Chapter-VIII

Challenges and Opportunities for Entrepreneurship Development
8.1 Introduction

Entrepreneurs face many challenges in establishing, running and managing their enterprises. In this chapter, a discussion is undertaken on the challenges faced by the entrepreneurs who were studied in the sample of field survey. Besides challenges, there are unlimited opportunities for entrepreneurship development in the state. Considering the opportunities, a projection is also made on the output, investment and employment in the registered micro and small enterprise (MSE) sector of the state for 2015. Projected investment in the new MSEs by 2015 is estimated by adopting the basic Harrod- Domar equation (Psacharopoulos, 1987). On the other hand, manpower requirement in MSEs set up in 2015 is projected by adopting the Labour-Output Ratio Model (Hinchliffe, 1987).

8.2 Challenges faced by the Entrepreneurs

Challenges faced by the sampled entrepreneurs are classified as marketing, raw material, and manpower, finance, power, procedural formalities and machinery. In addition to these, entrepreneurs are also facing several other challenges. These are categorized as - social problems, inadequate policy incentives and transportation cost. The challenges faced by the sample entrepreneurs are discussed below.

Challenge of Finance

Finance is considered to be life line of an enterprise. For smooth running of an enterprise finance is the most important requirement. The field survey reveals that out of 200 sample
entrepreneurs, 89 (44.5%) entrepreneurs considered mobilizing finance as a major challenge for them. The challenge of finance takes different shapes from experiencing difficulties in getting credit to suffering delay in sanction and disbursement, once credit is accessed. The financial challenges faced by the entrepreneurs are given in the Table-8.1.

<table>
<thead>
<tr>
<th>Challenges of Finance</th>
<th>No. of Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty in getting credit</td>
<td>32 (36.0)</td>
</tr>
<tr>
<td>Limited working capital</td>
<td>20 (22.5)</td>
</tr>
<tr>
<td>Delayed sanction of loan from banks and Financial Institutions</td>
<td>23 (25.8)</td>
</tr>
<tr>
<td>Difficulty in getting money from buyer after sale</td>
<td>14 (15.7)</td>
</tr>
<tr>
<td>Total</td>
<td>89 (100)</td>
</tr>
</tbody>
</table>

Note 1: Figures in the parentheses represent percentage to the total
Source: Field Survey Data

It is observed that among 75 entrepreneurs, 32 (36.0%) faced difficulty in getting bank credit, whereas 20 (22.5%) respondent state that getting adequate working capital was a challenge for them. The challenge of finance takes different shapes from experiencing difficulties in getting credit to suffering delay in sanction and disbursement once credit is accessed. Again, 23 (25.8%) entrepreneurs experienced delays in sanction and disbursement of loan. Fourteen entrepreneurs who supply their products to government departments on credit do not get their payment in time. The financial constraints experienced by the entrepreneurs are mostly avoidable.
Challenge of Manpower

Non availability of suitable manpower is often cited as a major constraint to entrepreneurship development. In the field survey, entrepreneurs stated inadequate supply of both skilled and unskilled labour to be a major bottleneck. Besides, attitudinal problems among labour were also cited as another major constraint. Challenges of manpower faced by the entrepreneurs are given in the Table-8.2.

Table-8.2: Challenges Related to Manpower

<table>
<thead>
<tr>
<th>Challenges of Manpower</th>
<th>No. of Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour shortage</td>
<td>34 (45.9)</td>
</tr>
<tr>
<td>Scarcity of experienced and skilled labour</td>
<td>33 (44.6)</td>
</tr>
<tr>
<td>Non cooperative attitude of labour</td>
<td>7 (9.5)</td>
</tr>
<tr>
<td>Total</td>
<td>74 (100)</td>
</tr>
</tbody>
</table>

Note 1: Figures in the parentheses represent percentage to the total
Source: Field Survey Data

Getting right type of manpower is considered to be a challenge by 74 (37%) entrepreneurs out of 200. Non-availability of experienced and skilled manpower is considered to be a challenge by 33 (44.6%) entrepreneurs, whereas for 34 (45.9%) entrepreneurs scarcity of unskilled labour is a challenge. This is partly due to engagement of unskilled labours under MG National Rural Employment Guarantee Act (MGNREGA) and partly due to the aversion of the unskilled labourers to take up blue collar job. Again, for 7 (9.5%) entrepreneurs, cites the
unpredictable attitude of labourer to be a major problem. Because of that, entrepreneurs suffer wastage when labourers take advance wages and fail to honour their commitment.

