CHAPTER – I

INTRODUCTION
1.1 Introduction

Entrepreneurship Development is necessary for growth and development of the economy. "An economy is the effect for which entrepreneurship is the cause" (Khanka, 2008, p. 17). Enterprise is considered as leading sector to the economic upliftment. There are Micro, Small, Medium and Large enterprises as components in the enterprise sector as a whole. Among them the Micro Enterprise is the smallest section, but it acts as a big agent for all round economic development. It is considered as one of the most effective mode of self employment and rural development in an economy. Micro enterprises (MEs) are not only producing products and rendering services, but also involved in providing employment to a large section of people. It is a base and support of rural people in particular and nation's economy in general. In fact, the aim of micro enterprise is to assist government, employers, workers and other common people concerned with job creation and social development (Sudheendra, 2011). Moreover, social and economic development on a larger scale leads to more people's participation in the industrial sector. This indicates social development and industrialisation goes hand in hand. It can be stated that micro enterprises are promoted for regional and rural development through utilisation of human resource, enhancement of production, generation of income, contribution to import and export, etc. Hence, the micro entrepreneurship development and enterprise has become a crucial aspect in the advancement of the nation as a whole.

The task of entrepreneurship development is a big task (Mali & Bandopadhyay, 1993, p. 165). Moreover, developing micro base enterprises is more sophisticated than other enterprises. This is particularly because of factors like labour intensive, lower investment and participation from untrained and unorganised groups. However, micro entrepreneurship development acts as a root for the generation of
micro entrepreneurs. Therefore, promotion of micro enterprises should be an important part of developmental policy of the government. Nevertheless, the national and regional polices support the micro enterprises to contribute significantly in the expansion of manufacturing and service sectors in the region.

The concept and nature of enterprises have changed drastically in recent times. It was Small-Scale Industries (SSIs) for long time, then Small and Medium Enterprises (SMEs) and right now, Micro, Small and Medium Enterprises (MSMEs) have emerged prominently in the lexicon of relevant policy documents and pronouncements (Das, 2008). The definition of micro enterprise differs from one country to another according to country's economic structure. There are different definitions of micro enterprises defined by different industrial thinkers. However, the most popular definition under developed and developing nation is the one which is made on the basis of total investment, total employment or size of the firm. In the context of India, the Government of India has defined a micro enterprise in terms of its investment limits in plant and machinery (for manufacturing units) and investment in equipments and machinery (for service rendering units).

Micro enterprises appear as an important part of MSME sector in India. In India, it has contributed towards economic success through various enterprise bases. It is shown in the report of Chronicle (2010) that the MSMEs have contributed about 8 percent to Gross Domestic Product (GDP) of the country, about 45 percent of manufactured output and about 40 percent of export. Again, as per the quick results of the 4th All India Census of MSMEs (2006-07) there were 26 million MSMEs in the country, which provide employment to more than 60 million persons. This is a positive indication towards bringing social and economic reformation in the economy.
Further, it should be noted that micro-enterprises are greatly responsible for job generation in the developing country, denoting their prominent social and ecological perspective (Kuazaqui, 2013). The micro enterprises are recognize as powerful instrument for improving the social standard and better quality of life of people. They attempt to increase not only the quantity but also improve the quality of the products through the application of dexterous marketing tactics. These tactics in turn provide benefit to the society through offering of products and services at reasonable price.

Micro enterprise sector is one of the fastest growing entrepreneurial sectors all over the world. Besides its significant contribution in developing economy like India micro enterprises come across with problems which become main factors for its tardy growth. The general problem that micro enterprises has been facing are in the form of inadequate financing, difficulty in accessing finance, inadequate infrastructure facilities, indebtedness, production and marketing related problems, under utilization of capacity, increase competition, infrastructural constraints, etc. These constraints lead to sickness and ultimately results in complete shutdown of the enterprise. However, the governmental efforts have been successful in protecting and promoting micro enterprises to some extent. If the enterprise development machineries of the government functions properly then the growth can be observed in the smallest entrepreneurial sector like micro enterprise. However, success of enterprises also depends on entrepreneurs' interest and enthusiasm, innovation, creativeness, ready to bear uncertain risk and most importantly proper training about the start up venture. Although training and literacy increases the likelihood of success, they are not necessarily a guarantee of future success, because with a very good education other
entrepreneurial capabilities or key success factors might be missing (Roy and Wheeler, 2006).

