CHAPTER 1
INTRODUCTION

Finance is one of the most critical factors in the development of small enterprises. Finance, however, continues to be a major problem for the small entrepreneurs – more so for the new entrepreneurs. Unemployment has become a burning problem in Assam and North-East region of India. Low-level industrial development in the region can be considered as one major factor for these problems. Though the N.E region is richly endowed with material resources e.g. petroleum, natural gas, silliminite, chromites, limestone, coal, forest, water resources etc. yet, it has been considered as an industrially backward region in the country. There is also less scope for creation of job opportunities in the government sector. It has, therefore, been necessary to introduce youths to take up self-employment and an entrepreneurial career. This is only possible through promotion of entrepreneurship, education and training programmes among the youths.

The spread of education, development of science and technology, as well as the increased cost of living, rapid growth of population with the limited resources, the changed norms of measuring one’s status in terms of income have gradually changed the pattern of living and norms of the society. The changing pattern has induced many people to come out from the household and domestic chores and to participate in the income generating activities. Entrepreneurs and Entrepreneurship are the real change agents of any economy right from the inception of production through industries. Entrepreneurs do play a predominant role all along to sustain, survive and to flourish through economic growth.
The Rationale of the Study

In Assam, there is ample scope for the expansion of small enterprises. The entrepreneurs are able to produce a wide range of products, besides the existing items to meet the growing day to day demand for diverse range of commodities. To produce these, the entrepreneur does have to face hurdles, due to improper knowledge and problem like finance. The per capita income in this region is very poor (Rupees 11,755/-P.A) due to various factors. Capital formation is a tough job, because of indebtedness prevailing here. The only option in this direction for the new and trained entrepreneurs in this region is ground level (List of activities incorporated by the Reserve Bank of India recently) credit flow provided by the financial institutions and various government agencies. Statistical information reveals that the unemployment problem has touched a dangerously high level in this region. The number of educated and uneducated unemployed youths in the state is approximately 20 lakhs. This is a burning problem of the state. There is no scope for government service for such a huge gathering. Therefore, educated unemployed are seeking other options for their survival. As a result of this, people rush to the employment development programmes provided by various institutions. After undergoing proper training, they need finance from various financial institutions. While some manage the problem of finance on their own, others do not manage to get their enterprise duly financed. The opportunities available to the latter group of persons have been debated in the thesis.

1.1 Importance of the study

The present work has both academic and practical values. After initial analysis, it has been observed that there is not enough scope for employment opportunities before the government. Therefore, it is essential to establish new
enterprises so that more educated trained unemployed youth can be absorbed and it is also essential to study and analyze the pros and cons of new enterprises formed by such trained entrepreneurs of the district and how they discharge their social responsibilities in fulfilling the hopes and aspirations of the people of the district, as well as the state in particular and the nation in general.

In a nation’s economy, it is the small and micro enterprises which play a vital role. For, they not only give employment to a large number of unskilled and semi-skilled people but also support bigger industries by supplying raw material, basic goods, finished parts and components, etc. The critical role and place of the MSME sector in the Indian economy in employment generation, exports and economic empowerment of a vast section of the population is well known. There are about 2.6 crore enterprises in this sector. The sector accounts for 45 per cent of the manufactured output and 8 per cent of the Gross Domestic Product (GDP). MSMEs contributed close to 40 per cent of all exports from the country and employ nearly 6 crore people which is next only to the agricultural sector. MSME is the best vehicle for inclusive growth, to create local demand and consumption. MSMEs cater to niche markets. The MSMEs of yesterday are the large corporate of today and could be MNCs of tomorrow. Thus the banks and other agencies should take pride while servicing the MSMEs as they are playing an instrumental role in the formation of MNCs of tomorrow.

With increasing competition, introduction of new products and stringent regulatory environment, the role of banks needs to change from mere lenders to partners in business. There is a need for greater participation of banks in the affairs of their constituents by convergence of credit services and non credit services. The banks should not only provide differentiated products for MSMEs, but also provide counseling and guidance to new and established businesses, extending marketing support etc. Similarly,
the Government and other institutions entrusted with development of the MSME sector need to focus providing an enabling environment, infrastructure and forward and backward linkages so that the credit function being discharged by the banks is adequately supplemented by their non credit functions.

Recognizing the importance of the sector and the various constraints being faced by the sector a high level task force has been constituted by the Government of India under the chairmanship of the Principal Secretary to the Hon'ble Prime Minister to consider various issues raised by various MSME associations and draw up an agenda for action. The task force which submitted its final report on January 30, 2010, has made several recommendations on issues relating to credit, taxation, marketing, labour, exit policy, infrastructure/technology/skill development and special packages for North East and Jammu and Kashmir, etc. A Steering Group on MSME has been set up by the GOI to review the implementation of the recommendations of the task force. In particular, three important recommendations made by the task force relating to credit have been considered by the Steering Group and it has been decided that: all scheduled commercial banks should achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow; to increase the flow of credit to micro enterprises all scheduled commercial banks should lend 60 per cent of their MSE lending to micro enterprises in stages viz. 50 per cent in the year 2010-11, 55 per cent in the year 2011-12 and 60 per cent in 2012-13; all scheduled commercial banks should achieve a 10 per cent annual growth in the number of micro enterprise accounts. The recommendations of the task force are expected to go a long way to facilitate credit flow to the sector and the implementation of the recommendation is being monitored at the highest level by the government of India.
Research indicates that the growth of new enterprises in agriculture and allied sector in the Sivasagar district is not satisfactory. It is necessary to analyze the factors responsible for the growth of new enterprises in this sector. The finance providing sectors in the district also has been analyzed. Besides, no such intensive study in this area of finance has been made so far.

1.2 Review of Literature

An extensive literature review has been done before the study is undertaken.

As there is dearth of literature in ground level institutional finance, I have tried my level best to procure whatever has been possible in this regard.

