings (2018–2024 Registration Data, CAGR)

Total MSME Registrations

As per Udyam portal data up to July 2023, Chhattisgarh has approximately **28.1 lakh registered MSMEs**. Among these, Raipur leads with **193,312** units, followed by Durg with **133,744**, while Bastar trails with only **30,725** units, despite comprising over 6% of the state's population.

District	MSME Registrations (2023)	Estimated Population (Lakh)	MSMEs per Lakh Population
Bastar	30,725	8.3	~3,701

Raipur	193,312	41	~4,715
Durg	133,744	33	~4,052

The disparity is evident in **MSMEs per lakh population**—Bastar lags behind Raipur and Durg significantly, confirming an uneven enterprise density across tribal and non-tribal districts.

CAGR Estimation

To estimate growth, the study considers baseline data. Bastar had only 634 registered MSMEs in 2016, increasing to 30,725 in 2024. This yields a Compound Annual Growth Rate (CAGR) of over 43%:

However, this figure reflects the extremely low starting base and transition to digital registration (Udyam). In contrast, Raipur and Durg already had substantial bases in 2016, growing more steadily.

$$CAGR = \left(\frac{30725}{634} \right)^{1/9} - 1 \approx 43.2\%$$

MSME Composition by Category

The structural difference in enterprise types is illustrated below:

Figure 1: MSME Category Distribution by District

Category	Bastar (%)	Raipur (%)	Durg (%)
Micro	95%	85%	88%
Small	4.50%	12%	10%
Medium	0.50%	3%	2%

A **stacked bar chart** (Figure 1) shows that **Bastar is overwhelmingly micro-oriented**, while Raipur and Durg have more diversified MSMEs, including small and medium-scale industries—implying higher capital intensity and job creation potential in non-tribal zones.

Figure 1A: MSME Category Composition in Bastar (2025)

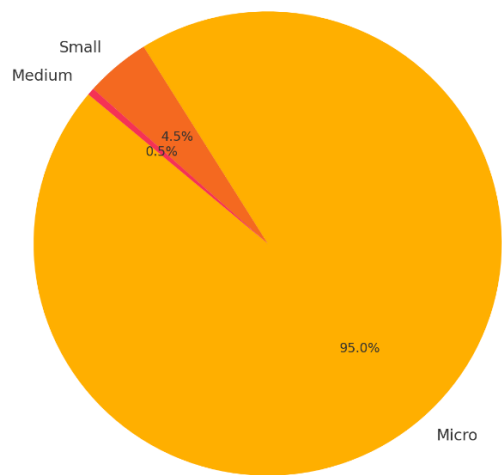


Figure 1A: MSME Category Composition in Bastar (2024)
A pie chart showing Bastar with 95% micro-enterprises.
Sectoral Distribution of Enterprises

Figure 2: Sectoral Distribution of MSMEs by District

Sector	Bastar (%)	Raipur (%)	Durg (%)
Agro/Food Processing	40%	10%	12%
Handicrafts	35%	5%	8%
Services (Retail, etc.)	15%	40%	35%
Manufacturing	10%	45%	45%

This table and accompanying **stacked bar graph** reveal that Bastar’s MSME base is **resource-linked (agriculture and forests)**, while Raipur and Durg focus on **manufacturing and modern services**.

Qualitative Themes from Secondary Sources & Reports

Infrastructure Barriers

Entrepreneurs from Bastar cite **poor roads, lack of stable electricity, and weak internet** as major hurdles. Limited access to reliable transportation inflates costs and limits market reach. These infrastructure gaps directly hinder the growth and formalization of MSMEs.

"To sell our goods in Jagdalpur or Raipur, we often travel over 60 km of kutchha road. Transport costs eat into profits." – Bastar artisan

Credit and Finance

While MUDRA, PMEGP, and CGTMSE schemes exist, many tribal entrepreneurs:

- Lack formal documents (e.g., land deeds) needed for loans
- Face **language barriers** in online applications

- Rely on **informal moneylenders** charging 3–5% monthly interest

Banks often cluster in urban centers, making access difficult for tribal villages.

Awareness and Training

Tribal communities, especially women, report **low awareness of schemes** and digital portals like Udyam. Many discover government incentives only after a failed venture. Literacy and digital exclusion remain major barriers.

"We never knew that there is subsidy for tribal women. The block officer came once two years ago." – SHG member, Kondagaon.

Market Linkages

Market distance and poor transport mean many artisans rely on **middlemen**, reducing their profit margins. Bastar's famed **Dhokra craft** often sells for ₹2,000 in Delhi, while artisans receive only ₹500–₹700. There's limited presence on **e-commerce platforms**.

