

ENTREPRENEURSHIP IN MICRO ENTERPRISES IN AIZAWL DISTRICT, MIZORAM

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By

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DECLARATION

I, Lalhunthara, do hereby declare that the thesis entitled, “Entrepreneurship in Micro Enterprises in Aizawl District, Mizoram” being submitted to the Mizoram University for the award of the degree of Doctor of Philosophy in Commerce, is an outcome of research work carried out by me, and that the contents of this thesis do not conform basis of the award of any previous degree to me or to the best of my knowledge, to anybody else, and that the thesis has not been submitted by me for any research degree in any other University or Institute.

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PREFACE

The Micro, Small and Medium Enterprises (MSMEs) have been playing a predominant role in the socioeconomic development of the country. Their high priority is due to their employment generation potential, low capital requirement, short gestation period, utilisation of local resources and promotion of balanced regional development. MSME sector (except in India, in rest of the world it is called SME sector) is considered as growth engine that prompt development process. Especially, micro enterprises allow the marginalised and vulnerable sections of the people, women and the landless to generate incomes, to acquire entrepreneurial ability and to obtain economic independence. Economic independence is an effective tool to break vicious circle of poverty. Thus, micro enterprises are the nursery for the development of entrepreneurial talent and are being accepted as a key to sustainable economic growth.

However, in any society the weaker needs to be protected against the stronger ones. MSMEs are considered to be less privileged than the big corporates, and therefore we need to have an effective policy framework and instruments in order to protect and strengthen the MSMEs. Despite such importance this sector suffers from a variety of problems. An examination of the recent data provided in the context of the India MSME Darshan 2011, an MSME communication initiative of the Institute of Small Enterprises and Development, Cochin suggests sickness among MSMEs have come down. On the other hand, the business birth rates have remained largely stagnated. In other words, business start ups getting stagnated which means that there is not much incentives to invest in new ventures.

MSME statistics, in an international setting, tells us almost the same story, in terms of their contribution to GDP, and the percentage share in employment. But MSMEs in India and China play a significant role in the manufacturing sector which essentially means an enhanced level of value addition (Mathew PM, “MSME: No Small Task”, The Hindu Survey of Indian Industry, 2012, pp.285-289). According to the Fourth Census of MSMEs (2006-07), out of 2.61 crore units in the country, 28 per cent are manufacturing units. The same situation prevails in China. However, the major world economies show a trend towards recession. The global trend tends to evince a half pessimistic and half optimistic position. The European and American regions are expected to continue with uncertainties. The drivers of employment growth in the US economy are generally the small businesses. However, they have been slow to recover due to recession. The EU’s economic prospects exhibit the same picture. In India since the introduction of new economic reforms, the MSME sector has experienced both positive and negative impact on their exports. For example, the share of MSME’s exports in India’s total exports was 31.52 per cent in 1991-92 and varied between 30 – 36 per cent during 1992-93 to 2007-08. This share declined to 26.37 per cent in 2009-10. MSMEs in India face many bottlenecks. The data available from the RBI provide some interesting results. Credit delivery remains retarded because of two reasons namely poor penetration of delivery network and poor credit delivery per se. Out of 261 million enterprises in the sector, only 36 millions are under the umbrella of institutional credit, constituting 13.79 per cent. According to the Fourth Census of MSMEs, only 5.18 per cent of the total MSMEs used finance from institutional sources; the share of non-institutional sources is 2.05 per cent. The remaining 92.77 per cent of the units either do not use credit or self finance their businesses.

Mizoram, a small state in India’s North East being a landlocked state with predominantly agricultural economy, lags far behind than the rest of the country so far as industrial development is concerned. Mizoram is a tribal

dominated state and more than 60 per cent of the population depends on agriculture for their livelihood. The state has no major industries worth mentioning and the entire state has been notified as industrially backward due to non-existence of large or medium industry. In this context, micro and small enterprises play an important role in the industrial scenario of the state. The present study is an attempt to explore different dimensions of entrepreneurship among the micro entrepreneurs in Aizawl district, Mizoram which reflects the entire state. This research work was undertaken soon after the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

This study is divided into seven chapters. Chapter – 1: *Introduction* presents an overview of entrepreneurship and economic development, review of literature, objectives of the study, research methodology and limitations of the study.

Chapter – 2: *Economic Landscape of India's North East: A Focus on Mizoram* outlines different dimensions of the North Eastern economy in terms of infrastructure, entrepreneurship development initiatives, industrialisation, government policy etc. It further focuses on the geographic, historical, social and demographic perspectives of Mizoram state in addition to the economic and infrastructure perspectives.

Chapter – 3: *Entrepreneurship and MSME Sector in Mizoram* highlights the entrepreneurship development programmes and practices initiated to strengthen the MSME sector in Mizoram. Moreover, the recent initiatives taken by the Ministry of MSME for the promotion of enterprises have also been discussed.

Chapter – 4: *Socioeconomic Characteristics of Entrepreneurs* tries to identify the sources of entrepreneurship in Aizawl district of Mizoram by the

socioeconomic characteristics of the micro entrepreneurs such as age, period of establishment, annual income, education, marital status, family size, gender, rural/urban background, and father's occupation.

Chapter – 5: *Motivational Factors of the Entrepreneurs* intended to study the motivating forces behind entrepreneurship.

Chapter – 6: *Problems Faced by Entrepreneurs* analyses the various constraints faced by the entrepreneurs in the course of managing their business with regard to marketing, raw materials, power, labour, finance and internal management.

Chapter – 7: *Summary of Findings and Suggestions* summarises the major findings of the study and offers suggestions. The schedule administered for soliciting information from sample entrepreneurs is given in *Annexure* followed by *Bibliography*.

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I place on record my profound sense of gratitude to my beloved father Sangzuala, a source of inspiration and encouragement in every walk of life that has shaped my life and career, who has responded the call of heaven on January 30, 2011. I dedicate this thesis to him.

Aizawl

The 7th May, 2012

Lalhunthara

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ABBREVIATIONS

3G	= Third Generation
ADB	= Asian Development Bank
ALEAP	= Association of Lady Entrepreneurs of Andhra Pradesh
APITCO	= Andhra Pradesh Industrial Technical Consultancy Organisation
AWAKE	= Association of Women Entrepreneurs of Karnataka
BDA	= Bamboo Development Agency
BDO	= Block Development Officer
BE	= Budget Estimate
BICE	= Bamboo Industrial Center for Export
BIS	= Bureau of Indian Standards
BRO	= Border Road Organisation
BSNL	= Bharat Sanchar Nigam Limited
BTP	= Bamboo Technology Park
CADC	= Chakma Autonomous District Council
CDMA	= Code Division Multiple Access
CEA	= Central Electricity Authority
CFTRI	= Central Food Technology Research Institute
CGTF	= Credit Guarantee Trust Fund
CLCSS	= Credit Linked Capital Subsidy Scheme
CSS	= Centrally Sponsored Scheme
DEA	= Department of Economic Affairs
DIC	= District Industries Center
DoEACC	= Department of Electronic Accreditation Computer Center
DONER	= Department of Development of North Eastern Region
DPR	= Detailed Project Report
DSPT	= Direct Satellite Phone Terminal
DTH	= Direct To Home
EAP	= Entrepreneurship Awareness Programme
EDC	= Entrepreneurship Development Cell
EDP	= Entrepreneurship Development Programme
EDI	= Entrepreneurship Development Institutes
EMTC	= Entrepreneurial Motivation Training Center
EPIP	= Export Promotion Industrial Park
ESDP	= Entrepreneurship-cum-Skill Development Programme
FDI	= Foreign Direct Investment
FDP	= Faculty Development Programme
GDP	= Gross Domestic Product
GEM	= Global Entrepreneurship Monitor
GNP	= Gross National Product
GoI	= Government of India
Govt.	= Government
GSDP	= Gross State Domestic Product

Ha	= Hectare
HEP	= Hydro Electric Power
HFO	= Heavy Fuel Oil
HPU	= Himachal Pradesh University
ICICI	= Industrial Credit and Investment Corporation of India
ICT	= Information & Communication Tools
IDBI	= Industrial Development Bank of India
IDEA	= Institute of Development of Entrepreneurs in Assam
IDBI	= Industrial Development Bank of India
IFCI	= Investment Financial Corporation of India
IGNOU	= Indira Gandhi National Open University
IIDC	= Integrated Infrastructure Development Center
IIE	= Indian Institute of Entrepreneurship
IIFT	= Indian Institute of Foreign Trade
ILPS	= Inner Line Permit System
ILS	= Instrumental Landing System
ISO	= International Standard Organisation
IT	= Information Technology
ITI	= Industrial Training Institute
Kg	= Kilogram
KITCO	= Kerala Industrial Technical Consultancy Organisation
Km	= Kilometers
KRDP	= Khadi Reform and Development Programme
KVI	= Khadi and Village Industries
KVIC	= Khadi and Village Industries Commission
LADC	= Lai Autonomous District Council
LDCA	= Long Distance Charging Area
MADC	= Mara Autonomous District Council
MCAB	= Mizoram Cooperative Apex Bank
MDA	= Market Development Assistance
MEN	= Mizoram Entrepreneurship Network
MFAI	= The Mizoram Food and Allied Industries
MFI	= Micro Finance Institution
MGIRI	= Mahatma Gandhi Institute for Rural Industrialisation
MIFCO	= Mizoram Food and Allied Industries Corporation Limited
MKU	= Madurai Kamraj University
MKVIB	= Mizoram Khadi and Village Industries Board
MKWH	= Million Kilo Watt Hour
MM	= Millimeter
MNF	= Mizo National Front
MPC	= Market Promotion Council
MRB	= Mizoram Rural Bank
MSE	= Micro and Small Enterprise
MSE-CDP	= MSE-Cluster Development Programme
MSME	= Micro, Small and Medium Enterprise
MSME-DI	= Micro, Small and Medium Enterprises Development Institute

MSIDC	= Mizoram Small Industries Development Corporation
MT	= Metric Tonne
MU	= Million Unit
MW	= Mega Watt
NABARD	= National bank for Agriculture and Rural Development
NCEUS	= National Commission of Enterprises in the Unorganised Sector
NCSD	= National Council on Skill Development
NE	= North East
NEC	= North Eastern Council
NECON	= North Eastern Industrial Consultants Ltd
NEDFi	= North East Development Finance Corporation
NEEF	= North East Equity Fund
NEEPCO	= North East Electric Power Corporation
NEFR	= North East Frontier Railway
NEHHDC	= North Eastern Handloom and Handicraft Development Corporation Limited
NEHU	= North Eastern Hill University
NEIDBI	= North Eastern Industrial Development Bank of India
NEIP	= North East Industrial Policy
NEIIPP	= North East Industrial and Investment Promotion Policy
NER	= North Eastern Region
NEITCO	= North Eastern Industrial and Technical Consultancy organization Limited
NGO	= Non-Government organisation
NH	= National Highway
NHPC	= National Hydro Power Corporation
NI-MSME	= National Institute for Micro, Small and Medium Enterprises
NISIET	= National Institute of Small Industry Extension Training
NIT	= National Institute of Technology
NLCPR	= Non Lapsable Pool of Central Resources
NLUP	= New Land Use Policy
NMCP	= National Manufacturing Competitiveness Programme
NMDFC	= National Minorities Development and Financial Corporation
NOC	= No Objection Certificate
NPA	= Non-Performing Asset
NSDP	= Net State Domestic Product
NSIC	= National Small Industries Corporation Ltd.
OBC	= Other Backward Class
ONGC	= Oil and Natural gas Commission
PI	= Partner Institutions
PMEGP	= Prime Minister's Employment Generation Programme
PMRY	= Prime Minister Rozgar Yojana
PPP	= Public Private Partnership
PSB	= Public Sector Bank
PWC	= Price Waterhouse Coopers
PWD	= Public Works Department

QMS	= Quality Management Standards
QTT	= Quality Technology Tools
RBI	= Reserve Bank of India
RD	= Rural Development
REGP	= Rural Employment Generation Programme
Rev.	= Reverend
RGGVY	= Rajiv Gandhi Grameen Vidyutikaran Yojana
RIP	= Rural Industries Project
RIPANS	= Regional Institute of Paramedical and Nursing Sciences
SBI	= State Bank of India
SBU	= Small Business Unit
SC	= Schedule Caste
SCB	= Scheduled Commercial Banks
SCP	= Special Component Plan
SDC	= State Development Corporation
SDCA	= Short Distance Charging Area
SDP	= Skill Development Programme
SEEP	= Small Enterprises Establishment Programmes
SEZ	= Special Economic Zone
SFC	= State Financial Corporation
SFURTI	= Scheme of Fund for Regeneration of Traditional Industries
SGSY	= Swarnajayanti Gram Swarozgar Yojana
SHG	= Self Help Group
SIDBI	= Small Industries Development Bank of India
SIDO	= Small Industries Development Organisation
SIET	= Small Industry Extension Training Institute
SIRD	= State Institute of Rural Development
SISI	= Small Industries Service Institute
SJSRY	= Swarna Jayanti Shahri Rozgar Yojana
SME	= Small and Medium Enterprises
SPINE	= Scheme for Promotion of Industrialisation of the North East
SSA	= Sarva Shiksha Abhyan (Education For All)
SSA	= Secondary Switching Area (Telephone services)
SSI	= Small Scale Industry
SSIs	= Small Scale Industries
SSIB	= Small Scale Industries Board
SSSBE	= Small Scale Service Business Enterprise
ST	= Schedule Tribe
TAT	= Thematic Apperception Test
THDP	= Tribal Handloom Development Project
TIC	= Training-cum-Incubator Centers
TSELC	= Tripura State Electricity Corporation Ltd.
TSP	= Tribal Sub-Plan
UK	= United Kingdom
USA	= United State of America
UT	= Union Territory

VPT	=	Village Public Telephone
VT	=	Vocational Training
WLL	=	Wireless in Local Loop
WPR	=	Work Participation Rate
WTO	=	World Trade Organisation
ZIDCO	=	Zoram Industrial Development Corporation Limited
ZOHANCO	=	Mizoram Handloom and Handicraft Development Corporation Limited

CERTIFICATE

This is to certify that the thesis entitled, “Entrepreneurship in Micro Enterprises in Aizawl District, Mizoram” submitted to the Mizoram University for the award of the degree of Doctor of Philosophy in Commerce, is an outcome of research work carried out by Mr. Lalhunthara under my supervision.

He has fulfilled all the requirements laid down in the PhD regulations of Mizoram University. The thesis is the result of his investigation into the subject. Neither the thesis as a whole nor any part of it was ever submitted to any other University for any research degree.

Date :
Place : Aizawl

(Prof. NVR Jyoti Kumar)
Supervisor

CHAPTER – 1

INTRODUCTION

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CHAPTER – 1

INTRODUCTION

This chapter is a curtain raiser that deals with the significance, evolution and dimensions of entrepreneurship. It underlines the role played by entrepreneurship in the development of a region or nation. The review of literature, objectives of the study, research methodology etc are also clarified in this chapter.

1.1 ENTREPRENEURSHIP – MEANING AND IMPORTANCE

Entrepreneurship is the tendency of a person to organise the business of his own and to run it profitably, using all the qualities of leadership, decision making and managerial caliber. It is a process undertaken by an entrepreneur to augment his business interest. It is an exercise involving innovation and creativity that will go towards establishing his enterprise. One of the important qualities of entrepreneurship is the ability to discover an investment opportunity and to organise an enterprise, thereby contributing to real economic growth. Entrepreneurship is a composite skill, the resultant of a mix of many qualities and traits. These include imagination, readiness to take risks, ability to bring together and put to use other factors of production (Desai, 2000).

Entrepreneurship is an important input influencing the economic development of a country or of a region within the country. Entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaking to initiate, maintain or increase the profit by production or distribution of goods and services. Thus, entrepreneurship can be viewed as a creative and innovative response to the environment and an ability to recognise, initiate and exploit an economic opportunity. The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political and psychological factors often known as supporting conditions to entrepreneurship development. These conditions may have both positive and negative influences on the emergence of entrepreneurship. Positive influences constitute facilitative and

conducive environment for the emergence of entrepreneurship whereas negative influence create inhibiting environment to the emergence of entrepreneurship. The most important task of the entrepreneur is to take moderate risk and invest money to earn profits by exploiting an opportunity. For this he must possess far-sightedness to perceive an opportunity so that he can exploit it well in time.

Entrepreneurship is one of the four classes of economic resources used in production. While entrepreneurs run the risk of failure, they also stand to gain from a successful decision. It is not an easy task to define entrepreneurship. To some people, entrepreneurship primarily means innovations, to some others, it means risk taking. To others, it may mean market stabilising force and to others still it means starting and managing small business. Accordingly entrepreneur may be viewed as a person who creates new combination of factors of production such as new methods of production, new products, new markets, finds new sources of supply and new organisational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate demand and supply, or as one who owns and operates business (Parameswaran R, 2008).

Entrepreneurship is one of the important inputs in the economic development of a country or region. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, public and private enterprises co exist. The small business units are left completely to private entrepreneurs. It is in this context that an increasingly important role has been assigned to the promotion and development of entrepreneurship. The need for a broad based entrepreneurial class arises from the need to speed up the process of activating the factors of production, leading to higher rate of economic growth, dispersal of economic activities, development of backward areas, creation of employment opportunities, improvement in the standard of living and involvement of all sections of the society in the process of growth and development.

Entrepreneurship is important both in socialist and capitalist countries. After independence, India adopted a mid way for economic development. The roles of public and private sectors were clearly defined through industrial policy statements. Some industries were reserved for public sector and some other industries were assigned to the private sector. The enormous task of economic change was not possible without the active cooperation of the private sector. The government undertook the initiative by creating infrastructures needed for quick industrial growth. It also started helping entrepreneurs by arranging industrial inputs like raw materials, fuel and finance. Different steps taken by the government helped a large number of entrepreneurs to come forward and give a fillip to the overall development of the country. Often it is argued that the government's participation adversely affects entrepreneurship under private sector. But there is evidence to the fact that the government's involvement in some cases in business, trade, industry and finance is necessary for stimulating technology and growth of entrepreneurship (Mittal K.C, 2003).

Entrepreneurship has an important role in the context of developing states like Mizoram which is confronted with a number of socioeconomic and infrastructural problems. It can play an important role not only in industrial development but also in farm and service sectors. So far as entrepreneurship development is concerned, Mizoram is backward compared to other states of India. Mizoram is confronted with many problems like power shortage, transport problems, marketing inefficiencies and infrastructural problems.

It is said that an economy is the effect for which entrepreneurship is the cause. The development or underdevelopment is the reflection of the development or underdevelopment of entrepreneurship in the society (Gautam Bakshi, 2007). Various levels of economic development across the countries and even within the country are attributable to differences in entrepreneurship development.

So, entrepreneurship development programmes have become vital strategy for harnessing the vast untapped human skills to channelise them into accelerating industrialisation and growth of small scale sector (Desai, 1999).

It may be well recognised that the entrepreneurship is highly important for utilisation of available material resources, generation of job opportunities, creation of wealth for further investment and raising an economic welfare. Disguise unemployment still persists in agriculture and it will continue to be so until and unless alternative employment opportunities are created by encouraging entrepreneurship. Entrepreneurs not only get gainful employment but also provide work to others and contribute significantly in building up economically strong nation and lessening social tension by creating more number of jobs.

In a North Eastern State of Mizoram, unemployment, underemployment and poverty are the baffling problems faced by its people. The state is not in a position to provide government jobs to a number of people. Due to its inherent problems such as physical location, hilly terrain geography and inaccessibility, there is no possibility of establishing large scale industrial units which will provide large scale employment opportunities. In this situation, entrepreneurship can play an important role by providing employment opportunities to different sections of society. Thus, employment generation, development of backward areas and improvement of the quality of life in villages will be the consequences of development of entrepreneurship.

1.2 EVOLUTION OF ENTREPRENEURSHIP

The term entrepreneurship can be traced back to as early as the middle ages, when the entrepreneur was simply someone who carried out tasks, such as buildings and construction projects by applying all the resources at his disposal. However, it was during the 16th century when business was used as a common term, and the entrepreneur came into focus as a person who is responsible for undertaking a

business venture. In the 18th century, early economists, for instance one known as Richard Cantillon, added that an entrepreneur bears risk as part of his work definition. The word 'entrepreneur' derived from the French term '*entreprendre*' which refers to individuals who are 'undertakers' signifying those who translate some new ideas into action and assume the risk of new enterprise. Entrepreneur originally meant to designate an organiser of musical or other entertainment (Khanka S.S, 2001). Oxford English Dictionary (in 1897) defined an entrepreneur in similar way as 'the director or manager of a public musical institution, one who gets-up entertainment, especially musical performance'. In the early 16th century it was applied to those who were engaged in military expeditions. It was extended to cover civil engineering activities such as construction and fortification in the 17th century (Cochran T.C, 1950). It was during the 17th and 18th century Industrial Revolution that business itself was becoming part of the new lifestyle, especially in Europe, where most of this development was taking place. The early economists, such as John Baptiste Say, John Stuart Mill, and Alfred Marshall all included entrepreneurship into the economic spectrum of the time by defining the various skills and features of an entrepreneur. However, it was only in the beginning of the 18th century that the word was used to refer to economic aspect.

1.3 DIMENSIONS OF ENTREPRENEURSHIP

Entrepreneurial functions are defined by different writers in different ways. Richard Cantillon (1739), an Irish man living in France, was probably the first to use the term 'entrepreneur'. He defined entrepreneurship as an agent who buys factors of production at certain prices in order to combine them into product with a view to selling it at uncertain prices in future. He portrayed an entrepreneur as one who discharges the function of direction and speculation. J.B. Say (1827) was the first to assign the entrepreneur a definite position in the economic process. According to him, 'an entrepreneur is one who combines the land of the one, the labour of another, and the capital of yet another, and thus produces the product. By selling the product in the market, he pays interest on capital, rent on land, wages to labourers,

and what aims is his profit'. He differentiated the function of an entrepreneur from that of a capitalist. The acquired knowledge of human being is directed by entrepreneurs in producing goods and services for human consumption. He further stated that in order to become a successful entrepreneur one has to anticipate future demands, determine the proper timing of inputs and appropriate quality and quantity, calculate the cost of production and estimate the selling prices. The number of successful entrepreneurs is limited because the combination of these qualities is not common, especially in industry.

According to Frederick Harbinson (1956) the most crucial skill which facilitates economic use of other innovations is the ability to create an organisation. Without the ability to create an organisation, innovation fails to stimulate economic development. McClelland (1961) identified two important characteristics of entrepreneurship - doing things in a new and better way and, decision making under uncertainty i.e., risk. McClelland emphasised the need for achievement and its orientation as the most relevant factor for explaining economic behaviour. This motive is defined as the factor contributing to the success of one's performance in relation to some standard of excellence.

Hoselitz (1960) stated that a person to become an industrial entrepreneur must have additional abilities like managerial abilities and he must have ability to lead, besides being motivated by the expectation of profit. He further stated that entrepreneurship can be developed in a society in a situation that encourages the development of personalities interested in enterprise and where social processes are not rigid and where its culture permits a variety of choices.

Joseph A. Schumpeter (1939), the major contributor to the literature on the conceptualization of entrepreneurship, identified human agent at the centre of process of economic development. He considered entrepreneur as risk taker and innovator, who carries out new combinations to initiate and accelerate the process of economic development. These include introduction of new goods, introduction of new production function, opening of new market, the conquest of new source of

supply of material and carrying out of a new organisation of industry. It is to be mentioned that entrepreneurs are different from the manager of a firm who run the business on established line. The entrepreneur is not its product but the agent of change. Schumpeter stated that economic development is not spontaneous process; it must be promoted by some agency within the system.

Liebenstein (1968) identified 'gap filling' as an important characteristic of entrepreneurship. This gap filling activity gives rise to the most important entrepreneurial function namely 'input completing'. Liebenstein stated that the input completing capacity and inadequate motivational state govern the supply of entrepreneurship.

Adam Smith (1912) has not differentiated between entrepreneurs and capitalists. He classified to three different types of people – people living by rent, people living by wages and people living by profits. He attributed the net income of a proprietor to returns for labour and capital and did not allow any returns for direction and organisation. Adam Smith argued that the fundamental economic determinant of growth is the rate of capital formation. He put stress on the importance of business class without clear conception of entrepreneurial function. Ricardo and Alfred Marshall also focused on the role of capital accumulation in the process of economic development.

Frank Knight (1921) described the entrepreneurs as a specialised group of persons who face uncertainty and bear risk. Entrepreneur is an agent who undertakes such responsibility. He has identified the psychological, social and economic factors that affect the supply of entrepreneurship. Knight further described that the entrepreneurs bear the responsibility of making decisions under uncertainty. If there is a situation where all men have perfect knowledge about the future there is no need to have entrepreneurs. However, in the condition of uncertainty the entrepreneurs have to function endowed with knowledge, curiosity, alertness,

foresight and judgment. Confidence in own judgment and capacity of ruling others are necessary.

John Kunkel (1970) described that there are four structures that are found within a society which the industrial entrepreneurship depends. These are Limitation structure, Demand structure, Opportunity structure and Labour structure. According to him, the supply of entrepreneurship depends on the existence of these factors.

1.4 ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

The economic development of a country means a process by which the per capita income of that country moves upward over a period of time. Like many other countries of the world, India is endowed with rich natural and human resources, and these have to be used properly by adopting modern technology for the growth and development of the economy. Therefore, entrepreneurship is essential for proper use of renewable and non-renewable natural resources and to provide employment to the unemployed youth (Shiralashetti A.S and S.S Hugar, 2007).

Economic development is concerned with the achievement of higher standard of living, better health care facilities, better education system, better nourishment, higher per capita income and an expanded range of opportunities in work for the people. Economic development is not only a quantitative phenomenon but also has qualitative dimensions. Moreover, economic development is not to be considered as an end in itself, but a means to an end. A rise in per capita income is a right criterion to judge the extent of development because it is a means to the achievement of desired better standard of living, education, health and nourishment. It is clear that economic development is something more than economic growth. It includes growth and change (Friedrich, 1969).

The word development is used in many ways that its precise connotation is often baffling. Economic development essentially means a process of upward change. It may be defined as a process whereby the real per capita income increases over a period of time. One important question to be addressed is that what is the

importance of entrepreneurship for economic development? Does it add an important influence to the promotion of economic development? In the beginning, the attitude of classical economists was very cold towards the role of entrepreneurship in economic development. It is only in recent years that the role of entrepreneurship has been considered significant and recognised in shaping the industrial growth and economic development of developed and underdeveloped countries. Now, people and the government begun to realise the importance of entrepreneurship for achieving the goal of economic development. It is the active, motivated and ambitious entrepreneur who fully explore the country's available resources such as labour, capital, technology and so on (Vikram Patil, 2001).

Buchanan and Ellis (1955) took the consumption level as the basic characteristic for differentiation of development from underdevelopment. In the same way, Staley (1954) has stressed the characteristic of mass poverty which is chronic and not the result of some temporary misfortune. He also stressed that the causes of poverty are social constraints, scarcity of resources and old methods of production. Jacob Viner (1962) has presented another definition of underdeveloped suggesting that the per capita income level as the basis to identify underdeveloped regions and the potentials to support its present population on higher level of living.

Economic growth refers to an increase in the country's production or increase in per capita income with total output of goods and services. Economic development, on the other hand, goes beyond economic growth to include changes in output, distribution and economic structure which may affect such things as improvement in the well being of the poor, technical breakthrough, increase in economic activities, increase in the educational level and improvement in health. Industrialisation is an effective instrument of economic development. The industrialisation depends on entrepreneurial development. The entrepreneurs are the pivot of business, not merely men willing to trade for a profit but are those who are able to exploit the available resources in the right manner and in the process create more goods,

employment and growth of national income (Gurpreet Bal and Paramjit S. Judge, 2010).

The entrepreneurs with their vision and innovative attitudes lay down a strong foundation for sustainable growth, whether it is industrial, agricultural or services sector. The entrepreneurial development has to be recognised as an input to rapid and sustainable economic development as well as the welfare and progress of nation. The economically developed nations provide sufficient substantiation to the emergence of entrepreneurship in those countries. Many underdeveloped countries have realised the fact that these countries are unable to produce goods and services needed by the people and offer employment. It should be attempted, in case of developing countries or regions, to develop and sustain entrepreneurial mind to the people (Gerald M. Meier, 1971).

The government institutions and academicians have now realised the importance of developing entrepreneurship among the young people. As more of the developing economies are in the process of transition, entrepreneurship sometimes has to be inculcated and its development, often undertaken by the state also can be a harbinger of economic development. The role of entrepreneurship for economic development may vary from region to region or economy to economy depending upon the availability of resources and the responsiveness of political system to the entrepreneurial function. The type of entrepreneur that will emerge in an economy depends upon the type of facilitative set up available in that region. From the opportunity point of view, the underdeveloped regions due to paucity of finance, lack of skilled manpower and non existence of minimal social and economic overheads, are less conducive to the emergence of innovative entrepreneurs. In these regions, non innovative entrepreneurs namely, Fabian and drone entrepreneurs are noticed. In such regions, entrepreneurship does not emerge out of industrial background with well developed institutions to support and encourage it. The entrepreneurs in such region may not be an 'innovative' but an imitator who would copy the innovations introduced by the innovative entrepreneurs (Abhrajit Das,

2006). Under the condition of scarcity of finance and problem of market imperfection in underdeveloped region, the entrepreneurs are bound to launch their enterprises on a small scale. As imitation requires less funds than innovation, it is realised that such regions should have more of imitative entrepreneurs. It is also felt that imitations of innovations introduced by innovative entrepreneurs of developed regions on a massive scale can bring about rapid economic development in underdeveloped regions. But it does not mean that such imitation requires in any way less ability on the part of entrepreneurs (Rama Chhabra and Poonam Syal, 2001).

