Chapter-I

Introduction
1.1 Statement of the Problem

Assam, popularly known as the land of red rivers and blue hills, is located in the south of the eastern Himalayas. It lies between 24 to 28 degree north latitudes and 90 to 96 degree east longitudes and covers an area of 78,438 sq. km. Assam accounts for 2.4 percent of the total geographical area of the country. It forms the core of the north eastern region. The state is surrounded by six of its sister states, namely, Arunachal Pradesh, Meghalaya, Manipur, Nagaland, Tripura and Mizoram. It also shares international boundary with Bhutan and Bangladesh. The state along with its seven sisters is connected to the main land through a narrow corridor of 56 km below the Bhutan hill.

The present geographical boundary of the state has changed significantly since independence. At present there are 27 districts, 49 subdivisions, 219 blocks, 2489 panchayats and 26,312 villages in the state.

Assam’s economy is predominantly an agrarian economy. Tea industry which occupies an important position in the state’s economy is about 150 years old. Besides tea, industries based on petroleum products also occupy an important place in the national economy. The state is endowed with valuable natural resources like petroleum, natural gas, coal, lime stone, etc. Assam is located in one of the richest biodiversity zones in the world. It consists of tropical rain forest, riverine grasslands and bamboo orchard. All these have great potentials for utilization for industrial development. Despite its rich natural resources, Assam still reflects the characteristics of a backward economy. The growth rate of Assam’s income has not kept
pace with that of India’s. Another notable feature of backwardness of Assam’s economy is reflected in its industrial backwardness. It is surprising to note that, though the state was a pioneer in respect of tea and oil industry, contribution of the industrial sector to the state domestic income is not encouraging. The share of the secondary sector in the state domestic product was only 16.90 percent in 2006-07 at constant prices and that of the share of manufacturing sector was only 9.54 percent at constant prices during the same period (Directorate of Economics & Statistics, 2008).

There are various problems associated with industrial development, particularly small scale industry. Problems are like geographical isolation, inadequate infrastructure facilities, inadequate financial assistance by the all India term lending institutions, non-availability of raw materials, non availability of skilled manpower, etc. Coupled with these factors problems of industrial backwardness is also due to inadequate supply of highly motivated indigenous entrepreneurs in the state to utilize the opportunities (Mali, 1989).

Generally, small scale industries (SSI), now known as micro and small enterprises, are considered as the breeding ground of entrepreneurs as these enterprises require small amount of capital, involves simple technology and has a short gestation period. 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 of people helps in solving social problem of unemployment and also utilization of latent talent of individuals. These ultimately help in the development of the economy and contribute to socio-economic change.
Entrepreneurial base is necessary for optimum use of natural and human resources. It helps in solving varieties of problems in the path of progress. During 1950s, there was acute shortage of entrepreneurs. In the early part of 1960s, entrepreneurship remained a topic of academic and philosophical discussion by economist, sociologist and psychologist. These discussions mainly aimed at defining entrepreneurship, its nature and functions. However, each of these discussions was influenced by respective academic interest (Akhouri, 2001). Towards the end of 1960s, a positive linkage was established between entrepreneurship and economic prosperity (McClelland, 1961); and a strong hypothesis emerged that entrepreneurship can be developed through planned efforts (McClelland and Winter, 1969).

In India, efforts for promoting entrepreneurship were started in early 1960s in the form of industrial campaigns. But in the initial stage, it was not successful as the industrial campaigns were started in great haste and without much planning. It was in the early 1970s that efforts were undertaken for starting entrepreneurship development in India in a systematic manner. Gujarat was the first state to start planned and systematic efforts to entrepreneurship developments, followed by Andhra Pradesh, Karnataka, Tamil Nadu, J&K etc. Now all the states and union territories have accepted entrepreneurship development as a strategy for promoting entrepreneurship among the youth, particularly educated unemployed youth.