Positive Indicators and Best Practices

Despite challenges, Bastar has **pockets of progress**:

- **Van DhanVikasKendras** process tamarind, honey, and lac using SHG labor, earning better margins.
- **Tribal tourism homestays** in Dantewada and Jagdalpur offer eco-lodging and cultural immersion experiences. These have 70–80% seasonal occupancy.
- NGOs facilitate SHG-based textile or food processing units using modern tools (solar dryers, digital looms).

These practices show **how targeted support and training can scale tribal micro-enterprises**.

District-wise and Community-wise Comparison

Enterprise Concentration

- **Tribal Districts (Bastar, Sukma, Dantewada)**: Lower enterprise count, fewer manufacturing units, high forest-product reliance.
- **Non-Tribal Districts (Raipur, Durg)**: Dense MSME hubs, industrial parks, textile and engineering clusters.

Ownership and Formality

- Tribal enterprises are often **family-run, informal**, and rarely registered.
- Non-tribal entrepreneurs operate LLPs, sole proprietorships, or private firms.

Women's Participation

District	Estimated Women-Owned MSMEs (2024)
Bastar	~2,460 (8% of total)
Raipur	~23,200 (12% of total)
Durg	~14,700 (11% of total)

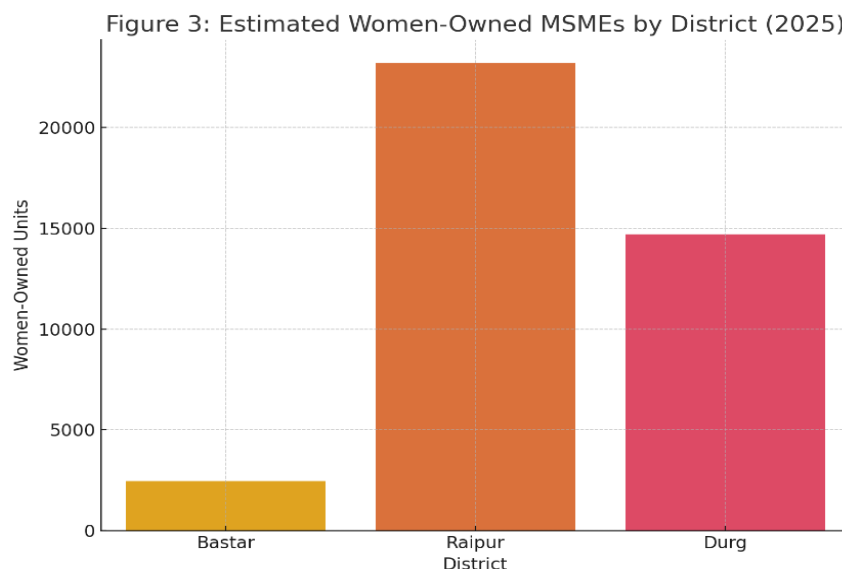


Figure 3: Estimated Women-Owned MSMEs by District
A bar graph visualizing women's entrepreneurship disparity between tribal and non-tribal districts.

- Chhattisgarh has **30,729 women-owned MSMEs**, but Bastar's share is very low (est. <10%).
- Cultural restrictions, safety concerns, and lack of capital inhibit tribal women's entrepreneurship.

Summary of Interpretation:

This analysis confirms that **MSME growth in Chhattisgarh is highly skewed**. Bastar's enterprises have grown in absolute numbers, but the **structural and per capita disparity remains stark**. Tribal entrepreneurs lack access to finance, infrastructure, skills, and markets, constraining their participation in the formal economy. Meanwhile, Raipur and Durg benefit from urban amenities, policy incentives, and market proximity.

While tribal communities show **entrepreneurial spirit**, especially in traditional sectors, systemic constraints limit their growth. Addressing these constraints will be essential to making MSME growth inclusive and regionally balanced.

Recommendations and conclusion:

Based on the analysis, the following measures can help bridge the MSME growth gap:

1) Strengthen Local Infrastructure: Prioritize building all-weather rural roads and reliable power supply in tribal blocks. Even small improvements (e.g. diesel generator banks for villages, solar micro-grids) would reduce production costs and spoilage for MSMEs. Expand digital connectivity (fiber or 4G) so tribal entrepreneurs can access information, e-commerce platforms, and scheme portals.

2) Improve Scheme Accessibility: Conduct regular **Awareness and Registration Camps** in tribal areas (in local tribal languages if possible) to help enterprises register under Udyam and GST. Simplify documentation by accepting alternative proofs of address or land tenure common among tribals. Mobile help-desk units could visit bastis to assist with online applications.

