CHAPTER – III

RESEARCH METHODOLOGY
3.1 Introduction

Development of entrepreneurship is directly related to the economic development of any nation. Enterprises such as large, medium, small and micro have been playing tremendous role in bringing about inclusive development, through reconciliation of all the entrepreneurial sections together towards nation building. Entrepreneurship introduces a critical element of dynamism into an economic system (Desai, 2011, p. 123). In India the economic sectors are broadly classified into three types namely primary sector, secondary sector and tertiary sector. As such, industries/enterprises fall within the category of secondary sector. Earlier industries (now called as enterprises) have come up from the classification of small, medium and large scale industries; and in recent times it is called micro, small and medium enterprises. Hence, it is apparent in case of India that the entire section of business activities are carried out by large scale, medium scale, small scale and micro scale enterprises. With the enactment of the MSME Act, 2006 major initiative has been taken up by the government of India and one such initiative is the classification of enterprises into different types. And among various classifications notable one is the classification is done on the basis of investment limit and gender. On the basis of investment limit, enterprises are classified into Micro, Small and Medium enterprises; and on the basis of gender, enterprises are classified into men and women enterprises. The medium and large scale enterprises are seen to be actively engaged in large scale production and distribution and also in export and import of goods and services. And micro and small enterprise become support for large and medium enterprises. Nevertheless, micro and small enterprises cannot be scaled down as just a support system. Their role is much more significant, wider and goes in the same pace with the other major enterprises. It has the widest capability of connecting the lower income
groups of the nation. This enterprise builds foundation for the economic growth in the economy.

Micro Enterprises (MEs) being one of the tiniest section in the entire enterprise arena have tremendous importance in the rural areas and poor sections of the society. Being tiny in nature these enterprises can be set up easily without the need of high investment, advance technology and heavy cost of production. As such, in India the entry of micro enterprises can be seen from very ancient times. People are engaged in manufacturing of different kinds of handloom, handicraft and cottage based products since time immemorial. However, the process of industrialisation has been conceptualized and has gone through two different phases. The first phase comprises of the period of the New National Industrial Policy, 1991 (nomenclature of micro enterprises was not there) and the second phase comprises of the period of the MSME Act, 2006. The indigenous enterprises in India were generally viewed as SSIs, Khadi and Village industries. It is often observed that the smallest unit whose investment in plant and machinery was limited, was considered as tiny industries. However, in recent times government has given tremendous effort to promote micro and rural enterprises in the country. The separate status of micro enterprise is one of the major outcome of such governmental effort.

At present in Arunachal Pradesh micro enterprises are under the purview of MSME Act and are permanently registered with DIC. Moreover, some enterprises whose investment limit is up to ₹ 25 lakhs, which is permanently registered under DICs prior to MSME act are also considered as micro enterprises. The present study undertakes permanently registered micro enterprises in the district for extensive study.

Prior to MSME Act, industries were first required to go through temporary registration then were allowed to get permanent registration under SSIs by DICs.
However, after enactment of MSME Act the government had issued notices under which enterprises are required to get permanent registration as micro, small or medium enterprise. If any enterprise fails to permanently register themselves as micro small and medium, then there is still scope for those enterprises to be considered as permanently registered enterprises on the basis of certain conditions. The micro enterprises which are permanently registered under New Industrial Policy 1991 were enlisted as permanently registered SSIs under DIC. And the micro enterprises which are permanently registered under MSME act, 2006, are enlisted in EM Part II with the DICs of the various districts.

In case of Papum Pare district, the data obtained as on 31st March 2014 shows that there are 61 EM-II units registered as micro enterprises in the district under MSME Act. Out of EM-II registered units, one unit is found to be engaged in service sector and remaining units are in manufacturing sector. On the other hand, there are 73 permanently registered micro enterprises as SSI units before MSME Act in the district, out of which four units are in service sector and remaining units are in manufacturing sector. Table 3.1 presents the total number of Micro Enterprises in the district.