In a study by Bettencourt (1980) "Competencies Validated for Entrepreneurial. Training of Secondary Vocational Studies", it has been found that business facilities were 50 per cent within two years of their inception. One factor, which contributed to the business failures, was the lack of proper preparation for ownership and operation of business. Potential entrepreneurs may end their formal education at high school graduation. Therefore, Bettencourt recommended that high school programmes have to offer entrepreneurial training.

Cox and Sommer (1988) reported on the casual dimension underlying the entrepreneurs own explanation for success and failure. One hundred and eighty-seven entrepreneurs completed a questionnaire and Russell’s Casual dimension Scale determined the underlying factor, which attributes to the business success or failure. The results indicated that the entrepreneurs believe that they are the source of their success is controllable.
As per report of Global Economic Magazine (2003), it has been revealed that India is ahead of countries like China, Sweden, and South Africa scoring an average of 17 per cent as against 15 per cent, 5 per cent and 6.5 per cent for these countries respectively on creation of entrepreneurs.

The first western studies on the subject emerged in the mid 1970's in Canada, in the late 1970s in US and in 1980s the United Kingdom. Since then, several studies have been conducted on various aspects of women as business owners. The largest study is the US was the report compiled by the president's inter agency task force, published in 1978. It was the first to identify and report the vast discrimination against women entrepreneurs, not only as existing owners but in their attempts to become business owners.

1.2.1 Role of Credit

Kumar et al. (1994) performed a study on impact of co-operative credit on income and employment pattern in Dakshina Kanada district of Karnataka and reported that with respect to the indicators like cropping intensity, cropping proportion index, gross returns and employment, the borrowing groups of farmers were better placed than their 'Nil' counterparts. From the view point of maximization of returns and employment per unit area, their irrigation and crop loan was the best possible combination.

The study makes a strong case of institutional credit as far as generating returns and employment is concerned. Further, the study also emphasizes the need for integration of different types of credit which would go a long way in improving the living conditions of the farmers.
Gupta (1988) studied Institutional Finance and its role in the small farm economy and found considerably higher adoption of new technology among the beneficiaries compared to the non beneficiaries of Institutional Finance in a block in Raipur district of M.P. The income level of the farmers was much higher than the latter in the Chattisgarh region.

Vaidya (1991) studied the impact of Gramin bank finance on agricultural development in the district of Mandi (Himachal Pradesh). His study of hundred selected borrowers shows that bank finance enabled borrower's families to increase their income, employment and assets structure both in case of agriculture and allied and non agricultural purposes. In case of rural artisan, crop loan and agricultural marketing enabled the borrowers to increase income.

Sing and Ramanna (1981) in their study of role of credit and technology in increasing income and employment on small and large farms in Western Hydrabad concluded that there is scope for increasing incomes by recognition of resources and further increase in incomes could be realized effectively switching over to new technology. It also suggested that there are possibilities of increasing incomes and employment on all the types of farms with the use of adequate capital at both existing and improved technology.

Singh et al. (1978) assessed the impact of bank credit on cropping pattern, income and employment in Fatehpur district of Uttar Pradesh. They observed that the borrower farmers devoted more area under high yielding cross and availed irrigation facilities which in turn increase the intensity of cropping and the level of income. Similarly, utilization of labour was also higher in the borrower farms.

Ram et al. (1978) conducted a study to examine the contribution of bank credit to the generation of income and saving on farms in Kanpur district, Uttar Pradesh.
based on three year averages (1971-72 to 1973-74) of data collected from 150 cultivators, selected randomly from two villages of Kalyanpur block in the district. They found that, share of production finance cost was 37.03 per cent of the total cost incurred on crop production, which varied from 29.94 per cent to 34.58 per cent and to 44.06 per cent on small, medium and large farm size respectively. The average net income, family labour income and farm business income generated on account of bank credit, these amounted to Rs. 571.64, Rs. 736.00 and Rs. 922.22 per farm respectively. The value of corresponding income on per hectare basic worked out to Rs. 223.11, Rs. 287.26 and Rs. 360.24 respectively in small, medium and large farms.

Singh (1975) studied the impact of bank credit on cropping pattern, income and employment on farms in district Fatehpur, Uttar Pradesh. They found that per hectare net income on borrower farms amounted to Rs. 1,976.29 on an investment of Rs. 3,077.78 per hectare as compared to net income of Rs. 1,452.05 on non-borrowers farms which was obtained by an investment of Rs. 2,658.22 per hectare.

### 1.2.2 Utilization of Credit

Pathania and Verma (1991) studied impact of size of loan and types of farmers on co-operative credit utilization and reported that the farmers with low size of loan utilize the credit significantly more than those farmers who borrowed large amount of credit. Mis utilization is also found significantly more among the farmers who borrowed low amount of credit. Purchase of agricultural inputs and implements are important among the farmers with loan size up to Rs. 1000 /- and between Rs. 1000 /- to Rs. 2000 /-. But farmers with the loan size above Rs. 2000 /-, tend to utilize the credit for the purchase of land. Large farmer utilize the credit more than small and marginal farmers. The tendency of partial utilization is higher among small farmers.
Arunachalam and Palenisamy (1991) conducted a study on utilization and repayment of co-operative crop loan and reported that the utilization of the co-operative crop loan in Kenganapuram village is encouraging as nearly 50 per cent of the beneficiary has fully utilized the loan. There seems to exit a positive relationship between extent of utilization and size group. Nearly 23 per cent of respondents have not at all utilized the loan since a sizeable percentage of small farmers have not fully utilized the loan. They indulge in diversion of the loan, that too for unproductive purposes.

Deoghare (1991) conducted a study on the impact of credit and technology on income and employment of small farmers under different farming systems in Karnal District (Haryana) and revealed higher net income and better utilization of human resource under optimal plan as compared to existing ones on both categories of farms viz., bullock operated and tractor operated farms.