In fact, the spirit of enterprise may be as old as human history. The spirit of enterprise makes man an entrepreneur. Such a spirit transformed him from a nomad to a cattle rearer, to a settled agriculturalist, to a trader and to an industrialist. Thus entrepreneurs are persons who take risks, initiate, organise and manage the affairs of business unit by combining the factors of production for supplying goods and services irrespective of agriculture, industry, trade or profession (Gangadhara Rao N, 1986).

Entrepreneurship is a human activity that plays an important role in the development of a region or a nation. At the centre of process, man stands as an organiser of resources, as a worker, and as the user of goods produced. Of these roles the organiser's function is very important that without him, the resources of production remain resources and can never become products or services. This signifies the importance of entrepreneurship in economic development. Hence entrepreneur may be defined as a catalyst or a change agent in the economic life of all organised societies. The development of economy is a stupendous task and the role of entrepreneur is more challenging than ever before. The shortage of entrepreneurship is one of the most acute problems faced by developing countries and presently it is considered to be a potent limiting factor on their economic development (George Herberton Evans Jr., 1949).

The interest in entrepreneurship springs out of the interest in the economic development of a region or a nation. Despite the stupendous advancement of man in science and technology in some parts of the world, man is primarily concerned with the poverty of the nations still even during the latter part of the twentieth century. Problems of poverty appear to be much worse during the centuries ahead compared to those of the twentieth century. The world we live presents a picture of appalling contrasts. While some countries are economically developed, more than half of world's population live on sub-standard incomes, bad housing, malnutrition, lack of medical care and illiteracy in most of the under-developed and developing countries of Asia, Africa and Latin America. Such problems can no longer be ignored. Indeed they have come to dominate intellectual thought and political actions (Saini J.S, 2001).

Economic development essentially means a process of change. At the same time it may be difficult to define precisely the term 'economic development'. Rather it may be easier to define what is not economic development. However, economic development does not convey the idea of total development. It focuses only on one aspect and one dimension of general development. Economic development may be defined as a move towards even more efficient and differential methods of supplying people with the requirements for survival and improvement (Friedrich, 1969).

Development in industries is being viewed by under developed and developing nations as a superior way of life and is interpreted as synonymous with economic development. But economic development and industrialisation are not synonymous. If economic development is equated with industrialisation, it will undermine the importance of primary sector like agriculture. However, economic development can be equated with entrepreneurship because entrepreneurship is not restricted to industry only but it applies to agriculture, commercial, trade, education, social and political activities.

Too much dependence of the people on primary sector like agriculture is not the cause of underdevelopment but it is the consequence. Industry and agriculture are complementary to each other in the process of development. Moreover, economic development is much more than industrialisation; it is an upward movement of the entire social system (Gunnar, 1968). Social and economic equalisation, increase in productivity, rationally coordinated system of policy measures, improved institutional attitudes and removal of undesirable conditions and system are included in economic development (Blake, 1966).

1.5 REVIEW OF LITERATURE

In this section, an attempt has been made to make a review of some important studies on industrial entrepreneurship in India and abroad.

Nafziger's (1928) study was confined to the origin of 54 manufacturing units in Visakhapatnam. It offered one perspective on vertical socioeconomic mobility and the differences in economic opportunities between privileged and under privileged classes of the population. A highly disproportionate number of successful industrialists are from Bhahmans and from families with high economic status.

Lamb (1955) using a historical approach, explained the rise of the Marwaris, the Parsis and the Gujarati trading castes in the industrial entrepreneurship in terms of factors such as control over several operating firms through managing agency system, community mobilisation of resources, intra-community business linkages and intra-community marriage networks.

McCrary, J.J (1956) studied small enterprises in North Indian towns with a view to identify patterns of growth in small machine industries.

Gadgil, D.R (1959) in order to trace the origin of the modern Indian business class, divided the Indian economic history into three cycles prior to World War I: 1800-

1875, 1880-1895 and 1900-1914. In the first period agriculture became commercialised leading to the emergence of trading communities in dealing in the cash crops of indigo and cotton; in the next two cycles, India developed first the textile industries, and then mineral industries. Gadgil remarked that the progress of Indian industry and entrepreneurship followed in almost every respect lines of industrial evolution in most other countries. The only thing then remarkable about the industrial evolution of India has been its slowness. The reasons for this slowness offered by Gadgil comprise village self-sufficiency, non-industrial character as the dominant trait of Indian towns, the persistent government policy of *laissez-faire*, lack of an industrial bank and lack of technical training for workers.

Carroll (1960) conducted a survey of 92 industrial entrepreneurs in Philippines. He explained why most of the entrepreneurs originated from big cities. He suggested that their culture contributed much to the success of entrepreneurs. He stated that there has been a very impressive amount of mobility in the family of the entrepreneurs. Carroll showed that the entrepreneurs are started their career in business of their fathers and gradually moved to independent activity.

Berna, J.J (1960) conducted a study of 50 medium size manufacturing firms engaged in various kinds of engineering production in the two cities of Madras (now Chennai) and Coimbatore. He analysed the entrepreneurs' origin and found that the initial entry into the industry was open to persons of different social and economic position. His finding was against the popular belief that caste and tradition play an important role in the emergence of enterprises. Berna further felt that the performance of entrepreneurs would be improved and their contribution to industrial progress can be increased if certain help in technique of production and management could be provided to them.

Alexander Alec, P (1961) undertook a study of 354 Greek industrialists which employ more than fifty workers. He tried to focus on question concerning the supply of entrepreneurs and the nature of policies. Refugees from Greece resulting from the

exchange of minorities between Turkey and Greece in 1920s were well represented among the entrepreneurs. He concluded that there was considerable upward mobility in entrepreneurial activity.

Papanek (1962) conducted a study of 250 industrialists employing more than twenty workers in Pakistan. With partition and the exodus of the dominant Hindu businessmen, Pakistan had all opportunities exclusively for the Muslim business community. In Pakistan, forty three per cent of Muslim industrialists were the communities belonging to Chinioti, Dawoodi, Bohra, Halai Memon, Khoja Ismail and Khoja Isnashari and they altogether accounted for less than one half of the population of Pakistan. He stated that the findings of his study support that the entrepreneurship in manufacturing arises in response to the powerful economic incentives rather than significant changes in socio psychological variables.

Sayigh Yousif (1962) undertook a survey of 207 Lebanese entrepreneurs in 1956. His study relied on files from public and semi public bodies, Chambers of commerce, industry and agriculture and industrial associations to aid in the selection of innovators in the manufacturing, agricultural, financial and service sectors. In Lebanon, Christians formed a disproportionate share of innovating entrepreneurs. They share four-fifths while they constitute one-half of the general population. On the other hand, only one-sixth of the entrepreneurial groups were Muslims compared to 44 per cent of the population as a whole. 72 per cent of the entrepreneurs were Lebanese, and 7 per cent each Palestinian and Armenian. More than 70 per cent of the business leaders had traveled outside their country of origin before starting their present business careers. Sayigh found that only less than one-fourth of the entrepreneurs were engaged in the same sector as their father and noticed 'remarkable mobility between generations'. 31 per cent of their fathers were in trade, 26 per cent in industry and 9 per cent in profession. The major occupations of entrepreneurs prior to their present activity were trade, which together with industry comprised about two-thirds of the previous occupations of the respondents.

They perceived their own economic and social status higher than those of their fathers.

Gaikwad and Tripathi (1970) studied the small entrepreneurs of West Godavari district in Andhra Pradesh. The study observed that the entrepreneurs were persons with initiative, drive and hard work, though the majority of the entrepreneurs had no technical knowledge. The traders there realised the scope of industries in the region but hesitant to take up industrial entrepreneurship because they are of the opinion that it will require large amount of capital outlay and high managerial skills and technical knowledge. These findings are very important for policy makers as the tradesmen are often looked upon as potential entrepreneurs.

Guha, Amalendu (1970) reviewed historically the development of Parsi entrepreneurs during 1750-1850. The Parsis success was attributed to their greater ability to adjust themselves to European power and their relative non involvement in the earlier civil and military administration.

Wantanabe (1970) studied small entrepreneurs in Japan. He found that the small entrepreneurs have to overcome various barriers in order to set up business. Competition appears to be much fiercer than in developing countries and therefore, the difficulties and risks are greater. Majority of the entrepreneurs spend more than ten years for preparation for their venture, often working in the evenings after their normal day time employment. A combination of strong will power, thriftiness, hard work and ambition produced the abundant supply of entrepreneurship in Japanese manufacturing.

Harris (1971) conducted a study of 269 entrepreneurs in Nigeria in 1965, primarily in furniture, saw mill, rubber processing, garment making and printing industries. The entrepreneurs in Nigeria were geographically immobile. Only five persons were running business outside the place of their birth. He found that entrepreneurial activity is a means of moving one or two notches up the ladder. As the

socioeconomic and occupational status of the businessmen was higher than those of their fathers, Nigerian entrepreneurs were somewhat successful in identifying opportunities and gaining command over resources but less successful in enterprise management.

The Small Industries Extension Training Institute (SIET), Hyderabad (1974), conducted a survey of small units in Hyderabad and Secunderabad. The study revealed that the most important reasons for starting small industrial units was 'economic gain' followed by 'ambition', 'social prestige' and 'social responsibility'. The study revealed that 'capital shortage' and 'government red-tapism' are the two most important discouraging factors. The study further revealed that formal education, younger age, urban background, experience in industry were some of the characteristics that were positively associated with the quality of entrepreneurship.

Sharma, K.L (1975) made a study of inter-state patterns of entrepreneurial performance by selecting samples from Punjab and Uttar Pradesh. The study reaffirmed socioeconomic background matters for one's entry into manufacturing. He conducted another study by surveying more than 200 small entrepreneurs in Punjab and Uttar Pradesh and tested a model for entrepreneurial development. He came to the conclusion that the rate of government policies and its implementation become important to sustain the interest of entrepreneurs in the continuous expansion of business.

Ashis Nandy and Raymond L.Owvans (1977) analysed on exploratory basis some of the psychological and social correlates of entrepreneurship in an urban community of Howrah (West Bengal) and compared two caste groups within the community. This was an attempt to compare the enterprising and non-enterprising cultures.

Thomas Timberg (1978) analysed the nature of entrepreneurship in Marwaris community. He analysed the theory of entrepreneurship with respect to the success of Marwaris in business and their late entry into industry. He observed that

entrepreneurial Marwari performed crucial role in the development of industrial and commercial economy of Northern India.

Paul A. London's (1978) study, an unusual study, focuses on rural merchants, a lively and enterprising group rarely mentioned in development literature. His study was based on interview of nearly 200 entrepreneurs. His study revealed that little noticed, often abused private shopkeepers adapted remarkably to India's rural needs in the past decade by selling hundreds of millions of dollars worth of vital fertilizers and irrigation equipment. Their work helped make agriculture gains possible yet the Indian government barely tolerated their existence in rural areas.

Andhra Pradesh Industrial Technical Consultancy Organisation (APITCO) and Kerala Industrial Technical Consultancy Organisation (KITCO) in 1980 conducted a study of the various problems faced by the industries in three states- Andhra Pradesh, Karnataka and Kerala. The study revealed that the serious problem faced by the units was the inadequacy of working capital. 69 per cent of the units in Kerala, 44 per cent of the units in Karnataka and 52 per cent of the units in Andhra Pradesh were facing the same problem. The next problem faced by them was marketing as 30 per cent of the units in Kerala felt it as another setback. Non-availability of raw materials has affected the productivity of several units in all the states. It was observed that the delay in getting timely finance hampered the productivity of the units and this led to high cost of production, as observed in all the three states.

Manohar U.Deshpande (1982) conducted a study of 90 units in Marathwada Region of Maharashtra. He evaluated the socioeconomic origin of entrepreneurs and problems faced by them. He established the relationship between such a performance and the causative factors. His study revealed that most of the economic benefits created by the government agencies are availed by the upper strata of the society. The study stressed 'to get by the primary occupation' is an important precondition for the development of entrepreneurship. His study also revealed that

caste, family occupation and father's occupational status are important for entry into the business.

Sarma, R.K (1982) made a study on growth and problems of small scale sector in Andhra Pradesh. He observed that the backward districts of the state improved their relative position in terms of employment generation and capital during 1966-75. Majority of them are confronted with the problems of raw materials and finance.

Sarupuria (1983) studied psychological factors in entrepreneurial effectiveness by comparing the scores of the successful and unsuccessful entrepreneurs from Ahmedabad in Gujarat on the various psychological dimensions viz., locus of control, fear of failure, introversion-extroversion, perseverance and attributional competence. It was found that the successful entrepreneurs in relation to unsuccessful entrepreneurs were significantly more internal, had lower fear of failure, were more extroverts, showed greater perseverance and attributed their success more to internal factors.

Drucker (1985) observed that innovation is a tool of entrepreneurship and identified seven sources of opportunities namely the unexpected, the incongruity, innovation based process need, changes in industry structure, demographic, changes in perception, mood and new technology.

Gangadhara Rao, N (1986) conducted a study in coastal Andhra, aiming at evaluating the impact of the programme of industrial estates on the emergence of entrepreneurship and growth of small units. The study also examined the socioeconomic structure of the entrepreneurs, forces behind the spirit of entrepreneurship, growth of enterprises in industrial estates and the various problems faced by the entrepreneurs. His study revealed that educational and income levels are important factors in entrepreneurship. Of all, money making is the major ambition of entrepreneurs.

Vinze (1987) in her research study on 'Women Entrepreneurship in India: A Socioeconomic Study of Delhi' conducted on 50 women entrepreneurs of Delhi, found out that enterprises set up by these women entrepreneurs were in different fields. In a place like Delhi, a metropolitan city state, people in low and middle income groups with some education and moderate experience set up small scale industries in large number and as such entrepreneurship was largely acquired. Women entrepreneurs opined that financial assistance from banks has been significant but procedures and formalities need to be more flexible. Streamlining of procedures was also considered essential for acquisition of technical know how. She also recommended that management knowledge was a must for starting and running an entrepreneurial venture.

Gupta, M.C (1987) evaluated the role of entrepreneurship in small scale sector with reference to some units in Kanpur, Allahabad and Gorakpur in Uttar Pradesh. He made an attempt to understand the socioeconomic background of the entrepreneurs and confirmed the influence of socioeconomic factors and analysed their problems in managing the enterprise efficiently.

Nirmala Ganguly (1988) conducted a study of the performance, policies, problems and prospects of small scale industries sector. Notwithstanding energetic efforts made to promote the small scale industries, it suffers from certain problems like scarcity of raw materials, problems relating to marketing and finance, encroachment of its area by medium and large units etc. These problems need urgent remedies so that the growth of SSI sector will be accelerated and it becomes an effective and potential instrument in the economic and industrial development of the country.

Sandesara, J.C (1988) undertook a field survey on the efficiency of long term finance by the state finance corporation to small scale industrial units in Bombay (now Mumbai), Hyderabad and Jaipur. The study confined to 206 small scale units during the periods from 1972-73 to 1978-79. The findings of this study were that

assisted units had higher labour productivity, higher surplus and higher average wage than non-assisted units.

Narasimha Murthy, B.E.V.V (1989) studied the socioeconomic profile, ambitions, motivating factors of entrepreneurs in two selected towns of Andhra Pradesh (Anakapalle and Gudivada) and observed the loosening of the hold of caste on occupations. As a result, enterprising farmers and artisans were turning to occupations other than caste occupations. The facilitating factors were encouragement by friends, relatives, family members, contact with business people, and success stories of entrepreneurs, previous experience and property inherited/acquired.

Karunakaran Pillai, G (1989) in his study study of women entrepreneurs in Kerala revealed that most of the women entrepreneurs in the state had proper education-collegiate or technical and access to capital. Most of them had high degree of motivation. Even though most of them did not possess business experience and technical knowledge yet they entered into the business as a result of encouragement received from their husbands and relatives and from Mahila Samajams (women's group) and other similar organisations. Most of the entrepreneurs had plan for expansion and diversification of their enterprises. The desire to work at the place of residence, difficulty of getting job and the desire for social recognition were the main motivating factors for self employment.

Richard and Dorie (1989) visited three Indian states Punjab, Tamil Nadu and Orissa, interviewed a dozen of government officials who were involved in entrepreneurship development programmes as well as 200 small scale entrepreneurs to investigate the entrepreneurship in India's small scale industries. Their study suggested that the growth of small scale industries is quiet independent of the small scale industries programme, and that successful small scale manufacturers most often succeed because they can persuade government restrictions rather than because they were encouraged by government incentives. They also identified the key elements that

characterised successful entrepreneurs in many walks of life regardless of levels of sophistication, education and degree of modernity or traditionalism in orientation. They recommended new governmental approaches to generate economic growth.

Porter (1990) propounded the diamond theory based on the effect of the local business environment and competition. According to this theory a cluster is the manifestation of the diamond at work, comprising of three elements namely proximity arising from the location of companies, customers and suppliers and other institutions.

Anna, V (1990) conducted a survey on the trends of women entrepreneurship in Kerala among 102 women entrepreneurs from various districts. The important findings of the study were that the women entrepreneurs of Kerala have emerged from varied socioeconomic, education and cultural background. Christian women were better educated and more enterprising than their counterparts.

Ashok Kumar (1990) conducted a study of forty entrepreneurs in Andhra Pradesh and studied socioeconomic profiles which influence the industrial entrepreneurship. He examined the impact of caste of entrepreneurs, family background and religion on the success of the entrepreneurs. He studied occupational and educational background of the entrepreneurs with technical know-how to examine the achievement of the entrepreneurs. He also studied the influence of age of the entrepreneurs and migratory character of the entrepreneurs on their success.

Harinarayana Rao, C (1991) in his study on 'Promotion of Women Entrepreneurship' lists economic backwardness, lack of family and community support, ignorance of opportunities, lack of motivation, shyness and inhibition, preference for traditional occupation and preference for secured jobs as the factors that inhibit promotion of grass root entrepreneurship among rural women.

Laxmana Rao, V (1991) studied 51 entrepreneurs in two coastal districts of Andhra Pradesh and found that majority of the entrepreneurs were natives and belonged to upper castes having previous experience in the same field. However, their level of education and economic status were low.

Hisrich and Fuldop (1993) in their work related to women entrepreneurs in Hungary found that most of the women entrepreneurs in their sample were married. Majority of them are from middle or lower middle social class. Majority of them are college graduates. They formed their new ventures mainly because of interest in the area of business or due to job frustration.

Lianzela (1994) focused on plan-wise development of different industries in Mizoram, one of India's North Eastern states. His work reviewed many aspects of economic development of Mizoram at a macro level.

Pannalal (1994) studied a sample of industrial estates in Andhra Pradesh. His inferences were that the entrepreneurs were mostly middle aged, that is, they are in the age group 31-40 years. Parent's background had a catalytic role, especially among those whose parents belonged to industry, trade and contract works. The organisational set up was mostly single proprietorships, which was not only popular but also successful and the other common form was partnership. As regards the industries that were more successful, engineering industries were thriving in industrial estates, constituting 62 per cent of the sample.

Manoj Kumar and Govindappa (1995) pointed out in their study on 'Entrepreneurship in Agro-Processing Industry' in Devengere district in Karnataka that previous experience in related activity and market knowledge were the most important inducing factors of entrepreneurship. They also suggested that the growth in investment, sales turnover and the size of employment were the three important criteria to evaluate entrepreneurial performance.

Choudhary, P.R (1995) made an attempt to analyse the capital structure in small scale industry. He identified that the important problem in small scale units is relating to finance. He suggested that banks should give preference to small scale industries sector. He further suggested that there should be uniform norms of lending by different financial institutions to increase the efficiency of lending system to small scale industries units.

Haldar (1996) assessed the performance of Tripura based organisations in organising EDPs and implementing the various schemes of government of India among the tribal population.

Baruah, Sharma and Mali (1996) conducted a study in North East and found that 40 per cent of trainees were likely to set up their own enterprises, among them majority were in the age group of 25-30 years.

National Productivity Council Research Division (1996) attempted to identify and evaluate the role of major factors responsible for small industry growth across the Indian states. Based on a detailed analysis the study favours a selective approach in terms of both industries and areas to foster small industries development especially in backward areas. The study identified backwardness in competitive race among Indian states in regard to extending concessions and subsidies of various kinds to small industries.

Panda (1996) in his study examined 250 entrepreneurs in Orissa in the industrial estate in places like Balasore, Berhampur, Bhubaneswar, Cuttack, Rourkela and Sambalpur. His study analysed the role of managerial activities for success of entrepreneurs and growth of entrepreneurship in Orissa. He examined the socioeconomic factors such as caste, education, economic background and motivational factors. It was observed that majority of the entrepreneurs belonged to Vaishya community followed by Brahmin, Karanas and Kshatriyas. It was also observed that higher education attainment led to entrepreneurial activity.

Rualkhuma Colney (1997) conducted a study of small scale and cottage industries in Mizoram. He laid stress on the development of small scale industries to boost the overall economic development of the state. He observed that though there was fast annual growth rate in the industrial employment, the industrial sector was very weak and unproductive; the overall performance of various banks in respect of the development of small scale industries in the state was far from satisfactory.

Mishra, B.B and R.K Bal (1997) conducted a study of 110 entrepreneurs in Orissa to know the factors influencing the new entrepreneurial class to undertake industrial entrepreneurship. The study revealed that majority of the entrepreneurs had ambitions like strong desire to do something independently in life, to continue family business and to give shape to their ideas and skills.

Madhu Murthy, K (1997) conducted a study of 80 entrepreneurs from Warangal, Visakhapatnem and Hyderabad. He found that entrepreneurs supply is mostly from those who belonged to agricultural and business families. They were relatively young, that is in 25-30 years and graduates. Among these graduates engineering graduates had some earlier experience before they had set up their establishment. The motivational factors for choosing entrepreneurial career are desire for independent life, personal fame, innovations and encouragement by several agencies.

Rudra Murthy, D.G (1998) made an attempt to analyse the pattern, trend and magnitude of financial assistance to the small scale sector in Karnataka. This study evaluated the impact of institutional finance on industrial development. This study further assessed the financial problems of the entrepreneurs. The study found that the availability of institutional finance to SSIs has not been sufficient to meet their needs nor in proportion to the volume of activity generated by the sector.

Srinivas Subba Rao, P (1998) made an attempt on the organisation and problems of SSI units in three districts in Andhra Pradesh. He found that substantial amount of

installed capacity is idle in many industrial units due to the shortage of demand, labour problems, scarcity of raw materials, irregularity of power supply, etc. He suggested that the district industries centers should be restructured to meet the requirements of SSI sector.

Manimala (1999) conducted a study whose focus was shifted from what the entrepreneur is to what the entrepreneur does. He emphasised entrepreneurial heuristic (rule of thumb) that provided insight into what entrepreneurs do in managing their enterprises.

Agarwal, A.K (1999) in his paper stressed the importance of training and skill development for the entrepreneurs for the promotion of industrial development in Mizoram.

Haldar and Roy (2000) conducted a study on entrepreneurial dynamics of small tea growers in Tripura.

Baruah (2000) conducted a study on women entrepreneurs who were trained in NER to find out the role of the training institutions played in creating entrepreneurs.

Das (2000) in his study on women entrepreneurs in Kamrup district of Assam found that most of them had entered business through choice and had high need for achievement.

Mali (2000) urged through his study to support an emerging trend of women entrepreneurship in NER. He observed that support from family members played a significant role in shaping them as successful entrepreneurs.

Srinivas, G and G.T. Govindappa (2000) conducted a study on entrepreneurship in small scale engineering industrial units in Karnataka. They found that the economic background of the entrepreneurs was not very bright because it was easy to start in

terms of initial capital required. They also revealed that engineering entrepreneurs mainly faced three problems namely problems of marketing due to competition among themselves, labour problems due to high labour turnover and absenteeism and the working capital problem.

Kalyani and Chandralekha (2002) observed that the socioeconomic and demographic characteristics have a significant impact on the involvement of women micro entrepreneurs, particularly when it comes to an enterprise management. Many of them do receive help from their family members in carrying out various works.

Haldar and Debnath (2006) in their study pointed out that people having high need for achievement are better performers than those with low need for achievement because they are quick learners in developing their knowledge and skills.

Srivastav and Syngkon (2007) in their study conducted in Meghalaya found that most of the entrepreneurs were educated and first generation tribal entrepreneurs and more than one-fourth of them were women entrepreneurs.

Kabra K.C (2008) explored how business and industry have emerged in the small and distinct state of Mizoram over 125 year period through various phases. The study analysed the role played by the government as a promoter, regulator and participant in business and industry, the role played by state PSUs, the aspects of entrepreneurial development etc

Subrata Debnath (2009) in his study dealt with the motivational efficiency of EDPs conducted in Tripura. The study was done on six major entrepreneurship development institutions operating in Tripura. The study found that the motivational efficiency of EDPs in developing achievement motivation among the participants was very low.

Khanka (2009) explored the motivational factors influencing first generation entrepreneurs in Assam. He found that entrepreneurs were motivated by the need for economic achievement, personal growth, autonomy and recognition.

Laskar, Baharul Islam (2010) in his study of small scale industries in Mizoram found that majority of the units utilise only 50-60 per cent of their total installed capacity. It was further revealed that lack of demand, non-availability of required raw materials and competition from other producers are the main reasons for under utilisation of capacity. His study also found that only five per cent of the sample entrepreneurs received formal training.

Lalhriatpuii (2010) focused on economic participation of women including some entrepreneurs in Mizoram.

Rama Ramswamy (2010) conducted a study on the micro handloom weavers in Thenzawl cluster, Mizoram. This study examined the socioeconomic characteristics, motivational factors, growth and performance and the problems faced by handloom entrepreneurs. The study has brought out several interesting dimensions of the motivational factors that have motivated the entrepreneurs to become entrepreneurs. The sociocultural ethos of the Mizo community has also played a key role in motivating the entrepreneurs to start their own micro enterprises. The study offers specific suggestions to strengthen the cluster.

Laldinliana (2011) made an attempt to touch up different aspects such as importance of participatory approach in rural development, Swarnajayanti Gram Swarozgar Yojana (SGSY), dynamics of entrepreneurship, practical facilitation for entrepreneurial development of self help groups as micro enterprises and so on.

Dadina and Dey (2011) in their study attempted to identify and discuss different socioeconomic conditions of the agripreneurs involved in fish farming in Manipur, a

small state in North East. The study also tries to find out the relationship between socioeconomic aspects and level of fish production.

The above research studies were related to the experiences, problems, factors inducing entrepreneurship and the profile of entrepreneurs in Small Business Units (SBUs) in different parts of India and foreign countries. However, these studies may not be adequate to explain the real characteristic features of entrepreneurship and industrialisation in Mizoram. The policy recommendations which are applicable to these studies may not be necessarily suitable for Mizoram.

A brief review of the studies conducted on North East and Mizoram have focused on the economic development and growth. There are very few studies of entrepreneurship which focused on SBUs. Laskar B.I (2010) confined to industrialisation and the problems and prospects of SBUs in the state. Though the study conducted by Rama Ramswamy (2010) elaborated different dimensions of entrepreneurship, the study was confined to the weaver-entrepreneurs of a particular cluster. Therefore, there exists a serious research gap in the existing literature which prompted the researcher to take up the study with reference to entrepreneurship in micro enterprises relating to different business activities.

1.6 STATEMENT OF THE PROBLEM

The study covers diverse range of businesses owned by micro entrepreneurs in a small state of Mizoram, one of the eight states of India's North East. The entrepreneurial spirit in India was visibly demonstrated by only a few sections of the people or by only certain regions. Therefore, the planned goal of inclusive development cannot be achieved unless the entrepreneurial motivation is instilled and intensified in, and extended to the underprivileged groups and underdeveloped regions of the society. This challenge of entrepreneurship development seems to be the most acute problem faced by developing regions and the shortage of entrepreneurs is possibly the most potent limiting factor for their development. Mizoram being one of such regions can break the vicious circle of poverty in which

it is caught by developing and strengthening the micro enterprises which is possible only through developing entrepreneurial attitude and skills. Thus, the present study is a modest attempt to explore certain dimensions of entrepreneurship with reference to micro enterprises in a tribal economy of landlocked hilly state of Mizoram.

1.7 THE PRESENT STUDY

Mizoram is one of the most industrially backward states in India. The entire state has been notified as backward and is categorised as ‘No Industry State’ due to non-existence of large and medium industries (Economic Survey Mizoram, 2007-08). Mostly micro enterprises exist in Mizoram while big industries are almost absent. Development of industries in the state is an uphill task as the investors remain fearful to invest here due to its topography, small size market, entry restrictions, low end infrastructure and such other related factors. Mizoram is considered as a peaceful state in India and enjoys rich natural resources. Although opportunities exist to a great extent, the lack of vision and will to explore the opportunities hampers the industrial development (Bhartendu Singh and Singha RKPG, 2008).

The disadvantages due to topographical and geographical condition of the state coupled with underdeveloped infrastructure and transport bottlenecks are the main hurdles for the first generation entrepreneurs of the state to move towards industrialisation. The growth and performance of the manufacturing sector has been poor. The share of industry, consisting registered and unregistered units, to the state GSDP could marginally increase from 1.2 per cent at the beginning of Tenth Five Year Plan to 1.5 per cent at the terminal year (2006-07). The state has witnessed a low scale of migration of workforce from agriculture to non-agricultural sector. Business activities like tailoring, furniture making, automobile repairs, steel making, bakery, handloom weaving, blacksmithy etc, account for 80 per cent of the total number of business enterprises in the state. There is little scope for big industrial units and as such micro enterprises dominate the industrial scenario acquiring a prominent place in the socioeconomic development of the state (Economic Survey Mizoram, 2008-09).