**Challenges of Marketing**

Marketing poses a major challenge for most micro and small enterprises. Marketing efficiency determines the success of an enterprise. Major marketing challenges faced by the sample entrepreneurs are given in the Table-8.3.

<table>
<thead>
<tr>
<th>Challenge of Marketing</th>
<th>No. of Entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition from other firms / established and large firms</td>
<td>46 (85.2)</td>
</tr>
<tr>
<td>Lack of marketing experience</td>
<td>8 (14.8)</td>
</tr>
<tr>
<td>Total</td>
<td>54 (100)</td>
</tr>
</tbody>
</table>

Note 1: Figures in the parentheses represent percentage to the total

Source: Field Survey Data

From the Table-8.3, it is found that marketing challenge has affected 54 (27%) entrepreneurs from the sample of 200 units. Among the marketing challenges, competition from other enterprises is the primary challenge experienced by 46 (85.2%) entrepreneurs. This group is mostly comprised of handloom units who face competition from the products of power loom units. Lack of marketing experience has created problems for 8 (14.8%) entrepreneurs.
Challenges of Raw material

Challenge of raw material relates to their scarcity, abnormal price rise and poor quality. Table-8.4 represents different raw material problems faced by the entrepreneurs.

Table-8.4: Challenges Related to Raw Material

<table>
<thead>
<tr>
<th>Raw material problem</th>
<th>No. of entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scarcity of raw material</td>
<td>20 (50.0)</td>
</tr>
<tr>
<td>High price of raw material</td>
<td>12 (30.0)</td>
</tr>
<tr>
<td>Poor quality of raw material</td>
<td>8 (20.0)</td>
</tr>
<tr>
<td>Total</td>
<td>40 (100.0)</td>
</tr>
</tbody>
</table>

Note 1: Figures in the parentheses represent percentage to the total
Source: Field Survey Data

For 40 (20%) entrepreneurs out of 200 units, supply of raw material poses a major challenge. Among them, scarcity of raw material is considered to be challenge by 20 (50%) entrepreneurs; whereas, abnormal rise in the prices of raw materials is considered to be constraint by 12 (30%) entrepreneurs. Finally, 8 (20%) entrepreneurs considered poor quality of raw material to be a major bottleneck. These challenges of raw material are mainly found to be faced by the handloom sector entrepreneurs of the Sualkuchi area of Kamrup district. This is because, most supply distortions are created by the emergence of monopolist suppliers who has complete control over the market.
Challenge of Machinery

Repair and maintenance of machinery is considered to be challenge by 15 (7.5%) entrepreneurs. Among them, for 12 entrepreneurs non availability of trained personnel to look after the specific problem of machineries, poses a major problem. In the field survey it is found that this challenge is mainly confined to the plastic based enterprises. Again, 3 entrepreneurs have stated that voltage fluctuation has created machinery problem to their enterprises.

Challenges related to Government and support organizations

Support from government and support organizations are considered to be important for entrepreneurship development. But many entrepreneurs face challenges from government and support organizations which are presented in Table- 8.5.

<table>
<thead>
<tr>
<th>Problems relating to Government and Support organizations</th>
<th>No. of entrepreneurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official formalities</td>
<td>24 (37.5)</td>
</tr>
<tr>
<td>Delay in power connection</td>
<td>15 (23.4)</td>
</tr>
<tr>
<td>Corruption</td>
<td>22 (34.4)</td>
</tr>
<tr>
<td>Change in government policy</td>
<td>3 (4.7)</td>
</tr>
<tr>
<td>Total</td>
<td>64 (100)</td>
</tr>
</tbody>
</table>

Note 1: Figures in the parentheses represent percentage to the total

Source: Field Survey Data
Among 64 entrepreneurs, procedural formalities are perceived as a major challenge by 24 (37.5%) entrepreneurs. They consider official formalities to be complicated and time consuming. Repeated visits to the concerned organizations are found to act as a major deterrent to these entrepreneurs for seeking institutional and government assistance. Delay in providing power connection is considered to be challenge by 15 (23.4%) entrepreneurs. Corruption in different government departments, banks and financial institutions adversely affected 22 (34.48%) entrepreneurs. Considering the rampant corruption in all the concerned departments, the researcher perceived that the respondents understate the issue of corruption, as they fear retaliatory action from the authority. Change in government policy such as abolishing quota system for wheat for flour mills have created problem to 3 (4.7%) entrepreneurs.