Further, they noted that adopted of technology even with restricted capital investment resulted in higher net farm income and better utilization of human labour on both bullock and tractor operated farms with availability of additional credit facilities i.e. relaxation of capital constraints and optimization resources could turn out to give more opportunities for human labour employment in respective cases.

Agarwal (1971) conducted a study on Institutional credit for agriculture in the Malwa region of Madhya Pradesh. He observed that 60 per cent of the total credit available to the farmers was provided by institutional agencies while the remaining 40 per cent was provided by non-institutional agencies. He also reported that 87 per cent of the total credit was utilized for productive purposes and 13 per cent for unproductive purposes.
Singh and Kahlon (1971) in their study revealed that the production loans for small, medium and large farmers were respectively 61.77, 14.89 and 23.34 per cent for purchase of high yielding varieties of seeds, 40.15, 30.70 and 23.15 per cent for payment of wages to casual labours in Patiala district of Punjab. In respect of loan utilization, they also reported that as much as 65.58 per cent of the total production loan was utilized for purchase of chemical fertilizers, 17.94 per cent for casual labours, 13.28 per cent for high yielding varieties of seeds and 3.2 per cent for insecticides etc.

1.2.3 Repayment Capacity

Sarma (1994) studied financing of IRDP in Dibrugarh district of Assam and reported that repayment performance of the IRDP scheme/beneficiary was not satisfactory. This might be due to either poor income received from the scheme asset as revealed by economic analysis or partly due to some willful defaulters. Intensive and regular supervision both by DRDA and bank officials in addition to the provision of viable scheme asset may be helpful in increasing repayment performance of the beneficiary.

Sharma (1993) studied Debt burden on tribes and their poverty (A study of Himachal Pradesh) conducted that the percentage of poor as well as the per capita debt burden is highest in the smaller size of holdings and shows a decreasing trend with an increase in the size of holdings.

Patnaik and Misra (1991) reported that the borrowers are not coming forward to clear the institutional dues may be due to indifferent attitude of the bank personnel. They hardly meet the borrowers to induce them to repay the loan. 80 per cent cases in Ganjan and 75 per cent in Phulbani. It is observed that the officials of the
lending institutions did not meet the borrowers to persuade them for the purpose of repayment of loan.

Rambabu (1991) reported that 86 per cent of the borrowers repaid the borrowers repaid partially and only 2 per cent did not repay at all. Desire for getting future loans, wished to be honest and prompt and good market price for the product were some of the important reasons for repayment by the borrowers.

Beohar and Khare (1988) examined the repayment of loan by the borrowers of the district Central co-operative bank, Umaripan branch of Jabalpur district in Madhya pradesh. Only the loans obtained for purchase of pump sets were found repaid while Thers which were availed for purchase of fertilizer, seeds, bullock, digging well etc. remained in default during their investigation. The study concluded that those farmers with pump sets followed intense cultivation had better repaying capacity in comparison to others in the study area.

Bhosle and Dangat (1988) studied the incidence of over dues in co-operative loans in Maharastra which was found to be related with the net income from crop production, amount borrowed, amount used for productive purposes and expenditure on family consumption etc.

Ganguar and Aggarwal (1988) studied the nature and extent of loans taken by the farmers from the credit institutions and their performance of repayment in Kurukshtetra district of Haryana. The study specified certain causes for non-recovery of loan being (i) political interference, (ii) problems relating to farm input (iii) Causes of willful default (iv) Fictitious loans (v) Farmers caught into the credit trap due to their repaying capacity fall short of the loan amount sanctioned.

Singh (1988) undertook an investigation on the trend of loan disbursement, over dues and factors influencing repayment capacity of loanees in three
Bhojpur Rontas Gramin bank branches of Bihar. The bank finances for dairy, sheep, goat, poultry and piggery activities of the landless labourers, scheduled tribes and scheduled caste and crop loan for small and marginal farmers. Loan recovery in allied activities being 62 per cent was higher than crop loan activities. The ratio of total expenditure to total income, numbers of adult equivalent consumers unit, living expenses, old debt paid during the year were some of the major factors influencing repayment capacity.

1.2.4 Problems in Acquisition and Utilization of Loans

Singh and Jain (1985) stated that the uncoordinated lending and lack of effective supervision in follow up operation encouraged diversion of credit to non-productive purposes.

Puhazhendhi and Balakrishan (1981) reported that the nature of problems faced by farmers in getting and using farm credit were the delay in sanction of the loan, rigidity of rules concerning security and inadequate supply of credit etc.

Subharao (1980) reported that the rate of interest was a significant variable affecting short-term as well as long-term credit and its utilization. He also reported that small farmers, especially in the Eastern India were denied access to short-term co-operative credit because these societies were dominated by local powerful leaders.

Anandon (1979) pointed out that the non-repayment of loan by co-loanees difficulties in obtaining suitable securities, availability of certificates from village officials and land holding documents from the concerned department were the main problems faced by the farmers in the way of obtaining loans from the banks.
Hajela (1978) reported that, though the achievement of commercial banks are noteworthy in quantitative terms, their performance in qualitative terms lagging behind expectations. The banks miserably failed to provide adequate, cheap and timely credit to the economically weaker section of rural population.

Singh et al. (1974) reported that among the main problems faced by the small farmers in getting credit, the process of getting loan itself is not easy and liberal. A farmer has to run a number of times to the society or the bank for completing the formalities. Further, the lending institutions are reluctant to advance medium and loan term loan due to poor repaying capacity.

1.2.5 Credit Needs

Verma and Chopra (1988) in their study on demand for bank credit showed that the demand for credit from the scheduled commercial banks in the agricultural sector in India was positively related to the number of bank branches and aggregate deposits. Hence, it was suggested that more bank branches should be opened in this sector of the economy so as to meet the unfulfilled demand for bank credit. The study also pointed out that as the demand for bank credit was inversely related to the national income originating in this sector, therefore, more funds could be made available to the small and marginal farmers.