Table 3.1: Permanently Registered Micro Enterprises in Papum Pare District (as on 31st March 2014)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>No. of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro Enterprises Before MSME Act 2006</td>
<td>73</td>
</tr>
<tr>
<td>2</td>
<td>Micro Enterprises After MSME Act 2006</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Total MEs</td>
<td>134</td>
</tr>
</tbody>
</table>

Source: DIC, Yupia & Naharlagun, Arunachal Pradesh.
There were 12 permanently registered micro enterprise units in the district on or before 1999-2000. After six years period i.e., during 2005 to 2006 it went up to 73. Moreover, the later period of the amendment of MSME Act 2006, the number of registered micro enterprises show subsequent rise. There are 134 micro enterprises in the district up to 31st March 2014. All the industries which were running earlier under the Ministry of Small Scale and Ancillary Industries are now converted to Ministry of MSMEs and the nomenclature of “Industries” changed to “Enterprise”, giving due importance to the enterprise segment, and at the same time bringing the medium sector into its fold too.

The small and medium enterprises (SMEs) are important parts of the industrial classification (MSME classification) in the district. However, for the case study, only micro enterprises have been taken up. Both registered and unregistered micro enterprises are prevailing in the district. But only permanently registered micro units are taken into study. Although, unregistered units also contribute to the state economy and provide employment to a lot of people, these units are not considered for the present study. Out of 134 registered MEs, samples of 103 micro enterprises have been taken up for the research purpose. An in depth study has been made on those sample units and is presented in subsequent chapters.

3.2 Nature of Study

The study is empirical in nature and based on quantitative approach. The collected information is analytically studied in the present research work. However, qualitative data has also been used for supplementing the primary data and to frame the conceptual understanding.
3.3 Data Collection

The present study is based on both primary and secondary data. The primary data is being used extensively. However, secondary data has also been used to substantiate the empirical study by forming a basis for obtaining population size for the study.

3.3.1 Primary Data

The present study is mostly based on primary data collected during field survey. The total number of registered micro enterprises has been taken from District Industries Centre (DIC) in Papum Pare district for the present study. The primary data are collected through structured Questionnaire cum Schedule and formal interview. It covers micro entrepreneurs, managers of the enterprises, spouse of the entrepreneur and some workers of micro enterprises registered with the DIC, Yupia and DIC, Naharlagun. The researcher have visited and interacted with entrepreneurs for on the spot assessment and better understanding.

3.3.2 Secondary Data

The secondary data have been collected and compiled from different published sources such as books, journals, articles, statistical abstracts, statistical handbook, annual publications, magazines, reports published by government and non government agencies. Further, because of relevance in the study some important unpublished secondary sources like unpublished thesis, dissertation, etc are also being referred for the purpose. Considering the utility, websites/internet have been consulted for secondary data for the research. However, the most important secondary source of data are DIC, Yupia and DIC, Naharlagun.
3.4 Research Analysis

The present study is based on both qualitative and quantitative data. The non-parametric statistical approach is applied in the research. The data so collected have been presented with the help of tools including tables, charts, etc. The data collected and compiled have been analysed with the help of appropriate statistical tools including percentage, growth rate, ratio, cross-tabulation, etc. Further, hypotheses are also tested using tools like Chi square test, Mann-Whitney U test and Kruskal-Wallis H test. The application of software like MS-Excel Sheet, IBM-SPSS 20 have been applied for better analysis and interpretation.

3.5 Sampling Design

The present study is based on 103 micro enterprises of Papum Pare district of Arunachal Pradesh. About 77 percent of total units of micro enterprises are being studied. All the units which are permanently registered with SSI and MSME EM-II under DIC are taken into purview.