**Other challenge**

In addition to the challenges mentioned above, there are several other challenges which are faced by the entrepreneurs. These challenges are given in the Table-8.6.
There are 92 entrepreneurs who face problems which are termed as other challenge. Among them, 30 (32.6%) entrepreneurs consider frequent bandhs and 15 (16.4%) entrepreneurs, views demand for donations from different organizations to be a major challenge. Power is one of the most important requirements for an enterprise. For smooth running of an enterprise uninterrupted power supply is necessary. In the field survey it is found that 42 (45.6%) entrepreneurs suffer from the problem of frequent power cut. High transportation cost has created challenge to 5 (5.4%) entrepreneurs. This is observed in coke units producing coke for home consumption. Again, entrepreneurs who are engaged in the production of cane and bamboo furniture are also facing this problem because of the bulkiness of their product.

Thus, it is observed that the sample entrepreneurs have faced various problems in starting and running an enterprise. Though they have faced problem, there are several opportunities for entrepreneurship development in the state. Opportunities for entrepreneurship development are discussed in section 8.3.
8.3 Opportunities for Entrepreneurship Development

In recent years, tremendous opportunities have been emerging in the country as well as in the state in the field of entrepreneurship. The opening up of the Indian economy, process of economic liberalisation, rise in purchasing power - particularly of the middle class people, have played an important role in the creation of these new opportunities. New entrepreneurs can take advantage of these opportunities. Opportunities are emerging in respect of manufacturing enterprises, service enterprises, trade and commerce and agriculture and allied sector etc. Besides, growing awareness about self employment and entrepreneurial career has also encouraged many people to come forward to take up entrepreneurial career.

8.3.1 Opportunities in service sector

Lots of opportunities are emerging in the service sector, starting from outsourcing to taking up franchising.

Outsourcing

Most of the public and private sector firms are now outsource many activities to concentrate on their own primary activities. The outsource activities are mainly security service, gardening service, catering service, sweeping service etc. These outsourcing of services have given opportunity to many entrepreneurs.
Healthcare and fitness

People now prefer to spend in good hospitals and nursing homes rather than depend on Government run hospitals. This trend has created opportunities for the growth of nursing homes and hospitals. Earlier doctors treated patients on the basis of symptom. But, now doctors treat patients only after clinical test. Hence, opportunities are emerging in setting up private clinical laboratories. Again, life expectancy of people has increased over the years and people are now more conscious about their health. Health consciousness of the people has created opportunities for entrepreneurs to open fitness centres, aerobic centres, etc. Look good and feel good tendency of people have also created opportunity for entrepreneurs to open gym, beauty care centre, fitness centre etc.

Eating places, Day Care centre, etc.

Growing income among the rapidly expanding middle class has induced major life style change. Consequently, many eating places, fast food corners, etc. have come up to cater the need of this class, who prefer to eat out frequently. It is found that when both parents are working it creates a lot of problem. But, this has given opportunity to entrepreneurs for different types of entrepreneurial activities like setting up crèche, day care centres, transportation service etc. Expansion of internet facilities has encouraged entrepreneurs to use it as a tool for advertising and marketing their products and services. Online marketing is a growing trend of business and new entrepreneurs can take this opportunity.

Franchising
Franchising has emerged as a growth area. Many entrepreneurs have set up franchise units in the field of automotive, beauty salon and supplies, clothing, computer and internet, florist, food and beverages, jewellary, health care; play school, real estate etc. to become business owner. This trend is likely to persist in future also.