Oberoi et al. (1991) conducted a study on credit needs and employment generation on tribal farms in Himachal Pradesh. They found that with the introduction of modern technology along with borrowing-in of capital, the farm income could be raised by as much as 62 per cent over the existing situation. The credit as well as capital requirements showed a positive correlation with the farm size. The average credit requirement was estimated to be 56.62 per cent of the total capital required.
1.2.6 Supply and Sources of Credit

Rao (1975) conducted a survey in three villages in Narasipatnam of Vishakhapatnam district, Andhra Pradesh. This study showed that number of farmers who borrowed from moneylenders was high in the category of small farmers, while the number of borrowing from the co-operatives was high in the category of big farmers. Thus, he concluded that the co-operative finance was more accessible to the big farmer and the small farmer was under perpetual obligation to the moneylender and was not able to get out of his clutches. He further concluded that the small farmers were not in a position to invest more on land to produce any surplus with the result that they were handicapped in building up the asset structure.

Lavenia *et al.* (1977) in the case study in Ghaziapur district of Uttar Pradesh indicated that although 21.53 per cent of the total sample borrowers (65) were small farmers, they accounted for hardly 4.00 per cent of the total bank loans; whereas, large farmers, who were 41.54 per cent of the total number of sample borrowers accounted for a little more than 83.00 per cent of the total bank loans. The confirmed the generally held hypothesis that the loans mostly go to the 'haves' and 'have-nots' were deprived of the benefit. The study also showed that all the institutional agencies were biased towards large farmers. This was quite obvious because of their asset oriented lending policies rather than emphasis on credit - worthiness.

Sankar and Srivastava (1976) in analyzing the high yielding variety (paddy) programme in relation to credit availability found that the share of co-operatives in supplying farm credit was about 55 per cent. The corresponding figure of HYV paddy loans came to 58 per cent. There was a positive correlation between productivity and amount available as credit.
Mukhopadhyay et al. (1979) made a study on inter-regional as well as intra-regional disparities in the flow of credit. They extracted data from the combined reports on the Studies in the Economics of Farm Management for the Firozeapur district of Punjab, Tamil Nadu, Andhra Pradesh etc. Factors influencing the demand for credit along with the supply of credit were noted to be crucial in explaining the inter-regional variation in the actual flow of credit per unit of land.

Reddy (1980) in a case study of six sample villages of Anantapur district, Andhra Pradesh examined the direction of agricultural credit advanced to 51 participants by three commercial banks. The study showed that there was no bias in the distribution of commercial bank loans among sample farmers as the small and marginal farmers bagged 38.2 per cent of bank loans though they possessed only 15.3 per cent of total land.

Rao and Acharyul (1982) studied the flow of credit in East Godavari district. They revealed that the per acre borrowing of marginal and small farmers was higher than that of large farmers. Institutional advances constituted about 48 per cent of the total borrowings. Big farmers were in a relatively advantageous position by obtaining about 52 per cent of the borrowings from institutional agencies. Among institutional advances, co-operatives shared a greater proportion (about 68%) followed by commercial banks (about 26%) and the remaining was provided by Governmental agencies such as S.F.D.A., M.F.A.L. etc.

Prihar et al. (1988) in their study on institutional finance for the agricultural sector in Punjab revealed that the majority of small size farmer-borrowers were dependant on the non-institutional credit agencies such as commission agents. A large percentage of the medium and large size farmer-borrowers obtained long term loans from two or more than two agencies. Moreover, the medium and large size
farmers obtained higher quantum of advances for short and medium size loans as compared to the small size category of farmers. As the farm size increased, the percentage of the farmer-borrowers also increased. Among the factors affecting the share of institutional credit in total investment on farms, fixed cost per hectare, per capita consumption expenditure, and share of non-institutional credit in total investment were found to be relatively more important.

Patel (1997) stated that during the last 50 years, the country's rural banking system witnessed a spectacular growth with the number of rural credit outlets crossing the 150,000 mark. The credit disbursements have also increased tremendously. At the same time, several unhealthy trends have also set in this sector in view of the challenges posed by the Ninth plan and the ensuring third millennium, the author called for overhauling the rural credit structure to make it vibrant, viable and dynamic.

Joshi (1997) stated after evaluating the strengths and weaknesses of the country's rural credit structure that non-institutional agencies continued to dominate the rural areas. The village moneylender was still strong. Calling for a drastic overhaul of the set-up, he averted that the rural financial institutions could be viable only if they mobilized deposits. Monitoring the use of rural credit must form an essential ingredient of an effective delivery system. Firmness in the face of political pressure and development of a sense of responsibility and accountability were prerequisites if the weaker sections were to reap the full benefits of the rural credit structure, he believed.

Gandhi (1999) stated that in the case of co-operative credit, it was indicated that the problems were created often because the co-operatives were not people's co-operatives but Government's co-operative. It was suggested that group lending should be developed in a large way. Institutional credit may also be given for consumption purposes on the basis of land.
Chinnappa (1999) in his study at Shimoga district found that large farmers were major beneficiaries of both short-term and medium-term loans. About 15 per cent and 38 per cent of small farmers and large farmers respectively availed short-term credit from commercial banks and 17 per cent of small farmers and 41 per cent of large farmers availed term loan facilities. Due to their influence and high repayment capacity, the large farmers could borrow funds from these institutions and used them efficiently on their farms. On the other hand, about 22 per cent of small farmers and 25 per cent of large farmers borrowed funds from private moneylenders for meeting their crop loan requirements.

Oberoi et al. (1988) stated that commercial banks were the most popular sources of credit to farmers in the tribal areas of Himachal Pradesh. They observed that the commercial banks provided nearly three fourths of the loans borrowed by households in this area during 1985. The remaining portion came from Government agencies (12%), relatives and friends (6.54%), moneylenders (3.11%) and co-operatives (2.31%).