The 2001 Census revealed that out of the total population, 52.57 per cent were workers and the rest were non-workers in Mizoram. It also revealed that out of the total workers, 54.9 per cent were cultivators and 5.7 per cent were agricultural labourers. This indicates that 60.6 per cent of the total workers were engaged in agricultural activities mostly by practicing shifting cultivation (also known as *jhumming*). However, the share of agriculture alone to the GSDP was hardly seven per cent at current prices during 2008-09 (Economic Survey Mizoram, 2008-09). There is a discontentment among the farmers community, they do not want to remain in the traditional sector and are very much keen to find out an alternative occupation to support the growing needs of their expanding family members (Laskar, Baharul Islam2010).

At this juncture the Micro and Small Enterprises (**MSEs**) sector has specific role to play in the context of the economy of Mizoram. This sector requires less amount of capital and low level of technical skill. The vast natural resources and local raw materials can be exploited more efficiently by strengthening the MSE sector in the state thereby creating employment opportunities mainly to the underprivileged people and local artisans, which in turn, helps in realising the planned goal of inclusive development.

1.8 OBJECTIVES OF THE STUDY

The objectives of the present study are:

1. To present an overview of economic landscape of India's North East with a focus on Mizoram.
2. To study different aspects of entrepreneurship and MSME sector in Mizoram.
3. To identify the socioeconomic characteristics of the entrepreneurs who started the micro enterprises in the district of Aizawl, Mizoram.
4. To study the motivational factors influencing entrepreneurship.
5. To enquire into the problems faced by the enterprises in respect of marketing, raw materials, power, labour, finance and internal management.

6. To offer suggestions so as to improve the performance of micro enterprises.

1.9 RESEARCH METHODOLOGY

The study covers diverse range of micro enterprises. Since it is an exploratory study, it is mostly based on primary data collected from the entrepreneurs of micro enterprises. As per the Third Census of Small Scale Industries (2001-02) there were 2718 registered small scale industries in Mizoram, out of which 2027 were in Aizawl district (1914 were in Aizawl urban and 113 were in Aizawl rural). Precisely all these enterprises constituted the population from which the sample for the purpose of the present study had to be chosen. The size of the sample was fixed at 20 per cent of the enterprises in Aizawl district. Accordingly, a total of 406 enterprises (383 enterprises in Aizawl urban and 23 enterprises in Aizawl rural) were covered. Then the sample was drawn by using random sampling technique. However, in the course of identifying the sample enterprises in the field study it was found that some of the enterprises were either non-functional or closed units. In such instances, those sample units were selected randomly again. Another practical problem faced at the time of selection of sample units was relating to the nomenclature used in the records kept by the Directorate of Industries, government of Mizoram. In these records 'micro' and 'small enterprises' were not differentiated because such data was based on the nomenclature used prior to the enactment of the MSMED Act 2006. Hence the researcher had to take the difficulty of eliminating 'small enterprises' from the list with a view to confine to only 'micro enterprises'. It was to be noted that such type of small enterprises are very few in the data provided by the Third Census of Small Scale Industries in respect of Mizoram.

Table 1.1

No. of Registered SSIs* Located in Mizoram: District-wise				
	Districts	Rural	Urban	Total
1	Mamit	20	16	36
2	Kolasib	13	100	113
3	Aizawl	113	1914	2027
4	Champhai	79	101	180
5	Serchhip	17	56	73
6	Lunglei	20	142	162
7	Lawngtlai	3	36	39
8	Saiha	2	86	88
	Total	267	2451	2718

Source: Compiled from *Third Census of Small Scale Industries in respect of Mizoram*, Directorate of Industries, Government of Mizoram, p -1.

** The Third Census of Small Scale Industries (2001-02) was based on the nomenclature used prior to the enactment of the MSMED Act 2006. The researcher had to take the difficulty of eliminating 'small enterprises' from the list with a view to confine to 'micro enterprises.' Such type of small enterprises are very few in the list.*

Information from the sample entrepreneurs was collected in 2007 and 2008 by administering a schedule (refer Annexure). The schedule was pre-tested and suitable modifications were made after eliciting the opinions of policy makers, experts and selected entrepreneurs. It was proved to be a difficult task to approach and convince the micro entrepreneurs to respond to the schedule which took 45-60 minutes of their time. Data were collected at the place of work of the entrepreneurs. Practically the researcher found it difficult to get micro entrepreneur's time in the first meeting itself. Despite these limitations, the entrepreneurs were cooperative in sparing their time and required information. The data thus collected were further supplemented by unstructured interviews with the entrepreneurs.

The primary data collected with the help of the schedule is tabulated to make it suitable for further statistical treatment. In addition, the primary data was collected by conducting personal interviews with the Joint Director, Directorate of Industries and Industries Promotion Officers. This is supplemented with the secondary data collected from various government publications such as *Economic Survey, Mizoram; Statistical Abstract, Mizoram; Statistical Handbook, Mizoram; Basic Statistics of NER; Annual Report, Ministry of MSME; Primary Census Abstract, North Eastern Region Vision 2020, Third Census of Small Scale Industries, and Quick Results of the Fourth Census of MSME*. Other sources of secondary data include *The Journal of Entrepreneurship*, Sage Publication; *IUP Journal of Entrepreneurship Development*, published by ICFAI University; and *Sedme Journal*, published by National Institute for Micro, Small and Medium Enterprises. Further, the information was solicited from the website of the Ministry of MSME, government of India.

The sample units drawn on the basis of random sampling technique fall under seven groups of business activities as shown in **Table 1.2**.

1. *Food processing*: This includes enterprises engaged in food items and other related products like milk and milk products, biscuits, bakery and other food items.
2. *Wooden*: This group includes enterprises engaged in making and repairing wooden objects and structures, cane and bamboo products.
3. *Repair services*: All types of repair services are included here ranging from small electronic items to big machinery.
4. *Steel/Metal*: This includes the enterprises who engaged in making, fabricating, repairing, constructing or manufacturing steel structures.
5. *Printing/Publication*: This group includes those who engaged in all types of printing and publishing activities.

6. *Handlooms*: The enterprises who engage in weaving of cloths and resale them to the market through middlemen or directly to the customers are included in this group.
7. *Tailoring*: All enterprises involved in sewing of cloths made from cotton, wool, embroidery etc. and used to make clothes or curtains, are included here.

Table 1.2

Distribution of Sample Enterprises		
	Entrepreneurial activity	Sample size
1	Food processing	20
2	Wooden	110
3	Repair services	69
4	Steel/Metal	85
5	Printing/publication	19
6	Handlooms	34
7	Tailoring	69
	Total	406

1.10 RATIONALE OF CHOOSING AIZAWL DISTRICT

The number of entrepreneurs engaged in activities like manufacturing, printing/publications, food processing, handlooms, tailoring etc are found to be abundant in Aizawl district of Mizoram. As seen in Table 1.1, 74.5 per cent of the registered enterprises (2027 out of 2718) are located in Aizawl district. In this context, it was thought that Aizawl district represents the whole of Mizoram.

Analysis and interpretation of the data was done with the help of simple statistical devices such as percentages and averages. Motivational factors of the entrepreneurs and the problems faced by the entrepreneurs are rated by weighted score.

1.11 LIMITATIONS OF THE STUDY

1. The primary data were collected through a schedule and unstructured interviews. During the course of field work, among some of the entrepreneurs a general feeling of suspicion and hesitation was noticed. They found it difficult to disclose information relating to financial matters: whether they borrowed any loan from banks, relatives and friends; whether they were repaying their loans, details of profit etc. As a result there were some entrepreneurs who did not respond to certain questions put to them.
2. At the time of field survey it was found that most of the entrepreneurs were not maintaining proper books of accounts. Some of them keep their accounts and records in arbitrary manner. They keep their records for the observance of formalities rather than to assess the profitability and financial position of the enterprise. This, in turn, hampers the initiative of the entrepreneurs to assess and forecast the profit arising out of the efforts put by them. However, all possible effort has been put to check the authenticity of the data collected.
3. This research work was commenced in 2006. In the course of literature survey, the researcher has reviewed substantial literature available. In such literature he found different types of nomenclature used to describe small business units such as small scale industries, small and cottage industries, tiny industry, small and village industries, rural industries, khadi and village industries, artisan industries and micro and small enterprises. In the process of presentation and data interpretation the researcher found it difficult to describe all such units with a single name. It is due to this reason all such terms have been used interchangeably. However, the sample units covered in this study are micro enterprises as per MSMED Act 2006.
4. In some instances the 2001 Census data have been used in the thesis. However, the researcher has utilised the 2011 provisional Census data as it was made available just before finalisation of thesis.

5. The researcher tried to collect latest information available from published and unpublished sources, journals and websites. However, this research work was started soon after the enactment of MSMED Act 2006. In some cases it is more convenient for the researcher to take information from Third Census of Small Scale Industries (2001-02) because the Quick Results of Fourth Census of MSMEs (2006-07) came up only in September, 2009. However, the researcher had also utilised the data pertaining to the Quick Results of Fourth Census in appropriate places.

1.12 CONCLUSION

The role of MSMEs in the economic development of Indian economy is well known. These enterprises make significant contribution to the country's GDP, manufacturing output, employment generation and exports. The MSME sector provides large scale employment opportunities next to agricultural sector. The importance of MSMEs lies in the fact that these are playing a role of elixir for all economic and social ills of our economy. Despite such importance, the sector suffers from a variety of problems which public policies often seek to address. However, the reality is that, there is much inertia such that policies do not often get translated into action. The inertia becomes much less stronger, when the economy is in real crisis, or that there is a perception of an emerging crisis. But by the time the crisis becomes visible, the weakest among the MSMEs might have vanished (Mathew PM, 2012). An examination of the recent data available on the sector in India suggests that business start ups getting stagnated which means there is not much incentives to invest in new ventures. Therefore, the stakeholders concerned need to strengthen entrepreneurship development initiatives in the interest of regional development.

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CHAPTER – 2

ECONOMIC LANDSCAPE OF INDIA’S NORTH EAST: A FOCUS ON MIZORAM

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CHAPTER – 2

ECONOMIC LANDSCAPE OF INDIA'S NORTH EAST: A FOCUS ON MIZORAM

In this chapter an attempt is made to give an overview of economic landscape of India's North East with reference to Mizoram. For this purpose this chapter has been divided into two parts. While the first part outlines different dimensions of the North East economy in terms of infrastructure, entrepreneurship development initiatives, industrialisation, hindrances to industrialisation, government's policy and institutional support, the second part focuses on the geographic, historical, social and demographic perspective of Mizoram state, in addition to the economic and infrastructure perspective.

(A) ABOUT THE NORTH EASTERN REGION

2.1 AN OUTLINE OF THE REGION

The North Eastern Region (NER) or simply the North East as usually referred to in India is a region as interesting and varied as India itself. It is in the eastern most region of the country consisting of eight states viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim and some parts of North Bengal. It lies between 88° E to 97.60° E longitudes and 21.57° N to 29.30° N latitude. The North East India is a true frontier region. It has over 2000 kilometers of international border with Bhutan, China, Myanmar and Bangladesh and is connected to the main land of India by a narrow 20 kilometers wide corridor of land. The corridor is subject to occasional disruptions due to heavy rains and floods. The region covers 2.62 lakh sq. km (7.9 per cent of the total land space of the country) with a total population of 45.58 million which constitutes around 3.76 per cent of the country's population according to the 2011 census. The density of population varies from 17 per sq. km in Arunachal Pradesh to 397 per sq. km in Assam. One of the most ethnically and linguistically diverse regions even in Asia, each state in the NER has its distinct cultures and traditions. From time immemorial, India's North

East has been the meeting point of many communities, faiths and cultures. A place renowned for its magical beauty and bewildering diversity, the NER of India is the home for more than 166 separate tribes having unique social and cultural practices, speaking a wide range of languages. There are four states in the region viz. Arunachal Pradesh, Meghalaya, Mizoram and Nagaland where tribals are in majority and in Mizoram, they constitute as high as 95 per cent of the population. According to the 2011 census, the literacy rate among all the states in the region is above 75 per cent which is slightly higher than the national average of 74 per cent.

The NER of India is mostly hilly; it has plains on both sides of the river Brahmaputra (Assam) and the Himalayan range around it. The Himalayan range accounts for around 65 per cent of the region, whereas the Brahmaputra valley covers around 22 per cent and the Meghalaya plateau around 13 per cent of the area. The flora and fauna of this region is numerous and varied. Hill ranges forming part of the Himalayas guard the northern side of the region. The area is made up of mountains above the snow line and plains a little higher than sea level. The region is of strategic importance for the country on account of the fact that **nearly 90 per cent** of its border form India's international boundaries. About 70 per cent of the region is hilly, and the topography varies with each state, mountains and hills cover most of Arunachal Pradesh, Mizoram, Nagaland, Meghalaya, Sikkim and about half of Tripura, one-fifth of Assam and nine-tenth of Manipur. The plains of the region are mainly made up of separate land masses- the Brahmaputra valley and the Barak valley in Assam and the Tripura plains in the south. In Manipur, the valley is small, comprising only about 10 per cent of the total area of the state. The Brahmaputra valley stretches longitudinally for about 730 km, from North Lakhimpur to Dhubri district in Assam. The Barak valley, formed by the river Barak and its tributaries covers the district of Cachar, Karimganj and Hailakandi of south Assam. The Tripura plain is an extension of the Ganga-Brahmaputra plain. The rainy season in this region generally commences from March and lasts till the middle of October. The total annual rainfall varies significantly in the region. In Khasi and Jaintia Hills (Meghalaya), the annual intensity of rainfall reaches the maximum of about 1080

cm around Cherrapunjee and Mawsynram (having highest rainfall in the world). It is significantly low in the rain shadow area of Nagaon district in Assam. About two-thirds of the annual total rainfall occurs during the four monsoon months from June to September.

2.2 ECONOMY OF NORTH EASTERN REGION

The economy of NER is mainly rural and agrarian. The region has got its definite identity due to its peculiar physical, economic and socio-cultural characteristics. Agriculture provides livelihood support to 70 per cent of the population. The region offers scope for cultivation of a wide variety of agricultural crops because of its diversities in topography, altitude and climatic conditions. These products are mainly sold in the local markets, and mostly in the form of primary produce without significant value addition. All the states in the region continue to be a net importer of food grains even for their own consumption. In spite of covering 7.9 per cent of the country's total geographical area, the region produces only around 1.5 per cent of the country's total food grain production. The agricultural system of the region is predominantly traditional. A large number of people in the hills still follow the traditional practice of shifting cultivation known as 'jhuming' (shifting cultivation) (Rahman M and Dey N B, 2010).

Most of the states in the region are rich in resource endowments. Despite being rich in natural resources with fertile land, rich forests and substantive mineral and hydrocarbon deposits, development in the NER has lagged behind the rest of the country in most indices of socioeconomic development. The economy of the region is generally characterised by low per capita income, low capital formation, inadequate infrastructure facilities, geographical isolation and communication bottleneck, inadequate and inefficient exploitation of natural resources, low progress in industry, **lack of private and foreign direct investment**, and high unemployment problem. Since agriculture and industry have not really taken off in spite of the potential in the form of vast unexploited resource base available in the region. The

pressure for employment is on services sector. The contribution of agriculture to state domestic income is much higher in the region except for Meghalaya and Nagaland. Mining in case of Meghalaya and forestry and logging in case of Arunachal Pradesh and Nagaland are important contributors to NSDP.

All the states in NER are treated as special category states. 90 per cent of their plan allocation is treated as grant. The per capita NSDP in NER on an average is ₹ 26,472 as compared with the national average of ₹ 37,490 at current prices in 2008-09. NSDP shows that Sikkim has been doing better than the national average (Economic Survey, 2010-11).

2.3 INFRASTRUCTURE IN NORTH EASTERN REGION

Numerous studies the world over have revealed that investment in infrastructure is one of the most potent tools that government can use to enhance economic growth and reduce poverty. Investment in roads, tele-communications, power supply, drinking water facilities, schools and health care facilities have a positive effect on the quality of life (Ansari and Khan, 2007). The economic infrastructure is the basic foundation of economic growth. It provides the essential prerequisites for economic growth. In general, various natural and mineral resources, generation and distribution of power, transport, banking facilities and irrigation are the different aspects of economic infrastructure which influence the industrial and economic growth. The status and condition of infrastructure of a region throw some light on the magnitude, standard and constraints of the different basic factors of economic growth. In the NER, it may be observed that barring Assam, most of the states are late comers to the process of development. In the hill areas of region, the population density is low, production technology is primitive and infrastructures are very weak. Regional imbalance has been rising in spite of the treatment of NER as a special category for plan finance, implementation of subsidy schemes like capital and transport subsidy, concessional finance etc. In the region, one of the major problems

is backwardness of economic infrastructures due to typical land structure of the region which is considered as the backbone of economic development.

2.3.1 Road transport

Because of insufficient railway network in the NER, the road transport plays an important role in the transport system. However, in rainy season, various parts of hill areas face the problem of landslides creating the surface communication problem for movement of goods and passengers thereby resulting into scarcity of essential commodities.

The particulars relating to the road length in the NER can be seen in [Table 2.1](#). The total road length in the region is 1,73,261 km which works out to be 7.05 per cent of the country's aggregate road network. Out of the total road length, only 25.5 per cent (44,261 km) was surfaced and the remaining 74.5 per cent (1,29,000 km) was unsurfaced road. In the region, Assam has the biggest road network in respect of total road length, followed by Nagaland and Arunachal Pradesh. With regard to the road availability per 100 sq. km of area, Tripura is highest with 155.41 km, followed by Nagaland with 126.79 km and Assam with 144.09 km. However, the average road availability per 100 sq. km of area in the region is 65.83 km, which is lower than the national average of 74.73 km. The average road availability per one thousand populations in the region is higher than the national average. The average road availability per one thousand populations in the NER is 4.46 km as against 2.39 km for the whole country. However, many of the hill areas in the region are without good transport facilities. Moreover, transport system of Assam possesses added importance because of being located in the central position in the region.

It is also noticeable that in the entire NER, a large portion of road still remained unsurfaced. Among the states in the NER, Sikkim is highest in respect of surfaced road, having 76.58 per cent of surfaced road to the total road length in the state, followed by Meghalaya having 65.58 per cent and Mizoram with 56.69 per cent.

The remaining five states have surfaced road less than half of the total road length in their respective states. The surfaced portion of the road in other states roughly varies between 20 per cent to 35 per cent. Assam which is industrially and economically developed state in the region has only 14.4 per cent of surfaced road. Transport problem is a regular feature of the region because of devastating floods and regular landslides. When the road system is blocked or when it is disrupted in the state of Assam, it creates the problem to the link of all other states in the region. The physical feature of the region characterised by rugged hills and wide rivers and deep streams make the cost of construction of roads and bridges high and this creates additional problem of expansion of the road network.

Table 2.1

Road Length in North Eastern Region (in km)							
	States	Surfaced length	Un-surfaced	Total	Road per '000 population	Road per 100 sq.km	Percentage of surfaced road to total road length
1	Arunachal Pradesh	5689	12676	18365	16.70	21.93	30.98
2	Assam	12882	76604	89486	3.29	114.09	14.40
3	Manipur	3863	7571	11434	4.76	51.21	33.79
4	Meghalaya	6560	3005	9565	3.98	42.65	65.58
5	Mizoram	2877	2198	5075	5.64	24.07	56.69
6	Nagaland	6451	14570	21021	10.51	126.79	30.69
7	Sikkim	1546	473	2019	3.36	28.45	76.58
8	Tripura	4393	11903	16296	5.09	155.41	26.96
9	Total N.E Region	44261	129000	173261	4.46	65.83	25.55
	All India	1420489	1036158	2456647	2.39	74.73	57.82

Source: *Basic Statistics of NER 2006*, North Eastern Council, Ministry of Development of North Eastern Region, Government of India, Shillong.

2.3.2 Railways

In most of the states in India, railway is an important means for movement of people as well as commodities. However, in the case of NER, the railway network is not well developed. An important indicator of the development of railway transport is

the railway route density, which in the NER is very low for all states, except for Assam. In the state of Meghalaya railway transportation is yet to be established, while in Arunachal Pradesh, Manipur and Mizoram the railway route length is less than 2 kilometers. Almost 98 per cent of the railway route length in the region is in Assam. However, the government is considering connecting all N.E. state capitals by railways.

In a high level consultation with the Ministry of Railways, state governments and North Eastern Council and Ministry of DONER in 2007, the Ministry of Railways had reported the status of various important projects going on in the NER. Eight of them are new lines – (1) Kumarghat to Agartala, (2) Jiribam to Tupul, (3) Dimapur to Zubza, (4) Azra to Byrnihat, (5) Dudhnoi to Depa, (6) Harmuti to Itanagar, (7) Mahilaguri to Jogighopa, and (8) Bogibeel Rail-cum-Road Bridge; five are for gauge conversion – Lumding-Silchar, Rangiya-Murkongselek, Kathakal-Bairabi, Haibargaon-Mairabari and Senchona junction-Silghat town and one is for doubling the line – New Guwahati-Digarua. A very legitimate demand of the region and the expectation of the citizens is also that all the state capitals of the NER should be connected by rail lines. On completion of the on-going/sanctioned works, railway lines will link the state capitals of Arunachal Pradesh, Nagaland, Manipur and Tripura. However, projects for connecting Aizawl (Mizoram), Shillong (Meghalaya) and Gangtok (Sikkim) are yet to be sanctioned. For Aizawl, a project for a rail line from Bairabi to Sairang has been included in the railway budget (2008-09) of the Railway Ministry. For Shillong, work on Azra-Byrnihat has been taken up and from Byrnihat to Shillong, work on a survey has been sanctioned. For connecting Gangtok, a survey has been completed from Sivok-Rangpo whereas work on a survey from Rangpo to Gangtok has been sanctioned (NER Vision 2020, 2008).

Table 2.2

Railway Network in North Eastern Region (in km)					
	State	Broad gauge	Meter gauge	Narrow gauge	Total gauge
1	Arunachal Pradesh	Nil	1.26	Nil	1.26
2	Assam	1227.7	1289.53	Nil	2517.23
3	Manipur	Nil	1.35	Nil	1.35
4	Meghalaya	Nil	Nil	Nil	Nil
5	Mizoram	Nil	1.5	Nil	1.5
6	Nagaland	11.13	1.72	Nil	12.85
7	Tripura	Nil	64.42	Nil	64.42
8	Total NE Region	1238.83	1359.78	Nil	2598.61

Source: *Basic Statistics of NER 2006*, North Eastern Council, Ministry of Development of North Eastern Region, Government of India, Shillong.

2.3.3 Air

The terrain of the region and tenuous land link with the rest of the country makes air connectivity a *sine quo non* for trade and commerce, tourism, realisation of the potential for horticulture and floriculture in the region, promotion of higher and technical education and even for reducing the image deficit that the region suffers from. Air connectivity is generally useful for high-end passenger traffic and high value freight such as plants, flowers and valuable documents. In NER, air travel has been made possible by central subsidies for air travel to and from NER (excluding Assam). Despite this, air connectivity was extremely unreliable prior to 2002 as the limited traffic made the use of Boeing jets uneconomical and led to irregular flight schedules. However, since 2002 the introduction of ATR planes has made flights within NER somewhat more reliable though Kolkata still seems to be the hub rather than Guwahati. On the other hand, Guwahati seems to be more the natural hub for air traffic within NER. At present, only Meghalaya and Sikkim have no full-fledged airports. Air connectivity needs substantial investments and participation from both the government and private investors. The Sixth Sectoral Summit of NEC on Air Connectivity in Aizawl declared inter-alia the objective of ‘operationalising up to 50

airports/airstrips in the NER by the end of the Eleventh Five Year Plan, and providing up to 600 flights per week within the region, by using the appropriate type of aircraft, making the required improvements in existing airports/airstrips in a time-bound manner'. Since the opening of the skies to private airlines in India, the North East has witnessed a quantum increase in the number of flights and passengers. State governments are providing helicopter services at subsidised rates in Arunachal Pradesh, Sikkim, Tripura, Nagaland and Meghalaya. Flights on some commercially unviable sectors are being provided with viability gap funding by NEC to operators (NER Vision 2020, 2008).

The development of existing airports, operationalisation of non-operational airports and construction of greenfield airports assume great importance. There are 11 operational airports, 11 non-operational and three proposed Greenfield airports: Itanagar, Tawang and Pakiyong (Gangtok). Among the operational airports, only Agartala and Guwahati have night landing facility. Instrumental Landing Systems are only available in Aizawl, Agartala, Dibrugarh, Dimapur, Guwahati and Imphal. Clearly, all major operational airports need upgradation, inter-alia, in better navigational systems, expansion of terminals, extension and strengthening of runways and control towers. Enhanced budgetary support, quicker land acquisition and negotiations where land is not privately owned and in some cases, coordination and cooperation from defence authorities are required for comprehensive airport development in the region (NER Vision 2020, 2008).

2.3.4 Power

Generation and distribution of power is an important input for economic and industrial development of a region. The NER is blessed with numerous power resources like hydel, thermal by using coal and gas, geo-thermal and wind power. The meteorological, topographical and hydrological phenomena combine to make the region as a store house of fantastic hydro electric potential not only in the country but also in the world. Much is spoken about these resources, although very

little has so far been done. It may be said that the greatest natural resource of this remote region is not oil or tea, but water. The region is blessed with two unique river basins, the larger Brahmaputra basin and the smaller Barak basin, both of which can be developed to bestow benefits to the entire country. Of the various benefits, which the planned development of these river basins can bring hydro electric power generation is certainly the most attractive. With the supply of increasing cost and rapidly decreasing reserve of coal and oil now in use for power generation, men have begun to hectic search for alternative sources of energy. There can be no better alternative than the available hydro-resources, even replenished by nature, devoid of pollution and unaffected by inflation (Phukon S N, 1982).

The power-starved NER is blessed with a huge hydro potential. As per Re-assessment studies carried out by Central Electricity Authority (CEA), hydro potential of the NER in terms of installed capacity has been estimated as 58971 MW, i.e., almost 40 per cent of the country's total hydro potential. Out of the above, 1202.7 MW have been harnessed so far while projects amounting to 2724 MW is under construction (Annual Report, Central Electricity Authority 2007-08). The State-wise estimated hydro-electric potential of NER is given in **Table 2.3**.

In spite of such huge potential, the region ranks lowest in the country in terms of power generation and per capita energy consumption mainly due to lack of proper planning, inhospitable climatic conditions, remote location and inaccessibility. However, with continual improvement of infrastructure and communication facilities, the NER stands to become the power house of India by utilising its surplus power potential, especially in hydro power sector. The region offers a large potential in renewable energy, which is also yet to be exploited. There is also an imbalance between hydel and thermal power, both in terms of generation and availability. The transmission and distribution sector is the weakest link of the electricity industry in the region. Huge transmission and distribution losses, estimated to be at over 40 per cent, lower tariffs as compared to costs of generation and transmission and mounting losses of the state electricity boards, are crippling the electricity sector in

the region. The NER presents very attractive sites for providing large storage with multi-purpose aspects of development. Four major developments are under various stages viz., Siang Basin Projects (13,600 MW), Subansiri Basin Projects (5600 MW), Dibang (3,000 MW) in Arunachal Pradesh and Tipaimukh (1,500 MW) in Manipur (Central Electricity Authority 2007-08).

Table 2.3

Hydro Electric Potential in North Eastern Region				
	State	Identified potential as per re-assessment study (MW)	Capacity developed (above 3 MW capacity)	Capacity under construction (above 25 MW capacity)
1	Arunachal Pradesh	50328	423.5	2600
2	Assam	680	375	0
3	Manipur	1784	105	0
4	Meghalaya	2394	185.2	124
5	Mizoram	2196	0	0
6	Nagaland	1574	99	0
7	Tripura	15	15	0
	Total	58971	1202.7	2724

Source: *Annual Report 2007-08*, Central Electricity Authority, Ministry of Power, Government of India, New Delhi

2.3.5 Banking and financial institutions

Banks and other financial institutions facilitate the economic development of a region by providing funds for development of infrastructures and industrial development. The NER is lagging behind in terms of financial infrastructure which is delaying the process of industrial development.

In 1969 when the 14 major commercial banks were nationalised, there were only 94 bank branches in the region as against 8266 branches in the country. Out of which 74 branches were in Assam, followed by eight in Meghalaya, six in Tripura, four in

Nagaland, two in Manipur, none in Arunachal Pradesh and Mizoram. For the whole of India, one bank serves 16,000 persons. By the end of March, 2004, there were 2101 bank branches in the region (Basic Statistics of NER, 2006). The number of bank branches in NER as on March 2004 is given in **Table 2.4**.

Table 2.4

No. of Bank Branches in North Eastern Region					
	States	Commer cial banks	Regional rural banks	Coopera tive banks	Total
1	Arunachal Pradesh	49	17	31	97
2	Assam	820	398	68	1286
3	Manipur	47	29	15	91
4	Meghalaya	131	51	39	221
5	Mizoram	26	53	10	89
6	Nagaland	63	8	21	92
7	Tripura	93	87	45	225
	Total	1229	643	229	2101

Source: *Basic Statistics of NER 2006*, North Eastern Council, Ministry of Development of North Eastern Region, Government of India, Shillong.

The NER has given birth to certain financial and credit institutions. There is one Industrial Development Bank located at Guwahati (Assam) called North Eastern Industrial Development Bank of India (NEIDBI) along with branches of Small Industries Development Bank of India (SIDBI) in all the states of the region. North Eastern Development Finance Corporation (NEDFC) in Guwahati has been set up to provide financial assistance and consultancy services to the entrepreneurs of the region. The State Financial Corporations (SFCs) are also giving loans and concessional assistance to small and medium enterprises and in turn get refinance from the IDBI and SIDBI. To encourage the small entrepreneurs in the region, the Industrial Finance Corporation of India (IFCI) has constituted 'Technical Assistance for Small Entrepreneurs' scheme and under this scheme technical consultancy facility to new and existing small entrepreneurs are provided through NEITCO.