Tourism

Assam has unparalleled tourist attractions like wildlife sanctuaries, adventure tourism, eco-tourism, hill stations, lakes and places of historical heritage. There are five national parks and fifteen wildlife sanctuaries in Assam. The famous species of one horned rhino is found in Assam. It has many Golf courses and offers huge opportunities in adventure tourism. Assam's natural landscape, lush green forests, wild life sanctuaries, pilgrimage spots and tea gardens offer a wide choice to cater to the tastes of a variety of tourists from the casual sightseer to the adventure tourist. In order to encourage tourist to come to the state, there must be good transport and communication network, good accommodation facility, tour operators, etc. All these provide huge opportunities to entrepreneurs.

In addition, tea is an integral part of Assam's economy. Each tea garden in Assam is a treasure house of exotic beauty of nature with colourful people and their enchanting songs and dances, sprawling bungalows, and other facilities. Assam's green forests, blue hills, enchanting rivers are the basis on which eco-friendly tourism can be developed. The state has a conglomeration of various ethnic tribes and groups each having a distinct language, culture, way-of-life, festivals, songs and dances. Most of these people have their spring festivals. Songs and dances, display of colourful dresses, tasting of innumerable varieties of both vegetarian and non-vegetarian dishes mark these festivals. This could be as big an attraction
as the Pushkar Mela in Rajasthan. Tea tourism, eco-tourism and cultural tourism also provide scope for the entrepreneurs.

8.3.2 Opportunities in Manufacturing

Opportunities for entrepreneurship development are emerging in manufacturing and processing sectors also. This may be in the village industry, micro and small enterprises sectors.

Food processing

Food processing has been emerging as a major potential area for entrepreneurs. Assam has fertile soil conducive to cultivation of fruits and vegetables. So far the fruits and vegetables grown in Assam have been sent by rail or road to other parts of the country. The Union Ministry of Food Processing Industries has launched a scheme for establishment of Green Field Mega Food Parks in the country. The objective is to provide adequate infrastructure for the food processing industries along with the value chain from farm to market (AIDC office, Guwahati: 2010). One Mega Food Park is under implementation at Nathkuchi, Tihu in Assam. This food park will offer entrepreneurial opportunities in the entire North Eastern Region.

Medicinal Herbs and Plants-based activities
Medicinal herbs and plants based activities have been given importance both by the state and central governments. Out of over 1500 species of medicinal plants in India, more than 350 species are available in Assam (AIDC, online: accessed on 23rd August, 2011). There is need for expansion of plantation and creation of processing facilities. They can be the source of entrepreneurial opportunities in plantation and also in processing.

**Opportunities in Banana based projects**

Assam Government is setting up a Banana Industrial Development Park in Industrial Growth Centre at Matia in Goalpara district to develop banana based industries. Around 20 processing units could be set up in the Park (AIDC office, 2010: Guwahati). This will encourage commercial cultivation of banana and to facilitate production of fresh and processed banana. This banana industrial park will create opportunity not only to growers but also to entrepreneurs.

**Opportunities in Bamboo based projects**

Bamboo known as the green gold also provides opportunity for producing different products. Different varieties of bamboos are available in Assam and other parts of North East. Bamboo is not only used for traditional activities but also as an alternative for wood as it is easily grown. Considering its potentiality the Government has proposed to develop a bamboo park at presently at Jagiroad (AIDC office, 2010: Guwahati). This park will create necessary infrastructure to facilitate the entrepreneurs to set up bamboo based industries.
Opportunities in Jute based projects

Jute based product has high demand and new entrepreneurs can use this opportunity. Considering the potentiality of jute diversified product, Government has proposed to set up of a Jute Diversified Products Industrial Park at Dhing in Nagaon District. This park is for better utilization of Jute for production of more value added products which will immensely benefit the cultivators/ jute growers and entrepreneurs.