In the North Eastern region, Assam can be regarded as a pioneer state to start entrepreneurship development: In the early 1970s, the problem of unemployment was serious in Assam. To solve
the problem of unemployment, the government of Assam under the leadership of the then Chief Minister S. C. Sinha started a novel experiment for entrepreneurship development. Under his leadership the government of Assam adopted the integrated model of entrepreneurship development evolved by Small Industry Extension Training (SIET) Institute, now National Institute for Medium, Small and Micro Enterprise (NIMSME), Hyderabad. Based on this model, the government of Assam set up Entrepreneurial Motivation Training Centre (EMTC) to develop entrepreneurship among the youth in the state.

1.2 Conceptual Framework

A number of concepts are integral to this research study. These are discussed below.

Entrepreneur

The term ‘entrepreneur’ is derived from a French term ‘entreprendre’, which literally means ‘to undertake’. While in the middle ages, this term was used to describe both an actor and an individual engaged in the large scale production project, in the 17th century, persons engaged in civil engineering activities were also considered as entrepreneurs. Some say entrepreneur is a risk taker (Cantillon, 1725). Some others say that he/she is an uncertainty bearer (Knight, 1921). Still some other says that an entrepreneur is an organiser (Say, 1803). An entrepreneur is an innovator (Schumpeter, 1961), energetic and moderate risk taker with high need of achievement (McClelland, 1961). Entrepreneur is not a change agent but a product of change (Drucker, 1964). He is very alert (Kirzner, 1978) and a gap filler (Leibenstein, 1968).
Entrepreneurs may operate in any field of activity. They may be in industry, agriculture, social service, healthcare service, etc. (Kuratko & Hodgetts, 2001). They may be from any backgrounds. They may be from any religious group, caste and creed. They may be illiterate or most literate, old or young, male or female. They may come from rural or urban areas (Mali 2002). Entrepreneurs try to satisfy the needs of the market to supply desired need of products or services. They play an important role in economic and social change and development of a country or a region.

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. It may also be engaged in village industry sector. In addition, the entrepreneur has employed minimum one person in his/her enterprise.

The study will cover entrepreneurs who have set up an enterprise and have been operating it at least for three years. The three year period is taken because in most of the self-employment programmes subsidy is back-ended and adjusted against the loan at the end of three years. Again, it is assumed that an enterprise would grow and sustain after three years.

**Entrepreneurship**

Entrepreneurship is defined as the process of running an enterprise of one’s own. The process involves initiative taking, taking risk beyond security, and converting a business idea into a
business venture. In other words, the characteristics of entrepreneurs required for starting and running an enterprise.

**Entrepreneurship Development**

Entrepreneurship development is promotion of entrepreneurship through systematic support. In addition, individuals also take up entrepreneurship by choice and by compulsion. In this study, these three groups of entrepreneurs are taken into consideration, i.e., entrepreneurship promoted by systematic training and support, entrepreneurship by choice and entrepreneurship by compulsion.

**Manufacturing Enterprise**

The enterprises engaged in the production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery.

**Service Enterprise**

The enterprises engaged in providing or rendering of services. These enterprises are defined in terms of investment in equipment.
The limit of investment in plant and machinery for manufacturing and equipment for service enterprises for micro and small enterprises are as per the Micro, Small and Medium Enterprise Development Act (MSMED Act), 2006 given in the Table-1.1

Table-1.1: Types of Enterprises

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<th>Types of Enterprise</th>
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<tr>
<td><strong>Manufacturing Enterprise</strong></td>
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<td>Micro Enterprise</td>
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<tr>
<td>Small Enterprise</td>
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<tr>
<td><strong>Service Enterprise</strong></td>
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<td>Micro Enterprise</td>
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<td>Small Enterprise</td>
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Source: DC-MSME, online: Accessed on 11th August, 2011

Women Enterprise

The Government of India in its 1991 industrial policy defined woman enterprise as an enterprise where the majority of share holding and management control rests with the woman,
irrespective of the percentage of women employees in the enterprise. This definition is used for the purpose of this study.

For projecting investment requirement and manpower requirement in the newly registered MSEs by 2015, the Harrod – Domar equation and the Labour-Output Ratio Model are used.

The Harrod – Domar Equation

The basic Harrod – Domar equation projects Investment requirement by year ‘n’ (Psacharopoulos, 1987). It is given as -

\[ K_n = k \times Y_n \]

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

\( Y_n \) is the projected output in 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.