2.4 ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES

In India, efforts to promote entrepreneurship were started with industrial campaigns during the 1960s. During the early 1970s, Gujarat started planned and systematic efforts to entrepreneurship development and became the pioneer in the country. In the NER, Assam is the pioneer in this field (Mali D.D, 2005). Given the limited scope for agricultural development and development of large industries due to topographical conditions, development of **SSIs** through entrepreneurship is considered to be the most effective means to foster economic development in the region. A number of initiatives have been taken by the government for quite some time in this regard. For example, the government of Assam started the Entrepreneurial Motivation Training Centers (EMTCs) way back in 1973 (Nagayya D, 2000). A number of entrepreneurship development programmes (EDPs) have been conducted in this region. Besides, the government has also announced several incentives and concessions to create a favourable environment for the development of entrepreneurship and small scale enterprises in the region. However, there is a marginal change in the entrepreneurial and industrial scene of the region (Awasthi D. N and Sebastian J, 1996; Sharma S.V.S and Akhouri M.M.P, 1978).

2.4.1 Past efforts

Assam is one of the first few states in the country in taking planned and systematic efforts to promote entrepreneurship in the state. In 1973, Assam started an integrated approach for entrepreneurship development by setting up district level agency known as Entrepreneurial Motivation Training Center (EMTC) to identify, select, and train prospective entrepreneurs, and to provide them all support services to establish and manage their enterprises (Gautam Dutta, 2000). During the seventies, the growing unemployment, particularly among the educated youth posed a great problem for the government of Assam. In order to make a dent on the problem, the government of Assam adopted the integrated model of entrepreneurship development for the effective promotion of entrepreneurship in the state. In order to implement the model, the government of Assam trained a group of

28 officers drawn from various departments of the state in entrepreneurship motivation development. The officers prepared a 19 points action plan for entrepreneurship development in the state. Based on the action plan in May 1973, the government of Assam set up a district level agency called EMTC (Hazarika and Yein, 2000). Initially the government of Assam set up six EMTCs at Mangoldoi, Silchar, Diphu, Dhemaji, Jorhat and Kokrajhar. In 1979, three more centers were set up at Tinsukia, Nalbari and Nagaon. These centers were manned by personnel drawn from the Departments of agriculture, industry, animal husbandry etc. This was done to have a multi-dimensional character of the team and to operate through all agencies which would provide avenues for self employment. Each center had three to four officers and the senior most officer was known as the 'Special Officer'. The government of Assam merged the EMTC with District Industries Center in 1999 (Mali D.D, 1999). Under the EMTC programme, training programmes were organised from time to time by the EMTC officers in various places of Assam for the local educated unemployed youth. After completion of the training they would be guided to prepare proposals to be forwarded to various financial institutions for finance (Das H.S, 1999). However, more facilities, enhanced financial power, etc may be given to EMTCs for successful performance, so that the educated unemployed youth can be suitably trained and engaged in ventures to earn their livelihood (Chakraborty K C, 1999).

During the seventies EMTCs were the only organisations directly engaged in entrepreneurship development in the region. Small Industries Service Institute (SISI) was set up in 1955. SISI indeed organised entrepreneurship development programme (EDP). But the main concern of SISI was not entrepreneurship development programme. It was only a part of their total activities. Moreover, EDPs organised by SISI did not involve any post-training follow up activities. The North Eastern Industrial and Technical Consultancy Organisation (NEITCO) was set up in 1973. But NEITCO is primarily a consultancy organisation. Establishment of NEITCO as a consultancy organisation was welcomed since there was no consultancy organisation worth the name in the region. NEITCO, however, did not

venture to run entrepreneurship development programme during the early years of its operation. In 1979 State Bank of India (SBI) organised its first EDP at Shillong. The National Institute of Small Industry Extension Training (NISIET) set up its only regional center at Guwahati with the objective of organising training for the prospective entrepreneurs (Mali D.D, 1999).

2.4.2 Current efforts

There are now several organisations, national, regional and state, government and non-government organisations to train and develop entrepreneurship in the region. These include Small Industries Service Institute (SISI), North Eastern Industrial and Technical Consultancy Organisation (NEITCO), North Eastern Consultancy Organisation (NECON), National Small Industries Corporation (NSIC), Indian Institute of Entrepreneurship (IIE) and Meghalaya Industrial Development Corporation (MIDC). These organisations are directly involved in promotion of entrepreneurship. They organise programmes both for new and existing entrepreneurs (IIE News Letter, vol.6, No. 2, March-April 2001).

Now the activities of NEITCO are primarily confined to Assam, Arunachal Pradesh and Meghalaya. The North Eastern Consultancy Organisation (NECON) was established in 1987 with its headquarters in Imphal (Manipur). The headquarters was later shifted to Agartala (Tripura). NECON operates in different states in the region as a consultancy organisation, particularly in Nagaland, Manipur, Tripura and Mizoram. Entrepreneurship development is one of its activities. The National Small Industries Corporation (NSIC) started organising programmes on 'Entrepreneurs and Enterprise Building' since 1990. The Indian Institute of Entrepreneurship (IIE) was set up in Guwahati in 1993. It took over the regional center of NISIET w.e.f. 1st April, 1994 (Mali D.D, 1999).

2.4.3 Entrepreneurship support institutions

The NEC took initiatives to support the entrepreneurship development. In its efforts, Industrial Development Bank of India (IDBI) and its sister organisations, Industrial Finance Corporation of India (IFCI) and Industrial Credit and Investment Corporation of India (ICICI) also participated. The Small Industries Development Bank of India (SIDBI) started to co-sponsor the rural and women entrepreneurs with the NEC. The Khadi and Village Industries Commission (KVIC) has also started to participate in rural entrepreneurship development programmes. The National Bank for Agriculture and Rural Development (NABARD) has been supporting rural and entrepreneurship development programmes to be implemented by voluntary organisations. Educational institutions such as Assam Engineering Institute and Prince of Wales Institute of Engineering and Technology have been organising entrepreneurship development programmes primarily for their own students. The State Bank of India (SBI) started EDPs during 1979, and latter stopped to organise EDPs. From 2001 the SBI has again started to organise EDPs to promote new entrepreneurs. In early 2005, the State Institute of Rural development (SIRD) has set up an Institute of Development of Entrepreneurs in Assam (IDEA) primarily to promote entrepreneurship in agriculture and allied activities (Mali D.D, 2005).

2.4.4 Training programmes

D.D.Mali (2005), the former Director of IIE, Guwahati classified the training programmes organised by different organisations in NER mainly under three heads: New entrepreneurs creation programmes; programmes for existing entrepreneurs; and awareness creation programmes.

In addition to these programmes, there are programmes for personnel from support organisations including banks and financial institutions, programmes for educated sons and daughters of artisans, entrepreneurs and businessmen and for teachers and students from schools, colleges, universities and technical institutes.

2.4.5 The emerging trends

The efforts to promote and develop entrepreneurship during the last more than two and half decades have resulted in some changes in the entrepreneurial scenario in the North Eastern Region. This change is slow, but it is perceptible. Awareness has been created to a great extent about the need and importance of self employment and entrepreneurial career. The number of youth intending to take up entrepreneurial career by choice has been increasing (Mali D.D, 2005).

Another emerging trend is that more and more women are now taking up entrepreneurial career. There are now women entrepreneur associations also that was unthinkable earlier. Further, there are now more women entrepreneurs emerging from Schedule Tribe (ST), Schedule Caste (SC) and Other Backward Class (OBC) community. Now entrepreneurs are emerging from different social groups and also from different locations (IIE Study on Women Entrepreneurship in the North East, 2001). Women have taken up entrepreneurial activities in manufacturing, business and services sector. There are units set up by women in traditional activities and also in non-traditional activities. In fact, women entrepreneurs play an important role in business and managing markets in the region. For example, in Manipur, the Khwairamband market at Imphal is controlled and run by women. It is said that the Khwairamband market is, perhaps, the biggest market in Asia controlled by women. In Meghalaya, women dominate the Kaleduh (Bara Bazar) market at Shillong. Such examples indicate the potential for developing women entrepreneurs in the region (IIE Newsletter, vol.4, No. 3, May-June 1999).

However, most of the units set up by trained entrepreneurs were microenterprises only, though there were also tiny enterprises. But there were hardly any small enterprises. The type of enterprises set up were mostly traditional. But there are now non-traditional products/services that are also being taken up by new entrepreneurs. More and more entrepreneurs are coming up in services sector and also in agro-

based activities. Many entrepreneurs have set up training institutes, particularly computer training institutes and many have set up franchise units to become business owners (Khanka S.S, 1999).

Another trend observed is that more and more retired persons (including those who take voluntary retirement) are taking up entrepreneurial activities. Due to increase in longevity and good health, the retired persons are coming forward to take up entrepreneurial ventures. Many of them have talent, ambition, experience and retirement money to take up entrepreneurial activities. Many retired persons are taking up entrepreneurial activities for inducing their children to take up entrepreneurial ventures (Mali D.D, 2005).

2.5 INDUSTRIALISATION IN NORTH EASTERN REGION

2.5.1 MSME sector

The relatively high labour-intensive of MSMEs play a crucial role in reducing poverty and unemployment. For the Indian economy this sector has contributed significantly to the growth of GDP, exports and employment generation. During the last five decades it has acquired a prominent place in the socioeconomic development of the country. However, only three per cent of MSMEs in the country are located in the NER, of which more than 60 per cent are in Assam. Sikkim is the state with the least number of MSMEs. The growth of MSMEs has been the highest in Nagaland (28 per cent), followed by Meghalaya (8 per cent), Assam (6 per cent) and Mizoram (6 per cent). So far as the gross output is concerned, it is just 1.78 per cent of the total gross output of India comes from this sector. The contribution of Assam is the highest in NER. The employment in the registered MSME sector is also very negligible in NER. It is just 3.11 per cent of the total registered MSME employment in India. Assam constitutes more than half of the NER's share in the registered MSME sector employment. After Assam the per cent of MSME employment is more in Manipur which is 0.55 per cent of the total MSME sector employment in India. The investment in the MSME sector in NER is also very

marginal. As per the Third Census of Small Scale Industries, fixed investment in NER was less than two per cent of the national level (NER Vision 2020, 2008).

The industries in the NER is composed of the traditional household industries run by the innumerable households using traditional technology and using local available forest resources and agricultural, plantation and horticulture products, and the industrial units developed in the modern organised sector which use the region's mineral resources as main inputs applying higher technology (Ganguly J.B, 1998). The people of NER had and still have general tradition of weaving and handicrafts which are now facing various difficulties (Gupta, 1978). Some of the business activities undertaken by small business units in NER are handlooms, knitting, bamboo and cane works, cement, blacksmithy, crockery, bell-metal and brass wares, carpentry, husking, oil pressing, gur making, shoe making, bee keeping, coir and other kinds of rope making and paper.

Table 2.5

Estimated Number of MSMEs, Fixed Investment, Production and Employment in NER					
	State	No. of units	Fixed investment (₹ in crore)	Production (₹ in crore)	Employment
1	Arunachal Pradesh	1614	46.76	115.2	5060
2	Assam	246980	1733.05	8155.1	556896
3	Manipur	60625	529.53	1168.5	173663
4	Meghalaya	28851	224.07	799.8	87397
5	Mizoram	14242	188.66	343.6	32984
6	Nagaland	18653	583.49	897	81608
7	Sikkim	472	17	73.7	1828
8	Tripura	30772	423.61	765.4	70774
	N E Region	402209	3746.17	12318.3	1010210

Source: *Annual Report 2009-10*, Ministry of MSMEs, Government of India, New Delhi

2.5.2 Exports from the NER

In the Third Census of Small Scale Industries, it was estimated that there were 50,606 exporting units in India accounting for exports to the tune of 14,19,956 lakhs as shown in **Table 2.6**. The value of exports was only five per cent of the gross output. The NER has 108 registered and 2252 unregistered SSI exporting units, which account for 4.45 per cent of the total exporting units in India. Most of the exporting units in the NER are operating in Assam followed by Nagaland, but most of them are unregistered.

Table 2.6

Exporting Units in SSI Sector in the NER							
	State	No. of exporting units			Value of export (₹ in Lakh)		
		Regis-tered	Unregis-tered	Total	Regis-tered	Unregis-tered	Total
1	Arunachal Pradesh	-	-	-	-	-	-
2	Assam	20	1438	1458	513.25	927.16	1440.41
3	Manipur	8	-	8	12.58	9.40	21.98
4	Meghalaya	-	-	-	-	-	-
5	Mizoram	4	188	192	3.65	31.79	35.45
6	Nagaland	1	453	454	111.20	676.31	787.51
7	Sikkim	65	90	155	26.56	0.00	26.56
8	Tripura	10	83	93	5.81	1032.74	1038.55
	Total NER	108	2252	2360	673.06	2677.40	3350.45
	All India	7344	43262	50606	1230825.6	189130.3	1419955.9

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, Government of India.

The number of registered exporting units is highest in Sikkim. Arunachal Pradesh and Meghalaya had no exporting units. In terms of value, the exports from the NER is negligible, at less than one per cent of the total export value of India. The exporting units in the NER contribute only 0.23 per cent of export value of the country. The major export items are tea, bamboo products, silk and fabric products, and handicraft and handloom products.

2.5.3 Rural and urban division of SSIs

As shown in Table 2.7, there is a state-wise variation between the number of SSIs working in rural and urban areas in the NER. The SSIs are mostly concentrated in and around urban areas. The result of the Third Census of Small Scale Industries revealed that out of the 25,680 registered working SSIs in NER, 11,883 units (46.27 per cent) were located in rural areas and 13,797 units (53.73 per cent) were located in urban areas. However, dispersal of registered SSIs in the region shows that Arunachal Pradesh, Manipur, Meghalaya and Tripura have more units in rural areas.

Table 2.7

Distribution of Working and Closed SSIs in NER									
	State	Working units				Closed units			
		Rural	Urban	Total	% of work- ing units to the total units	Rural	Urban	Total	% of closed units to the total units
1	Arunachal Pradesh	144	111	255	50.7	182	66	248	49.3
2	Assam	6990	7463	14453	58.3	4632	5706	10338	41.7
3	Manipur	2449	2150	4599	79.0	901	325	1226	21.0
4	Meghalaya	1314	625	1939	50.4	1166	742	1908	49.6
5	Mizoram	268	2465	2733	65.5	194	1119	1313	34.5
6	Nagaland	114	454	568	81.5	58	71	129	18.5
7	Sikkim	65	109	174	52.9	65	90	155	47.1
8	Tripura	539	420	959	47.1	387	690	1077	52.9
	Total NER	11883	13797	25680	61.0	7585	8809	16394	39.0
	All India	608412	766552	1374974	60.8	336492	550935	887427	39.2

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, Government of India.

State-wise coverage of registered working units shows that the maximum share of working units was in Nagaland (81.5 per cent), followed by Manipur (79 per cent) and Mizoram (65.5 per cent). All the other states in the region had the working SSIs

below the national average (60.8 per cent). In the region, 39 per cent of the registered SSIs are closed units. The closed units are mostly located in urban areas.

2.5.4 Participation of women in SSIs

The participation of women in SSIs can be identified in three roles as shown in **Table 2.8**. Some women are owners of the enterprises, some women actually managed their enterprises and some other women are employees. In India, as per the Third Census of Small Scale Industries, the total number of women enterprises in the SSI sector was estimated at 10,63,721 (10.11 per cent). The estimated number of enterprises actually managed by women was 9,95,141 (9.46 per cent). About 13 per cent of the women enterprises were registered and the remaining 87 per cent were unregistered. With regard to the enterprises managed by women, 11.5 per cent were registered and 88.5 per cent were unregistered. These enterprises were estimated to provide employment to 33,17,496 women.

Table 2.8

Participation of Women in the SSI Sector in NER					
	State	No. of women enterprises	No. of enterprises managed by women	No. of female employees	% of female employment in the total employment of the state
1	Arunachal Pradesh	150	131	446	12.10
2	Assam	11757	11189	26065	6.08
3	Manipur	10745	9168	23338	17.06
4	Meghalaya	3580	3658	8803	13.42
5	Mizoram	3700	3076	6824	27.46
6	Nagaland	179	207	3211	5.65
7	Sikkim	98	30	221	16.72
8	Tripura	863	631	7619	13.38
	Total NER	31072	28090	76527	13.98
	All India	1063721	995141	3317496	13.31

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, Government of India.

In NER, the total number of women enterprises was 31,072 and the enterprises managed by women were 28,090. It can be seen from the [table](#) that Assam has the highest number of women enterprises in the region. But in terms of share of female employees in their respective state, Mizoram was highest, followed by Manipur; while Assam had only 6.08 per cent of female employees in the state, which is lower than the national average of 13.31 per cent. With regard to the number of female enterprises and the number of enterprises managed by women, Sikkim was lowest, but with respect to the percentage of female employment in the total employment of the state, Sikkim had 16.72 per cent.

2.5.5 Nature of operation

As per the Third Census of Small Scale Industries, about 91.42 per cent of the registered working units were found to be operating perennially, while 6.08 per cent were seasonal and the remaining 2.05 per cent were casual ([Table 2.9](#)).

Table 2.9

Percentage Distribution of SSIs by Nature of Operation in NER					
	State	No. of units having nature of operation			Total
		Perennial	Seasonal	Casual	
1	Arunachal Pradesh	78.43	5.49	16.08	100.00
2	Assam	93.76	3.78	2.46	100.00
3	Manipur	88.91	8.89	2.20	100.00
4	Meghalaya	76.53	21.51	1.96	100.00
5	Mizoram	96.85	1.76	1.39	100.00
6	Nagaland	96.48	2.99	0.53	100.00
7	Sikkim	56.32	33.91	9.77	100.00
8	Tripura	91.76	4.48	3.75	100.00
	All India	91.42	6.08	2.50	100.00

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, Government of India.

The casual enterprises are relatively more prone to sickness. In all the states of NER, perennial units dominate the SSI sector. There were four states in the region in which perennial units comprise more than 90 per cent. Mizoram has the highest share of perennial units (96.85 per cent), followed by Nagaland (96.48 per cent). In Sikkim, seasonal units play a significant role (33.91 per cent). The highest proportion of casual units was found in Arunachal Pradesh (16.08 per cent).

2.5.6 Nature of activity

The state-wise and sector-wise percentage distribution of the SSIs by nature of activity is given in **Table 2.10**. In the NER, manufacturing activities are playing a dominant role in the SSI sector. In most of the states in the region, percentage of manufacturing enterprises is above the all India level. Among the constituent states in the NER, Nagaland is leading in manufacturing activities, accounted for 74.5 per cent of the total units, followed by Manipur (65.7 per cent) and Sikkim (63.7 per cent). Repairs and maintenance is an important activity of Arunachal Pradesh comprising of 31.7 per cent of the total units. In case of service activity, Tripura is in the lead, comprising of 57 per cent of the units, followed by Mizoram (47.7 per cent).

Table 2.10

Percentage Distribution of Units by Nature of Activity in SSI Sector in NER								
	State	Manufacturing		Repairs & Maintenance		Services		Total
		Rural	Urban	Rural	Urban	Rural	Urban	
1	Arunachal Pradesh	12.38	22.2	2.24	29.47	3.67	30.03	100.00
2	Assam	32.70	8.99	18.89	8.14	22.30	8.98	100.00
3	Manipur	52.44	13.30	6.90	7.24	12.48	7.64	100.00
4	Meghalaya	47.32	12.61	0.79	16.59	2.55	20.14	100.00
5	Mizoram	17.04	32.53	0.03	2.69	31.64	16.08	100.00
6	Nagaland	62.77	11.75	9.88	1.22	9.44	4.95	100.00
7	Sikkim	32.07	31.79	0.00	2.99	1.09	32.07	100.00
8	Tripura	10.06	15.14	5.83	12.00	22.56	34.40	100.00
	All India	25.31	14.38	8.37	7.99	21.53	22.42	100.00

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, Government of India.

2.5.7 Growth of MSMEs

The growth of MSMEs in the NER is slow in comparison to the other parts of the country. The development of MSME sector in the region remains at a very nascent stage. There was practically no planned and systematic effort for industrial development in the region during the first three five year plans. It was during the fourth five year plan period that plans were made to set up industries in different parts of the region. Most of the states of NER are rich in natural endowment and the available resources can be effectively utilised for the growth of MSMEs. But the development pattern of the MSMEs in the region is far from encouraging and these are plagued by myriad of problems. The level of sickness of the sector is quite high and this is being aggravated by the basic structure of the MSME sector (Rahman M and Dey N B, 2010).

The trends in the growth of MSMEs in different states in the region since 2005-06 is given in [Table 2.11](#).

Table 2.11

Trends in the Growth of MSMEs in NER						
	State	2005-06	2006-07	2007-08	2008-09	2009-10
1	Arunachal Pradesh	1411	1490	1578	1614	1614
2	Assam	219092	228024	235576	246980	246980
3	Manipur	54101	55972	57171	60625	60625
4	Meghalaya	25383	26637	28591	28851	28851
5	Mizoram	12529	13149	14335	14242	14242
6	Nagaland	15623	17221	19024	18653	18653
7	Sikkim	415	436	474	472	472
8	Tripura	27448	28410	29141	30772	30772
	Total	356002	370903	385890	402209	402209

Source: *Compiled from Annual Reports*, Ministry of MSME, various issues.

There has been gradual change in the small enterprises scenario in the NER. Most of the states in the region have come out with their own industrial policy. The region

which accounted for 0.4 per cent of the total MSMEs in the country in the beginning of the seventies could raise its share to 1.34 per cent as on March 31, 2010. The states which did not have any micro and small enterprises during the early seventies, now occupy their places in the MSMEs map of the region. In 2005-06 the region had 3,56,002 MSMEs as against 123.42 lakh in the country. The region in the development of MSMEs improved to a certain extent. In 2009-10 there are 402209 MSMEs in the region as against 298.08 lakh in the country and accounted for a share of 1.34 per cent. The trend of development within the eight states of the region is not uniform. In 2009-10, Assam had 2,46,980 MSMEs and accounted for 61.4 per cent of the enterprises in the region. The important reasons for highest concentration of MSMEs in Assam are its locational advantages and better infrastructure facilities compared to other states of the region.

2.5.8 Large and medium enterprises

There is no big industry worth mentioning except oil and tea industries of Assam and a few cement factories in other places. **As per the Basic Statistics of NER 2006, there were 213 large and medium enterprises in the NER, out of which almost half of them (i.e, 56.3 per cent) were found to be in Assam due to locational advantage.**

There is very little large scale manufacturing activity in the region. The total number of large factories in the region is merely 1.56 per cent of the total large scale factories in India. Considering the industrial employment and capital formation in the region it can be concluded that the large scale manufacturing sector in the NER is almost non-existent. The industries include mining and quarrying, food processing, pulp and paper, wine and malt and printing. The manufacturing activities are based on locally available resources for which the plant sizes are not optimal. Industries requiring large scale production such as petrochemicals, cement, steel and sugar are not well developed in the region despite the fact that the region has the sources of basic raw materials required for the production of such goods. For example, there is abundance of limestone (in Meghalaya and Assam) but there is not a single nation-wide famous cement factory in the region, Assam has the largest oil

reserves (non-offshore) in India but the state has no large manufacturing unit of petrochemical products. On the other hand, it is observed that some industries like insulated wires and cables coming up in the region although the region has no known reserves of copper (NER Vision 2020, 2008). Assam is the industrial hub of the NER. Assam alone has 88 per cent of the factories in the region which provide 86 per cent of the employment and generate 90 per cent of the industrial output in the region. Next to Assam is Tripura in terms of the number of industrial activities. However, Tripura does not have a single rubber plant despite being the second largest producer of natural rubber in the country. The main locational factors determining industrial establishments in Assam and Tripura are their relatively large size and higher population density. However, there are also other equally important factors like greater availability of skilled labour and power supply and also the fact that Assam has relatively better transport connectivity. It is the junction point of major road and railway networks linking the other states of the region with the rest of India (NER Vision 2020, 2008).

In response to the need for rapid industrialisation of the NER, the government of India introduced the North East Industrial Policy (NEIP) 1997, which offered a slew of fiscal incentives and subsidies to industry for ten years. While NEIP 1997 was able to attract large investments in cement (Assam and Meghalaya), ferro-alloys and steel (Meghalaya) and coal and coke (Assam), it hardly had any impact in other states of the region.

The main factors for attracting industry into these two states are their relatively better industrial infrastructure as compared to the other states of the region. Assam's location at the juncture of NE states enables industries to be connected through the major road and railway networks with the rest of India. Locating industries at the juncture minimises distribution costs to other states of NER. Meghalaya's large deposits of limestone and coal and the availability of power also attracted investments.

With a view to bringing industrial investments to the other states of the region as well, government of India announced the North East Industrial and Investment Promotion Policy (NEIIPP) 2007, for a period of ten years. This policy offers even more attractive fiscal incentives and subsidies and the policy covers the services sector also. This policy came into effect from April 1, 2007. However, it would be imperative for the states to improve their industrial infrastructure if any large investments are to be attracted. It is often assumed that inducements in the nature of subsidies and incentives help industries overcome constraints, but market failures and the lack of adequate infrastructure are other constraints to industrialisation. Moreover, without proper industrialisation strategy for the region and some inter-state governmental planning, the market cannot play its role in facilitating integration, which crucially depends on a well developed transport network, free mobility of goods and services across the states and security of life and property.

2.6 HINDRANCES TO INDUSTRIALISATION

The NER being a closed economy bounded by mostly foreign countries with no formal trade and commerce with them stands completely isolated. This complete isolation appears to be standing on the way of industrialisation of the region. If industrialisation is to take place in this region, then this region must be integrated with the neighbouring countries breaking the isolation of economic barriers (Saha, 1998). Though the region is richly endowed with mineral resources such as petroleum, natural gas, limestone, coal, forest and water resources, it is considered as an industrially backward region in the country. It will be apparent from the fact that there are less than three per cent of the country's large and medium scale industries and less than two per cent of small scale industries in the region (Sharma, 2000). There are various factors which are responsible for industrial backwardness of the region such as geographical isolation, transport problems, hilly topography, natural calamities, capital deficiency, high cost structure, marketing difficulties, political instability and insurgency.

The existence of rich natural resources, high potential market and export opportunities has not helped in industrial development of the region. Not to speak of large scale industry, the development of small scale industry is also slow. The level of industrial development within the region itself differs from state to state. More than 50 per cent of the small scale industries in the region are located in Assam. The region is still to import large number of mass consumption goods from the rest of the country (Mali D.D, 1999).

Some of the obstacles in the way of industrial development in NER are as given below.

2.6.1 Immigration

Serious tension developed both in Assam and Tripura due to heavy influx of immigrants from neighbouring countries Bangladesh and Nepal. While the natives of Tripura have already been reduced to a minority in their own homeland, the Assamese harbour genuine fears that they would be completely swamped by the Bangladeshi nationals very soon (Bhattacharya N.N, 2008). This is leading to ethnic conflict resulting in law and order problem.

2.6.2 Poor infrastructure

Poor infrastructure like inadequacy of road and air transport, power deficiency etc. has truly inhibited the progress of industries in the region. One of the major reasons for marketing problem of small scale industry in the region is absence of any effective transport network due to the geographically disadvantageous location of the region and hilly terrain. The coverage and the capacity of the existing network of railway lines and good road transport is insufficient to meet the needs of the region and the transport links with the rest of the country are very limited. As noted, power shortage heavily and adversely affects the production which results in high cost of production. The average per capita consumption of electricity in the region is 138.4 kw against the national average of 373 kw. The average road density (Road length per 100 sq km) is 70.57 km, which is lower than the national average of 74.73 km. The average railway density (Railway length per 1000 sq km of area) in

the region is also 4.69 km, which is much lower than the all India average of 19.21 km. The agriculture and allied sectors are still based on traditional techniques. The region has only 1.8 per cent of the registered factories providing employment only to 1.7 per cent of the factory employees of the country. Except tea and petroleum industries, which were started and organised by the British in Assam, not much progress has yet been achieved in the industrialisation of India's North East. The whole region is still industrially backward while other Indian states having the same industrial conditions have gone ahead. The main reasons for this state affairs are lack of infrastructure, inadequate finance and low level of local entrepreneurship (Bhattacharya N.N, 1998).

2.6.3 Weak market structure

The majority of the people in this region are engaged in agriculture. Most of the agricultural products are sold in the villages and local markets only and a very small portion is brought to export. Because of poverty and indebtedness, unsatisfactory nature of roads and communication, and farmer's inability to wait for payment, the produce is sold soon after the harvest at a lower price. In so far as the MSMEs in the NER are concerned, many a times certain small parts are not available in the markets or are available at unreasonably high price or they are inferior. Such difficulties in procurement of component parts delay the assembly of finished products and increase the cost.

2.6.4 Problem of road transport

For economic development of a region, road transport plays its pivotal role and it is on this account that the NER even after 64 years of independence is still in the rudimentary stage. The NER has left with over 4500 km of international border with Bhutan, Myanmar, China and Bangladesh but only 22 km strip connecting the region to the mainland of India. Consequently this narrow corridor of North Bengal remained the only land transport link of the region with the rest of the country. The region got burdened with transport bottleneck and high cost of movement of men and materials to and from it. This has hindered the economic life of the region with

the rest of the country and reduce the attractiveness of the region as a destination of investment. Because of the deficient and under-size railway network in the region, road transport plays an important means of transport. Even for road transport, the difficult terrain, inter-spersed with numerous rivers and streams and large stretch of plains being susceptible to floods, have made progress of the road development tardy. In many parts of the region, deep gorges and steep hills with abundant forest make the road development disproportionately capital intensive in cost. The maintenance of existing roads in the region due to its topography and climatic features is also highly costly. In rainy season, when high velocity wind formation persists, various parts of the region face the problem of landslides, disrupting the surface communications and resulting in scarcity of men and essential commodities. These facts bring out the inadequacy of transport facilities which acts as an inhibiting factor in the development of the region (Bhuyan, 2005).