1.2.7 Utilization of Credit

Rao and Acharyul (1982) studied the flow of credit at Nagullanka village in East Godavari district. They found that about 53 per cent of the institutional funds and 80 per cent of the non-institutional funds were utilized on farm productive expenditure. The remaining funds were utilized on unproductive expenditure. Among different categories of farmers, the large farmers had diverted about 51 per cent of the institutional funds for unproductive expenditure. Marginal farmers had diverted about 53 per cent of their borrowings to unproductive expenditure, that too for family consumption.
1.2.8 Impact of Credit on Farm Returns and Employment

Ganesh Kumar et al. (1989) in their study on impact on institutional credit on income and employment of two farmers’ service societies; they revealed that credit and owned capital were two important factors influencing gross returns and employment level. Further, it was revealed that borrowers from institutional sources were better placed than the non-institutional borrowers.

Gajanana and Sharma (1990) conducted a study on the role of credit and technology in Tumkur district of Karnataka and concluded that in the existing plan sub-optimal allocation of resources existed. On optimization, both returns and employment prospects improved substantially when the provision of unlimited availability of capital (liberal credit policies) was made. It enhanced the prospects of income and employment. Simultaneous provision of liberal credit policy and technology enhanced return and employment.

Vaidya (1991) studied impact of Gramin Bank Finance on agricultural development in district of Mandi (H.P.). His study of hundred selected borrowers showed that bank finance enabled borrower families to increase their income, employment and assets structure both in case of agriculture and non-agricultural purposes.

1.2.9 Problems of Institutional Credit

Patel (1974) found that unawareness among the rural masses about the role of commercial banks in transforming the rural social life, lending schemes, formulated by the banks, financing procedure, legal, banking, technical and economic requirements etc. were the principal constraints of rural credit.
Singh et al. (1975) conducted a study on borrowing behaviour of small farmers in Small Farmers’ Development Agencies (SFDA) Project. Fatehpur, Uttar Pradesh and suggested that for achievement of better results, the need was to make the lending process more easy and liberal and to give guidance to the farmers regarding proper utilization of the loan for the purpose of which it was advanced.

Deo (1976) in his study on problems of agricultural credit allocation emphasized that the problem of credit allocation in agriculture was immense and required adequate attention. He suggested that the financial experts, social scientists and a team of bank personnel have to work together and have to wed micro-level planning for expansion of credit.

Anandan (1979) pointed out that the non-repayment of loan by co-loanees, difficulties in obtaining suitable securities, non-availability of certificates and documents from concerned departments were the main problems faced by the farmers in the way of obtaining loans from the banks.

Subbarao (1980) reported that the rate of interest was a significant variable affecting short-term as well as long-term credit and its utilization. He also reported that small farmers, especially in the Eastern India were denied access to short-term co-operative credit because these societies were dominated by local powerful leaders.

Goswami and Sharma (1981) conducted a study on rural indebtedness in Assam at Barigog Barbhag Development Block, Ghagrpar, Kamrup district of Assam. They suggested that timely and adequate credit should be made available to the farmers through co-operatives and commercial banks with easy terms and conditions and simple loan procedure.
Puhazhendi and Balkrishna (1981) reported that the nature of problems faced by the farmers in getting and using farm credits were the delay in sanction of the loan, rigidity of rules concerning security and inadequate supply of credit etc.

Reddy (1981) reported that credit giving institutions while providing the short-term credit to the weaker sections, should take into consideration normal credit requirements for consumption purposes. He also suggested that, a greater portion of credit should be in kind. Further, it should examine carefully the technical feasibility and productive capacity of the proposed farming operation with the help of the credit. The technical advice, if required, should be provided to the loan applicants. Furthermore, the credit supervisor should and control the use of loan amount throughout the crop year.

Baruah (1986) observed that banking services in the backward areas of North-East India were inadequate and extension services at all levels, specially at the village level were ineffective for agriculture and allied activities.

Ganorkar and Choudhary (1992) studied the constrained of credit utilization in Nagpur district and found that for the hybrid growing farmers, complicated procedure in getting credit (54%), inadequate loans and that too, not in time (58%), high rate of interest (38%) were the main problems. The other constraints were unawareness of credit agencies (27%) and 25 per cent of the Jowar growers did not get the loan due to non-repayment of previous crop loans.

Pillai (1998) studied the financial problems of rural coir co-operatives in four districts of Kerala. He found that majority of the sample co-operatives (57.14%) faced difficulties in getting financial assistance from the Government agencies. Delay in sanctioning the amount (score 182), inadequate financial assistance (score 127),
complicated procedures and formalities (score 30) and shortage of securities to pledge (score 8) were ranked first, second, third and fourth, respectively.

Chinnappa (1999) in his study in Shimoga district on credit problems, found that 78 per cent of the small farmers and 66 per cent of the large farmers reported inadequacy of loans, which forced them to borrow from private money lenders. About 52 per cent and 28 per cent of small farmers and large farmers expressed that loans were not provided in time. This was a hindering factor in executing their agricultural programmes.

Ramakrishna and Aiyanna, Professor of Development Studies, University of Mysore conducted study on "Institutional Financing of Agriculture and Allied Under Service Area Approach" revealed that in spite of adopting service area approach there exists the problems of double finance due to lack of coordination among different institutional agencies operating in the area. Hence, there is the urge to take immediate and appropriate measures so that institutional agencies can effectively meet the credit needs of changing agriculture. Extension of banking facilities is an important part of the infrastructure needed for the development of an area in combination with other infrastructural facilities such as transportation, communication, storage, processing and marketing facilities.

D. Govinnadapa Naidu, Department of Economics, Presidency College, Chennai expresses his view on "Comparative Study of Entrepreneurial Ability of College Students" that the Entrepreneurial Ability is more among the male students than the female students. It also reveals that the Entrepreneurial Ability in arts students is higher than the science students.