3.5.1 Population Size

The total number of Micro Enterprises obtained for the study as on 31st March 2014 is 134 units. The present study comprises of the following:

 Universe of the study = Micro Enterprises of Arunachal Pradesh
 Population of the study = Registered micro enterprises of Papum Pare district
 Population Size = 134  (Population classification is presented in the table 3.2).
 Sample Unit = 103 Micro Enterprises
Table 3.2: Bifurcation of Micro Enterprises in Papum Pare District

<table>
<thead>
<tr>
<th>Division of MEs</th>
<th>MEs Before MSME Act</th>
<th>MEs After MSME Act</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(73)</td>
<td>(61)</td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>Rural</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Male</td>
<td>31</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>21</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: DIC, Yupia & Naharlagun, Arunachal Pradesh.

3.5.2 Sample Size

[Please See Appendix I]

Since the micro enterprises of Papum Pare district are homogeneous in their characteristics, the Krejcie and Morgan table for sample size determination for a given population (at 95% confidence level) is being used (Krejcie and Morgan, 1970). Accordingly, the sample size for the study has been identified as 103 micro units of Papum Pare district. To obtain the exact sample size of the study from the population of 134 units, equal consideration has been given to enterprises which are registered before as well as after MSME Act. Presently micro enterprises are categorised as under:

1. Micro enterprises which are permanently registered under SSIs (Since inception to 31st March 2006).
2. Micro Enterprises which are registered under EM-II of MSME (Since 1st April 2006 to 31st March 2014).

A very specific procedure has been followed to obtain the required sample units from the population.
1\textsuperscript{st} Step: Calculated the portion of sample size from the population of the study with the help of KM Model.

2\textsuperscript{nd} Step: Determined the total sample units under SSIs and MSMEs proportionately.

3\textsuperscript{rd} Step: Determined the sample units according to rural-urban classification for both SSIs and MSMEs proportionately.

4\textsuperscript{th} Step: Calculated sample size separately for both male and female entrepreneurs under each locational classification proportionately.

Hence, the proportionate sampling method has been used in the study to arrive at the sample size for each category of micro enterprise. The detailed sample unit selection procedure is presented in figure 3.1.

\textbf{Figure 3.1: Representative Sample of Micro Enterprises from the Total Population (Total MEs)}
Many units are found to be operating without registration in the study district (informal/unorganized micro enterprises). But record maintained by DIC is used for preparing list of micro enterprises in the district.

3.5.3 Sampling Method

Altogether, 103 numbers of units are collected on the basis of non-probability sampling technique. The convenient sampling method is being used for choosing the sample units of the study, i.e. micro enterprises from the population.

3.6 Period of the Study

The study covers the micro enterprises which have been registered with DIC since 1990-91 to 2013-14. However, field study was conducted at two periods of time. The first survey was from March 2013 to May 2013 and second survey was from May 2014 to June 2014.

3.7 Scope of the Study

Micro enterprises of Papum Pare district of Arunachal Pradesh are engaged in both manufacturing and services sector. Therefore, the study has covered both the manufacturing and service sectors. Further, various aspects underlying to micro enterprises like growth, performance, employment, revenue, production, income, problems, finance, etc have been studied.

3.8 Area of the Study

The study area has covered the Papum Pare district of Arunachal Pradesh. The Papum Pare district is the capital district of Arunachal Pradesh, which is situated in the north eastern part of India. “It is located in between latitude 26° 55’N and 28°
40° N and Longitude between 92° 40’E and 94° 21’E. The district’s headquarter is located at Yupia, which is 20 kms away from the capital city i.e., Itanagar* (www.papumpare.nic.in). The district is endowed with vast flora and fauna and surrounded with huge green forest.

Upto 25th March 2013, there was one ADC headquarter, i.e, Sagalee and six numbers of EAC headquarters i.e, Kimin, Baltikan, Doimuk, Mengio, Itanagar and Narharlagun in the district. Further, the district is divided into nine circles viz Leporiang, Toru, Kakoi, Gumto, Tarasso, Sangduo, Sil Sango, Parang and Banderdwa (Statistical Abstract, 2013). Papum Pare district covers the area of 2,875 sq. km which is inhabited by 1,76,573 people comprising of 89,182 males and 87,391 females. The density of population of the district is 51 persons per sq. km (2011 Census). As per 2011 census, the literacy rate of the district is 79.95 percent.

