Chapter-IX

*Summary, Conclusions and Recommendations*
9.1 Introduction

This chapter is divided into three sections. The first section contains summary of findings. On the basis of the findings, conclusions are drawn in the second section. The third section enunciates specific recommendations in respect of entrepreneurship development.

9.2 Summary of Findings

Strong entrepreneurial base is necessary for optimum use of natural and human resources. Entrepreneurship plays a major role in the development of enterprises, creation of opportunities for self-employment and entrepreneurial activities, besides generation of employment opportunities. In addition, entrepreneurship helps in solving social problem of unemployment and utilization of latent talent of individuals as well, leading to development of the economy and contribute to socio-economic change. Thus, entrepreneurship constitutes an important growth agent for fulfilling the aspirations of less developed countries. Richard Cantillon, an 18th century French economist first introduced the term ‘entrepreneur’ in economic literature. According to him, an entrepreneur is ‘a risk taker’. The role of entrepreneur as a key figure in the process of economic development was identified by Schumpeter. He was mainly concerned with economic development, instability and change and considered an entrepreneur as an innovator, who brings about change through the introduction of new product, new technology, and new sources of raw material, new market
and new form of organization. In the present study, an entrepreneur is defined as an individual, who organizes, owns, operates, manages and assumes the risks of an enterprise. The enterprise may be in manufacturing, service and business sectors and agro based activities. Besides, it may be operating both in urban and rural sector.

Entrepreneurship can be developed through planned effort. Various entrepreneurship development approaches are adopted in Assam in this regard. These approaches are - viz., integrated approach, location approach, area approaches and multipronged approach. The Integrated approach was adopted in Assam in 1973. The local level agency under this approach was Entrepreneurial Motivation Training Centres (EMTC). There were 9 EMTCs in the state which trained 30485 potential entrepreneurs during 1973 to 1997. More than 15 percent of them received seed money to start their enterprises. Subsequently it was supplemented by the location approach, where EDPs were organized in specific locations. These EDPs are target group oriented and product-cum-process specific. While this approach creates awareness of entrepreneurial opportunities, its success depends on the effective follow up and monitoring. Area approaches include RIP, STED, DRIP, Cluster Development Programme, etc. This approach provides visibility to the efforts made by different agencies. Hence, this approach has been given greater emphasis in recent years. Besides these approaches, there is group approach to entrepreneurship under which banks are involved right from selection of entrepreneurs to funding.

The average annual growth rate of registered MSEs (that is entrepreneurship) during 1988 to 2007 is found to be 20.6 percent. Similarly, average annual growth rate of investment and
output during the study period is estimated to be 45.3 percent and 89.5 percent respectively. District wise growth trend of MSEs during 2001-07 shows that none of the district registered a continuously increasing or declining growth trend. In fact, most of the districts show a fluctuating growth in this respect. Considering average growth of investment, employment and output in the MSE sector during 2001 to 2007, highest growth was registered in Sivasagar, Kokrajhar and Tinsukia district respectively. Regarding growth of types of MSEs, highest growth was recorded by engineering based enterprises followed by electronic based and mineral based enterprises during the same period.

Impact of investment and employment on output in the MSE sector is examined by constructing a multiple regression model where output in the MSE sector is defined as a function of investment and employment. Test results reveal that the model is insignificant. Subsequently as per the backward step method of regression analysis, the insignificant predictor in the model i.e., employment, is dropped and in the second model, output is defined by investment only. This new model has an $F$ value of 4.508 which is significant at 5 percent. This implies that the second model which predicts MSE output by investment is efficient. Besides a $R^2$ of .201 implies that 20.1 percent of the variation in output can be accounted for by an increase in investment. The absence of auto-correlation is indicated by the Durbin-Watson Test and appropriate value of VIF confirms the absence of multi-collinearity. Besides the beta value of investment is estimated at 0.458 which is significant at 5 percent, implying that an investment of one lakh rupees will induce output to go up by forty five thousand and eight hundred rupees.
Micro and small enterprises require the support facilities for their growth and development. In fact, success of these enterprises in many respects depends on well structured organizational setup as they helps in creating entrepreneur-friendly environment. During 1994 to 2010, more than two lakh entrepreneurs were trained by different support organizations in the state. In addition to training, marketing support is provided by MSME-DI, NSIC, NEDFI, DI&C and DI&CC. Procurement and distribution of scarce raw materials, construction and management of industrial estate is performed by ASIDC and AIIDC, DI&CC. Financial support services to the start up micro and small enterprises are provided by SIDBI, NEDFi, AFC and KVIC.