A study conducted by Indian Institute of Entrepreneurship on "Effectiveness of Entrepreneurs Development Programmes organized by various
agencies in the North East from April 1990 to March 1996 revealed that over the last few years IIE had trained one thousand two hundred fifty six prospective entrepreneurs under 50 Entrepreneurs Development Programmes. It had jointly been sponsored by the North Eastern Council, Industrial Development Bank of India and Small Industries Development Bank of India. 636 entrepreneurs (50.6%) had applied for bank loans and 380 of them (30.3%) setup their enterprises. However, only 159 trainees could get bank finance to start their enterprises. This accounts for 25 per cent of the trainees applying for bank finance. There is of course, state wise variation in the number of trainees who could set up enterprises with the help of bank finance.

In Arunachal Pradesh out of 71 units, 38 (44.7%) units that were set up were financed by banks. In Mizoram out of 18 units 10 units that were setup (17%) could get bank finance. This study also revealed that finance was a major problem to most of the trainees. 89.3 per cent of the trainees who were in the process of starting their projects stated that finance was a major problem for them, followed by Government policy (38.1%), lack of motivation (35.5%), non availability of land and shed (32%), procedural formalities (31.1%), problem of power (28.1%) and problem of raw materials (26.4%)

"Problems and prospects of women entrepreneurship in the North East"
This study was completed by Indian Institute of Entrepreneurship, North East Technical Consultancy Organization, North Eastern Industrial Consultants and National Small Industries Corporation during April 1994 to March 1998. This study examined the problems and prospects of women entrepreneurship in the North East. This study was carried out in all seven states of the North East. The study revealed that largest number of trained (27.5%) women entrepreneurs was in the age group of 26-30 years, whereas largest number of (31.4%) untrained women were in the age group of 31-35 years. It is
also observed that majority of the trained women entrepreneurs started their enterprises comparatively at an early age than untrained women entrepreneurs. It is also observed that the number of women belonging to general category is less than those belonging to schedule caste, schedule tribe and other backward classes in both trained and untrained groups.

A North Eastern Development Finance Corporation (NEDFi) programme from 31st January to 18th February 2005 revealed that it was necessary to develop the spirit of entrepreneurship and self-employment in the select projects of the appropriate sector to provide basic knowledge on enterprise formation, financial link up and formalities in the selected projects etc among the engineering graduates of Assam, Nagaland and Tripura.

Again NABARD had sponsored a study in four rural EDPs- Nagaon, Raha, Lumding and Jakhalabandha of Nagaon district of Assam; which revealed that a total of 147 entrepreneurs had attended the programme. The main objective of the programme was to tap the hidden potential of rural human resources for entrepreneurial activities.

The intensive study done by Indian Institute of Entrepreneurship (IIE) (March 2001) on "The problem and prospects of women entrepreneurs in the North East" revealed that traditional activities such as handloom and handicrafts still predominate the type of activities taken up by the women entrepreneurs of the NE irrespective of whether they are trained or untrained. The study also indicated that in industry sector about 57.5 per cent of the trained and 80 per cent untrained women had started Handloom and Handicraft unit while very few opted for non traditional one. The study also observed that about 70 per cent of the women entrepreneurs were overloaded
with the domestic responsibility and the units had been suffering from inadequate income generation.

Sharma and Bhattacharya (2007), Department of Sociology, Dibrugarh University in their study on "Women entrepreneurs in Assam: A theoretical study based on SWOT analysis with reference to the marketing system" examined strength, weakness, opportunities and threat to women entrepreneurs. The study also included the making of products of women entrepreneurs. The study revealed that in case of strength, women of Assam is very interested in entrepreneurship high potential of developing women entrepreneurs, comparative better social status of women than other parts of India. Literacy of women in Assam is very high. In weaknesses - the study revealed that gender inequality is exist, double burden of family and work, lack of confidence and skills, lack of managerial and technical skills, women's enclosure from economic activities etc. The study revealed that in the opportunity side there are large markets, valuation of products to suit customer taste, Brand establishment, and selling, change of educational level among women etc. and in the threat side there are large number of entrepreneur as competitors, social instability, Bandh culture, lack of industrial development etc.

Borah (2007) in her studies on "Women's entrepreneurship: A key to social-economic growth" revealed that the women of Assam, engaged in various economic activities, vary from weaving to plantations. Weaving is one of the most common activities, seen in almost all rural households but without any pecuniary benefit. But in due course, with the help of SHG's this practice has became one of the largest and most widely recognized small scale industries in Assam. In the recent years due to various reasons including the efforts made by the Government, more and more women are coming forward and taking part economics activities.
Das and Bora (2007) in their study on "Women entrepreneurship: crossing a stygian survey for women community" study reveals that the women entrepreneurs of Sivasagar District are mostly involved in traditional activities, handloom and handicraft, embroidery, tailoring and non-industrial such as beauty parlour, horticulture, crèche, montessori school, craft work, food processing, pickle making etc. The study also revealed that the problems faced by the women entrepreneurs' are financial, technical, managerial, marketing, labour etc. They have also lack of professionalism.

Saikia and Saikia (2007) revealed that the main sources of family income, for 88 per cent of the women are agriculture. Majority of the respondents (68.0%) had monthly income in between the range of Rs. 100/- to 2000/-. The study also revealed that the attitude as well as the aptitude is born and not imposed. But now days, the Karbis were also found doing wet land cultivation. 48 per cent of the women perform the activity of spinning cocoons. Cent per cent women perform the activities such as feeding, clearing and care in silk cocoon formation. The study also revealed that the Karbi women participated in almost all the activities related to farm and allied pursuit besides performing her daily household activities. But these brave women folk lack the social recognition for the role played by them in the up liftman of their society.