The Labour-Output Ratio Model

The Labour-Output Ratio Modèle (Hinchliffe, 1987) projects manpower requirement on the basis of the estimated labour coefficient. This is given as -

\[ L_n = l \times Y_n \]
\( L_n \) is the projected labour requirements in year \( n \)

\( Y_n \) is the projected output in year \( n \)

1 is the labour coefficient, where \( l = \frac{L_0}{Y_0} \), with \( L_0 \) and \( Y_0 \) being the current period labour and output.

**Entrepreneur's Performance**

In this research, in the absence of a more direct indicator, sales turnover is used as a proxy to measure entrepreneurial performance.

**Sales Turnover**

Sales turnover is defined as the total amount of goods or services sold within a stipulated time period, usually 12 months. Sales turnover is usually expressed in monetary terms; but can also be used in total units of stock or products sold. However, in this study sales turnover of an enterprise is defined in monetary terms. For primary data collection entrepreneurs are asked to provide the annual value of amount of goods and services sold.

**1.3 Objective of the Study**

The study has been undertaken with the following objectives –

- To explore various approaches to entrepreneurship development
To analyze the growth trend of entrepreneurship in Assam

To examine the role of support organizations in promoting entrepreneurship

To analyze state policies and programs for entrepreneurship development

To examine the structure, investment level and employment generation and sales turnover in the MSE sector.

To identify challenges and opportunities of entrepreneurship in Assam and project output, investment level and employment in the MSE sector of the state in 2015

1.4 Hypothesis

A number of hypotheses are framed to study the impact of various factors on entrepreneurial performance which is measured in terms of sales turnover of the enterprise. Factors considered include investment levels, family background, technical skill, educational attainment, gender, number of employees, experience, government incentives and programmes, organizational support, and institutional finance.

Accordingly, the following null hypotheses are formulated:

H01: Entrepreneurial performance is independent of investment levels.

H02: Family background has no impact on entrepreneurial performance.

H03: Entrepreneurial performance is unaffected by the presence of technical skill of the entrepreneur.
H04: Educational attainment has no impact on entrepreneurial performance.

H05: Entrepreneurial performance is unaffected by the gender of the entrepreneur.

H06: Number of employees has no impact on entrepreneurial performance.

H07: Entrepreneurial performance is unaffected by the experience of the entrepreneur.

H08: Government incentives and programmes have no impact on entrepreneurial performance.

H09: Organizational support does not impact entrepreneurial performance.

H10: Institutional finance does not affect entrepreneurial performance.

1.5 Methodology

1.5.1 Coverage of the study

Entrepreneurs may be in any field of activity. However, this study focuses mainly on small and micro enterprises registered with the Directorate of Industries and Commerce. For the study, the total number of permanently registered units in Assam constitutes the universe. However, data on investment, employment and sales turnover field data are collected from three districts, viz., Kokrajhar, Kamrup and Tinsukia.

The three sample districts are selected on the basis of the following rationales:
- **Kokrajhar** is the district headquarters of Bodoland Territorial Council (BTC) and is one of the first six districts in Assam where Entrepreneurial Motivation Training Centre (EMTC) was set up in the first phase of implementation of systematic approach to entrepreneurship development.

- **Kamrup** district has the highest number of micro and small enterprises. Besides, most of national support organizations have their offices in this district. Guwahati is also the capital city of the state and gateway to the North East India.

- **Tinsukia** district is the commercial hub of Upper Assam, besides being one of the three districts where Entrepreneurial Motivation Training Centre (EMTC) was setup in the second phase.