Government contributes to entrepreneurship by adopting policies and programmes that provide opportunities to entrepreneurs. During 2000 to 2011, claims of transport subsidy were disbursed to 1990 entrepreneurs, interest subsidy to 816 entrepreneurs, capital investment subsidy to 602 and insurance subsidy to 380 entrepreneurs. During 1995 to 2008, 18953 projects were sanctioned under PMRY and REGP programmes and Rs. 10255.2 lakh margin money was released in Assam under PMEGP during 2008-11. Different schemes of the state government benefitted artisans, students and unemployed persons in taking up income generating as well as entrepreneurial activities. The total number of artisans benefited during 2005-08 was 173145. Students are potential entrepreneurs and as such were brought Udyog Jyoti scheme. During 2005-07, 4511 students were benefited under this scheme.

Fifty five percent entrepreneurs come from non entrepreneurial family background, i.e., majority of them are first generation entrepreneurs. It is found that 45 percent entrepreneurs have educational qualification above graduation level. It is also found that more and more
technically qualified persons are also coming forward to take up entrepreneurial activity. Majority of the entrepreneurs (32%) have opted for entrepreneurial career as they wanted to be independent.

A multiple regression model is constructed to measure entrepreneurial performance, which is estimated in terms of sales turnover of the enterprise. Here, sales turnover is in terms of a number of variables, viz., investment levels, family background of the entrepreneur, possession of technical skill by the entrepreneur, educational attainment of the entrepreneur, gender, number of employees employed in the enterprise, previous experience of the entrepreneur, government incentives, organizational support and institutional finance. The results of the multiple regression model is obtained by using SPSS. The result shows that the model is significant. The $R^2$ is estimated at 0.62, implying that 62 percent of the variation in turnover is accounted for by the independent variables. Value of $F$ statistic is estimated at 31.426, which is significant at 1 percent level of significance. This endorses the efficiency of the model in predicting the factors affecting entrepreneurial performance, implying that all the independent variables together significantly affect the dependent variables. The average Variance Inflation Factor (VIF) and Tolerance statistics in the model are estimated at 1.3 and 0.79 respectively indicating that the model do not suffer from multi-collinearity. Similarly the absence of auto-correlation is confirmed by the Durbin Watson test which is estimated at 1.53.
Influence of individual predictor variables on Entrepreneurs’ performance is measured by using backward stepwise method of SPSS. The result indicates that $b_1$, which is the coefficient of investment is 1.96 and is significant at 1 percent. This implies that investment contributes significantly to entrepreneurial performance. Similarly, the beta coefficient of family background is 48.37, which is significant at 1 percent implying that family background has significant impact on their performance. Beta coefficient of technical skill is found to be significant at 5 percent. It implies that performances of enterprises run by technically skill entrepreneurs are better than those who have no technical skill and finally, beta coefficient of educational attainment of entrepreneurs is 33.95, which is significant at 10 percent level of significance. Hence, it implies that entrepreneurial performance is better for those entrepreneurs who have educational qualification of graduation or above. On the other hand factors like gender, number of employees employed in the enterprise, previous experience of the entrepreneur, government incentives; organizational support and Institutional finance were found to have insignificant impact on entrepreneurial performance.

Out of 200 entrepreneurs, 88 (44%) entrepreneurs received benefit from support organizations in terms of training (EDP), financial support and marketing support provided by these organizations. Awareness level of entrepreneurs towards support organization is found to be more in Kamrup district and maximum number of entrepreneurs from Kamrup district received benefit from these organizations. Again, out of 200 entrepreneurs, 95 (47.5%) received incentives provided by the Government. Out of those who did not receive any
incentive, more than 60 percent considered the process of getting incentives from the Government is complicated and time consuming.