Micro enterprise sector mostly operates in various manufacturing and service sectors under different business environment and cater to the need of people and other macro enterprises. However, in the initial period of establishment the functional problems like production, finance and management are involved, but latter on the problems like irregular turnover in account, slow movements of stocks, decline in production, sales profitability become issues for the enterprises (Subramanyam & Reddy, 2012). According to Kumar and Gugloth (2012), the micro enterprises are affected by the internal problems which affect organization, structure, production channel, distribution channel, technical, training, industrial relation, inadequate management, whereas external issues are because of power problems and lack of infrastructural facilities. The threat is also increasing as the enterprises have to compete with the other small and medium enterprises and sometimes with the large and multinational companies. Therefore, it is important for the government to look into the problem of micro enterprises and subsequently to act upon new measures for micro enterprise/entrepreneurship development.

As told, functioning of micro enterprises lead to the removal of regional disparity as it distributes income to poor and disadvantage fragment. Moreover, it gives economic empowerment to those sections too. There are different factors which are accountable for the success of micro enterprises in any region. Micro enterprises are characterized by low investment requirement, location wise mobility, operational flexibility and import substitution (Paramasivan & Selvan, 2013). It is considered as one of the important agent, as it avails the opportunity by taking certain associated risk and brings inclusive development in the economy. Micro enterprises take up
business of such nature where more personnel are needed. They are mostly labour pooling industries (Das & Das, 2011). In our country micro enterprises are projected as the most suitable means of production by masses.

One major initiation taken by the government is the enactment of MSME Act, 2006. According to the MSME Act 2006, recognition has been given to the concept of enterprise and has been defined separately with regard to micro, small and medium enterprise. All these three categories of enterprises have been divided into manufacturing and service sector. As per the Act the manufacturing sector micro enterprises are those where investment in plants and machinery does not exceed twenty five lakhs rupees; and service sector micro enterprises are those, where investment in equipments does not exceed ten lakh rupees. Therefore, micro enterprises have been categorically defined as the smallest section among the enterprise arena. A higher growth rate and functioning of micro enterprises means more local participation and economic empowerment to the local people and better economic development.

However, micro entrepreneurial scenario remains unexplored in case of Arunachal Pradesh in general and Papum Pare district in particular. Arunachal Pradesh is a region endowed with abundant natural resources and favourable climatic conditions for large scale entrepreneurial growth. There is also a scope for developing of hydropower and tourism sector and also other entrepreneurial areas like forest based, mineral based, agro based and rural engineering based enterprises. However, despite of abundant natural resources and potential of entrepreneurship development, the state still remains backward. There has not been industrial and entrepreneurial culture in the state before independence. Even, in the post independence period the industrial contribution to the Net State Domestic Product (NSDP) is not appreciating.
However, after enactment of state industrial policy and establishment of various industrial development agencies, the entrepreneurship got limelight in the state. As entrepreneurial process started very lately, modern industries are very limited in the state (Sharma, 2010, p. 4). The enterprises have started to engage themselves in various kind of manufacturing and service activities. Today, the enterprises are not confined to traditional sector rather they have started venturing into non-traditional sectors. This changing pattern of micro enterprises is reflected by some of the contemporary studies, which further have shown that micro enterprises of Arunachal Pradesh are no longer confined to traditional sector and have moved forward. The study conducted by Chanu and Chanu (2014) had mentioned that women entrepreneurs [micro and small in nature] are moving ahead from the traditional sectors of handloom and handicraft and advancing very fast towards manufacturing, chemicals, pharmaceutical, constructions, technological and other industrial field.

Therefore, the present study is an attempt to bring out the different aspects related to the functioning of micro enterprises in Papum Pare district. Since the present study is about micro enterprises of Papum Pare district, it examines various aspects associated to micro enterprises in Papum Pare district of Arunachal Pradesh.

1.2 Statement of Problem

Micro enterprises are the beginner in the process of industrial and entrepreneurial growth. If micro enterprises run properly other industrial sectors will have the scope to grow further. Micro enterprises being micro in nature has some investment limitation and utilises mostly locally available resources. By providing job opportunities to most of the economically disadvantaged groups it tunes as a magic stick for bringing inclusive growth in the country. However, in the light of the review
of the state economy, the economy of Arunachal Pradesh is apparently in poor shape. According to 4th MSME Census 2013, it is noteworthy that there are only 154 numbers of Micro enterprises and 205 numbers of Small and Medium Enterprises (SMEs) in the state with employment of 4591 persons (as on 31st March 2013).