Das (2006) in her study on "Economic empowerment of working women" in the Jorhat district of Assam revealed that all the units of investment are found self owned enterprise, most of the women entrepreneurs are educated and active. Their initial investment varies between Rs. 60,000 to 4 lacs. Only 5 per cent of respondents borrowed their capital from Bank only. They are involved with business like beauty parlour, hotels, panshop, stationary stores, tailoring and embroidery, fresh flower selling shop, readymade garments, cosmetic and jewellery etc. They have
employed 60 nos. women as helper and assistance. The study also reveals that the
women entrepreneurs monthly income ranges between Rs. 500/- to 25,000/-. They have
faced several problems such as they earn less than their hardship, they have no choice
regarding their trade, their contribution to the family and national economy remains
invisible and undervalued. For development of women entrepreneurship the study
suggested that proper education and vocational training is utmost importance.

Saikia (2001) made a study on "Women entrepreneurs - problems and
prospects" and analyzed the problems faced by women entrepreneurs as a whole and
future prospect of 'women entrepreneurs in Assam'. The study revealed that 57 per cent
women work to earn money, 43 per cent to keep oneself busy, 38 per cent to fulfill
ambition, 32 per cent to be independent, and 20 per cent to pursue their own interest.
Running a business by a woman is not an easy task. Many problems are faced by
women entrepreneurs such as double burden of household works as well as the business
activities, Red tapeism in the official works, negative response on the part of the banks
and financial institutions, lack of education, lack of awareness about various schemes
run by Govt. and non Govt. organizations, lack of infrastructure, marketing and
transporting facilities, lack of training, lack of skilled worker etc.

A study done by Indian institute of Entrepreneurship in 1983 revealed
that the women weavers (64.4%) of the North East outnumbered the male weavers.

Another study made by IIE in 2004 on "Status of small scale industries"
shows that although the rate of growth in term of numbers of units registered has been
higher than the all India average, the status of small scale industries can be termed as
unhealthy in terms of size, bank finance, market penetration, entrepreneurial quality etc.
The most industrially developed state of the North East is Assam, entrepreneurship has
developed because of non-availability of job, rather than change in entrepreneurial
environment as 42.25 per cent of the respondent opined this. The coming up of women run enterprise is a positive development and in this regard Meghalaya leads the NE states as 38.78 per cent of the units are managed by women. According to the study, only 16.35 per cent of the entrepreneurs are graduate and above and 31.15 per cent of the entrepreneurs are below the secondary level.

A study made by IIE (2004) on "to assess the status of industrialization in the region", sponsored by the Ministry of small scale industries, Govt. of India revealed that even the growth of registered Small Scale Industries (SSI) in the region is more than the average Indian growth rate, the simultaneous closure of units has eroded the benefit. The SSI units of the state could record only 3.32 per cent growth in spite of the registration noticed. It was found that 47.63 per cent of the units are with investment of less than Rs. 1 lakh, with only 0.61 per cent of the units are set up with investment above Rs. 50 lakh and the average size of the SSI units is estimated at Rs. 1.61 lakh in the region. The support system found to be quite limited and a coordinated approach of the support organizations is required for development of SSIs in the NER.

Another study made by IIE in (2004) "To evaluate the impact of the North East industrial policy 1997 on industrialization in the region" revealed that even after six years of implementation of the North East Industrial Policy (NEIP), the region has failed to register a satisfactory growth in terms of industrialization. The policy has however been able to trigger industrialization to a certain extent in Assam and Meghalaya with both the states accounting for about 40 per cent of the overall investment. But the policy has failed to make any impact in other states. The major chunk of investment after the implementation of the policy went to the tea sector in Assam and the metallurgical sector in Meghalaya. As per the findings of the study the policy is yet to make an impact on high employment intensive sectors like handloom
and handicrafts. The late notification of the provisions and non development of the enabling structures are identified as the major reasons and therefore suggestions in regard to this were made.

According to a National Federation of Women Business Owner (NFWBO) study (1994) - one of the major obstacles faced by women entrepreneurs was "not being taken seriously."

There are quite extensive literatures on women entrepreneurs. Much work has been done on women entrepreneurs and their socio-economic and political status. But entrepreneurs' development in Sivasagar district has not been discussed/analyzed before.

It is found that there is hardly any study that intensively tries to explore the Ground level Institutional Finance to Trained Entrepreneurs of Assam, especially in the Sivasagar District. Therefore, an attempt has been made in this study to highlight the credit flow provided for the ground level (priority sector) institutional trained entrepreneur of Sivasagar district and the problems and prospects of trained entrepreneurs of Assam with special reference to Sivasagar District of Assam.

1.3 Present Study: Gap in literature

The survey of literature reveals that several studies on institutional finance to the entrepreneurs have been undertaken concerning their problems and prospects, growth and management in different parts of North-East India as well as outside of the region. In Assam, few research works have been done in respect of different aspects of institutional credit to entrepreneurs at the state and district level. However, in any district of Assam no research work has been undertaken so far in
respect of Ground Level Institutional Finance to Trained Entrepreneurs. This study therefore is a pioneering attempt to make a modest contribution towards the local trained entrepreneurs based on limited and rare data on performance, problems and prospects of ground level entrepreneurs of Sivasagar district of Assam. Therefore, the study focuses some terminologies adopted in this study.

1.4 Ground Level Institutional Finance

The dictionarical meaning of the word "Ground Level” refers to preparatory works that provides the basis for something (oxford Dictionary, p. 551). But in this study, the word ground level institutional finance have been used to mean to assist or finance such people of ground level activities who performs some activities which falls in the priority sectors like agriculture, agriculture and allied, Non farm sector, agro based industries etc. and the financial institutions who assist or offers loans and advances to such people. According to NABARD, the RBI have instructed the financial institutions to cater to such people through Government sponsored schemes/plans/ programmes etc.