Entrepreneurs face many challenges in establishing and running an enterprise. Challenges mainly relate to marketing, raw material, manpower, finance, power, procedural formalities and machinery. In addition to these, entrepreneurs also face social problems like frequent bandh, corruption, donation etc. In recent years, tremendous opportunities have been emerging in the country as well as in the state in the field of entrepreneurship. Opportunities are emerging in respect of manufacturing enterprises, service enterprises, trade and commerce, agriculture and allied sector etc. Look east policy and border trade policy of the Government have also opened new window of opportunity to the entrepreneurs. Besides, growing awareness about self employment and entrepreneurial career has encouraged many people to come forward to take up entrepreneurial career.

In the context of growing opportunities, output, investment and employment in micro and small enterprise by 2015 is projected. Basic Harrod – Domar equation is used for projecting investment and the Labour-Output Ratio Model is used for projecting manpower requirement by 2015. Projected value of output in the registered MSE sector of Assam is found to be Rs. 35232.68 lakh. Similarly, projected investment requirement is estimated to be Rs. 12818.32 lakh and projected manpower requirement by 2015 is estimated to be 16366 persons.
9.3 Conclusion

Assam initiated planned and systematic efforts to promote entrepreneurship among educated unemployed youth by adopting integrated model of entrepreneurship. After more than 25 years, Assam abandoned this approach and merged the EMTCs with DICs in 1999. As a result the planned efforts to promote and develop entrepreneurship in a comprehensive manner in Assam were greatly diluted. The merger appears to be a false step since the Government of Assam did not create any other agency to identify, select, train and provide all support services to new entrepreneurs, nor did DI&CC took up training as an additional activity to promote entrepreneurship. In recent years, the government probably realized the need for training intervention for promoting entrepreneurship in the state which was reflected in the creation of an Institute for Development of Entrepreneurs in Assam (IDEA) in 2005. This Institute was created primarily to promote entrepreneurship under Joint Liability Group (JLG) concept in agro-based activities and small industry and small business (micro enterprise) where there is huge employment potential, especially in improved and mechanized agriculture, rural marketing, rural transport, agro-processing activities and small industry and small business. This institute has been operating under the control of SIRD and since its creation in 2005 had successfully trained a large number of youth under JLG. In 2010, IDEA was renamed as Resource Centre in IT and Skill Development. This Resource Centre organizes and conducts training for new entrepreneurs, besides providing skill development training under a group approach with support from banks and financial institutions.
Some organizations have adopted area approach to develop entrepreneurship. This approach is more effective and has greater visibility in terms of enterprise set up as there is constant follow up, guidance and monitoring of the entrepreneurs trained. More organizations are now adopting and pursuing area approach in different places in the state because this approach is more effective.

Alternatively, RGVN (North East) Microfinance Ltd, a micro finance institution, has adopted a ‘training and financing’ approach to create micro entrepreneurs through training and financial support. This dual approach is unique to the organization and the extension of finance is seemed to have improved the success rate of EDP will dramatically.

Over the years, the growth of entrepreneurship had exhibited an increasing trend. This is evident from the numbers of MSEs registered with the Commissioner of Industries and Commerce. New entrepreneurs have been emerging partly because of government and non-government intervention, i.e., through training and support, and partly by choice of the entrepreneur under the limited scope for employment opportunities either in Government or in private sectors.

To increase the output in the MSE sector, there would be need for more investment, which could be both autonomous and induced. Autonomous investment may be in those sectors where the entrepreneurs see higher profit. However, under a pro-active policy, the government may direct the investment to those sectors where there is less potential for commercial profitability but where social benefits are very high.
A number of organizations and institutions including NGOs are engaged in developing entrepreneurship in the state. But except one or two, most of the organizations have not done effective follow up and monitoring of EDP trainees. Hence, in most of the cases, it is difficult to find out the actual number of units that have been set up due to support from these organizations. Studies done on entrepreneurship development in the north eastern region in 1990 and 1998 reveal that overall rate of success of EDP in 1990 was 20.9 percent (NEC, 1990) which has gone up to 25.2 percent in 1990-96 (IIE, 1998). The report suggests the corresponding rates in Assam went up from 22.0 percent to 30.5 percent during the same period.

A number of entrepreneurs have had accessed to incentives from the Government. But their number is not encouraging since most of the first generation entrepreneurs do not get incentives. This is partly because of ignorance of first generation entrepreneurs about incentives and facilities and partly because of complicated procedural formalities. In addition, there are also differences between announcement of policy and actual implementation of it in practice.