Agriculture is the main economic activity in most of rural parts of the district. However, the people of the district are also actively engaged in non agricultural activities like running enterprises, retail and wholesale business, etc. In recent times, a good numbers of MSMEs have been established by the people of the district and are mostly located in the urban areas.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Area</td>
<td>2875 sq. km.</td>
</tr>
<tr>
<td>2</td>
<td>Population (2011 Census)</td>
<td>176573</td>
</tr>
<tr>
<td>3</td>
<td>Decadal Growth Rate (2001-2011)</td>
<td>44.57%</td>
</tr>
<tr>
<td>4</td>
<td>Sex Ratio</td>
<td>950</td>
</tr>
<tr>
<td>5</td>
<td>Urban Population</td>
<td>54.91%</td>
</tr>
<tr>
<td>6</td>
<td>Rural Population</td>
<td>45.09%</td>
</tr>
<tr>
<td>7</td>
<td>Literacy Rate</td>
<td>79.95%</td>
</tr>
<tr>
<td>8</td>
<td>No. of Villages</td>
<td>274</td>
</tr>
<tr>
<td>9</td>
<td>No of Towns</td>
<td>2 (Itanagar &amp; Naharlagun)</td>
</tr>
<tr>
<td>10</td>
<td>Headquarter</td>
<td>Yupia</td>
</tr>
</tbody>
</table>

3.9 Operational Definition

Micro Enterprises come under one of the major classifications of MSME as mentioned in the MSMED Act 2006. According to the Act, MSME’s classification is based on the investment limit in plant and machinery in case of manufacturing sector and investment in equipment in case of service sector.

<table>
<thead>
<tr>
<th>Micro Enterprises</th>
<th>Investment in Plant and Machinery</th>
<th>Investment up to ₹ 25 lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Sector</td>
<td>Investment in Equipment</td>
<td>Investment up to ₹ 10 lakhs</td>
</tr>
</tbody>
</table>
3.9.1 Micro Enterprise-Definition

The enterprises which are very small in size and are run by micro
entrepreneurs with very limited investment in plant and machinery in manufacturing
units and investment in equipments in service units are known as micro enterprises.

3.9.2 Micro Entrepreneur

The person who runs and operates micro enterprises (both manufacturing and
service enterprises) is called as micro entrepreneur.

3.9.3 Urban micro enterprises

The micro enterprises which are running in the urban area are known as urban
micro enterprises.

3.9.4 Rural micro enterprises

The micro enterprises which are running in the rural area are known as rural
micro enterprises.

3.9.5 Men/Male micro enterprises

The micro enterprises which are run by the male micro entrepreneurs are
called as men/male micro enterprises.

3.9.6 Women/Female micro enterprises

The micro enterprises which are run by the female micro entrepreneurs are
called as women/female micro enterprises.
3.9.7 Proxy Owner

Micro enterprise which is not run by the owner itself but by some other person is called as the proxy owner. The proxy owner is not the real owner of the business, rather only a trader for the owner. Proxy owner acts on behalf of the real owner and performs all the functions of a real owner. The ignorance of the proprietor on the technology/process involved in production/service compels the proprietor to engage key person or the workers. That key person becomes the ‘Proxy Proprietor’ diluting real proprietor’s control over the venture (Deb, 2012).

3.10 Research Basis in the Context of Papum Pare District

The discussion made in the study so far has seen to give due importance to micro enterprises in the name of tiny industries, sometimes rural industries, and most of the times discussed combinely as MSMEs. The basic structure of micro enterprise is same with the other macro enterprises. However, in order to have a specific and in-depth analysis of the status and problems of those enterprises, it is suggested to study micro enterprises from a separate perspective. The basic assumption for the present study is that the growth of micro enterprises is not satisfactory in Papum Pare district. By taking this basic assumption into major consideration the present study has been attempted. In order to achieve the objectives of the study, different parameters have been considered.