"Micro, small and medium enterprises are most crucial to Indian economy. They are the most vibrant and dynamic sector in the growth and development of India over the last few decades" (Vasu & Jayachandra, 2014). Where large and medium enterprises are less feasible, micro enterprises play the most significant role in bringing all round economic development. It is also well known that, micro enterprises can be easily adopted in any kind of circumstances/conditions. As such, micro enterprises are regarded as the most effective tool of regional rural development, most appropriate in making effective utilization of local resources including human resources and other factors available in the area. Despite of such merits, development of micro enterprises is still low and not free from constraints. "In India more than 400 million people still live in poverty, accounting for one third of the world’s poor. Poverty is most prevalent in the rural areas, as about 26 percent of rural people lives in poverty while about 14 percent are living in poverty among urban population" (International Fund for Agricultural Development, 2014). It shows that there is inequality in the economic concentration, growth and developmental process and the living conditions between rural and urban areas. However, development of any nation involves development of all sections and parts of the country. When it is the case of Arunachal Pradesh, it is found that majority of people are still in the rural and remotest part of the country. According to 2011 census, about 79.66 percent of the State population live in rural areas and 58.44 percent are the agricultural
cultivators (Statistical Abstract, 2012). The state is still industrially backward and the economy largely depends on service and public sectors and is agrarian economy.

In India, micro enterprises are mostly engaged in manufacturing sector while the graph of service sector enterprises is apparently showing improvement over recent past. Whether micro enterprises of Papum Pare district are either involve in both the manufacturing and service sectors or they are having preference sector (manufacturing or service). Earlier micro enterprises were found to operate mostly on traditional sector. However, with the passage of time and change in demand of products and services by the consumers, micro enterprises are operating in other non-traditional industrial sectors as well. Products of micro enterprises are very large and extended to food and agro products, beverages, cotton, textile like handloom, furniture products, mineral products, printing and flex publishing, fabrication products, etc. Similarly, micro enterprises are also found to operate efficiently and effectively in rendering services like gym, beauty parlour, internet cafe, hotels and restaurants, automobile servicing and repairing, mobile repairing, hospital, transportation, etc. Therefore, it is important to know about, what kinds of products are usually manufactured by micro enterprises of Papum Pare district as well as what kind of services are rendered by the micro enterprises in the district.

The Papum Pare district is the capital district of Arunachal Pradesh endowed with economic advantages and facilities unlike other parts of the state. But, it cannot be inferred that Papum Pare district is industrially developed and people of Papum Pare district are enjoying economic and infrastructural facilities like other developed regions of our country. Moreover, the situation of industrial sector in the state is very poor, as also in case of every district in the state. Hence, it is important to know about how micro enterprises are functioning in the district. Whether they are able to survive,
grow and develop in the challenging environment? What is the level of contribution of micro enterprises in the economic development of the region?

In Arunachal Pradesh, DICs along with the Department of Industries are the guardian organizations who look after the enterprises running in various districts. The role of these parental institutions is very high as they are being involved with entrepreneur right from the commencement of business. They play a crucial role in promoting MSMEs by providing various subsidies, incentives, counseling and training to the entrepreneurs. Even with all those assigned assistances of government, whether these assistances are reaching to the entrepreneurs? Whether any problem is being faced by entrepreneurs while availing the assistances? What are the problems that micro enterprises of Papum Pare district are facing? Whether they are getting any kind of support from any institutions/organization? And how much their support is helping the micro enterprises of Papum Pare district. Thus, the present study emphasizes on the comprehensive aspects underlying micro enterprises in Arunachal Pradesh with a case study of Papum Pare district and at the same time intends to provide suggestions for effective measure for improvement.

The present study is an attempt to see the overview of micro enterprises in the Papum Pare district, since the district holds the largest share of micro enterprises in the state. Therefore, it becomes very important to know about the growth and status of those enterprises. The study strives to measure; whether there is a positive growth of micro enterprises in the district? What is the contribution of micro enterprises towards state’s economy?
1.3 Significance of the Study