2.6.5 Complicated land laws

The large scale community ownership of land in many hill states has hampered the emergence of market based economy in the region. For example, in Meghalaya, the government owns a miniscule four per cent of the land, in Manipur, private lands are better developed than those owned by the government. Thus, while industrial policy resolutions in these states propose leasing lands for setting up industry, the non-availability of individually owned land remains a major hurdle to industrialisation. The draft report of the steering committee on the NER for the Eleventh Five Year plan also recognises the need for the simplification of land laws. The Eleventh Plan document also recognises that, due to absence of well defined land ownership in the region the banks are not able to provide industrial loans. The states have followed different paths in dealing with this issue depending on the constitutional rights accorded to their respective communities. For example, in Meghalaya, the state can take over land for developmental purposes if it is of tribal interest. State governments have to clearly spell out the different ways in which entrepreneurs and enterprises can safely and legally acquire land for industrial activity (NER Vision 2020, 2008).

2.6.6 Insurgency

One of the most inhibiting factors for industrial development is the perception of NER as being ridden with insurgency, militancy and terrorism. The insurgency activities, the craze for getting easy money and the tendency to grow rich overnight are also becoming a predominant part of culture throughout the region. The people of the region have the feeling of neglected of development and the youth have expressed it in the form of insurgency which in turn inhibited the investment climate, frightened the investors from outside the region. It compelled the government authorities to divert resources to crisis management (Sharma, 2000).

2.6.7 Hilly terrain

The whole NER except Assam, is a hilly region. Construction of roads and railways is a very difficult job because of the nature of terrain. The hills are very steep and are difficult to negotiate. Due to this, construction of roads and railways, development of power and irrigation is a costly and time taking affair in the region. The region particularly of Meghalaya and Mizoram experience a long rainy season and it is almost half a calendar year and continuously disturbs the life of the people. During the rainy season, the region faces severe landslides, road damages, traffic problems, communication problems. This requires huge costs to maintain and the life span of the roads is also curtailed which is also an extra burden for the government, which in turn is a problem for the movement of people and goods, adversely affecting the industrial and economic development of the region.

2.7 NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY

The Government has approved a package of fiscal incentives and other concessions for the North East Region namely the ‘North East Industrial and Investment Promotion Policy (NEIIPP), 2007’, effective from 1st April, 2007. The North East Industrial Policy (NEIP), 1997 announced in December 1997 covers the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Under NEIIPP, 2007, Sikkim has also been included.

All new units as well as existing units which go in for substantial expansion, unless otherwise specified and which commence commercial production within the 10 year period from the date of notification of NEIIPP, 2007 will be eligible for incentives for a period of ten years from the date of commencement of commercial production. Incentives will be available to all industrial units, new as well as existing units on their substantial expansion, located anywhere in the NER. Consequently, the distinction between 'thrust' and 'non-thrust' industries made in NEIP, 1997 were discontinued from 1st April, 2007.

Incentives on substantial expansion will be given to units affecting 'an increase by not less than 25 per cent in the value of fixed capital investment in plant and machinery for the purpose of expansion of capacity/modernisation and diversification', as against an increase by 33½ per cent which was prescribed in NEIP, 1997. 100 per cent excise duty exemption will be continued, on finished products made in the NER, as was available under NEIP, 1997. However, in cases, where the **CENVAT** paid on the raw materials and intermediate products going into the production of finished products (other than the products which are otherwise exempt or subject to nil rate of duty) is higher than the excise duties payable on the finished products, ways and means to refund such overflow of **CENVAT** credit will be separately notified by the Ministry of Finance. 100 per cent income tax exemption will continue under NEIIPP, 2007 as was available under NEIP, 1997.

Capital Investment Subsidy will be enhanced from 15 per cent of the investment in plant and machinery to 30 per cent and the limit for automatic approval of subsidy at this rate will be `1.5 crores per unit, as against `30 lakhs as was available under NEIP, 1997. Such subsidy will be applicable to units in the private sector, joint sector, cooperative sector as well as the units set up by the state governments of the NER. For grant of Capital Investment Subsidy higher than `1.5 crore but up to a maximum of 30 crores, there will be an empowered committee chaired by Secretary, Department of Industrial Policy & Promotion with Secretaries of Ministry of Development of North Eastern Region (DONER), Expenditure,

representative of Planning Commission and secretary of the concerned ministries of the government of India dealing with the subject matter of that industry as its members as also the concerned Chief Secretary/Secretary (Industry) of the North Eastern state where the claiming unit is to be located. Proposals which are eligible for a subsidy higher than ₹.30 crores, will be placed by Department of Industrial Policy and Promotion before the union cabinet for its consideration and approval.

Interest Subsidy will be made available at three per cent on working capital loan under NEIIPP, 2007 as was available under NEIP, 1997. New industrial units as well as the existing units on their substantial expansion will be eligible for reimbursement of 100 per cent insurance premium.

The following industries will not be eligible for benefits under NEIIPP, 2007:

- (i) All goods falling under chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) which pertains to tobacco and manufactured tobacco substitutes.
- (ii) Pan Masala as covered under chapter 21 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).
- (iii) Plastic carry bags of less than 20 microns as specified by Ministry of Environment and Forests Notification No.S.O. 705(E) dated 02.09.1999 and S.O.698 (E) dated 17.6.2003.
- (iv) Goods falling under chapter 27 of the First Schedule to the Central Excise tariff Act, 1985 (5 of 1986) produced by petroleum oil or gas refineries.

Incentives under NEIIPP, 2007 will be applicable to the following services sector activities/industries:

I. Services Sector: (i) Hotels (not below Two Star category), adventure and leisure sports including ropeways; (ii) Medical and health services in the nature of nursing homes with a minimum capacity of 25 beds and old-age homes; (iii) Vocational training institutes such as institutes for hotel management, catering and food crafts,

entrepreneurship development, nursing and para-medical, civil aviation related training, fashion, design and industrial training.

A number of tax concessions under the existing provisions of section 10A and 10AA of the income tax Act are already available to the IT sector. However, one of the important impediments to the development of Software Technology Parks or IT related Special Economic Zones (SEZs) in the NER is the non-availability of trained human resources in the region. Accordingly, tax benefits as is availed under section 80 IC of the Income Tax Act would be extended to IT related training centers and IT hardware units.

II. Incentives for Bio-technology industry:

The biotechnology industry will be eligible for benefits under NEIIPP, 2007 as applicable to other industries.

III. Incentives for Power Generating Industries:

Power generating plants will continue to get incentives as governed by the provisions of Section 81A of the Income tax Act. In addition, power generating plants up to 10 MW based on both conventional and non-conventional sources will also be eligible for capital investment subsidy, interest subsidy and comprehensive insurance as applicable under NEIIPP, 2007.

In order to establish a monitoring mechanism for implementation of NEIIPP, 2007, a 'High Level Committee' or an 'Advisory Committee' under the chairmanship of Secretary, Department of Industrial Policy and Promotion and comprising secretaries of the Ministries/Departments of Revenue, DONER, Banking and Insurance, a representative of Planning Commission, CMD, NEDFi as well as major stakeholders including the industry associations of the NER would be constituted. In addition, an 'Oversight Committee' will be constituted under the chairmanship of the union commerce and industry minister with industry ministers of NE states as its members.

In order to ensure genuine industrial activities in the NER, benefits under NEIIPP, 2007 will not be admissible to goods in respect of which only peripheral activities like preservation during storage, cleaning operations, packing, re-packing, labeling or re-labeling, sorting, alteration of retail sale price etc. take place.

The Transport Subsidy Scheme would continue beyond 31st March, 2007, on the same terms and conditions. However, an early evaluation of the scheme will be carried out with a view to introducing necessary safeguards to prevent possible leakages and misuse.

The NEDFi will continue to act as the nodal agency for disbursal of subsidies under NEIIPP, 2007. The 'New Industrial Policy and other concession in the North Eastern Region' announced vide O.M. No.EA/1/2/96-IPD, dated 24th December, 1997 (NEIP, 1997) will cease to operate with effect from 1st April, 2007. Industrial units which have commenced commercial production on or before 31st March, 2007 will continue to get benefits/incentives under NEIP, 1997. Government reserves the right to modify any part of the policy in public interest. All concerned Ministries/Departments of the Government of India are requested to amend their respective Acts/rules/notifications etc. and issue necessary instructions for giving effect to these decisions.

2.8 INSTITUTIONAL SUPPORT IN NORTH EASTERN REGION

Micro and small enterprises require the support and facilities provided by various institutions in their various stages of growth and development. The role of various institutions set up to promote the growth of MSEs is quite unique. The success of MSEs depends on the well established institutional set up. Availability of the institutional support helps to make the economic environment more conducive to businesses. The facilities and services rendered by these institutions include project appraisal, construction of infrastructure facilities, distribution of raw materials, reservation of items for exclusive manufacturing, rendering consultancy and training

service. Some of the organisations which have been involved in the development of MSMEs in the NER are: Ministry of Micro, Small and Medium Enterprises (Govt. of India), National Small Industries Corporation Ltd. (NSIC), Indian Institute of Entrepreneurship (IIE), North Eastern Council (NEC), North Eastern Development Finance Corporation Ltd (NEDFi), North Eastern Industrial and Technical Consultancy organization Limited (NEITCO), North Eastern Handloom and Handicraft Development Corporation Limited (NEHHDC).

2.8.1 Ministry of Micro, Small and Medium Enterprises

The Ministry of MSME is actively promoting the development of MSMEs in the NER through the programmes and schemes implemented by the Ministry and its organisations. The office of the Development Commissioner, (MSME) has Micro, Small and Medium Enterprises Development Institutes (MSME-DIs) at Gangtok (Sikkim); Guwahati (Assam); Imphal (Manipur); Agartala (Tripura) and also branch MSME-DIs at Aizawl (Mizoram); Dimapur (Nagaland); Itanagar (Arunachal Pradesh); Diphu (Assam); Silchar (Assam); Tezpur (Assam); Shillong (Meghalaya) and Tura (Meghalaya). A Tool Room & Training Centre has been set up at Guwahati to cater to the needs of industries in the area of tooling and training. The state government of Nagaland has also been assisted to set up a Mini Tool Room & Training Centre at Dimapur, Nagaland. Tool Rooms are equipped with Hi-Tech machinery for providing common facility services to the industry; conducting various long-term and short-term training programmes such as four year diploma in Tool & Die Making, Computer Aided Design, Basic Workshop Technology, Turning and Milling and Engineering Drawing.

Pursuant to the Government's policy of earmarking 10 per cent of the total funds for NER, under the schemes/programmes of Ministry of MSMEs, an outlay of 240 crore in BE 2010-11 has been earmarked exclusively for the region.

2.8.2 National Small Industries Corporation Ltd. (NSIC)

The NSIC was established by the government of India as a public sector company in 1955. The main function of the Corporation is to promote, aid and foster the growth of micro and small enterprises in the country, generally on a commercial basis. It provides a variety of support services to micro and small enterprises catering to their different requirements in the areas of raw material procurement; product marketing; credit rating; acquisition of technologies; adoption of modern management practices, etc.

NSIC is having a network of offices in NER. This includes zonal office at Guwahati (Assam), which looks after all the activities of the NER and five sub-offices at Shillong (Meghalaya); Agartala (Tripura); Imphal (Manipur); Naharlagun (Arunachal Pradesh) and Dimapur (Nagaland). NSIC also has a Training cum-Incubation Centre at Guwahati, which provides technical training and organises skill upgradation programmes and entrepreneurship development programmes. NSIC, Guwahati conducted Entrepreneur Awareness Programmes (EAPs); Entrepreneur Development Programmes (EDPs); Small Enterprise Establishment Programmes (SEEPs) and five Skill Development Programmes. The Corporation provided assistance to units in NER under its various schemes and provided the raw material assistance and support under internal marketing scheme. Besides, the enterprises of the NER availed benefit under infomediary Scheme and government purchase programme.

2.8.3 Indian Institute of Entrepreneurship (IIE)

With an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was set up at Guwahati in 1993 as an autonomous national institute. It took over NI-MSME's NER centre w.e.f. April 1, 1994. Over the period, the institute has expanded its activities to a great extent covering all facets of MSME activities. Since its establishment and up to March 2009, the Institute has organised 1636 training programmes, workshops and seminars with accumulative

participation of over 59,000 persons. The institute has obtained ISO-9001-2000 certification from the Bureau of Indian Standards (BIS). The promotion of new entrepreneurs has been the major focus of training activities organised by the institute. In order to promote new entrepreneurs, the institute organises rural, general and women EDPs, crash course on self employment and sector specific EDPs. Creating awareness on entrepreneurship among the students has been one of the core areas of the institute. The institute has also been organising Faculty Development Programmes (FDPs) for university and college teachers. It also organised awareness programmes for the students of colleges and universities. The institute has been organising seminars, workshops, meets and conferences for providing forum for interaction and exchange of views by various agencies and entrepreneurs. The policy direction and guidance to the IIE is provided by its Board of Management whose chairman is the secretary to Government of India, Ministry of MSME. The Governing Council of the institute is headed by chairman, NEC and the Executive Committee is headed by the secretary, Ministry of MSMEs, Government of India.

2.8.4 North Eastern Council (NEC)

The North Eastern Council (NEC) is the nodal agency for the economic and social development of the NER which consists of the eight states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

The NEC was constituted in 1971 by an Act of Parliament. The Council is an advisory body and may discuss any matter in which the different states in the NER have a common interest and advise the central government as to the action to be taken on any such matter. The NEC has initiated plans and programmes for development of infrastructure facilities. Efforts have been made to develop manpower potential under the central, NEC and state plans to provide impetus to industrialisation. NEC has formulated comprehensive package programmes for motivation, assistance in product identification, project preparation and co-sponsoring with Industrial Development Bank of India (IDBI), necessary training

through National **Institute for Small Industries Entrepreneur Training (NISIET)**, and North Eastern Industrial and Technical Consultancy Organisation Ltd (NEITCO) to a number of entrepreneurs per year. The NEC has directed its endeavour for industrial development in the following areas:

- Sponsoring techno economic survey and investigation on local resources.
- Export potential survey conducted by the Indian Institute of Foreign Trade (IIFT) for identifying viable small and tiny units which can produce export oriented items.
- Establishing mineral based industries like mini cement plants.
- Sponsoring students from the NER for higher studies in modern technology, agriculture, management and allied fields.
- Expansion and setting up of technical institutions in the NER.

2.8.5 North Eastern Development Finance Corporation Ltd. (NEDFi)

The North Eastern Development Finance Corporation Ltd. (NEDFi) is the chief development bank in the NER. NEDFi was originally conceived in the budget speech of 1995-96, by the Finance Minister and was promoted by the country's premier public sector financial institutions, investment companies and banks, and was incorporated in August, 1995 with headquarters at Guwahati. It aims to be a dynamic and responsive organisation to catalyse the economic development of NER. It assists in the efficient formation of fixed assets by identifying, financing and nurturing eco-friendly and commercially viable industrial and infrastructure projects in the region. NEDFi introduced North East Equity Fund (NEEF) to help the first generation entrepreneurs who are short of equity and are unable to meet the conditions of banks/financial institutions. This is particularly suitable for micro enterprises. NEDFi is also entrusted with the disbursement of certain subsidy schemes of the government. After the creation of DONER, NEDFi has come under the administrative control of this Ministry.

2.8.6 North Eastern Industrial and Technical Consultancy Organisation Ltd (NEITCO)

North Eastern Industrial and Technical Consultancy Organisation Ltd (NEITCO) is a consultancy organisation which was set up in 1973. It is a premier consultancy organisation which was set up by the financial institutions, nationalised banks and State Development Corporations (SDCs) under the aegis of the IDBI to cater to the consultancy needs in the NER. The mission of the organisation is to provide quality, cost effective and timely consultancy services to the clients and sponsors with utmost satisfaction. It has contributed to the development of entrepreneurship spirit among the youth in the region. The major beneficiaries of the various programmes undertaken by the organisation includes small and medium entrepreneurs, researchers, and various government agencies for formulating policies and programmes for the development of entrepreneurship.

2.8.7 North Eastern Handloom and Handicraft Development Corporation Ltd (NEHHDC)

The North Eastern Handicrafts and Handlooms Development Corporation Ltd. (NEHHDC) was set up in March 1977 under the Companies Act 1956 with its registered office at Shillong, Meghalaya with a mandate to develop and promote the handicrafts and handlooms of the NER. The primary objective of the Corporation was to fully develop the skills and potentials on handicrafts and handlooms in the entire North Eastern Region as a part of development of the rural economy. The Corporation was also meant to provide financial, technical and other assistance, establish sales outlets, organise exhibitions and take other steps that may improve the marketability of the products of the region, organise production through the artisans and also to provide training facilities for multiplying and upgradating the existing traditional skills. NEHHDC is a government of India enterprise under the administrative control of the Ministry of DONER even though set up originally by the NEC. This is the only corporation in the country which has under its umbrella all the handicrafts and handlooms of the eight states in the region.

2.9 INDUSTRIAL BACKWARDNESS OF NORTH EASTERN REGION

The NER is industrially and economically backward since much before independence. According to the first Census of Manufacturers in 1946, among 5000 factories in India, the Assam state which consisted of almost the entire NER excluding Manipur and Tripura and some part of Arunachal Pradesh had only 58 factories in that year. That is, only 1.1 per cent of factories in India are located in the NER as against 25 per cent in Madras (now Chennai), 24 per cent in Bengal and 19 per cent in Bombay (now Mumbai). Then, shortly after independence, the number of factories in Assam was increased in 1948 (Third Census of Manufacturers) and gone up to 75, but the percentage remained almost the same at 1.2 per cent, while the share of the above stated three states was 66.8 per cent (Bhuyan, 2005).

Even today, the entire NER is recognised to be economically and industrially backward as compared to the other parts of the country. Insurgency and autonomy hungry movements have added political dimensions to this scenario of relative backwardness as the social scientists sought to explain political turmoil and social unrest in terms of economic problems.

Modern industries in the form of tea factories, coal mining and oil refining set up by the colonialists were like oasis in the desert without backward or forward linkages and did not help the growth of downstream or upstream industries to replace the destroyed crafts. Coal was extracted in the region but chemical industries for converting coal did not come up, nor even the extraction and smelting of iron which would have led to the establishment of a steel plant was undertaken. Mineral oil was extracted and refined but downstream industries for processing the waste into carbon, wax, petro-chemicals etc. did not come up due to lack of initiative and enterprise of outside or foreign entrepreneurs and absence of contrive and technical knowledge of the locals (Baisha P, 1989). The British after pushing up their administration to North East India, did not help the region in bringing about economic development for the benefit of the area. Whatever industries they had set up like tea plantation, oil and other mineral extractions, were done only to further

their own interest. Hence, during the colonial period limited economic development took place, and that too was confined to the tea and oil producing areas of Assam plains and in some mineral producing areas as in the Khasi Hills of Meghalaya. In the rest of the hill areas barring a few pockets the traditional tribal economy of the primitive type of agriculture like *jhumming* (shifting cultivation) and pastoral economy, among others, persisted. This variation in the respective economies of the hills and the plains is the function of different physical features, different social relations, and the neglect and isolation of the region by the colonial matters. This in turn, produced a multi-structural economy in the region and this position continued till India's independence (Pakem B, 1982).

One of the important reasons for industrial and economic backwardness of NER will be clear from the statement that 'The British rule developed a limited amount of infrastructure, largely centered around the requirements of transportation of tea and coal, and later jute and oil. Much of the North East was kept inaccessible to outsiders as an act of deliberate policy. Prior regulation of the entry under the Inner Line Permit System (ILPS) and settlement of land was forbidden to non-tribals in many parts of the North East. Most of the infrastructural development of roads, communications, public health, education etc was taken by the government only after 1947 when the country became independent' (Report of the working group on the development of North Eastern Region during the seventh five year plan).

The situation after 64 years of independence has improved very little. Development lags between the NER and the rest of India is nearly 30 per cent irrespective of whatever measures of economic development one chooses (Bhuyan, 2005). As noted, connectivity through roads, rail, air, water and telecommunication has been one of the biggest reasons for slow development of the region. Road connectivity in the NER is well below the national average on most parameters. There exists a paucity of bridges; added to it is the problem of a large number of timber bridges which are not capable of taking heavy loads and require huge amount of money for their repairs. Therefore, extending, intensifying and improving the road networks

are essential task for the economic development of the region and for the welfare of its people. The high priority to be accorded to the development of roads in the NER is well reflected in union government's intention to invest nearly ₹ 50,000 crores on the road sector in the region over the Eleventh Plan period. Transport infrastructure linking rural and urban areas with the national centers of trade and commerce is one of the basic requirements of economic development.

As observed by the Annual Report of the Ministry of DONER, the NER is rich in natural and human resources, both of which have not been effectively tapped. Therefore, the industrial and economic backwardness of the region cannot be attributable to lack of natural resources. The working group on Development of North Eastern Region during the Seventh Five Year Plan observed that the factors such as the process of historical evolution, market forces and deliberate public policies coupled with lack of investment climate, absence of alert entrepreneurship and strong pressure groups to lobby for various forms of governmental intervention have made the resource rich NER industrially backward.

Among the non-economic factors, the political environment can explain a good deal of industrial backwardness of the NER. Different states in the NER have not been able to chalk out a clear policy on industrialisation. This can be explained in terms of tenets of modern neoclassical political economy. The ambiguity in industrial policy results from tug of war between the protagonists of local interest (e.g. advocates of preservation of tribal identity, fighters for regional autonomy and supporters of the son-of-the-soil priority) on the one hand and those of fast industrialisation on the other, in between come the environmentalists who prefer a low pace of development in order to maintain ecological balance (Bhattacharjee P.R, 1998). It is also the fact that the insurgency problem and the general weakness on the law and order have been one of the prime reasons of inadequate implementation of industrial development programmes in the NER.

(B) THE STATE OF MIZORAM

2.10 AREA AND LOCATION

Mizoram is a small land locked state in the North East India occupying a total geographical area of 21,087 sq. km. It lies between 92.15° E to 93.29° E longitudes and 21.58° N to 24.35° N latitude. The state is bounded by Myanmar in the eastern and southern parts with 404 km international boundary, in the west it is bounded by Chittagong hill tracts of Bangladesh with 318 km international boundary and the state of Tripura with 66 kms inter state boundary, in the north is bounded by Cachar district of Assam with 123 km inter state boundary and also Manipur with 95 km inter state boundary (Exhibit 2.1). The tropic of cancer runs through the territory. The state occupies a great strategic importance within the north eastern corner of India due to its long international boundary with Myanmar and Bangladesh. The hills are mainly from north to south. The maximum dimension from north to south is 277 km and east to west is 121 km. Most of the region is hilly but few flat land areas are available in low lying areas in the border of Cachar district of Assam. Major rivers flowing towards the north are Tuivai, Tlawng, Teirei, Tuirini, Tuirial and Tuivawl. Rivers flowing to the south are mainly Tuipui, Mat and Tuichang. The capital of the state is Aizawl and it is situated at over 1000 meters above sea level. Other important towns are Lunglei to the south (the second biggest town in the state), and even further to the south, Saiha; Champhai on the Myanmar border (Ray, 2002).

Exhibit 2.1: Location of Mizoram in India



2.11 HISTORICAL PERSPECTIVE

The origin of the Mizos, like those of many other tribes in the North Eastern India is shrouded in mystery. The Mizos themselves claim that their original home to be *Chhinlung*¹ which is now said to be located at Sichuan province in China. It is generally believed that a few centuries back there was a great wave of migration of the Chinese towards the south. The spread of Mongoloid people to Burma (now Myanmar) and the North Eastern Region of India was in continuation of this migration. It is hard to tell how far the story is true. It is nevertheless possible that the Mizos came from *Shinlung* or *Chhinlung* located on the banks of the river

Yalung in China. According to some historians, there were political upheavals in China in 210 B.C when the dynasty rule was abolished and the whole empire was brought under one administrative system. Rebellion broke out and chaos reigned throughout the Chinese state. The Mizos left China as part of one of those waves of migration. Whatever the case may have been, it seems probable that the Mizos moved from China to Burma and then to India under forces of circumstances. They first settled in the Shan State and moved on to Kabaw Valley and to Khampat and then to the Chin Hills in the middle of the 16th century. The Shans had already been firmly settled in their state when Mizos came there from Chhinlung. The Shans did not welcome the new arrivals, but failed to throw out the Mizos. The Mizos had lived in the Shan state for about 300 years before they moved on to the Kabaw valley. It was in the Kabaw valley that the Mizos got opportunity to have an interaction with the local people (Burmese). According to some historians, the Mizos learnt the art of cultivation at Kabaw valley. Khampat is known to have been the next Mizo settlement. The area claimed by the Mizos as their earliest town was located here (Joshi H.G, 2005). Despite the absence of recorded history, most researchers concluded that the Mizos came to their present abode from southern China, possibly Yunnan province, by gradual migration through northern Myanmar (previously Burma). Dietary practices, customs, traditional values, legends, oral history, folklore and linguistic affinity are some of the bases on which these investigations are conducted. Although there can be no certainty about the period in which the Mizos migrated to the present Chin Hills in Myanmar, it is generally believed that this took place about four to five hundred years ago. However, the Mizos of Mizoram appear to have arrived at their present settlement relatively recently, perhaps in the late 17th or early 18th century (Ray, 2002). As their oral history attests, the last wave of migration of the Mizo tribes from Myanmar to India took place at about the time, or soon after, the institution of hereditary chieftainship gradually overtook their earlier practice of warrior chieftainship. Once hereditary rulers were installed, genealogy, even if orally passed on, became a reliable record of sort. Based on the genealogy of the chiefs, early 18th century appears to be the most likely (Pudaite L.T, 2010).

2.12 THE PEOPLE

The morphological characters evidenced the Mizos belonged to one of the Mongolian racial groups. Historians believe that the Mizos are belonging to the Mongolian race of Tibeto-Burman group (Liangkhaia, 2002). The Mizos themselves claim that they belong to Mongolian race but no one can explain exactly from where they came (Zawla K, 1993). They have yellowish skin colour, flat nose, broad face, straight hair, medium or short stature, comparatively body long and short legs. Their language belongs to Tibeto Burman family. The word *Mizo* is a generic term and is literally meant hillmen or highlanders and under this there are various sub groups like Paite, Hmar, Mara, Lai, Lusei, Ralte, Ranglong, Bawm, Pang etc. All these groups have separate dialects which are closely akin to each other. The most common language is Lusei dialect which is now called *Mizotawng* and used for local official language in addition to English. The language has no script of its own but in the wake of British annexation the Christian missionaries came and reduced it to a written form in Roman script in 1894. Since then, Christianity and education simultaneously spread for and wide over the whole Mizoram (Lalthangliana B, 2005). According to the 2011 Census, the literacy rate in the state is 91.58 per cent. The Mizos are highly cultured, fun-loving and sociable people having no class or caste distinction. The non-existence of caste or class distinction in Mizo society is its distinctive peculiarity in comparison with other societies in India. They are fond of dances and music. As education spread rapidly among the Mizos, their mode of life changes adopting the western style of life in many aspects. The state of Mizoram, being one of the most peaceful states in India, is marching to catch up other developed states and is following the path to the advanced and civilised life (Guide to Mizoram: part-iv, 1996).

Mizo society has evolved dramatically in its structure and culture over about three centuries of its existence in the Indian political system. Although the Mizo seemed to be the last segment to be absorbed into this region of the Indian political system, there is a tremendous transformation in the political and economic life in the later

part of the 20th century. The shift has been generic in the sense that the chieftainship system that was being practiced in the past got transformed into village council system. The classless Mizo community is now slowly getting stratified in line with the economic advancement of certain sections of the society. The post statehood has witnessed the emergence of the propertied class displacing the earlier communal economy in which everything belonged to the community. The emergence of private property has definitely vitiated the sublime peace of the traditional tribal community though the cleavages and tension arising out of it do not lead to any social conflict unlike in other parts of the mainland (Patnaik, Jagadish K 2008).

2.13 SOCIAL LIFE AND CULTURE

The fabric of social life in the Mizo society has undergone tremendous changes over years. Before the British moved into the hills, for all practical purposes the village and the clan formed units of Mizo society. The Mizo code of ethics or dharma moved around *Tlawmngaihna* an untranslatable term meaning on the part of everyone to be hospitable, kind, unselfish and helpful to others (Sadangi, 2008). *Tlawmngaihna* to Mizo stands for the compelling moral force which finds expression in self-sacrifice for the service of the others. The Mizos have been enchanted to their new-found faith of Christianity with so much dedication and submission that their entire social life and thought-process been transformed and guided by the Christian Church organisations and their sense of values has also undergone drastic change (Laldinlana, 2010).

There have been so many changes in the social life of the Mizos from the past to the present. In the earlier past as they were in the habit of migrating, their social life was simple and migratory in nature. They moved from one place to another and formed a village where every family was closely knitted with one another. In time of necessity, every member of a village was ready to help his fellow villagers. As gregarious and close-knit society, they evolve some principles of self help and co-

operation to meet social obligations and responsibilities. Constructive social works were executed through voluntary community works known as *Hnatlang*. Every family was expected to contribute labour for the welfare of the community and participate in *Hnatlang*. The spirit of *Hnatlang* combined with *Tlawmngaihna* makes it mandatory for the Mizos to render all possible help on occasions of marriage, public feast, accident and death (Joshi H.G, 2005).