Opportunities in Plastic projects

There are a number of favourable factors for the development of plastic processing units in the state. The present plastic consumption pattern of plastic in Assam at 1-2 kg is much below the national average of 6-7 kg. Plastic market is supply driven. Consumption of plastic will increase manifold on setting up of plastic based projects. Besides, both the central and state governments have given attractive fiscal incentives to plastic industries. Once the gas cracker project is set up and start commercial production, raw materials for varieties of products based on downstream products can emerge. Considering this opportunity the Government has also developed a Plastic park at Tinsukia district.
8.3.3 Opportunities arising due to the implementation of Look East Policy

The Look East Policy announced by the Government in 1992 is slowly being implemented. The implementation of this policy is likely to create opportunities for NE entrepreneurs both for trade and commerce and industry. There is possibility of revival of plywood industry with raw materials from Myanmar. Look East policy has given importance to the development of India's Northeast by increasing its connectivity to the outside world. This has increased opportunity of the entrepreneurs of this region for commercial linkages with South East Asia. There is also tremendous opportunity in respect of electronic equipment, computer software, heavy engineering light engineering and pharmaceuticals, product development and marketing process development, underutilized capacity in construction etc. In addition there may be growth of tourism sector. There is possibility of Thailand tourists visiting Assam for visiting the Buddhist areas. Entrepreneurs from South East Asian countries have been participating in trade fairs almost on regular basis.

8.3.4 Opportunities arising due to Border Trade

Assam shares long borders with the neighbouring countries and has huge potential for international trade. Considering the fact, Assam government has set up border trade centres at different places for promotion of international trade with the neighbouring countries of Bangladesh, Bhutan and Myanmar. The border trade centres would not only provide traders of a proper platform but also check illegal trade. The trade centres would also provide business
groups and entrepreneurs in the industrially backward Northeast to explore markets in the neighboring countries.

As a result of the opportunities new entrepreneurs have taken up entrepreneurial activities not only because of training but also by choice. This is also due to the fact that opportunities for employment in the Government service are very limited.

More and more women entrepreneurs are taking up entrepreneurial career. This is because they want to contribute in the family income. Again, many take up entrepreneurial activity for self employment and economic independence. Economic independence gives them status in their family and they become part and parcel of the decision making process in the family.

Due to increasing longevity and good health retired persons including voluntary retired persons are also coming forward to take up entrepreneurial career (Mali, 2005). Many of them take up this activity because they have talent, ambition and experience. They use their retirement money for this purpose. Again, many retired persons take up entrepreneurial activities to induce their child to take up entrepreneurial career.

8.4 Projection of Output, Investment and Employment in the Micro and Small Enterprise sector for the year 2015

In the context of the above discussion, a projection of output, investment and employment in the MSE sector is made for the year 2015. For projection of output, investment and
employment in the Micro and Small Enterprise sector in 2015 data are collected from Directorate of Industries and Commerce.

On the basis of the time series data of Table-4.3 of the Chapter-IV, a projection of output (in MSEs that are currently registered) is made for the year 2015.

Output in year ‘n’ is projected using two variable linear regression model given by

\[ Y_n = a + b T_n \]  \hspace{1cm} (i)

where T is time.

For projecting output in the MSE sector Table-8.7 is constructed.
### Table-8.7: Output in the MSE Sector

<table>
<thead>
<tr>
<th>Year (Year-1997)</th>
<th>Output Value (Rs. in Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988 -9</td>
<td>7883.05</td>
</tr>
<tr>
<td>1989 -8</td>
<td>4207.60</td>
</tr>
<tr>
<td>1990 -7</td>
<td>10119.78</td>
</tr>
<tr>
<td>1991 -6</td>
<td>7708.25</td>
</tr>
<tr>
<td>1992 -5</td>
<td>7131.26</td>
</tr>
<tr>
<td>1993 -4</td>
<td>6718.36</td>
</tr>
<tr>
<td>1994 -3</td>
<td>9141.00</td>
</tr>
<tr>
<td>1995 -2</td>
<td>6030.60</td>
</tr>
<tr>
<td>1996 -1</td>
<td>9330.18</td>
</tr>
<tr>
<td>1997 0</td>
<td>7379.66</td>
</tr>
<tr>
<td>1998 1</td>
<td>30230.75</td>
</tr>
<tr>
<td>1999 2</td>
<td>15460.71</td>
</tr>
<tr>
<td>2000 3</td>
<td>37560.77</td>
</tr>
<tr>
<td>2001 4</td>
<td>16013.81</td>
</tr>
<tr>
<td>2002 5</td>
<td>16379.60</td>
</tr>
<tr>
<td>2003 6</td>
<td>18976.90</td>
</tr>
<tr>
<td>2004 7</td>
<td>19698.20</td>
</tr>
<tr>
<td>2005 8</td>
<td>22940.86</td>
</tr>
<tr>
<td>2006 9</td>
<td>25514.67</td>
</tr>
</tbody>
</table>