### 1.5.2 Database for the study

Both primary and secondary data are used for the study. All the registered small and micro enterprises in Assam constitute universe for the present study. SSI units in the informal sector are not taken into consideration in the study due to lack of reliability of data. Again, informal sector is very wide spread. For the primary data, lists of entrepreneurs comprising names and addresses of the entrepreneurs are collected from the District Industries & Commerce Centre (DI&CC) of Kokrajhar, Kamrup and Tinsukia, Assam Industrial Infrastructure Development Corporation (AIIDC), National Small Industries Corporation (NSIC) and Indian Institute of Entrepreneurship (IIE) respectively. Besides, year wise data of permanently registered SSI (MSE) units of all the districts in the state were collected the Commissioner of Industries and
Commerce, Government of Assam. Three all India SSI census reports prepared by the Development Commissioner, SSI are also used. The first census was conducted with reference year 1971-72, second census with reference year 1987-88 and third census with reference year 2001-02. Data collected from the census reports are used to analyze the growth of entrepreneurship in Assam. In addition, primary data are collected from various organizations related directly or indirectly in the entrepreneurship development in the state. These organizations are IIE, SIRD/IDEA, MSME-DI, NEITCO, AFC, RGVN, NEDFI, NABARD, SIDBI and KVIC. Separate questionnaires are used to collect data from these organizations.

Secondary data are collected from books, journals, reports prepared by different agencies at different points of time and websites. Sources of data are libraries of IIE, SIRD, KVIC, OKD Institute of Social Change and Development, Micro, Small and Medium Enterprises Development Institute.

Role played by the support organizations is studied on the basis of the primary data as well as secondary data. All the organizations and institutions directly or indirectly involved in entrepreneurship development in Assam form the universe of the study. In order to study the role and impact of programmes of such organizations, they are grouped into four categories:

1. Organizations exclusively engaged in entrepreneurship development
2. Organizations which have some programmes for entrepreneurship development, besides other programmes
3. Organizations which perform certain activities that have direct or indirect effect on entrepreneurship

4. Organizations engaged in specific line of activities including NGOs

Detailed study is made for the first category organizations which are exclusively engaged in entrepreneurship development in the state. Moreover, other categories of organizations are also discussed here in some detail.

**Sampling Design**

For the present study, multistage stage sampling method is adopted. In the first stage, districts are selected on the basis of purposive sampling.

In the second stage, areas within the district are chosen on purposive basis. First, lists of entrepreneurs comprising names and addresses of the entrepreneurs are collected from the District Industries & Commerce Centre (DI&CC) of Kokrajhar, Kamrup and Tinsukia, Assam Industrial Infrastructure Development Corporation (AIIDC), National Small Industries Corporation (NSIC) and Indian Institute of Entrepreneurship (IIE) respectively. Subsequently a consolidated list is prepared where enterprises are classified on the basis of their geographical location. Taking into consideration the limitation of time and resource of a single researcher only those areas are selected where there is a concentration of micro and small enterprises.

In the third stage, entrepreneurs in the selected areas are chosen by using simple random sampling.
A questionnaire was prepared to solicit the information essential for fulfilling the objectives and hypotheses. Before undertaking the actual field survey, a pilot sample of 15 entrepreneurs was taken to test the draft questionnaire. Deficiencies observed in the questionnaire during the pilot survey were removed and modification was done to make it simple and unambiguous for the respondents.

The researcher interviewed the entrepreneurs in all the three districts personally and noted down their responses. No investigator was engaged for collection of field data to maintain the quality of data collected from field.

**Sampling size**

For field study 200 MSEs are selected from three districts, viz., Kokrajhar, Kamrup and Tinsukia. Since most of the MSEs are owned and/or managed by proprietors or partners, so they are considered as entrepreneurs. On the basis of existing registered units in the three districts, 101 units are selected from Kamrup district. This comprises of 1.3 percent of the total number of registered working units in the district. Similarly from Kokrajhar and Tinsukia 36 and 63 units are selected, which comprises of 7.5 percent and 5 percent of the working registered MSEs in these two districts respectively.

**1.5.3 Line of Analysis**

An analysis of the different approach adopted for entrepreneurship development in the state is mostly done by using secondary data collected from respective organizations.
Growth trend of entrepreneurs are examined by using three all India census data of small scale industrial units. Besides, growth is also measured in terms of permanently registered micro and small scale industrial units in the state during 1987-88 to 2006-07; for this, data is collected from Directorate of Industries and Commerce (DI&C). To examine stability of the time series data considered for the study, Augmented Dickey-Fuller Test is undertaken. District wise growth of entrepreneurs is also taken into consideration during the period 2001 to 2007. Impact of investment and employment on the value of output of the MSE sector is examined by formulating multiple regression model and result is obtained by using **backward stepwise method** using the Software Package for Social Science (SPSS). Again, role of women entrepreneurship in the state is studied in this chapter, by using unpublished data collected from Directorate of Industries and Commerce (DI&C).