In the Mizo society free mixing of boys and girls, men and women is not inhibited. From childhood boys and girls play together, meet one another. But when they grow up, the girls can no longer live a childhood life and they have to keep aloof from the boys and they are supposed to remain in the house. The boys then go to the girl's house for courting. Every courting should not necessarily be utilised for exchange of love nor should it be held between two lovers only. Many boys can go to a girl's house at a time. In many cases, boys and girls developed love affairs out of courting which lead them to get married. Almost all marriages among the Mizos are love marriages.

Among the Mizos, although there is freedom of choice of life partner, the society as a whole desires to maintain marriage within their own culturally defined social group. Regarding marriage, monogamy is an acceptable form. Polygamy was commonly practiced by the village chief in the past, but now it is totally unknown. Mizo belong to a patriarchal society and if a father dies, his sons will share the property and in most cases the youngest son is to inherit the property. Nowadays it is a general practice that the property left by a father is equally distributed to all his sons and daughters.

In a Mizo family, a father is the head. But now, the society has reached such a stage that there are many Mizo women who have better position and status in the society than their husband. Such women are capable of managing and handling family problems better than their husbands.

Even after Christianity, the Mizos kept alive some of their cultural heritage. The Mizo have three major festivals (*Kut*) - *Chapchar kut*, *Pawl kut* and *Mim kut*. *Chapchar kut* is the biggest of all. It is observed in the month of March after clearing of jungles for cultivation. *Pawl kut* is a festival of harvest. It is observed in the month of November. *Mim kut* is a small festival, observed in honour of the soul of the departed member in the family. It is observed in the month of September. Out of these three festivals, *Chapchar kut* is most popular. Some of the popular dances of the Mizos are- *Cheraw* (also called bamboo dance), *Khuallam* (a dance performed by a group of people in honour of guests or visitors), *Chheihlam* (a dance in the evening when the day's work is over), *Sarlamkai* (a dance performed by Pawi and Mara community in the southern part of Mizoram).

2.14 DEMOGRAPHIC

As per the 2011 Census, Mizoram has a population of 10,91,014. Out of the total population, 5,52,339 are males and 5,38,675 are females. **Aizawl district has the highest population with 36.7 per cent of the total population in the state whereas Serchhip district has the lowest population with only 6.1 per cent. The population of Mizoram is not only thinly distributed, but also unevenly distributed.**

The state's population forms only 0.09 per cent of the total population of India. The population is thinly distributed as compared to the national population density. The density of population as per the 2011 census is 52 persons per sq km while that of all India is 382. Among the states in NER, Mizoram is the second lowest only next to Arunachal Pradesh in respect of density of population.

As noted, Mizoram is highly literate state. According to 2011 Census, the literacy rate is 91.58 per cent. This is far higher than the national literacy rate of 74.04 per cent. Mizoram attained second position in literacy rate in India next to Kerala. The level of literacy among women is also high which hardly obtains anywhere in India (Shyam Nath, 2004). The high level of literacy has been attained over the years during which the Christian missionaries who were allowed in by the British played a

notable role in the spread of education. They not only converted the people into Christianity but they also set up schools in many villages. The Christian missionaries gave the Mizo tongue the Roman script as well as English, which is the state's other official language. In Mizoram, sex ratio as per the 2011 Census is 975. This is higher than the national average of 940.

The demographic features of Mizoram is shown in **Table 2.12**. The decadal growth of population was lowest during 1911-1921 which was 7.9 per cent only whereas the highest growth was witnessed during 1971-1981 which was 48.5 per cent. The growth rate of population during the last decade i.e., 2001-2011 was 22.8 per cent, which works out to be approximately 2.8 per cent every year. One interesting feature to be noted is that from the year 1901, in every census, the decadal growth rate in Mizoram has been higher than all India level.

Table 2.12

Demographic Features of Mizoram: 1901-2011								
Year	Males	Females	Total	Percentage decadal growth (Mizoram)	Percentage decadal growth (All India)	Population density per sq. km	Sex ratio	Literacy rate
1901	39004	43430	82434	-	-	4	1113	NA
1911	43028	48176	91204	10.6	5.75	4	1120	NA
1921	46652	51754	98406	7.9	-0.30	5	1109	NA
1931	59186	65218	124404	26.4	11.00	6	1102	NA
1941	73855	78931	152786	22.8	14.22	7	1069	NA
1951	96136	100066	196202	28.4	13.30	9	1041	36.20
1961	132465	133598	266063	35.6	21.60	13	1009	44.01
1971	170824	161566	332390	24.9	24.80	16	946	53.79
1981	257239	236518	493757	48.5	24.60	23	919	74.26
1991	358978	330778	689756	39.7	23.87	33	921	82.27
2001	459109	429464	888573	28.8	21.54	42	935	88.80
2011	552339	538675	1091014	22.8	17.64	52	975	91.58

Source: *Provisional Census Total-India Data Sheet*, Census of India 2011, Ministry of Home Affairs, Government of India

2.15 ADMINISTRATIVE DIVISIONS

The administrative history of Mizoram, formerly known as Lushai Hills, can be traced back from 1890 when the British annexed the hill. As a result of the British expedition in 1890, Mizoram (Lushai Hills District) was administratively divided into two districts namely, North Lushai Hills District with headquarter at Aizawl (state capital) and South Lushai Hills District with headquarter at Lunglei.

Mizoram remains to be the Lushai Hills till the end of August 1954. The Union Parliament however, by an Act called the Lushai Hills District (Change of Name) Act, 1954 changed the name Lushai Hills District to Mizo District with effect from September, 1954. Around this time, the political consciousness began to manifest itself among the Mizos. The then Mizo District Council continued to be a part of Assam till January 1972, when it was made a union territory with its name Mizoram under the North Eastern Area (Reorganisation) Act, 1971. Virtually on the 17th August, 1986, the Union Parliament passed the 53rd Constitution Amendment Bill 1986 and the Mizoram State Bill 1986. Accordingly, the Mizoram State Bill made changes to the schedule 1 and 4 of the Indian Constitution and then Mizoram became a full fledged state, the 23rd state of the Indian Union on the 20th February, 1987 (Rualkhuma Colney, 1997). Mizoram became a full fledged state as a result of the peace accord between the Mizo National Front (MNF) and government of India in June, 1986 (Lalnithanga P, 2005).

Within a space of almost three decades, Mizoram had undergone such significant administrative changes as far reaching character from a district to union territory and then to a full fledged state. No doubt, great and spectacular economic growth and prosperity seem to have been brought about as a result particularly in urban areas but in reality the rural areas remained untouched and unaffected to a large extent (Lawmzuala K, 2003).

The state is now divided into eight administrative districts. They are Mamit, Kolasib, Aizawl, Champhai, Serchhip, Lunglei, Lawngtlai and Saiha (Exhibit 2.2).

Aizawl district is located in the middle north of the state, between 24°25'16.14" and 23°18'17.78"N latitudes and 92°37'03.27" and 93°11'45.69"E longitude. It is bordered by Champhai district in the east, Serchhip district in the south, Mamit and Kolasib district in the west and the state of Assam in the north. The total area accounts for 19.97 per cent of the total geographical area of the state. According to the 2011 Census, Aizawl district has a population of 404,054, roughly equal to the nation of Brunei. The district has a population density of 113. Its population growth rate over the decade 2001-2011 was 24.07 per cent. It has a sex ratio of 1009 females for every 1000 males, and a literacy rate of 98.5 per cent.

Exhibit 2.2 Map of Mizoram: District wise



2.16 CLIMATE, RAINFALL AND TOPOGRAPHY

The climate in Mizoram is pleasant to cool in the upper reaches and humid in the plains but still tolerable. The winter temperature varies from 11°C to 24°C and in the summer it is between 18°C and 29°C which makes the state fairly comfortable throughout the year. In between March and April the state experiences fierce storm from north west indicating the beginning of summer. Temperature is highest in summer during May to June, but from June onwards the monsoon rains bring down the temperature. Temperature continues to go down with the break of monsoon rain. Winter is observed during September to January. Spring starts from February and lasts till end of April. Mizoram enjoys a moderate climate due to its tropical location. The climate is humid tropical with short winter and long summer with heavy rainfall. The entire state is under the direct influence of the south west monsoon. As the state is under the influence of monsoon, the state receives abundant rainfall. Rainy season is observed from May to September. July and August receive the heaviest rainfall while December and January are the driest months. The average annual rainfall in the state is 2500 mm (Rualkhuma Colney, 1997).

Mizoram has hill ranges running from north to south. They are higher in the middle and taper off at both ends. The average height of hills is 900 meters but the highest peak in the state, the Blue Mountain (*Phawngpui in Mizo*) goes up to 2165 meters. It is located in the southern part of the state. The hills are steep and are separated by narrow rivers creating deep gorges between the hill ranges. The steep hills are densely forested with bamboo and wild banana (Rintluanga Pachuau, 1994).

The other ranges are Mawmrang, situated in between Chalfilh and Sialkal range in Aizawl district, Hmuifang range at the center of the region and Reiek range in the western side of Aizawl city.

The western part of the state is characterised by mountain ridge and valley. This province covers almost half of the total geographical area of the state. The altitude in this area is ranging from 40 meters to 1550 meters, and the average altitude is 700 meters. The altitude is low in the western part and rises higher towards the east. The slopes are generally steep on the western part. Other noticeable mountain ranges in this area are Mamit range and Hachhek range which are located in the western part of Aizawl district.

There are only few flat lands scattered in Mizoram. They are mostly valley plains located in the middle of hills and narrow valleys. The largest plain in Mizoram is located at Champhai. The whole area has been converted into permanent rice cultivation.

There are a large number of rivers in Mizoram but only few of them are worth mentioning. Among them, Tlawng river is the biggest and longest in the state. It originates from Lunglei town, flowing south to north direction and enters Cachar district of Assam to join Barak river. It is navigable by small boat throughout the year. It is the most important water transport in Mizoram. Tuirial and Tuivawl rivers are also important rivers in the state (Rintluanga Pachuau, 2009).

2.17 SECTORS OF THE ECONOMY

2.17.1 Agricultural and allied activities (Primary sector)

Agriculture is the main occupation of the people of Mizoram. About 60 per cent of the people are directly or indirectly dependent on agriculture. However, because of the hilly topography, there is scarcity of plain areas where cultivation can be practiced by using modern tools and techniques. The years 2007 and 2008 are critical years for agriculture in Mizoram because of the onset of bamboo flowering which has adversely affected on the food grain production and food security of the state. This led to a famine like situation or *Mautam*. Mautam is a phenomenon of fifty years cycle. It has a peculiar symptom of widespread flowering of bamboo, which is followed by an incredible increase in reproduction of rats which come in

hoards, first feeding on the bamboo flowers and then swarming over the paddy fields and other crops and thereby devouring all the crops.

Only three per cent of the total area is considered as available potential area for paddy and other seasonal crops. But only 1.5 per cent of suitable slope areas have been brought under horticulture. About 63 per cent of the total cropped area is under *jhum* or shifting method of cultivation. The economic life of Mizos has always been centered on around *jhum* or shifting cultivation. In Mizoram, the crops totally depend on monsoon rain because of non-availability of irrigation facilities worth mentioning. Hence, the yield per hectare is quite low. Champhai and North Vanlaiphai are some of the areas taken up for irrigation projects. The principal crops are rice, ginger, maize, chilli, bean etc. There is vast scope for cultivation of tapioca, sugarcane, cotton, pulses and oilseeds in the state (Sadangi, 2008).

Agriculture and allied activities comprise of agriculture (including animal and crop husbandry), horticulture, fishery, and forestry. **The share of agricultural sector in GSDP shows a declining trend over the years.** Agricultural and allied sector could manage to contribute 22.52 per cent during 1999-2000. In 2007-08, its contribution is 14.9 per cent and then in 2008-09, it is only 13.78 per cent. Notwithstanding the fact that **more than 60 per cent** of the total population is engaged in agricultural sector as per 2001 Census, agriculture has not performed well and its contribution to GSDP during the ten years from 1999-2000 to 2008-09 roughly ranges from **13 to 22 per cent** only. In Mizoram, the agricultural production consists mainly of Kharif crop. The contribution of Rabi crop is quite negligible because of climatic condition and of rainfall cycle. The high dependency on agriculture and allied activities for earning livelihood coupled with limited irrigation potential in the state resulted in only single crop on most lands. This suggests the need to explore options for expanding livelihood. In addition, the state experienced bamboo flowering in 2007 to 2008. This had severe adverse impact on agricultural production which resulted in low agricultural growth.

2.17.2 Industrial sector (Secondary sector)

Industrialisation in Mizoram is still an infantile stage. The entire state had been notified as backward and is categorised as ‘No industry State’ due to non-existence of large or medium scale industries. As such, Mizoram continues to remain as an industrially backward state. The contribution of industry hardly reaches **one per cent** to the GSDP.

As noted, the industrial development in Mizoram is relatively slow owing to its topographical and geographical disadvantages coupled with under developed infrastructure and transport bottleneck. However, the micro and small enterprises are slowly gaining momentum. The state has witnessed a low scale migration of workforce from agriculture and related activities to non-agriculture sector. At present, popular activities like tailoring, furniture making, automobile repair services, bakery, handloom weaving and black smithy account for more than 80 per cent of the total number of enterprises in the state. Most of the enterprises are concentrated in and around Aizawl city and Lunglei town.

Mizoram is poor in respect of industrial infrastructure. Development of industrial infrastructure in the hilly terrain of Mizoram is not an easy task. The state government with its limited resources has established certain industrial areas with basic infrastructure. The industrial areas, though not fully provided with required infrastructure, are expected to solve many of the problems of industries. Enactment of Mizoram Industrial Areas (Management, Regulation and Control) Act, 2008 envisages allotment of industrial units to industrial areas.

The industrial sector (or secondary sector) comprises of mining and quarrying, manufacturing, construction, electricity, gas and water supply. The percentage share of this sector in GSDP in 1999-2000 was 16.13 per cent, but the next two years show a declining trend. Then from 2002-03 it was increased to 16 per cent, and then from 2005-06 it was increased to 18 per cent. From the year 1999-2000 to 2008-09, the share of this sector to the GSDP normally ranges from 15 per cent to 18 per cent. Over the

years, the contribution of this sector has not been very significant mainly due to low output from manufacturing sector in the absence of medium and large industry. Among various components of industrial sector, construction has the highest contribution normally ranging from 9 per cent to 13 per cent. Manufacturing and mining & quarrying hardly contribute two per cent of the state income.

2.17.3 Services sector (Tertiary sector)

Services sector comprises of transport, storage and communication, trade, hotels and restaurants, banking and insurance, real estate and business service, public administration and other services. Over the years services sector has always the highest contribution to GSDP, and it remains the driver of the economy of Mizoram. The tertiary sector is mostly driven by public administration, real estate, ownership of dwellings and business services. During 2008-09, two-third of the GSDP (67.61 per cent) is contributed by the services sector. During the last decade, the share of services sector in the GSDP has increased steadily from 61.35 per cent in 1999-2000 to 67.61 per cent in 2008-09 which is mainly attributable to increase in the share of real estate, public administration, ownership of dwellings and business services. From 1999-2000 to 2008-09, the contribution of agricultural sector normally ranges from 13 per cent to 22 per cent, industrial sector normally ranges from 15 per cent to 20 per cent and the contribution of services sector ranges from 61 per cent to 67 per cent.

2.18 INFRASTRUCTURE

The kind of infrastructure put in place determines whether growth does all that it can to reduce poverty. Most of the poor are in rural areas and the growth of farm productivity and non-farm rural employment is linked closely to infrastructure provisions. Therefore, stress has to be laid on infrastructure development essential for promotion of rural enterprises which would ultimately help in creating employment and increase in national output (Agarwal A.K, 2003).

2.18.1 Electricity

The degree of economic growth is highly correlated with the generation and consumption of electricity. Electricity came to Mizoram in 1962 when Aizawl was electrified with a generator of 837 kilowatts. In 1969, Kolasib and Lunglei got electrified (Upadhyaya K.K, 1986). Although Mizoram possesses a vast hydel potential, the progress in this sector is very slow. This creates a huge gap between demand and supply of electricity. Achievements made so far in terms of installation and generation could not keep pace with the fast growing demand for power. Consequently, power supply situation in the state continues to remain unsatisfactory.

As per the Annual report 2007-08, Central Electricity Authority (CEA), the potential availability of hydro power in Mizoram is estimated at 2196 MW, out of which only about two per cent is presently utilised and around 98 per cent of hydro potential availability in Mizoram is unutilised (Economic Survey Mizoram, 2008-09).

The consumption of electricity in the state during 2008-09 was increased by 73 per cent to 165.38 MKWH compared to 95.59 MKWH during 2000-01. The category-wise consumption pattern reveals that consumption of electricity was highest in case of domestic purpose. So, from 2000-01 to 2008-09, the share of domestic consumption is ranging between 59.88 per cent and 75.47 per cent of the total consumption in the state. The next highest consumption is for public water works which accounted for 15.27 per cent in 2008-09 to the total consumption in the state. The share of public water works to the total consumption of electricity in the state from 2000-01 to 2008-09 is ranging between 9.42 per cent and 27.11 per cent. On the other hand, the lowest consumption of electricity comes from industrial sector. The consumption of electricity by industries is only 1.68 MKWH in 2007-08 and 1.62 MKWH in 2008-09. The percentage of consumption of electricity by industrial sector from 2000-01 to 2008-09 was less than one per cent of the total consumption in the state.

As per the Economic Survey Mizoram 2009-2010, only three per cent of the total energy requirement of the state is met within the state and the remaining 97 per cent is imported mainly from the central sector (NEEPCO and NHPC) and TSECL Tripura. Projects such as Tuivai Hydro Electric Power (HEP) 210 MW; Lungreng Hydro Electric Power (HEP), 815 MW; Chhimtuipui Hydro Electric Power (HEP), 635 MW and Mat Hydro Electric Power (HEP) 76 MW were proposed to be taken up by the government of Mizoram.

2.18.2 Transport and communication

The National Highway (NH) 54 is the only main road which connects the state with the rest of the country via Silchar (Assam). The state of Mizoram imports practically all the requirements of consumer goods, machineries and equipments, through this highway. Because of this, the NH 54 can be said the life line of Mizoram economy.

A limited air service connects Aizawl to Kolkata and Guwahati. All other means of transport like railways (except a small meter-gauge railway link up to Bairabi with a possible extension up to Sairang) and ropeways are absent (Agarwal A.K, 2003).

The road length per 1000 population was 5.64 km. The road per 100 sq. km was also 24.07 km (Basic Statistics of NER, 2006). Formation, cutting and black topping of roads are a continuous process, but in spite of priority given to this sector, non-availability of adequate funds and resource constraints hamper the progress. As already mentioned, Mizoram is a hilly area, the roads are frequently damaged by landslides, blockade of roadside drains and breaking of retaining walls were frequently noticed during rainy season. Any disruption in the transport system on NH 54 cause rise in price of essential goods and development activities will come to a halt in the absence of any alternate efficient mode of transportation.

The total length of NH under Border Roads Organisation (BRO) in Mizoram up to 2008-09 is 558 kilometers, which is 9.6 per cent of the total road length in the state. Thus the total length of road network of classified roads both under PWD and BRO

by the end of 2008-09 is 5,783.31 kms, out of which 3,938.95 kms (68.10 per cent) were surfaced road and the rest 1,844.56 kms (31.90 per cent) were unsurfaced.

Since 1991 Mizoram has figured in the railway map of India. It is a railway line extended into Mizoram up to Bairabi from Kolkata junction with a distance of 1.5 km only. The train carrying both passengers and goods are arrived at this station regularly once in a day. However, since Bairabi station is far from other parts of Mizoram, the role of railways in the economy is almost negligible. The new railway line project from Bairabi to Sairang (about 20 kms from Aizawl) having a length of 51.38 km was sanctioned in the Railway Budget 2008-09 at a total cost of ₹ 510.34 crores. A 'Task Force on National Railway Project' has been constituted to function as a mechanism of continuous interaction between the Railways and the state government.

The only airport in the state was inaugurated in December, 1998. The state is now having air links with Kolkata, Guwahati and Imphal. The services are presently operated by Indian Airlines and Jet Airways.

2.18.3 Banking and financial institutions

In a less developed state like Mizoram, where scarcity of financial resources is one of the constraints for accelerating the pace of industrial development, an efficient and responsive banking system is of utmost importance.

The setting up of State Bank of India (SBI) in Mizoram in 1972 marked the entry of modern banking in the state. The State Bank of India, being the lead bank in the state took up the responsibility to increase the business in the state. In 1982, Mizoram Cooperative Apex Bank Ltd (MCAB) was established. Mizoram Rural Bank (MRB) was started in 1983. Of late, many private banks have started their operations in the state. In addition to the banks, development financial institutions like NABARD, SIDBI and NEDFi also have their presence in the state.

Out of 108 bank branches (as on February 28, 2009), 77 are in rural whereas the rest 31 are in urban/semi urban areas. It is observed that the population served per branch comes to around 3,804 in Mizoram which is favourable compared with the national average of 15,000. However, the location of bank branches in the state has been skewed in favour of urban areas (Economic Survey Mizoram, 2008-09). The loans and advances disbursed to priority sector i.e., agriculture, industry and services by all the banks in the state from 2006-07 to 2009-10 were given in **Table 2.13**. It can be seen that the loans and advances disbursed to industrial sector was not only the least among the three sectors, but it shows a declining trend. On the other hand, the share of services sector was in an increasing trend.

Table 2.13

Sector-Wise Distribution of Credit (₹ in lakh)									
	Sector	Year							
		2006-07	%	2007-08	%	2008-09	%	2009-10	%
1	Agriculture & allied including crop loan	3298.42	22.00	3655.90	17.86	3869.53	11.65	16906.55	12.65
2	Industry	2714.02	18.00	3235.46	15.80	2511.55	7.56	7807.53	5.84
3	Services	8976.32	60.00	13583.46	66.34	26826.20	80.79	108910.47	81.51
	Total	14988.76	100.00	20474.82	100.00	33207.28	100.00	133624.55	100.00

Source: *Economic Survey Mizoram 2009-10*, Planning and Programme Implementation Department, government of Mizoram, Aizawl.

2.18.4 Postal and telecommunications

There are over 400 post offices in the state, out of which nearly 90 per cent were in rural areas and the rest were in urban areas.

While the Bharat Sanchar Nigam Ltd (BSNL) provides landline services, there are many operators providing mobile services in the state. Latest technology 3G (Third Generation) mobile network was planned for cities viz. Aizawl, Lunglei, Kolasib and Champhai during 2008-09, the service was commissioned for Aizawl city in

December, 2009 which enabled broadband internet access through mobile services. BSNL provided Wireless in Local Loop (WLL) telephone services through Code Division Multiple Access (CDMA) technology to the rural areas. WLL services solved the problem of providing telecommunication services to the rural areas as separate installation of telephone exchanges in each and every villages are technically and financially not feasible. Broadband services are now available in all the district headquarters and other towns/villages such as Khawzawl, Vairengte, Bilkhawthlir, Kawnpui, Thingsulthliah, Baktawng, Chhingchhip, Chhiahtlang, Lengpui, Thingdawl and Sihphir.

2.19 CONCLUSION

The relatively high labour-intensity of micro and small enterprises gives it a crucial role in reducing poverty and unemployment. This sector has contributed significantly to the growth of GDP, eradication of poverty, export and employment generation. This sector acquired a prominent place in the socioeconomic development of the North East. However, it appears that the industrial sector cannot perform well in isolation as it is interrelated with the performance of other sectors which have an impact on the economy of the region. The process and pace of industrialisation depends on the performance of the agricultural and services sectors. The NER is industrially backward, compared to other parts of the country, and government of India classified the region as category A industrially backward region. Most of the enterprises in the region are concentrated in a big state of Assam. About 56.3 per cent of large and medium enterprises and about 61.4 per cent of the micro and small enterprises are located in Assam. However, only three per cent of the small scale units in the country are located in the NER. This sector provides employment to 9.2 lakh persons in the region, accounted for 3.11 per cent of the total employment in the country. Assam constitutes more than half of the NER's share in the small scale sector employment. As per the Third Census of Small Scale Industries (2001-02), there were 108 exporting units in the small scale sector in the region. The exporting units contribute only about 0.23 per cent of the

total export value of India. The total number of women enterprises in the region accounted for 9.8 per cent of the total enterprises. There were 8.9 per cent of enterprises were managed by women. Female employment in the SSI sector accounted for 9.8 per cent of the total employment in the region as against 2.3 per cent of the country. Mizoram is highest with respect to female employment in the SSI sector with 27.46 per cent.

The hilly and remote states of the region are not well integrated with the rest of the country. They have small markets and land is also a problem since most of the land is under community ownership. Even large quantities of raw materials for the agro-processing industry are grown in the region. Nevertheless, it is possible to link the hilly region within the industrial network through a vertically integrated process. The region produces a variety of fruits and vegetables and various forest produce which provide scope for vertical specialisation. In fruit processing industry, activities such as extraction of juice or slicing of the fruit can be done close to the fruit-growing areas, and further processing, bottling and packaging can be carried out in an industrial hub, which would significantly reduce transportation costs. In this regard, Tripura offers a good example as the state is one of the largest producers of natural rubber in the country. It is possible to undertake initial processing in Tripura to reduce transportation costs, while the conversion of rubber into various products could be undertaken at places close to the distribution network. The lack of an efficient transport network to connect the production point to the large collection centres is the key problem. But more importantly, market failures and lack of sufficient inducement to invest are perhaps bigger stumbling blocks for vertical specialisation to take place. Without a proper industrialisation strategy for the region and some inter-governmental planning and coordination among the N E states, the market by itself will not produce the desired result. By ensuring a well-developed transport network and free mobility of goods and services across the states which guarantees for proper security of life and property of the people, the region would be able to create an environment that is conducive for speedier industrial development.

NOTE

¹ *Chhinlung* is believed to be the name of place from where Mizo ancestors came from. Mizo folklore says that the Mizos came from *Chhinlung* which means covering rock. The people of all Mizo clans, the legend goes, came out of the earth from below a stone. While they were coming out, two persons belonging to Ralte clan which is known for their fondness for talking, started talking noisily. By the noises they made, *Pathian* (God) felt that too many people had already come out and he shut down the rock. This limited the number of people who came out of the earth and formed the Mizo clan.

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CHAPTER – 3

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CHAPTER – 3

ENTREPRENEURSHIP AND MSME SECTOR IN MIZORAM

This chapter highlights the entrepreneurship development programmes and practices initiated to strengthen the MSME sector in Mizoram. In addition, the recent initiatives taken by the Ministry of MSME for the promotion of micro, small and medium enterprises have also been discussed.

3.1 MEANING AND CONCEPT OF SMALL SCALE INDUSTRIES

Industrial units are generally classified between small scale, medium scale and large scale units considering their size, capital resources and the number of labourers engaged upon (Dhar P.K, 2005). In India, the first official criterion for Small Scale Industry (SSI) dates back to the Second Five Year Plan when it was defined in terms of gross investment in land, building, plant and machinery and the strength of labour force. One of the attractive features of small industry is its ability to create new jobs at a minimal cost (Ram K. Vepa, 1988).

The definition of small scale industries in India has changed over the years. A retrospective view of this changing definition is given below (Kaur, 2003).

Small Scale Industries Board (SSIB) defined small scale industry in 1955 as ‘a unit employing less than 50 persons if using power and, less than 100 persons without the use of power and with capital assets not exceeding ₹ 5 lakh’.

In 1960 the Ministry of Commerce and Industries modified the above definition on the recommendation of the Small Scale Industries Board. According to this definition, ‘small scale industries will include all industrial units with a capital investment of not more than ₹ 5 lakh, irrespective of the number of persons employed’.

In 1972, the government of India constituted a committee for drafting legislation for small scale industries, which suggested that the small scale industries might be classified into the following categories.

1. Tiny industry: Tiny units are those in which the investment in fixed assets is less than ₹1 lakh or ₹ 4,000 per worker and the annual turnover does not exceed ₹ 5 lakh.
2. Small industry: Small industry is one in which the capital investment in fixed assets does not exceed ₹ 7.5 lakh irrespective of the number of persons employed.
3. Ancillary unit: Ancillary unit is the one rendering services and supplying or proposing to render 50 per cent of its production or total services, as the case may be, to other units for production of other articles. Moreover, such a unit should not be owned or controlled by any undertaking. The investment limit in fixed assets of ancillary unit is fixed at ₹ 10 lakh.

The Industrial Policy Resolutions 1948, 1956 and more particularly the Industrial Policy Statement 1977 have offered a special favour for the development of small scale industries. Initially the fixed capital investment limit of the small scale units was restricted to ₹ 5 lakh and later on, the limit has been raised to ₹ 10 lakh for small scale unit and ₹ 15 lakh for ancillaries in 1975. Again in 1980, this fixed capital investment limit was raised to ₹ 15 lakh for small units and ₹ 20 lakh for ancillary units. In 1985, this investment limit was further raised by the government to ₹ 35 lakh for small scale industries and ₹ 45 lakh for ancillary units.

Again, the Industrial Policy Statement, 1990 raised the investment ceiling in plant and machinery to ₹ 60 lakh for small scale industries and ₹ 75 lakh for ancillary units, and for the 'tiny' units the limit was also raised from ₹ 2 lakh to ₹ 5 lakh. Small scale industries were given extra incentives for exports. Thus their investment limit was raised further to ₹ 95 lakh on condition that these small scale units should export 30 per cent of their output by the third year of their commencing production.