1.5 Trained Entrepreneurs

Training is an integral input of managerial development which trains the hand and mind. Shortage of trained personnel is one of the serious problems in a developing economy. No one can deny this fact that training is needed for entrepreneurs and workers employed in an enterprise. Training is a systematic instruction of entrepreneurs and staff at all levels in new attitude or new skills. Mere learning is not training; the term refers to schemes of instructions which are more or less formal and
ongoing, which is planned, systematic, consistent, pervasive and monitored to measure its effectiveness. It has been observed from the point of financial institutions that they always invest their funds in such entrepreneurial activities which have special training and skills. Therefore, for the sake of research study, the entrepreneurs are taken as trained person so that the financial institution never denies them offering institutional support. Moreover, the FIs always prefer to have at least a minimum educational qualification of the entrepreneurs, so that they can identify the formal procedures adopted during an operation. Our country having a low literary rate, therefore, for the sake of this study the minimum qualification has been chosen as HSLC/Matriculate.

1.6 Scope of the Study

The scope of the study is limited to the Sivasagar district of Assam on account of its size, backwardness in industrial sector, strategic position and socio-economic structure. Growth and development of entrepreneurial activities and credit flow or institutional support of the district has been studied with special references to the periods 2002-2003, 2003-2004, 2004-2005. The necessary data concerning the present work has been collected both from primary and secondary sources. The secondary sources include publications of the Government of Assam, NABARD, NEC, and NEDFI. Moreover, the official website of Sivasagar district Administration, NER data bank, state and central government websites and other agencies have been browsed to collect secondary data. Besides, book related subjects, journals, periodicals, newspapers, reports and Govt. publication etc. are the sources of such information.

The primary data has been collected by field survey of the sampled entrepreneurs by direct personal interview method. A pre-tested schedule has been used
for the purpose. The information collected from primary and secondary sources has been analyzed statistically in a simple way.

1.7 Organization of the study

This work has been divided into a well designed chapter scheme with introduction and objective of the chapter followed by chapter references. The study comprised of six chapters to give a wide coverage of concept, features and motives, institutional finance and credit flow to various sectors by the FIs, effectives of institutional finance in promotion of new enterprises by trained entrepreneurs of the study area, constraints and achievements of trained entrepreneurs and finally finding and suggestions and conclusion have been incorporated.

1.8 Limitation of the present study

- The sample units which have not been traced, the units which have closed down and the unit and FIs which have refused to give information have been dropped from the analysis.

- As the sector is unorganized, adequate disclosure of information is not generally made by the entrepreneurs.

- In depth study on entrepreneurship programme and its development could not be undertaken leaving scope for future research.
1.9 Objectives of the study

The present work has been undertaken with the following objectives:

- To study the credit flow provided for the ground level trained entrepreneurs by the different financial institutions.
- To study the effectiveness of institutional finance in promoting new enterprises of the trained entrepreneurs in the Sivasagar district of Assam.
- Analysis of the constraints faced by entrepreneurs.
- To suggest measures for future vision and action.

1.10 Methodology

The methodology adopted for the study comprises of both primary and secondary data. It has been descriptive and analytical in nature. The study has covered the past three years i.e. 2002-2003, 2003-2004, and 2004-2005. Some present statistics too have been incorporated which may have some further relevance to the study. So far as primary data is concerned, the study has been confined to the 06 (six) blocks out of the 09(nine) blocks i.e. two each from three sub-divisions of the study area to have an empirical analysis of new enterprises formed by the trained entrepreneurs. As a representation, two blocks of each sub-division have been chosen on area wise basis i.e. rural and urban. The sample size 180 is divided equally as 30 from six blocks of the Sivasagar district. Out of these, 20 samples have been taken as successful case. To achieve this objective, special attention has been given in collection of primary data from the training institutes and in the same place, enquiry has been made whether they are applicants for institutional finance or not. Confirming all this, an enquiry has been made in the banks and other relevant financial institutions about the authenticity of their
approach in the respective schemes and programmes. Therefore, the following FIs have been taken for the study.

Financial Institutes includes various Regional Rural Banks (Now called as Assam Gramin Vikash Bank), Commercial Banks, Industrial Banks, and State Cooperative Banks available in the study area. These banks are categorized under three groups i.e. Urban, Semi-Urban and Rural. Government Agencies are such as District Industries and Commerce Centre, National Bank for Agriculture and Rural Development, Khadi and Gramudyug Board, North Eastern Council, Small Industries Service Institute, North Eastern Industrial and Technical Consultancy Organization, North Eastern Industrial Consultants, National Small Industries Corporation and Indian Institute of Entrepreneurship.

1.11 Financial Institutions which provide assistance to the beneficiaries in the district

The following financial institutions are found out to be providing assistance to the beneficiaries of the study area. These are Regional Rural Banks i.e. Lakhimi Gaolian Bank (now called Assam Gramin Vikash Bank), Commercial Bank i.e. Allahabad Bank, Canara Bank, Central Bank, Indian Bank, United Bank of India, United Commercial Bank, Vijaya Bank, State cooperative Bank i.e. Apex Bank and State Bank of India.
1.12 Government Agencies which provide assistance to the beneficiaries in the district

Government Agencies are such as District Industries and Commerce Centre, National Bank for Agriculture and Rural Development, Khadi and Gramodyug Board, North Eastern Council, Small Industries Service Institute, North Eastern Industrial and Technical Consultancy Organization, North Eastern Industrial Consultants, National Small Industries Corporation and Indian Institute of Entrepreneurs.

1.13 Queries that have been investigated

In order to achieve the above mentioned objectives, the present study has tried to investigate and test the following research queries

- Whether socio-economic factors are favourable or not in the district of Sivasagar to set-up new agricultural and allied and non-farm sector enterprises by the trained entrepreneurs of the district.

- Whether there has been adequate credit flows to the ground level trained entrepreneurs by different financial institutions.

- Whether trained entrepreneurs are aware or not about the various schemes of finances and advances provided by the financial institutions and also the incentives and schemes for forming new enterprises by the Government agencies.

- Whether trained entrepreneurs are facing any constraints in processing finance and in setting up their enterprises.
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