Source: Based on Table-4.3 of Chapter-IV

**Projected output for the year 2015**

Projected output of registered MSEs in 2015 is presented by the equation (ii)
\[ Y_{2015} = a + b \times T_{2015} \quad \text{(ii)} \]

where \( T \) = Target Year : 1997

The coefficients are estimated through regression analysis with the help of SPSS. These are as follows:

\[ a = 14654 \quad b = 1143.26 \]

and \( T_{2015} = 2015 - 1997 = 18 \)

Substituting \( a, b \) and \( T_{2015} \) in equation (ii)

\[ Y_{2015} = 14654 + 1143.26 \times 18 \]

\[ = 35232.68 \]

Hence projected output of MSEs registered in 2015 will be Rs. 35232.68 lakh.

**Projected investment in 2015**

Projected investment in the in new MSEs by 2015 is estimated by adopting the basic Harrod-Domar equation. The basic Harrod – Domar equation projects investment requirement by year ‘\( n \)’ and is defined as -

\[ K_n = k \times Y_n \quad \text{ (iii)} \]

\( K_n \) is projected investment by year \( n \).

\( Y_n \) is the projected output by year \( n \).
k is capital-output ratio, where

\[ k = \frac{K_0}{Y_0} \]

with \( K_0 \) and \( Y_0 \) being current period capital and output.

Replacing \( n \) by 2015 in equation- (iii)

\[ K_{2015} = k \times Y_{2015} \quad \text{(iv)} \]

\( k \) represents capital output ratio for the latest year in the time series.

\[ k = \frac{K_0}{Y_0} = \frac{9282.72}{25514.67} = 0.363819 \]

Substituting \( k \) in equation- (iv), the investment required in the MSE sector in 2015 is projected as

\[ K_{2015} = k \times Y_{2015} \]

\[ = 0.363819 \times 35232.68 \]

\[ = 12818.32 \]

The projected investment requirement in new MSEs in 2015 will be Rs. 12818.32 lakh.
Projected manpower requirement in 2015

The Labour-Output Ratio Model (Hinchliffe, 1987) projects manpower requirement on the basis of the estimated labour coefficient as

\[ L_n = l \times Y_n \quad (v) \]

where

\[ L_n \] is the projected labour requirements in year \( n \)
\[ Y_n \] is the projected output by the year \( n \)
\( l \) is the labour coefficient

with \( l = \frac{L_0}{Y_0} \)

Manpower requirement in MSEs set up in 2015 is projected by adopting the Manpower Requirement Approach (equation-v) as:

\[ L_{2015} = l \times Y_{2015} \quad \text{(vi)} \]

where \( l = \frac{L_0}{Y_0} = \frac{11852}{25514.67} = 0.46452 \)

\( L_0 \) and \( Y_0 \) are labour and output in 2006-07.
Substituting in equation–vi, the manpower requirement by 2015 is projected as:

\[ L_{2015} = 1 \times Y_{2015} \]

\[ = 0.46452 \times 35232.68 \]

\[ = 16366.19 \]

Hence the manpower requirement in new MSEs in 2015 is approximately 16366.

8.5 Conclusion

Entrepreneurs face a number of challenges in establishing and running an enterprise, such as marketing, raw material, manpower, finance, power, machinery, and social challenges etc. Opportunities also abound for entrepreneurial activities. In fact, more and more opportunities have been emerging in the field of entrepreneurship. Considering the opportunities, projection is made on output, investment and employment in the Micro and Small Enterprise sector for the year 2015. Result shows that newly established MSEs in 2015 are projected to produce output worth Rs. 35232.68 lakh. The investment requirement in these MSE units during that year is projected at Rs. 12818.32 lakh and finally the manpower requirement for these new MSEs is projected at 16366.