The performance of second generation is better than that of the first generation entrepreneurs. Besides, entrepreneurs with high level of qualification and technically qualified entrepreneurs also perform better. The performance of enterprise with higher level of investment is also better than those with low level of investment. From this it may be concluded that entrepreneurship in the state will experience a big fillip if highly qualified individuals can be
induced to take up entrepreneurship. Besides, entrepreneurial success can be ensured if a quantum of investment is raised substantially.

9.4 Recommendations

Based on the summary and conclusions of the study, the following recommendations have been made for effective promotion of entrepreneurship in the state. The recommendations have been made mainly in the terms of the role of government, organizations, banks and financial institutions, entrepreneurs, academic institutions and society, at large for the formulation and evaluation of an effective entrepreneurial development policy.

Role of Government

- Government policies, programmes and schemes are for promotion of MSEs and hence for promotion of entrepreneurship. However, there are huge divergences between policies and practices resulting in significant gaps in promises and outcomes. Government may examine in depth the divergences and adopt corrective measures for benefiting entrepreneurs.

- Availability of skilled manpower has posed a problem for different types of enterprises, especially for plastic units, printing presses, handloom units, furniture units and construction industry and so on. In respect to development of skilled manpower for plastic units, Government may advice CIPET to consider taking up
short term training programmes to train manpower for plastic-based units, and long term programmes for developing skilled manpower for units that are likely to come up based on downstream projects of the Assam Gas Cracker Project.

- Government may also consider creating interdisciplinary institutional infrastructure for developing worker with comprehensive skill for independently operating units involve in furniture making, printing press and construction industry on a sustainable basis. For doing so there may be need to make some feasibility study.

- As regards handloom units, government may advice Indian Institute of Handloom Technology to plan for short term skill development programmes for weavers. SIRD may also take up such kind of activities.

- Getting unskilled manpower has also become a problem after implementation of MNREGA. This is partly because most of the unskilled individuals are now getting 100 days employment, and partly because they are satisfied with whatever they get. Unskilled worker would probably like to work and earn more provided they can work with small machines. The Government may explore this possibility with support from IIT and NIT.

- Cost of transportation of a number of units with small value but high bulk such as cane and bamboo furniture units and domestic coke units is a major challenge. While transport subsidy is available, it is not available for units transporting their products within the state. It is recommended that government considers either to provide some
subsidy or plan for introduction of industrial transport in the line of rural transport introduced under Chief Minister's Jiban Jyoti Swarojgar Yojana.

- In the ever changing business environment, entrepreneurs are supposed to adjust to the change. Sudden and unanticipated change in government policy (e.g., abolition of quota system for wheat) creates problem for entrepreneurs. It is recommended that while undertaking major changes in government policy, adequate time should be given to entrepreneurs to adjust and adapt themselves to the new business environment.

- There are many instances of delayed payments by government departments and public sector undertakings against purchase made on credit from micro and small entrepreneurs. Delayed payments create cash-flow problem for units making sales on credit. It is recommended that government may advice the purchasing departments and public sector undertakings to place supply order based on availability of fund for purchase so that such delays can be avoided. Otherwise, the health of these units would be adversely affected.

- Long and complicated procedural formalities to receive any incentives are another challenge faced by the entrepreneurs discouraging them to ask for incentives. Simplification of procedural formalities and time bound decision making process will go a long way in mitigating this challenge.
Role of Organizations

- A positive environment in the support system creates conditions for entrepreneurship to grow. Such a favourable environment has been gradually emerging in support organizations. Yet there are gray areas in organizations like District Industries and Commerce Centre, Pollution Control Board, and others that need to be entrepreneur-friendly. While e-udyog has helped entrepreneurs to submit their enterprise memorandum online, getting incentives is not that easy. Besides, getting no objection certificate from pollution control board and electricity connection from ASEB remains a difficult task. This situation can be improved by orientation and sensitization of personnel dealing with these subjects. Organizations involved in providing these types of services should consider this type of training and sensitization programme.

- Entrepreneurs are required to get clearances from a number of different authorities like Municipal Corporations/ town committees or Panchayat, Supply Department, Forest Department, Electricity Board, Pollution Control Board, Sales Tax Department etc., It is recommended that the District Industries and Commerce Centre should act as a single window for different types of clearances and exempt the harassed entrepreneurs in running from pillar to post.