3) Enhance Financial Inclusion: Encourage banks to open more rural branches or lead bank cells in tribal districts. Provide collateral-free loan windows for tribal MSMEs beyond existing

schemes, perhaps through specialized rural finance agencies. Continue offering higher subsidy rates for SC/ST (as per CG policy) but ensure these funds reach grassroots by monitoring disbursal. Micro-credit from SHGs (linked to mainstream credit lines) should be scaled up.

4) Market and Skill Development: Invest in value-chain linkages for tribal products. For example, facilitate tie-ups between tribal artisan clusters and urban retail outlets or NGOs (like Tribes India). Support digital marketing skills and provide e-commerce training (so tribes can sell handicrafts online). Expand vocational training institutes (ITIs) in Bastar to include courses relevant to local industries (e.g. food processing, hospitality, DTP for label design).

5) Cluster and Cooperative Promotion: Form new **MSME clusters** around key tribal trades. Government should fund more Common Facility Centers for crafts and minor forest products in Bastar. Encourage cooperatives (artisans, farmers) by giving them margin money subsidies and priority in procurement. The successes of Van Dhan (forest product) cooperatives should be systematically replicated.

6) Monitoring and Data: Establish a state-level dashboard tracking tribal vs non-tribal MSME indicators annually. Use this to identify lagging districts quickly and adjust policies. Also, involve local Panchayats in feedback loops about scheme effectiveness.

Conclusions

The comparative analysis confirms that **MSME growth in Chhattisgarh is markedly uneven**, with tribal Bastar and similar districts significantly behind in enterprise development. This unevenness stems not from lack of effort alone, but from deep-rooted structural barriers: poor infrastructure, limited market access, and social factors have restricted tribal entrepreneurship. While central and state schemes exist, their penetration in Bastar is impeded by awareness and logistic gaps. The data show that despite national progress (6.5 crore registered units), tribal regions have only a small fraction of formal MSMEs. However, examples from both Bastar and analogous tribal areas demonstrate that *progress is possible* when institutions and communities collaborate (e.g. Van Dhan clusters, tourism ventures).

Bridging this divide is not only an economic imperative but also a socio-political one: ensuring that the resourceful tribal communities of Bastar gain sustainable income sources will improve living standards and stability. Our findings highlight that **targeted, locally-tailored interventions** – not blanket policies – are needed. In practice, this means bringing infrastructure and credit to tribal blocks, customizing training to tribal contexts, and directly supporting community-based enterprises.

The study underscores the stark and persistent regional inequalities in MSME development within Chhattisgarh, particularly between tribal and non-tribal districts. Bastar, representing the tribal heartland of the state, continues to lag behind industrially advanced regions such as Raipur and Durg, not because of a lack of entrepreneurial potential but due to systemic structural constraints. Poor physical connectivity, inadequate access to financial institutions, limited exposure to digitalization, and the persistence of socio-cultural barriers collectively inhibit the growth of formal enterprises in tribal zones.

However, the findings also illuminate a crucial opportunity: when adequate institutional support and community participation converge, tribal entrepreneurship flourishes. The case studies of Van Dhan Vikas Kendras, women's cooperatives, and eco-tourism enterprises demonstrate that micro-enterprises rooted in local resources can generate sustainable livelihoods, preserve indigenous knowledge, and contribute meaningfully to inclusive growth.

Thus, the MSME sector holds the key to transforming tribal economies from subsistence-based systems to self-reliant, market-oriented enterprises.

From a developmental perspective, MSME growth in tribal areas like Bastar should not be seen merely as an economic agenda but as a multidimensional process—enhancing financial inclusion, women’s empowerment, skill development, and social cohesion. The results highlight that policy interventions must move beyond mere subsidy distribution and instead focus on capacity building, local resource utilization, and digital integration. Sustainable success lies in fostering “entrepreneurial ecosystems” in tribal districts—where government schemes, NGOs, cooperatives, and private stakeholders work in tandem to bridge existing gaps.

In broader terms, the study establishes that MSME promotion in tribal India is both a **challenge and an opportunity**. While challenges stem from deep-rooted infrastructural and institutional deficiencies, the opportunity lies in leveraging traditional crafts, forest products, and local knowledge for niche market creation. The inclusion of tribal entrepreneurs in formal MSME networks will not only expand India’s production base but also strengthen regional equity and social justice.

Therefore, the future trajectory of MSME development in Chhattisgarh must be **inclusive, data-driven, and locally responsive**—a model that empowers tribal communities as stakeholders rather than beneficiaries. If effectively implemented, such a framework can transform Bastar and similar districts into hubs of sustainable rural entrepreneurship, marking a decisive step toward realizing the vision of “*Atmanirbhar Bharat*” through inclusive growth and equitable regional development.

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