Impacts of support organizations which are directly or indirectly involved in entrepreneurship development are examined by collecting primary data from these organizations. For this, different sets of questionnaires are prepared regarding their performance on entrepreneurship development. Besides, information is also collected from annual reports and websites of these organizations.

Impact of policy measures and programmes taken by the government is done by consulting published government and non-government documents.

Type of entrepreneurial setup, investment made, employment generated and sales turnover of the enterprises are explored on the basis of primary data collected through sample survey. Impact of the support organizations and policy measures and programmes of the Government
are also examined through primary data. For analysis, simple statistical tools like averages and percentages are used. Again, to test the null hypothesis regarding entrepreneur’s performance which is measured by sales turnover of the enterprise, a multiple regression model is formulated considering variables like: investment levels in the enterprise, educational attainment, skill level, family background and gender of the entrepreneur. Besides, number of employees in the enterprise, experience of the entrepreneur, organizational support, Government incentives and institutional finance is also taken into consideration. Analysis is done by using the same backward stepwise method of SPSS as mentioned above.

Challenges faced by the entrepreneur are examined through the data collected on the basis of direct observations and feedbacks. To find out opportunities of entrepreneurship, information is collected from secondary sources. On the basis of the opportunities, projection of, output requirement by 2015 is determined by using two variable linear regression model. Projected investment in the new MSEs by 2015 is estimated by adopting the basic Harrod-Domar equation and the Labour-Output Ratio model is used for projecting manpower requirement in the new MSEs by 2015.

1.6 Chapter Plan

1. Introduction

This chapter consists of statement of the problem, conceptual framework, objectives, hypothesis, methodology and the chapter plan.
2. Review of literature

A comprehensive review of literature relating to various aspects of entrepreneurship and entrepreneurship development has been undertaken in this chapter.

3. Entrepreneurship Development in Assam: An Analysis of Approaches

In this chapter, integrated approach, location approach and area approaches are discussed. In addition, multipronged approach adopted by IIE has also been discussed.

4. Growth of Entrepreneurship in Assam

This chapter examines growth of entrepreneurship in the state. District wise growth trend is also examined here. Analytical study is also made to assess the impact of investment and employment on output of the MSE sector in the state. Besides the role of women entrepreneurship and its growth in Assam is traced here.

5. Organizations and Their Impact on Entrepreneurship Development

In this chapter a list of all the organizations directly or indirectly engaged in entrepreneurship development is prepared. Function of these organizations and their efforts and impacts on entrepreneurship development in the state are studied here.

6. Policies and Programmes for Entrepreneurship Development

This chapter examines the incentives given to entrepreneurs through different industrial policies and programmes especially to micro and small enterprises (MSE), known earlier
as small scale industries (SSI). The policies are discussed under central government policy, state government policy and policy for North Eastern Region.

7. An Evaluation of the Structure and Operation of Entrepreneurship in Assam
This chapter analyses the profiles of sample entrepreneurs and enterprises surveyed in Kokrajhar, Kamrup and Tinsukia districts. Structures of enterprises, employment generated, investment and amount of sales turnover of the enterprises are examined here. Existing infrastructure for entrepreneurship development is also assessed. In addition, motivating factors of entrepreneurs to take up entrepreneurship are also discussed here. Hypotheses on entrepreneur’s performance which is measured in terms of the sales turnover of the enterprise are also tested in this chapter.

8. Challenges and Opportunities for Entrepreneurship Development
In this chapter challenges faced by the entrepreneurs are examined by using primary data. Opportunities for entrepreneurship development in the state are discussed here. Furthermore, projection of output, employment and investment in the MSE sector of the state by 2015 is also made here.

9. Summary, Conclusions and Recommendations: This chapter consists of summary of findings, conclusions and recommendations.