3.2 THE NEW POLICY FOR SMALL SCALE INDUSTRIES IN 1991

The Government of India announced the new policy for Small Scale Industries in 1991 for promoting and strengthening the small, tiny and village industries. The primary objective of this policy was to impart more vitality and growth impetus to the small scale sector, so that the sector can contribute in terms of growth of output, employment and exports. The other objectives are: to decentralise and delicense the sector; to deregulate and the sector; to review all the statutes, regulations and procedures and effect suitable modifications wherever necessary; to motivate small and sound entrepreneurs to set up new enterprises; to maintain sustained growth in productivity and attain competitiveness in the market economy, especially in the international markets; to industrialise the backward areas of the country; to accelerate the process of development of modern small enterprises, tiny enterprises and village industries through appropriate incentives, institutional support and infrastructure investments; and to provide impetus to the growth of small scale industries so that they contribute to the growth of output, employment and technological upgradation of small scale industries.

The major highlights of the policy statements were: Hike in investment limit for tiny sector up from ₹ 2 lakh to ₹ 5 lakh; service sector to be recognised as tiny sector; support from National Equity Fund for projects up to ₹ 10 lakh; marketing of mass consumption items by National Small Industries Corporation under common brand name; compulsory quality control for products that pose risk to health and life; a special monetary agency to be set up for small scale sector's credit needs; an export development center to be set up; legislation to ensure payment of small scale industries bills; a new scheme of integrated infrastructure development to be implemented; and incentives and services package to be delivered at the district level.

In 1997 the Government of India again enhanced the investment ceiling in plant and machinery for SSIs and ancillary units from ₹ 60 lakh and ₹ 75 lakh respectively to ₹ 3 crore and that for the tiny sector has also been raised from ₹ 5 lakh to ₹ 25 lakh.

Thus, the investment limit of SSIs would also apply to ancillary and export oriented units for which no separate limit has been prescribed.

In 2000, the investment limit for small scale and ancillary units has been reduced by the Government of India from existing ₹ 3 crore to ₹ 1 crore. However, the investment ceiling for tiny industry remained unchanged.

3.3 MICRO AND SMALL ENTERPRISES

Majority of the people in India are living in rural areas drawing their livelihood from agriculture and allied sectors. The government of India is striving to improve the economic and social conditions of rural population and non-farm sector through a host of measures including creation of productive employment opportunities based on optimal use of local raw materials and skills as well as undertaking interventions aimed at improving supply chain; enhancing skills; upgrading technology; expanding markets and capacity building of the entrepreneurs/artisans and their groups/collectives. Therefore, the government of India, with a view to facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, the Micro, Small and Medium Enterprises Development (MSMED) Act was passed in 2006.

There is no globally accepted definition of MSMEs. Different countries use different criterion, most of the definitions are based on investment ceiling and number of people employed. In India, MSMED Act 2006 defines MSMEs. The Act introduces the concept of ‘enterprise’ as opposed to the earlier concept of industry. According to the Act, MSMEs are classified into (1) enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act 1951 and (2) enterprises engaged in providing or rendering services.

The limit for investment in plant and machinery/equipment for manufacturing and service enterprises, as per the Act are shown in [Table 3.1](#) and [Table 3.2](#).

Table 3.1

Investment in Manufacturing Enterprises		
	Enterprises	Investment in plant and machinery
1	Micro enterprise	Does not exceed ₹ 25 lakh
2	Small enterprise	More than ₹ 25 lakh but does not exceed ₹ 5 crore
3	Medium enterprise	More than ₹ 5 crore but does not exceed ₹ 10 crore

Source: *Micro, Small and Medium Enterprises Development (MSMED) Act, 2006*

Table 3.2

Investment in Service Enterprises		
	Enterprises	Investment in equipment
1	Micro enterprise	Does not exceed ₹ 10 lakh
2	Small enterprise	More than ₹ 10 lakh but does not exceed ₹ 2 crore
3	Medium enterprise	More than ₹ 2 crore but does not exceed ₹ 5 crore

Source: *Micro, Small and Medium Enterprises Development (MSMED) Act, 2006*

3.4 ROLE OF MICRO AND SMALL ENTERPRISES IN INDIA

The Micro, Small and Medium Enterprises (MSME) sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 32 million persons in over 13 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture (Annual report 2008-09, Ministry of MSME).

3.4.1 Employment generation

The MSEs play an important role in Indian economy in terms of employment. This sector is the largest employment provider in India next to agriculture sector. The MSE sector in India has grown significantly since 1960, when there were only 12376 MSEs providing employment to 10 lakh people. Of which direct employment was 1.85 lakh. An annual production level was ₹ 875 crore. At the beginning of the tenth plan, 249 lakh people in the rural and urban areas were employed in 105.21 lakh MSEs. This has increased to 295 lakh people in 128 lakh units in 2006-07; an average annual growth rate of 4.4 per cent in the number of these units and 4.62 per cent in employment. If the units in the khadi industries, village industries, and coir industries are taken into account, the employment is estimated to be over 332 lakh. With the inclusion of handlooms, handicrafts, wool, and sericulture, the total job in the MSE sector in India goes up to 650 lakh. The employment intensity of the registered units indicates that an investment of ₹ 0.72 lakh is required for creating one employment in MSME sector as against ₹ 5.56 lakh in the large organised sector. MSEs also go a long way in checking rural–urban migration by providing villagers and people living in isolated areas with a sustainable source of employment. Among the MSEs in India, the dispersed food products sector generates maximum employment (13.7 per cent of total employment in the MSE sector), followed by non-metallic mineral products (10.9 per cent) and metal products (10.2 per cent). In chemicals and chemical products, machinery parts except electrical parts, wood products, basic metal industries, paper products and printing, hosiery and garments, repair services, and rubber and plastic products, the contribution ranges from 5 per cent to 9 per cent. In all other industries the contribution is less than five per cent (Eleventh Five Year Plan 2007-12, vol.III).

Per unit employment is highest (20) in units engaged in beverages, tobacco, and tobacco products. Next come cotton textile products (17), non-metallic mineral products (14.1), basic metal industries (13.6), and electrical machinery and parts (11.2). Per unit employment is highest (10) in the metropolitan areas and lowest (5) in the rural areas. Non-metallic products contribute 22.7 per cent to the employment

generated in the rural areas, followed by food products (21.1 per cent), wood products, and chemicals and chemical products. As for the urban areas, food products and metal products almost equally share 22.8 per cent employment. Machinery parts except electrical, non-metallic mineral products, and chemicals and chemical products between them account for another 26.2 per cent employment. Metal products, machinery and parts except electrical and paper products and printing (total share being 33.6 per cent) are the leading industries in metropolitan areas. The presence of MSEs across states is not uniform. Tamil Nadu (14.5 per cent) makes the maximum contribution to employment followed by Maharashtra (9.7 per cent), Uttar Pradesh (9.5 per cent), and West Bengal (8.5 per cent). Per unit employment is high—17, 16, and 14, respectively in Nagaland, Sikkim, and Dadar & Nagar Haveli. Madhya Pradesh has the lowest figure of 2. In all other cases it is around six (Eleventh Five Year Plan 2007-12, vol.III).

3.4.2 Sustaining economic growth

As per the estimates made by the Planning Commission, in order to achieve the target of 10 per cent growth in the Eleventh Plan, the MSE sector needs to grow at 12 per cent. **Table 3.3** indicates the growth of the SME sector in terms of number of units, employment, and production. Non-traditional products account for more than 95 per cent of the SSI exports. The performance of garments, leather, and gems and jewellery units has been remarkable in the last decade. The SSI sector dominates in export of sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food, and leather products. The US, Europe, and West Asia are the major export destinations. MSEs often act as ancillary industries for large scale industries providing them with raw materials, vital components, and backward linkages. For instance, large cycle manufacturers of Ludhiana rely heavily on the small MSEs of Maler Kotla which produce cycle parts. MSEs also promote eco-friendly growth, especially in difficult terrains and the ecologically sensitive areas. In large tracts of barren desert land in Barmer and Kutch, in the scattered *dhanis* of Udaipur, in the hilly hamlets of J&K, Ladakh, Himachal, and the North Eastern Region, in the tribal hinterlands of central India, they are the only source of

livelihood. Hence, the small scale sector makes a very valuable contribution to the accumulation of foreign exchange resource of the country (Eleventh Five Year Plan 2007-12, vol.III).

3.4.3 Making growth inclusive

The MSE sector is a microcosm of all vulnerabilities; it touches upon the lives of women, children, minorities, SCs, and STs in the villages, in the urban slums, and in the deprived pockets of flourishing towns and cities. For many families, it is the only source of livelihood. For others, it supplements the family income. Thus, instead of taking a welfare approach, this sector seeks to empower people to break the cycle of poverty and deprivation. It focuses on people's skills and agency. Different segments of the MSE sector are dominated by different social groups. Women are mostly found in the unregistered sector, food processing enterprises, manufacturing enterprises, and weaving, and often work part time in the family enterprises. Women and small children roll bidis, make agarbattis, do zari and sequin work for meagre wages. Large number of Muslims are found in the unorganised weaving sector and in power looms. STs produce wonderful handcrafted articles and are involved in sericulture. In the North Eastern Region, most women know the art of weaving. As per the Quick Results of Fourth All India Census of MSMEs (2006-07), 13.85 per cent of the enterprises were women enterprises, 49.46 per cent of the enterprises were owned by socially backward groups viz. SCs, STs and OBCs. In states like Tripura, 50 per cent of rural men and 35 per cent rural women are engaged in MSEs. In Nagaland and Mizoram over 68 per cent of urban men are with MSEs (Eleventh Five Year Plan 2007-12, vol.III).

The performance of **MSME** sector, its achievement from 1992-93 to 2009-10 in terms of critical parameters like number of units, fixed investment, production, employment and export is given in **Table 3.3**.

Table 3.3

MSMEs Performance: Units, Investment, Production, Employment and Exports						
Sl. No.	Year	Total MSMEs (lakh numbers)	Fixed investment (₹ crore)	Production at current prices (₹ crore)	Employment (lakh persons)	Export (₹ crore)
1	1992-93	73.51 (4.07)	109623 (9.24)	84413 (4.71)	84413 (5.33)	17784 (28.10)
2	1993-94	76.49 (4.07)	115795 (5.63)	98796 (17.04)	182.64 (4.46)	25307 (42.30)
3	1994-95	79.6 (4.07)	123790 (6.9)	122154 (23.64)	191.4 (4.79)	29068 (14.86)
4	1995-96	82.84 (4.07)	125750 (1.58)	147712 (20.92)	197.93 (3.42)	197.93 (25.46)
5	1996-97	86.21 (4.07)	130560 (3.82)	167805 (13.68)	205.86 (4.00)	39248 (7.62)
6	1997-98	89.71 (4.07)	133242 (2.05)	187217 (11.57)	213.16 (3.55)	44442 (13.23)
7	1998-99	93.36 (4.07)	135482 (1.68)	210454 (12.41)	220.55 (3.46)	48979 (10.21)
8	1999-2000	97.15 (4.07)	139982 (3.32)	233760 (11.07)	229.1 (3.88)	54200 (10.66)
9	2000-01	101.1 (4.07)	146845 (4.90)	261297 (11.78)	238.73 (4.21)	69797 (28.78)
10	2001-02	105.21 (4.07)	154349 (5.11)	282270 (8.03)	249.33 (4.44)	71244 (2.87)
11	2002-03	109.49 (4.07)	162317 (5.16)	314850 (11.54)	260.21 (4.36)	86013 (20.73)
12	2003-04	113.95 (4.07)	170219 (4.87)	364547 (15.78)	271.42 (4.31)	97644 (13.52)
13	2004-05	118.59 (4.07)	178699 (4.98)	429796 (17.90)	282.57 (4.11)	124417 (27.42)
14	2005-06	123.42 (4.07)	188113 (5.27)	497842 (15.83)	294.91 (4.37)	150242 (20.76)
15	2006-07	261.01 (111.48)	500758 (166.20)	709398 (42.49)	594.61 (101.62)	182538 (21.50)
16*	2007-08	272.79 (4.51)	558190 (11.47)	790759 (11.47)	626.34 (5.34)	202017 (10.67)
17*	2008-09	285.16 (4.53)	621753 (11.39)	880805 (11.39)	659.35 (3.5)	N. A
18*	2009-10	298.08 (4.53)	693835 (11.59)	693835 (11.59)	695.38 (5.47)	N. A.

The figures in brackets show percentage increase over the previous years

*Projected

Source: *Annual Report 2010-11*, Ministry of Micro, Small and Medium Enterprise, Government of India.

3.5 RECENT INITIATIVES

The Ministry of Micro, Small and Medium Enterprises has taken various initiatives for the promotion of micro, small and medium enterprises which are described below.

Promulgation of MSMED Act, 2006

A significant achievement of the Government is the enactment of the ‘Micro, Small and Medium Enterprises Development Act, 2006’, which aims to facilitate the promotion and development and enhance the competitiveness of MSMEs. The Act has come into force from 2nd October 2006 and it fulfills a long-cherished demand of this sector. Apart from giving legal strength to the definitions of micro, small and medium enterprises, this Act also contains penal provisions relating to the delayed payment to these enterprises.

KVIC Act Amendment in 2006

The Khadi and Village Industries Commission (KVIC) Act, 1956 has been comprehensively amended in 2006, introducing several new features to facilitate professionalism in the operations of the Commission as well as field-level formal and structured consultations with all segments of stakeholders. A new Commission has also been constituted in July 2006.

Prime Minister’s Employment Generation Programme

A national level credit linked subsidy scheme, namely, ‘Prime Minister’s Employment Generation Programme (PMEGP)’ was introduced in August 2008 by merging erstwhile PMRY and REGP schemes of this Ministry with a total plan outlay of ₹ 4485 crore towards margin money subsidy for generating an estimated 37.38 lakh additional employment opportunities during the four terminal years of Eleventh Plan (2008-09 to 2011-12). An amount of ₹ 250 crore has also been kept towards backward – forward linkages. Under this programme, financial assistance is provided for setting up of micro enterprises each costing up to ₹ 10 lakh in service sector and ₹ 25 lakh in manufacturing sector. The assistance is provided in the form of subsidy up to 25 per cent (35 per cent for

special category including weaker sections) of the project cost in rural areas while it is 15 per cent (25 per cent for special category including weaker sections) for urban areas. During 2009-10, disbursements were made in 39,335 cases utilising ₹ 742.76 crore as margin money subsidy. The estimated employment generation is for 4.42 lakh persons. An amount of ₹ 906 crore including ₹ 836 crore margin money subsidy has been provided in budget estimate of 2010-11 for assisting 60,000 units for creation of around six lakh additional employment opportunities.

Promotional package

In March 2007, the government announced a comprehensive package for the promotion of micro and small enterprises, particularly in view of the fast changing economic environment, wherein, to be competitive is the key of success. These, *inter alia*, include credit and fiscal support, cluster-based development, infrastructure, technology and marketing support. Capacity building of MSME Associations and support to women entrepreneurs are the other important features of this package.

Task Force on MSMEs

A Task Force under the chairmanship of the principal secretary to Prime Minister was constituted to address the issues of MSME sector. The Task Force submitted its report in record time and has made recommendations in the areas of credit, marketing, labour, rehabilitation and exit policy, infrastructure, technology, skill development, taxation and development of MSMEs in the North-Eastern Region and Jammu & Kashmir. A large number of recommendations have been implemented and several other recommendations are at an advanced stage of implementation. A Council on MSMEs under the chairmanship of Prime Minister has been constituted to lay down the broad policy guidelines and review the development of the MSME sector. For ensuring timely/speedy implementation of the recommendations of the Task Force and follow-up on the decisions of the Prime Minister's Council on MSMEs, a Steering Group under the chairmanship of principal secretary to the Prime Minister has also been constituted.

Fourth All India Census of MSMEs

The Quick results of Fourth All India Census of MSMEs (2006-07), which was launched in May 2008, were released during 2009-10. The results reveal that there are 2.61 crore MSMEs in 2006-07, providing employment to about 6 crore persons. Of the total MSMEs, 28 per cent are in the manufacturing segment and 72 per cent in the services segment. This is the first census after the enactment of the MSMED Act, 2006 and includes, for the first time, medium enterprises.

Enhanced credit flow to the MSE sector

For strengthening the delivery of credit to the MSEs, the Government of India announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SME)' in August 2005 for doubling the credit flow to this sector within a period of five years. This has resulted in a significant increase in the credit flow from Public Sector Banks (PSBs) to the micro and small enterprises (MSE) sector — with the outstanding credit of public sector banks increasing from ₹ 1,02,550 crore at the end of March 2007 to ₹ 2,78,398 crore at the end of March 2010. With constant monitoring and efforts made by the government, the credit flow from PSBs to the MSE sector has registered a growth of 47.4 per cent, 26.6 per cent and 45.4 per cent during 2007-08, 2008-09 and 2009-10 respectively — higher than the stipulated 20 per cent in the policy package.

Credit Guarantee Scheme

The Government of India has set up a Credit Guarantee Fund to provide relief to those micro and small entrepreneurs who are unable to pledge collateral security in order to obtain loans for the development of their enterprises. For making the scheme more attractive to both lenders as well as borrowers, several modifications have been undertaken which, *inter alia*, include (i) enhancement in the loan limit to ₹ 100 lakh, (ii) enhancement of guarantee cover from 75 per cent to 85 per cent for loans up to ₹ 5 lakh; (iii) enhancement of guarantee cover from 75 per cent to 80 per cent MSEs owned/operated by women and for loans in the NER, (iv) reduction in one-time guarantee fee from 1.5 per cent to 1 per cent and

annual service charges from 0.75 per cent to 0.50 per cent for loans up to ₹ 5 lakh, (iv) reduction in one-time guarantee fee for NER from 1.5 per cent to 0.75 per cent. As a result, the scheme has been able to overcome the initial inhibition of bankers and is steadily gaining in acceptance. Further, efforts made to enhance the awareness have led to increasing the coverage from 68,062 proposals (for loans of ₹ 1705 crore) at the end of March 2007 to 4,37,465 proposals (for loans of ₹ 18,165 crore) at the end of October 2010. The government is making concerted efforts to further enhance the awareness of the scheme throughout the country for enhancing the coverage of the scheme.

National Manufacturing Competitiveness Programme

The government has launched an all-India campaign under the National Manufacturing Competitiveness Programme (NMCP) for the MSMEs, which has ten specific components aimed at improving their processes, designs, technology and market access. These components seek to introduce the best elements of industrial competitiveness in the MSME sector, which has often been unable to afford such practices and techniques. The ten components of the scheme are (i) Building awareness on Intellectual Property Rights for MSMEs; (ii) scheme for providing support for entrepreneurial and managerial development of SMEs through incubators; (iii) enabling manufacturing sector be competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT); (iv) mini tool rooms under PPP mode; (v) marketing assistance/support to MSEs (Bar Code); (vi) lean Manufacturing Competitiveness Programme for MSMEs; (vii) promotion of Information & Communication Tools (ICT) in Indian MSME sector; (viii) design clinics scheme for MSMEs; (ix) marketing assistance and technology upgradation scheme for MSMEs; and (x) technology and quality upgradation support to MSMEs.

All the ten components have been operationalised and the guidelines of the scheme have been notified.

MSE-Cluster Development Programme (MSE-CDP)

The programme is being implemented for holistic and integrated development of micro and small enterprises in clusters through soft interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organising workshops, seminars, training, study visits and exposure visits), hard interventions (setting up of Common Facility Centers) and infrastructure upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs). The guidelines of the MSE-Cluster Development Programme have been comprehensively modified in February 2010 to provide higher support to the MSEs. The scope of the scheme includes: (i) preparation of Diagnostic Study Report with Government of India grant of maximum ₹ 2.50 lakh (₹ 1 lakh for field offices of the Ministry of MSME). (ii) soft interventions like training, exposure, technology upgradation, brand equity, business development, etc with GoI grant of 75 per cent of the sanctioned amount of the maximum project cost of ₹ 25 lakh per cluster. For North East & Hill States, clusters with more than 50 per cent (a) micro/ village (b) women owned (c) SC/ST units, the GoI grant will be 90 per cent. (iii) Detailed Project Report (DPR) with GoI grant of maximum ₹ 5 lakh for preparation of a technical feasible and financially viable project report. (iv) hard interventions in the form of tangible assets like common facility centre having machinery and equipment for critical processes, research and development, testing, etc. for all the units of the cluster with GoI grant up to 90 per cent of the cost of project of maximum ₹ 15 crore. (v) Infrastructure Development with GoI grant of up to 80 per cent of the cost of project of ₹ 10 crore, excluding cost of land. (vi) Exhibition Centers by Associations of Women Entrepreneurs of women owned micro and small enterprises with GoI assistance at 40 per cent of the project cost. Over 460 clusters have been undertaken for various cluster development interventions (i.e., diagnostic study, soft interventions, and hard interventions) and 126 proposals (including 28 for upgradation of existing industrial estates) have been taken up for infrastructure development under the scheme.

Credit Linked Capital Subsidy Scheme

To make the Credit Linked Capital Subsidy Scheme (CLCSS) more attractive, the following amendments were made with effect from 29 September 2005: (a) the ceiling on loans has been raised from ₹ 40 lakh to ₹ 1 crore; (b) the rate of subsidy has been raised from 12 per cent to 15 per cent; (c) the admissible capital subsidy has now been based on the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit; and (d) the practice of categorisation of MSEs in different slabs on the basis of their present investment for determining the eligible subsidy has been dispensed with. Further, the ambit of scheme was enlarged in 2009-10 to include 201 new technologies, including 179 technologies relating to pharmaceutical sector. The coverage under the scheme has shown considerable increase and up to October 2010, 10,952 MSEs have benefited under the scheme with the total subsidy sanctioned amounting to ₹ 514.13 crore.

Entrepreneurship and skill development

In line with the overall target set by the Prime Minister's National Council on Skill Development (NCSD), the Ministry has taken up skill development as a high priority area. Under the Entrepreneurship/Skill Development Programmes conducted by various organisations of the Ministry of MSME, about 3.5 lakh persons were trained during 2009-10 which is an increase of more than 33 per cent over previous year. To further expand the coverage of training programmes, a new component under the scheme of 'Assistance to Training Institutions' has been added to, *inter alia*, provide assistance to the training institutions/centres established by Partner Institutions (PIs) of national level Entrepreneurship Development Institutes (EDIs) and franchisees of National Small Industries Development Corporation (NSIC). Further, the Ministry of MSMEs provides all such trainings to disadvantaged sections of the society like the trainings for SCs/STs, free of cost. A number of programmes are also being organised for women and other weaker sections of the society free of cost, besides providing a monthly stipend of ₹ 500 per month during the entire period of training.

Rajiv Gandhi Udyami Mitra Yojana

The scheme aims to promote and support establishment of new micro and small enterprises through handholding of potential first generation entrepreneurs, who have already successfully completed Entrepreneurship Development Programme (EDP)/Skill Development Programme (SDP)/Entrepreneurship-cum-Skill Development Programme (ESDP) of at least two weeks' duration, or have undergone vocational training from ITIs. One of the main objectives of handholding is to guide and facilitate the potential entrepreneurs in dealing with various procedural and legal hurdles and completion of various formalities which are required for setting up and running of enterprise successfully and to save them from harassment at the hands of various regulatory agencies for want of required compliances. It will not only increase the proportion of potential entrepreneurs trained under various EDPs/SDPs/ESDPs/Vocational Training (VT) in setting up their enterprises, more importantly, it will also enhance survival or success rate of newly set up enterprises.

As a component of this scheme, the Ministry has recently launched a MSME Call Centre (known as 'Udyami Helpline') with a toll-free number 1800-180-6763. The Udyami Helpline, *inter alia*, provides basic information on how to set up an enterprise, various schemes being implemented for the promotion of MSMEs, accessing loans from banks and further contacts for obtaining detailed information.

Performance and Credit Rating Scheme

To sensitise the MSE sector on the need for credit rating and encourage the MSEs to maintain good financial track record enabling them to earn higher rating for their credit requirements, the government in April 2005 launched the 'Performance and Credit Rating Scheme'. The implementation of the scheme is through NSIC. Reputed rating agencies have been empanelled by NSIC from which the MSEs can select the one to be engaged by it for obtaining the rating.

The Ministry of MSMEs subsidises the cost of rating by sharing 75 per cent of the fee charged by the rating agency, subject to a ceiling of ₹ 40,000.

National Small Industries Corporation

To provide an opportunity for first generation entrepreneurs to acquire skills for enterprise building and to incubate them to become successful small business owners, NSIC has set up 47 Training-cum-Incubator Centers (TICs) under Public Private Partnership (PPP) mode. NSIC has also launched a Business to Business (B2B) Web portal to provide marketing facilities to national and international MSMEs. The MSME Info Call Centre of NSIC has been made functional to provide information about the schemes and activities being implemented for the benefits of MSMEs. Further, NSIC has established a Marketing Intelligence Cell in May 2010, which shall provide database and information support to the MSMEs on marketing of their products and services.

Khadi Reform Development Programme (KRDP)

In order to revitalise and reform the traditional khadi sector with enhanced sustainability of khadi, increased artisans welfare, increased incomes and employment opportunities for spinners and weavers with lesser dependence on government grants, a Khadi Reform and Development Programme was formulated by the Ministry of MSME in consultation with Khadi and Village Industries Commission (KVIC), Asian Development Bank (ADB), Department of Economic Affairs (DEA) and Price Waterhouse Coopers (PWC). This programme is proposed to be implemented in 300 selected khadi institutions willing to undertake the identified reforms. The DEA has arranged a sum of US\$ 150 million equivalent to ₹ 717 crore (approx.) from ADB to be given to KVIC as grant in four tranches over a period of 36 months. After completion of procedural formalities, and signing of necessary agreement and announcement by ADB, the first tranche of ₹ 96 crore was released to KVIC in February, 2010. The second tranche of ₹ 192 crore has been earmarked in BE 2010-11.

Market Development Assistance (MDA) Scheme

The scheme has been introduced w.e.f. April 1, 2010 and envisages financial assistance at 20 per cent on value of production of khadi and polyvastra which will be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The scheme has been introduced on the basis of recommendation of several committees constituted during the past few decades and after running several pilot projects in the past. The need had arisen because khadi production so far was not based on market demand or performance and the rebate system did not benefit the spinners and weavers. Also KVIC was constrained to devote most of its resources for administration of rebate; to the detriment of its remaining responsibilities regarding development of the sector. MDA seeks to rectify this imbalance and provide flexibility to the khadi institutions to take innovative measures to improve its marketing infrastructure such as renovation of outlets, training sales persons, computerisation of sales, design improvement, publicity, discount to customers, improved equipments of production, training of artisans and capacity building so that khadi can attract more customers not just because of discount, but because of its quality design and appeal. Most importantly, for the first time a definite share of 25 per cent of MDA has been earmarked for spinners and weavers which will give them a prominent role in the entire khadi chain of activities. An amount of ₹ 345.05 crore has been earmarked to be incurred during 2010-11 and 2011-12 as MDA.

Workshed Scheme for Khadi Artisans

Under this scheme, assistance is provided for construction of worksheds for khadi artisans for better work environment. Around 38,000 worksheds are targeted to be constructed between 2008-09 and 2011-12 at a total cost of ₹ 127 crore approximately, involving financial assistance of ₹ 95 crore as grant to KVIC from government of India's budgetary sources. Financial assistance for establishment of workshed has been provided to 5951 artisans in 2009-10. In BE 2010-11, an amount of ₹ 20 crore has been earmarked for assisting 10,000 artisans under this scheme.

Scheme for Enhancing Productivity & Competitiveness of Khadi Industry and Artisans

The scheme aims to provide financial assistance to 200 of the 'A+' and 'A' category khadi institutions of which 50 institutions would be those which are managed exclusively by beneficiaries belonging to SCs/STs to make them competitive with more market driven and profitable production by replacement of obsolete and old machinery and equipment. The total cost of the scheme is ₹ 84 crore involving financial assistance of ₹ 71.14 crore as grants to KVIC from budgetary sources between 2008-09 and 2011 -12. Twenty khadi institutions were assisted with financial assistance of ₹ 2.23 crore under this scheme in 2009-10. An amount of ₹ 21 crore has been earmarked in BE 2010-11 for assisting 60 khadi institutions under this scheme.

Scheme for Rejuvenation, Modernisation and Technological Upgradation of Coir Industry

Under the scheme, assistance is provided to spinners and tiny household sector for replacement of outdated looms and for constructing worksheds so as to increase production and earnings of workers. In 2009-10, 296 spinning units and 410 tiny household units have been assisted under this scheme and a target for assisting 320 spinning units and 880 household units has been fixed for 2010-11 with the budget allocation of ₹ 21 crore.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

This scheme was launched in 2005 for regeneration of traditional industries identified clusters in khadi, village industries and coir sectors with a view to make these industries more productive and competitive and increase the employment opportunities in rural and semi-urban areas. The objective of the scheme is to establish a regenerated, holistic, sustainable and replicable model of integrated cluster-based development of traditional industries in khadi, village and coir sectors. So far 105 clusters (khadi – 29, village industries – 50 and coir - 26) have been taken up under SFURTI and production has been started in 72 clusters. Cluster interventions will be completed in remaining 33 clusters providing employment to around 16,000 rural artisans in 2010-11.

Mahatma Gandhi Institute for Rural Industrialisation (MGIRI)

A national level institute named MGIRI has been established at Wardha, Maharashtra as a society by revamping Jamnalal Bajaj Central Research Institute in association with IIT, Delhi for strengthening the R&D activities in khadi and village industry sectors. The main objectives of the institute are: (i) to accelerate rural industrialisation for sustainable village economy so that KVI sector co-exists with the main stream, (ii) attract professionals and experts to Gram Swaraj, (iii) empower traditional artisans, (iv) innovation through pilot study/field trials, and (v) R&D for alternative technology using local resources.