- Every DI&CC is supposed to have information on potential enterprises. This information is also available in bank’s credit plan. Each DI&CC can help and guide entrepreneurs by providing information on the types of enterprises that can come up in
particular places. This will help new entrepreneurs in selection of right kind of projects.

- Planning and implementation of EDP requires proper publicity, adoption of three-tire selection process for EDP candidates, and so on. The three-tire selection process comprises of calling for application, holding written test, followed by viva voce examination. However, in practice this process is diluted by the training institutes because of large number of candidates. Even then, to make EDPs more effective, the training organizations are to make the selection procedure much more rigorous so that only genuine entrepreneurs with real potentials are selected and pseudo-entrepreneurs are excluded.

- Planning involves pre-programme activities, programme activities and post programme follow-up, guidance and monitoring. Though every stage is important to make an EDP a success, effective post-training follow-up, guidance and monitoring is most important. The training organizations are to see how they can make their EDP successful by their post-training follow-up, guidance and monitoring measures.

- Linkage with bank is important for getting finance for starting enterprise. SIRD’s approach in promoting group entrepreneurship is through entering into a three way memorandum of understanding with commercial banks. Although this scheme was initially started with the State Bank of India, but later on other banks also came in to support SIRD’s efforts. This approach, if followed by other training agencies also can make entrepreneurship development effective.
Role of banks and financial institutions

- One major challenge faced by entrepreneurs is getting finance from banks or financial institution. This challenge takes various forms such as difficulty in getting initial capital, delay in sanction and disbursement of loan and inadequate working capital. Although some delays are unavoidable; but in most cases delays can be avoided. To correct the situation, it is recommended that the decision making process in banks and financial institutions should be time bound and responsive to the needs of the potential entrepreneurs.

- Banks and entrepreneurs are partners in progress and hence, the former should play the role of friend, philosopher and guide for new entrepreneurs. This will impart a proactive role to the bank in entrepreneurship development.

Role of academic institutions

- Introduction of entrepreneurship in academic institutions, especially for 9 to 12 standard student is necessary to create an entrepreneurship culture. While some provisions have been made for higher secondary and degree level students, there is practically no effort to introduce entrepreneurship education at school level, which may be the terminal level for vast majority of students. It is recommended that efforts to create awareness about entrepreneurship in high school should be made so that more and more students are motivated to choose entrepreneurship as their livelihood.
• Entrepreneurship should not be just a subject of study; rather it should be more practical oriented. Greater emphasis should be on learning by doing and organizing exposure visits for students to industrial estates/industrial areas, trade fairs, interaction with successful entrepreneurs, etc. This would enhance their capability from a practical perspective, instead of adding to their academic knowledge.

Role of Society

• The social environment plus the environment in the family, plays an important role in the nurturing and development of entrepreneurship. Societies that encourage people to take up entrepreneurship as livelihood will find more entrepreneurs in their midst, compared to those that do not give due regards to that profession. Changing social environment may take time. Nevertheless, efforts in this direction are needed to create more entrepreneurs.

• Frequent bandhs, collection of donations etc., creates a constraining atmosphere for entrepreneurs. Those responsible for such obstructive behavior should be penalized and socially shunned.

Role of Entrepreneurs

• Competition is a part and parcel of any kind of business and this is more so after the economic liberalization. In a competitive environment, entrepreneurs will not only
compete for a share in the market but also compete for labour, raw materials etc. Each entrepreneur will have to follow his/her own strategy to survive and grow in the cutthroat competition that exists in most contemporary economies. There are, however, agencies like NSIC which can help entrepreneurs to face the competition by facilitating their participation in tender marketing under its single point registration scheme.

- Entrepreneurs will also have to be innovative in their approach either in introducing newly designed product or providing improved service to be in business. Innovation is the key for success for new entrepreneurs which enable them to remain ahead of their competitors.

- Entrepreneurs should always remain alert to emerging opportunities so that they can aggressively and proactively access their potential benefits. They must exhibit an inherent initiative, a competitive spirit and desire to grow and expand if they are to operate in a sustainable manner without the necessity of a crutch in the form of organizational and state support.

It is felt that the above recommendations, directed to the various stakeholders i.e., government, organizations, banks and financial institutions, entrepreneurs, academic institutions and the society at large, will strengthen the existing entrepreneurship development strategy and in the process will impart a new impetus to entrepreneurship development in Assam.