MSMEs in India have become one of the most important sectors for bringing inclusive growth through establishment of industries in rural, backward and urban areas. Through micro enterprises local human resources which remain idle and unproductive can be utilized and turned into a productive resource. It implies that micro enterprises contribute to a larger section of our society especially the poor and disadvantaged section, unemployed youths for improving their living standard. Because of the rich tribal cultures and practices, people of Arunachal Pradesh in one way or the other had inherently acquired artistic knowledge and talents which are unique to them. Hence, from the early period most of the people in the state are associated with forestry and forest products, agriculture and agricultural products. Also, natural resources are abundant in the state. However, there is still no proper channel, means and method of promoting the effective and efficient utilization of those resources. It is projected that one of the effective means of utilizing resources in a better way is industrialization and entrepreneurship development in the area. In case of Papum Pare district only few numbers of enterprises are found to come up as micro, small and medium enterprises. Even with the availability of government assistance/initiatives and banks financial assistance, entrepreneurial culture/mind set is not yet evolve in the district.

The state in general and Papum Pare district in particular has seen existence and sustenance of micro and small businesses in the past. The scope of entrepreneurship in the state is ample as there are tremendous potential for forest based, mineral resources and handloom and handicraft sectors. But effective exploration of all the possible resources depends on the entrepreneurial and industrial scenario of the region. If available untapped resources of the region are properly and
effectively utilized, then changes can be brought in the social and economic status of people and the state as well. The micro enterprises can bring in economic development in the district. Hence, there is the necessity to know the situation of the running micro enterprises in the state and Papum Pare district in particular. It is imperative to know the performance of existing micro enterprises and how far they are able to explore the available resources. Further, it is also important to know that what short of problems micro enterprises are facing. And at what level government, non-government and financial assistances are made available to those enterprises. The Government of India has taken several measures for the promotion and smooth functioning of this sector; whether those measures are helping micro enterprises of the state/district or not.

The study is very relevant in the present context as no literature is available which would provide a complete picture of the functioning of micro enterprises in the district. Since, the people of the state mostly depend on the government services for their career and livelihood, micro enterprises can be a supplement for employment (self-employment) in the district. Micro enterprises can be an effective source for:

1) Exploring local talent,
2) Utilizing untapped local resources,
3) Providing employment to large number of people,
4) Reducing the economic dependence on government departments and institutions as well as reducing pressure on government for job creation,
5) Can help in the social upliftment of rural as well as urban people.

Keeping in view of importance of MEs, the present study has been conducted in Papum Pare district; because the number of Micro Enterprises in the Papum Pare district is high in comparison with other districts of the state. Hence, it is felt the
necessity to draw conclusion in the study area for covering different aspects of micro enterprises. Although several studies are conducted on entrepreneurship and MSMEs in the aspects like identification of the problems, prospects, etc. Most of the studies are based on SSIs and SMEs. Very few studies are found to be conducted extensively on micro enterprises in India in general and Arunachal Pradesh in particular. The present study is undertaken to bridge the gap in empirical research and has a greater significance in the context of micro enterprise sector in the state in general and Papum Pare district in particular.

1.4 Research Questions

The present study seeks address to certain research questions which is relevant for the research. The following are the important research queries before the present research work;

1. What is the performance of the micro enterprises in Papum Pare district of Arunachal Pradesh?
2. How much employment is being provided by the micro enterprises in the district?
3. How much revenue is being generated by the micro enterprises in the district?
4. What are the different problems faced by the micro enterprises in the district?
5. What is the role of financial institution in promoting micro enterprises in the district?

1.5 Objectives of the Study

On the basis of research queries, the general as well as specific objectives are set to carry out the research study.
1.5.1 General Objectives

The main objective of the study is to examine the growth and overall status of registered micro enterprises in Papum Pare district of Arunachal Pradesh. On the basis of general objectives, the specific objectives of the study are developed and laid down in the following lines.

1.5.2 Specific Objectives

1. To examine the performance of Micro Enterprises in Papum Pare district of Arunachal Pradesh.
2. To identify the employment and revenue generation of Micro Enterprises in the district.
3. To study the different problems faced by the Micro Enterprises in the district.
4. To analyze the role of Financial Institutions in promoting Micro Enterprises in the district.
5. To recommend suitable measures for promotion of Micro Enterprises in the Papum Pare district.

1.6 Hypothesis of the Study

The present study has been taken up to study about the micro enterprises in the Papum Pare district. Further, the study also takes up to identify and analyze the performance, employment, income generation and the different kinds of problems faced by the micro enterprises in the study district. The hypotheses of the study have been framed and intended to validate the purpose of the study. The hypotheses of the study are:
H1: There is no significant difference between micro enterprise's location and micro entrepreneurs' native place of Papum Pare district.