The objectives of the present study are varied and differ in their aspects. And they are divided into different parts and presented in the subsequent chapter. The study takes certain aspects like growth and performance of micro enterprises in order to observe the overall scenario of micro enterprises in the region. A number of enterprises came up in the district and the percentages of growth are some of the
broad aspects to understand the entrepreneurial status in the district. The employment is another factor to know about the contribution of micro enterprises towards society. Also revenue generation, production, sales and import and export are other parameters, are required to have understanding about the working of micro enterprises in the district. These variables undertaken are projected to have the capability to explain the total performance of a micro enterprise in the study district.

The issues of micro enterprises are very large, and it is equally important to know about the specific issues underlying them. Those enterprises which are functioning in the district are facing problems and in what nature is a questionable one. Most of the micro enterprises have the common problems like, shortage of fund, lack of basic business amenities, lack of governmental support, etc. And these problems have to be understood and analysed properly in order to bring micro enterprises in the main stream of industrialization.

The finance is one of the important aspects while dealing with the micro enterprises. Most of the enterprises start their venture with their owned capital. Enterprises are not considered as strong if they are not financial sound. It is also a fact that the micro enterprises need governmental support and institutional role in promoting the enterprise. These have been addressed in different chapters of this research study.

3.11 Description of Parameters

The study is empirical in nature. Hence, different variables have been considered for analysing and interpreting the data. The analysis and inferences are shown in different chapters according to the nature of objective. Similarly, relevant
variables have been assigned for each objective. The table 3.4 presents all the parameters along with the relevant variables.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Parameters</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Profile of Micro Entrepreneurs</td>
<td>Age, Sex, Educational Qualification, Marital Status, Religion, Community, Family Type, Number of Family Members, Number of Dependent, Head of Family, Other Income Source, Trained-untrained, Location of Entrepreneur, Reason for Starting MEs, Family Support.</td>
</tr>
<tr>
<td>2</td>
<td>Profile of Micro Enterprises (MEs)</td>
<td>Location of Enterprises, Type of Enterprise, Type of Ownership, Proxy Owner, Sources of Finance, Sources of Raw Materials, Number of Raw Material Suppliers, and Number of Branches of the Enterprise.</td>
</tr>
<tr>
<td>4</td>
<td>Performance of MEs</td>
<td>Functional Department, Performer of Departmental Task, Yearly Average Production and Sales, Market Place, Level of Technology, Channel of Distribution, After Sales Service, Mode of Transport, Promotional Activity.</td>
</tr>
<tr>
<td>5</td>
<td>Employment Generation of MEs</td>
<td>Year-wise Number of Workers, Average Number of Workers, Employee’s Socio Economic Profile, Average Remuneration, Remuneration Method.</td>
</tr>
<tr>
<td>6</td>
<td>Revenue Generation of MEs</td>
<td>Yearly Revenue, Yearly Total Cost, Total Profit, Fulfills Livelihood through Profit.</td>
</tr>
<tr>
<td>7</td>
<td>Problems of MEs</td>
<td>Problem at Initial Stage, Production Problem, Finance Problem, Marketing Problem, HR Problem, Management Problem, Technological Problem, Power Problem, Capacity Under Utilization, Marketing Problem, Lack of Governmental Support and Assistance, Miscellaneous Problems.</td>
</tr>
</tbody>
</table>

Source: Researcher’s Compilation
3.12 Conclusion

Methodology acts as a guide and provides framework for research. As the present study is empirical and descriptive in nature, it follows certain specific procedure to fulfill the objectives and give shape to the research. The study is based on primary response of the micro entrepreneurs in the Papum Pare district. The present study brings in light about the practical aspects of registered micro enterprises functioning in the district.

3.13 References


Website: www.papumpare.nic.in

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