H2: There is no significant difference between gender and the acquisition of training by micro entrepreneurs in the district.

H3: There is no significant difference between gender and having proxy owner in case of micro enterprises in the district.

H4: There is no significant difference between gender and the family support received by the micro entrepreneurs in the district.

H5: There is no significant difference between gender and the reason for setting up of enterprises by the micro entrepreneurs in the district.

H6: There is no significant difference between slow growth and the growth strategies adopted by the micro enterprises in the district.

H7: There is no significant difference between gender and customers' demand for the product of micro enterprises in the district.

H8: There is no significant difference between gender and after sales services provided by the micro enterprises in the district.

H9: There is no significant difference between gender and departmental task carried out by the micro entrepreneurs in the district.

H10: There is no significant difference between location of business and promotional activities adopted by micro enterprises in the district.

H11: There is no significant difference between gender and conducting training and development programs for the workers of micro enterprises in the district.

H12: There is no significant difference between gender and earning for sustainable livelihood of the micro entrepreneurs in the district.

H13: There is no significant difference between gender and transportation problem of the micro enterprises in the district.

H14: There is no significant difference between gender and technological problem of the micro enterprises in the district.

H15: There is no significant difference between gender and the level of demand of the products of micro enterprises in the district.

H16: There is no significant difference between enterprises classification and level of competition of micro enterprises in the district.
H17: There is no significant difference between gender and degree of labour turnover of micro enterprises in the district.

H18: There is no significant difference between location of business and loan availed by the micro enterprises in the district.

H19: There is no significant difference between acquisition of training and availing of loan by the micro enterprises in the district.

H20: There is no significant difference between gender and attitude of financing agencies towards micro enterprises in Papum Pare district.

1.7 Chapterisation

The present study has been carried with following chapters:

Chapter I: Introduction- This chapter deals with the introduction of micro enterprises and Entrepreneurship. Further the chapter outlines the statement of problems, significance, research queries, objectives, hypotheses and chapter plan of the present study.

Chapter II: Review of Literature- The chapter presents various entrepreneurship related literatures available in the context of Arunachal Pradesh, India and Abroad. It also shows the literature gap.

Chapter III: Research Methodology- This chapter depicts the complete research design. The chapter comprises data collection, nature of research, sample size, sampling techniques, tools for analysis, scope of study and profile of the study district. It also presents the operational definition and parameters of the study.

Chapter IV: Micro Entrepreneurial Scenario in Arunachal Pradesh- This chapter presents the secondary information of micro enterprises and MSME in Arunachal Pradesh. The chapter focuses on the contribution of Industrial policy, DIC, ITI, EDP, Industrial Centres in promoting micro entrepreneurship in the state.
Chapter V: Profile of Micro Enterprises in Papum Pare District - This chapter deals with the characteristics of micro enterprises and the socio-economic profile of micro entrepreneurs of the study district.

Chapter VI: Growth and Performance of Micro Enterprises in Papum Pare District - The numerous factors like growth, slow growth, production and sales of micro enterprise in the study district are presented and analysed in this chapter.

Chapter VII: Employment and Revenue Generation of Micro Enterprises in Papum Pare District - The employment level, profile of workers, remuneration to workers, sales and profit earning capacity of micro enterprises in the study district is presented in this chapter.

Chapter VIII: Problems of Micro Enterprises in Papum Pare District - This chapter outlines the functional problems before and after establishment of micro enterprises. The chapter also presents lack of governmental support towards micro enterprises in the district.

Chapter IX: Role of Financial Institutions in Promotion of Micro Enterprises in Papum Pare District - This chapter presents the sources of finance for micro enterprises in the district. The chapter also shows the support of financial institutions and governmental agencies for promotion of micro enterprises in study district.

Chapter X: Findings, Suggestions and Conclusion - The chapter summarizes the previous chapters and presents the major findings of the study. This chapter also recommends solution for entrepreneurial growth in the district. The chapter also suggests scope for further research and draw limitations of the study.
1.8 Conclusion

As entrepreneurship plays a vital role in the development of state like Arunachal Pradesh, the role of micro entrepreneurs must not be ignored. So far governmental effort has not been streamlined separately for micro enterprises. Most of the entrepreneurs are micro entrepreneurs in the state, may be in formal or informal sector. Hence, focusing on the micro enterprises would actually help the major section of entrepreneurs of the state for all round progress.

1.9 References


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