National Board for MSMEs

The government has set up for the first time, a statutory National Board for Micro, Small and Medium Enterprises so as to bring together the representatives of different sub-sectors of MSMEs, along with policy-makers, bankers, trade unions and others in order to move towards cohesive development of the sector. The deliberations and directions of the National Board will go a long way to guide and develop enterprises in this sector — to become more competitive and self-reliant.

Fiscal benefits

The government has worked towards enhancing the level of fiscal incentives available for micro and small enterprises. Under the General Excise Exemption Scheme, exemption limit has been raised from ₹ 1 crore to ₹ 1.5 crore (in 2007-08 budget) and the turnover eligibility limit to avail the exemption benefits has been enhanced from ₹ 3 crore to ₹ 4 crore (in 2005-06 budget). Further, with effect from April 1, 2005, small service providers having a turnover of up to ₹ 4 lakh has been exempted from service tax. This exemption limit has been gradually raised to ₹ 10 lakh in the subsequent budgets. In order to encourage small and medium enterprises to invest and grow, the surcharge on all firms and companies with a taxable income of ₹ 1 crore or less has been removed with effect from April 1, 2007. The turnover limit for tax audit and for the purpose of presumptive taxation of small businesses has been enhanced to ₹ 60 lakh with

effect from April 1, 2010. To ease the cash flow position for small-scale manufacturers, they have been permitted to take full credit of central excise duty paid on capital goods in a single installment in the year of their receipt. Further, they have also been permitted to pay central excise duty on a quarterly basis, rather than monthly basis.

3.6 ELEVENTH PLAN STRATEGIES FOR PROMOTION OF MSEs

The Eleventh Plan strategies for the promotion of MSEs, as incorporated in the Eleventh Five Year Plan document, are given below:

- The Eleventh Plan approach to the MSE sector marks a shift from the welfare approach to that of empowerment. The Plan looks at this sector as an engine for sustained and inclusive economic growth and employment. The strategy is two-pronged—it focuses on livelihood and social security. This is not just a rights issue but also makes economic common sense—artisans and entrepreneurs can be most productive only when they are physically and mentally fit.
- The Eleventh Plan considers the MSE sector as an important segment of industry which is unorganised and hence needs support and access to all schemes of industry with special enabling provisions. As it is, Tribal Sub-Plan (TSP) and Special Component Plan (SCP) are constitutional requirements. Support for women's empowerment and minority development has been stressed upon in the Prime Minister's 15-point programme and in other flagship schemes of the government. It is known that it is mostly the STs, SCs, minorities, and women who are engaged in traditional livelihoods and in the small and micro sector. In the handloom sector alone, 60.6 per cent weavers are women, 10.76 per cent belong to SCs, 25.5 per cent to STs, and 42.65 per cent to OBCs.
- By providing enabling provisions for artisans, weavers, and small entrepreneurs within industrial policies and schemes will automatically fulfill the constitutional requirement and the commitments made by various plans. While planning

infrastructure development for industries, the needs of the micro and small sector would be kept in mind. There is need to move from adversarial to complementary relationships between various segments of industry and MSEs. For instance, handlooms can target hi-end exclusive products while power loom mills do bulk production for *dhotis*, towels, etc. Big brands can continue to develop products such as suitings, shirtings and t-shirts, etc.

- The MSE sector, including handlooms and handicrafts, presents an opportunity for exports. Exclusivity, which stems from the dispersed nature of this sector, is its biggest strength. And yet, the dispersed nature of the sector makes it difficult to meet bulk orders, raises quality control issues, robs the workers of bargaining power, limits access to credit and markets, results in absence of social security, and prevents enterprises from benefiting from economies of scale. The effort during the plan period will therefore be to organise this sector, to create clusters and SHGs of weavers/artisans to improve their bargaining power and to enable them to pool resources. These groups, comprising weavers, artisans, and entrepreneurs, will be given full control over cluster decisions and will be provided support in the form of credit, inputs, expertise and marketing links.
- The Working Group on MSMEs for the Eleventh Plan had projected the need for ₹ 2,96,400 crore as the working capital and term loans for MSEs during the plan. At present, there is no sub-sector target for the MSE sector within the overall stipulated 40 per cent ceiling for the priority sector lending. Since sub-targets have already been fixed at 18 per cent for agriculture and at 10 per cent for the weaker sectors, the MSE sector has to compete with real estate, housing, education, retail, etc. for the remaining 12 per cent. Considering the vital role of the MSE sector in generation of large-scale employment opportunities, consideration should be given to whether a separate sub-target for the MSE sector can be effectively introduced in all Scheduled Commercial Banks (SCBs). If this is not possible then other means must be found to incentivise lending to this sector.

- For micro and small entrepreneurs who cannot bring in sufficient equity/promoter's contribution, a flexible debt–equity ratio may need to be adopted while sanctioning export credit. Banks will be encouraged to ensure that all loans up to ₹ 5 lakh to MSEs (excluding credit from MFIs) are given free of collateral at the interest rate of eight per cent. Coverage under the Credit Guarantee Trust Fund (CGTF) will be increased. As international experience indicates cluster based financing is the most effective way of providing credit to MSEs, 100 MSE clusters based on the PPP model will be adopted on a pilot basis.
- The Eleventh Plan proposed an aggressive marketing campaign using the media. Handlooms, handicrafts, food processing, and other cultural industries will be linked to tourism; circuits for heritage and fabric tourism will be developed. In the West, the cultural industries have become the most rapidly growing sector in the world, contributing over seven per cent of the world's GDP. Giving an 'industry' status to craftspersons is important because it entitles them to tax benefits and export promotion schemes, makes them eligible for banking and credit support, and helps them lobby for protection of intellectual property.
- Mapping of the MSE sector will be carried out and registration of products under the Geographical Indication Act will be encouraged and supported. Strict enforcement of laws relating to reservation will be carried out. Neglected areas such as occupational health, insurance, and so on will be taken up as an integral part of the MSE policy. Special emphasis will be laid on skill development and upgradation across all sectors.
- An effective preference policy for procurement of goods and services produced by MSEs both at Central and State levels will be developed. A policy for women in the micro and small sector, particularly in the unorganised segments, will also be formulated to ensure that women get their rights and that their special needs are catered to.

3.7 SMALL BUSINESS UNITS IN MIZORAM

Mizoram is one of the most industrially backward states in India. The entire state has been notified as backward and is categorised as 'No Industry State' due to non-existence of large and medium industries (Economic Survey Mizoram, 2007-08). Only small scale industries and cottage industries exist in Mizoram while large and medium scale industries are almost absent. As per the Basic Statistics of NER (2006), there is only one large and medium enterprise in Mizoram. Development of industries in the state is an uphill task as the investors remain fearful to invest here due to its topography, small size market, entry restrictions, low end infrastructure and such other related factors. Mizoram is considered as a peaceful state in India and enjoys rich natural resources. Although opportunities exist to a great extent, the lack of vision and will to explore the opportunities hampers the industrial development (Bhartendu Singh and Singha RKPG, 2008). People prefer to spend money in construction of multi-storeyed buildings for earning rent but they lack enthusiasm to come forward to take up new ventures risky in nature (Agarwal A.K, 1999).

Mizoram continues to remain an industrially backward state. The disadvantages due to topographical and geographical condition of the state coupled with underdeveloped infrastructure and transport bottlenecks are the main hurdles for the first generation entrepreneurs of the state to transform the state towards industrialisation. The growth and performance of the manufacturing sector has been poor. The share of **industry**, consisting registered and unregistered units, to the state GSDP could marginally increase from 1.2 per cent at the beginning of Tenth Five Year Plan to 1.5 per cent at the terminal year (2006-07). The state has witnessed a low scale of migration of workforce from agriculture to non-agriculture sector. Business activities like tailoring, furniture making, automobile repairs, steel making, bakery, handloom weaving, blacksmithy account for 80 per cent of the total number of enterprises in the state. There is little scope for either medium or large scale industrial units and as such **micro enterprises** dominate the industrial scenario acquiring a prominent place in the socioeconomic development of the state (Economic Survey Mizoram, 2008-09).

The 2001 Census revealed that out of the total population, 52.57 per cent were workers and the rest were non-workers in Mizoram. It also revealed that out of the total workers, 54.9 per cent were cultivators and 5.7 per cent were agricultural labourers. This indicates that 60.6 per cent of the total workers were engaged in agricultural activities mostly by practicing shifting cultivation (also known as *jhumming*). However, the share of agriculture alone to the GSDP is hardly seven per cent at current prices during 2008-09 (Economic Survey Mizoram, 2008-09).

At this juncture Small Business Units (SBUs) has specific role to play in the context of the economy of Mizoram. SBUs are best suited in Mizoram as they require less amount of capital, low level of technical skill and less managerial expertise. The vast

Table 3.4

District-wise Distribution of SBUs by Select Characteristics				
	Districts	Market value of fixed assets (₹ in lakh)	Original value of plant & machinery (₹ in lakh)	Gross output (₹ in lakh)
1	Mamit	3780	2437.6	7993.6
2	Kolasib	4822.5	3265	2425.3
3	Aizawl	28208.5	190128.6	515577.4
4	Champhai	8164.2	5887.2	26950.6
5	Serchhip	4726.5	3175.2	7452.2
6	Lunglei	24094.7	26760.8	75219
7	Lawngtlai	4201	2905.8	2946
8	Saiha	14241.5	7211.3	11038
	Total	309091.1	241771.4	649602

Source: *Third Census of Small Scale Industries 2001-02*, Ministry Small Scale Industries, Government of India

natural resources and local raw materials can be exploited more efficiently by setting up SBUs in the state thereby creating employment opportunities mainly to the agricultural labourers and local artisans, which in turn, helps in equal distribution of state income (Laskar, 2010). Table 3.4 shows the district-wise distribution of SBUs by select characteristics.

3.8 INDUSTRIAL INFRASTRUCTURE IN MIZORAM

Development of industrial infrastructure in the hilly terrain of Mizoram is not an easy task. The state government with its limited resources has established certain industrial areas with basic infrastructure. The industrial areas, though not fully provided with required infrastructure, are expected to solve many of the problems of industrial units. Enactment of Mizoram Industrial Areas (Management, Regulation and Control) Act, 2008 envisage allotment of industrial units of different declared industrial areas.

3.8.1 Industrial estates

The government of Mizoram under the aegis of central government aimed at engineering rapid industrial growth in the state by establishing industrial estates in many places. The government of Mizoram completed the construction of two industrial estates at Zuangtui and Kolasib. Development works for establishment of industrial estate at Chawngte is underway. Further, lands are being acquired for establishment of Industrial Estate at Mamit, Serchhip and Lawngtlai. The facilities offered by the state government are industrial plots and subsidy up to 25 per cent on development of land within the estate to the entrepreneurs.

Table 3.5

Status of Industrial Estates in Mizoram					
	Industrial area	Area (in bigha)	Total No. of plots	No of plots allotted	No of vacant plots
1	Industrial Estate, Zuangtui	314.7	231	160	71
2	Industrial Estate, Bairabi	26.2	Not yet demarcated		
3	Industrial Estate, Kolasib	10.2	Not yet demarcated		
4	Industrial Estate, Pukpui	76.68	Not yet demarcated		
5	Industrial Estate, Hmunhmeltha, Champhai	104.4	Not yet demarcated		
6	Industrial Estate, Zote, Champhai	NA	Under construction by ZIDCO		

Source: *Economic Survey Mizoram 2009-10*, Department of Planning and Programme Implementation, government of Mizoram

3.8.2 Industrial growth center

The state government has taken up the scheme for establishment of Industrial Growth Center at Luangmual, Aizawl under fully Centrally Sponsored Scheme (CSS) with a total project cost of ₹ 15 crores. The central government had already approved and released the amount of ₹ 12.8 crore by which 85 per cent of works had been completed in 2007-08.

3.8.3 Export promotion industrial park

The government of Mizoram has taken up the scheme for establishment of Export Promotion Industrial Park at Lengte village which is 15 km away from Lengpui airport, with sanctioned amount of ₹ 650 lakh covering 178 hectares of land.

3.8.4 Integrated infrastructure development center

The government already established one Integrated Infrastructure Development Center (IIDC) at Pukpui, Lunglei district, covering 25 acres of land. The project had been commissioned and appointed Mizoram Khadi and Village Industries Board (MKVIB) to look after the center. Moreover, the government of Mizoram has taken steps for establishment of IIDC at Zote (Champhai district) with an estimated cost of ₹ 456 lakh.

3.9 PROFILE OF SELECT INDUSTRIES IN MIZORAM

Handloom, handicraft, engineering workshop, carpentry etc are some of the important industries in Mizoram. In addition to these, there are registered and unregistered variety of cottage and small scale industries producing household consumption items. Brief description of select industries in Mizoram state are given as under.

Handlooms

Handloom weaving is one of the oldest traditional crafts of the Mizos. From time immemorial, the Mizo society is characterised by the use of colourful traditional dresses prepared by the local weavers. In many households, the Mizo women

practice this art of weaving cloth. With their high traditional skills, they turn out beautiful and colourful designs, bags, shawls and so on. This conventional method of producing cloth with the help of loin looms takes long hours to weave a piece cloth which results in higher cost of production. Handlooms and handicrafts industry plays an important role for socioeconomic development of the state and it also safeguards the Mizo customs, traditions and culture which become the pride of the Mizos for its ethnic beauty, distinct characters and identity (Economic Survey Mizoram, 2007-08). A large number of Mizo women are engaged in this traditional industry but the quantum of surplus production is negligible to make any appreciable impact on the consumer market outside the state. Presently most of the traditional loin looms has been replaced by Zo-loom and Fly Shuttle looms due to its higher working capacity. The government of Mizoram is taking initiatives to modernise handloom and handicraft industry by introducing textile technology in the state and it is proposed to establish Regional Institute of Fashion Technology during 11th Five Year Plan. Up to 2008-09, there were 750 handloom and handicraft units with the total employment of 4700 persons, and 182 number of handlooms and weaving societies were registered under state government. The government of Mizoram is running three handloom training centers in Aizawl, Lunglei and Saiha. The total investment and annual turnover during 2008-09 stood at ₹ 35 lakh and ₹ 562 lakh respectively. The Mizoram Handloom and Handicraft Development Corporation Limited (ZOHANCO), a state government undertaking is implementing the Tribal Handloom Development Project (THDP) by way of providing necessary raw materials to the weavers and marketing finished products.

Bamboo based products

Bamboo and cane producing units form another important traditional industry of Mizoram. Mizoram has abundant bamboo resources with a variety of species which is spread over the whole of the state. The government of Mizoram collects the revenue of over ₹ 80 lakh every year and annual royalty of about ₹ 66 lakh. The annual availability from the total growing stock is estimated at 5.8 million MT. But presently only a small portion of it could be utilised as the total bamboo

consumption of the state stands at 23,815 MT. At present, bamboo forms only 30 per cent of forest department revenue. That is, a vast potential of bamboo resources in Mizoram is unexploited. A bamboo policy for the state of Mizoram was framed for optimum utilisation of vast untapped bamboo resources for improving rural economy and industrial development. ZOHANCO is entrusted by the state government with the responsibility of promoting handloom and handicraft enterprises in Mizoram. At present among the bamboo and cane products, Mizo hat is very popular. But if the art of bamboo craft is properly promoted and popularised, there can be many varieties of products like baskets, broom sticks, ceiling cleaner, mats, household furniture item etc. Though the market for these products is good for export potential, the market has not been exploited enough due to limited production.

Bakery

One of the most popular food based industry in Mizoram is bakery. There are many units scattered in the state but mostly concentrated in the state capital of Aizawl. Zote Bakery, Holy Cross Bakery, Hmingliani bakery are among the prominent firms.

As the government of Mizoram realised the importance and potential of food based industry in the state, strengthening of secondary activities in the field of food processing has started gaining momentum. The process of building up food processing road map is under way. Under the Mega Food Park Scheme of the central government in the Ministry of Food Processing Industries, the state government is now proposing Mega Food Park in which the primary produces of horticulture, agriculture and livestock will be properly linked with the processing centers through collection center, primary processing and central processing center. The introduction of organic cultivation and the development of processing network will boost the contribution of this sector towards the state economy.

Carpentry and furniture works

Furniture and wood related products is also the traditional craft of the Mizo. Among the tribal people in North Eastern Region, the Mizos are known for high level of skills in carpentry. Carpentry is an important entrepreneurial activity in Mizoram because the local demand of wood products is very high, which keeps the carpenters busy throughout the year. But scarcity of raw wood is one of the problems especially in Aizawl city. Further, the restrictions imposed by Supreme Court in January 1998 dampened the carpentry industry to some extent. According to the Supreme Court order, there shall be no fresh felling of trees in the forest except in accordance with the working plan of the state government. Unfortunately, Mizoram is not having such working plan till now. However, the Timber Working Scheme is formulated by the state government which is provided for departmental extraction of timber from areas outside the reserved forest.

Blacksmithy

Blacksmithy is an age old traditional cottage industry of Mizoram. It was practiced by the Mizos in rural areas even before the annexation of the land by the British. From time immemorial blacksmith occupied an important position in traditional Mizo society as he used to make tools and implements for agriculture, guns, knives and so on. For his services, he was remunerated in the form of rice collected from every house in the village. But this is an age old practice. Due to competition now the activity is more concentrated in small rural villages to meet the local demand only. Majority of the units are not registered with the government.

Engineering workshops

Majority of the units among the engineering workshops in Mizoram are automobile repair enterprises. Due to the rapid increase in automobile vehicles in the state the scope for the future prospect for this activity is bright. The total number of motor vehicles on road in the state up to the end of 2008-09 was 69130. The number of vehicles on road has increased by 7596 (10.99 per cent) over a period of one year as against 65134 at the end of the previous year (Economic Survey Mizoram, 2008-

09). However, this business suffers from the scarcity of trained and skilled manpower.

Steel fabrication

This activity is of recent origin in Mizoram. The activity of steel fabrication is closely linked with building construction. Its growth is noticed during the last two decades due to government patronage also. Steel fabrication industry does not require large amount of capital and a person with ITI qualification in welding course having some tools and implements can start it easily. This industry is expected to have bright prospect.

Candle making

Because of frequent disruption in power supply, there is a constant demand of candles in Mizoram. But the basic raw material 'paraffin wax' is under the control of government and the units were allotted with it depending on the availability of government quota. The Raw Materials-cum-Sales Depot under the Rural Industries Project supply the raw materials needed.

Chow making

This is another important business activity of cottage industries in Mizoram. It is noticeable during the last three decades. There is a good demand of chow in local market, most of the micro entrepreneurs engaged in this activity belonged to middle class and they face working capital problem. The entire production is meant for local consumption only.

Tyre rethreading

Tyre rethreading is one of the successful businesses in the state. The total number of registered vehicles of all types in Mizoram during 2006-07 was 56,584, it was 61,534 in 2007-08 and it was increased to 69,130 in 2008-09. In view of the rapid increase in the number of vehicles, the industry has a bright prospect of growth in the state.

Leather industry

Leather based industry is not so much developed in the state though raw leather is exported in huge quantities from the state. Some of the products produced from this industry are different kinds of footwear, handbags, belts etc (Laskar, 2010).

3.10 INSTITUTIONAL SUPPORT IN MIZORAM

In India there are various organisations, boards, agencies or corporations which are actively involved in the development of entrepreneurship. Some of them are working at the national level and some others are working at the regional or state level. Some of the national level institutions are National Small Industries Corporation Limited (NSIC); Khadi and Village Industries Commission (KVIC); Mahatma Gandhi Institute for Rural Industrialisation (MGIRI); National Institute for Micro, Small and Medium Enterprises (NI-MSME); National Institute for Entrepreneurship and Small Business Development (NIESBUD); Micro, Small and Medium Enterprises Development Institute (MSME-DI), Indian Institute of Entrepreneurship (IIE). In respect of Mizoram, some of the institutions which are involved in the development of entrepreneurship are described below:

3.10.1 State Directorate of Industries

During pre-union territory period, the only agency which was responsible for the development of industry in Mizoram was Rural Industries Project (RIP) headed by Project Officer, which was set up in 1962 in Aizawl. The Directorate of Industries headed by Director was created with the establishment of union territory in 1972. The Directorate of Industries is responsible for the development of industries in the state and implements various policies and programmes from time to time for the development of small and cottage industries. It is the nodal agency for implementing policies for the promotion of industries whether it is evolved by the central government or by the state government. The Directorate takes up all the matters relating to industrial development in the state - establishment of industries whether small or medium or large, registration of small scale industries (both provisional and

permanent), industrial loans and grants, training of entrepreneurs, acquisition of land for industries and development of industrial areas like industrial estates, formulation of schemes for the development of handlooms and handicrafts, food products; mines and minerals, oil and natural gas and so many other things. The Directorate has different sections and wings like handlooms and handicrafts wing, electronic and IT wing, and geology and mining wing. These wings are entrusted to look after various sections and have implemented various policies and programmes in their respective fields.

3.10.2 Mizoram Khadi and Village Industries Board (MKVIB)

Mizoram KVI Board was established in March 1986 by an Act of Assembly i.e., the Mizoram Khadi & Village Industries Act, 1982. As provided in section 17 of the Act, the Board shall perform the following functions and activities.

- To start, encourage, assist and carry on Mizoram khadi and village industries and to carry on trade or business in such industries and in the matters incidental to such trade or business.
- To help the people by providing them with work in their homes and to give loans and other form of monetary help to individuals, registered co-operative societies and registered institutions.
- To encourage establishment of co-operative societies for khadi and village industries and handicraft.
- To conduct training centers and to train people with a view to equipping them with the necessary knowledge for starting or carrying on khadi and village industries.
- To manufacture tools & implements required for carrying on khadi and village industries and to manufacture the products of such industries.
- To arrange for the supply of raw materials and tools and implements required for the same purpose; and to sell and to arrange for sale of the products of the said industries.

- To arrange for publicity and popularising of finished products of khadi and village industries by opening stores, shops, emporium of exhibitions and to take similar measures for the purpose.
- To endeavor to educate, public opinion and to impress upon the public, the advantages of patronising the products of khadi and village industries.
- To seek and obtain advice and guidance of expert in khadi and village industries.
- To undertake and encourage research work in connection with khadi and village industries and to carry on such activities as are incidental and conducive to the objects of the Act.
- To discharge such other duties and to perform such other functions as the government may direct for the purpose of carrying out the objects of the Act.

3.10.3 Zoram Industrial Development Corporation Limited (ZIDCO)

The Zoram Industrial Development Corporation Limited (ZIDCO), previously known as Mizoram Small Industries Development Corporation (MSIDC) was set up under the Companies Act, 1956 on 27 February, 1978 to aid, counsel, assist, finance, protect and promote the interest of the entrepreneurs in the state. ZIDCO is a joint venture of the government of Mizoram and Industrial Development Bank of India (IDBI) in the ratio of 51:49. The initial authorised share capital was ₹ 3 crores which was increased to 15 crores. Registered office of ZIDCO is located in Aizawl. Till date ZIDCO has one branch office in Lunglei. The branch office covers three districts viz. Lunglei, Lawngtlai and Saiha.

In order to achieve industrial development, the corporation undertakes various schemes and activities since its inception. It has completed construction of the Integrated Infrastructure Development Center (IIDC) at Pukpui (Lunglei district) and another IIDC at Zote (Champhai district) is under construction. The main objective of these centers is providing infrastructures and equipments to small industries. In addition, ZIDCO undertakes various activities to enhance industrial development in Mizoram. Some of them are: (1) providing loan to construct house, parking place and shopping complex under the scheme of HUDCO and National Minorities

Development and Finance Corporation (NMDFC), (2) arranging the supply of machinery and equipments to small scale and cottage industries; and (3) providing term loans under the refinance schemes of IDBI and SIDBI.

3.10.4 Mizoram Handloom and Handicraft Development Corporation Ltd. (ZOHANCO)

Handlooms and handicraft are the most important and popular industrial activities in Mizoram. Mizoram has highly gifted skilled handloom and handicraft artisans. The various handloom and handicraft products, bearing testimony of both traditional and modern taste, are often exhibited in various trade and industrial fairs and exhibitions. These are organised in the state, region and in various parts of the country, where they are appreciated and sold. The development of handlooms and handicrafts is therefore found to be an important necessity not only to earn revenue for the State but also to provide avenues of large scale employment for youth of the state, particularly residing in the rural areas. For this purpose ZOHANCO was established in the year 1988, which is a state level undertaking.

The objectives of the Corporation are:

- To develop, aid, advise, assist, finance, protect and promote the interest of handlooms and handicrafts units in the state, whether owned or conducted by the government, statutory body, company, firm or individuals and to provide them with capital, credit means of resources and technical and managerial assistance for the conduct of their methods of manufacture, management, marketing and their techniques of production.
- To enter into contracts with, and take up indents for the Government of India and state governments in all their departments and corporations and other subsidiaries and branches and from any agency or officer, thereof, having the necessary powers for fabrication, manufacture, assembly and supply of goods, materials, articles and equipments of every description and to arrange for the performance of such contracts and indents by subcontracting them to, or placing orders in

respect thereof with concerns dealing with handlooms and handicrafts industries or others for the fabrication, manufacture, assembly for supply of such goods, materials, articles or equipments or such managerial services as may be necessary for connection therewith or such contracts and indents and to have the goods, material articles and equipments fabrication, manufactured, assembled and supplied.

- To take all necessary and requisite steps to utilise the potential productive capacity of plant and machinery operated by handlooms and handicrafts units.
- To effect coordination between handloom and handicrafts industry and other industries by suitable methods, similar to the aforesaid.
- To promote and operate schemes for the development of handlooms and handicrafts industries in the state of Mizoram and for the purpose to prepare the reports, blueprints, statistics and other information.
- To open emporia or sales depot for sale of the products of handloom and handicrafts industry.

3.10.5 Mizoram Food and Allied Industries Corporation Limited (MIFCO)

Mizoram Food and Allied Industries Corporation Limited (MIFCO) is a government of Mizoram undertaking which was set up under the Companies Act 1956 on 19 December, 1989 to look after growth, promotion and development of food processing industries in the state of Mizoram. Some of the activities undertaken by MIFCO for the development of food processing industries in Mizoram are:

- To engage in the processing and preservation of food items, fish, fruits and vegetables and to promote, establish, improve, develop, administer and assist food processing and allied industries in the manufacture or production of processed food, juice, squash, meat etc either for export or consumption in the country.
- To promote the development of food processing industries by operating suitable schemes including financing of any such industry or facility whether owned by private entrepreneurs or run by the government.

- To conduct the Entrepreneurship Development Programmes (EDPs) in food processing for local entrepreneurs so as to enable them to start their own units.

MIFCO is the nodal agency for food processing industries in Mizoram and as such, it deals with all matters relating to promotion and development of food processing industries in Mizoram. MIFCO conducts periodical training courses in food preservation and processing at the Food Processing and Training Centers located in Sairang, Vairengte, and Chhingchhip for the benefit of private entrepreneurs both in the rural and urban areas. Moreover, EDPs in food processing have been conducted at each of the eight district headquarters of the state for local entrepreneurs so as to enable them to start their own processing unit.

During the initial period of MIFCO's incorporation, three production units viz. Fruit Preservation Factory, Vairengte; Ginger Oil and Oleoresin Plant, Sairang and Maize Milling Plant, Khawzawl and two on-going projects viz. Ginger Dehydration Plant, Sairang and Fruit Juice Concentrate Plant, Chhingchhip were transferred to MIFCO from the Directorate of Industries. Since the experimental production activities at these production units had shown negative performance due to their lack of techno-economic feasibility they were returned to the Directorate of Industries. Meanwhile six Food Processing and Training Centres have been set up with central assistance.

During the Eleventh Five Year Plan (2007-2012), MIFCO strive to promote food processing industries in the private sector so that a Project Consultancy Cell has been established to render assistance to entrepreneurs by way of preparing for them a Detailed Project Report (DPR) to seek financial assistance from the Ministry of Food Processing Industries, government of India and from various other sources and also availing loans from financial institutions. Moreover, on careful examination of the prevailing industrial scenario in food processing sector of the state, MIFCO proposes to take up only services related to projects like Pack House, Cold Chain, Cold Storage and Value Addition Center and for the benefit of potential entrepreneurs who will be helped and assisted by the Corporation.

3.10.6 Zoram Electronic Development Corporation Limited (ZENICS)

Zoram Electronic Development Corporation Limited (ZENICS) is a government of Mizoram undertaking which was set up in March 1991 under the Companies Act 1956 in order to develop electronics and allied industries in the state. It undertakes various projects and activities since its inception like cable TV network, assembling of TV sets and inverters, computer education, Consumer Electronics Training Centers (CETC) etc. The main objectives of the corporation are:

- Developing electronics and IT allied industries through **manufacturing research** in business activities
- Manufacturing and servicing of all audio visual equipments
- Development and perfecting electronic technology
- Organising seminars, exhibitions etc in the field of electronics and electrical engineering.
- Carrying out business of manufacturing, buying and selling electronics and allied items.

Besides these, the Corporation is undertaking activities like computer education to government employees and private individuals, imparting repairs of electronics goods like TV, radio, inverters, computers etc, supply and maintenance of computers and peripherals to government departments and other necessary works given by the government.

3.10.7 Bamboo Development Agency (BDA)

On 9th January 2002, Bamboo Development Agency (BDA) has been established as a society under the Industries Department, government of Mizoram.

The BDA since its inception in 2002 has been engaged in various activities for the development of bamboo sector in the state. With an objective to encourage, organise, develop and regulate resources, the agency is entrusted with research and development of bamboo and performs such functions as the government may prescribe from time to time. In order to infuse value addition to the bamboo resources,

activities like setting up of nine chipping clusters in various parts of the state are being taken up. Other activities include setting up of three units for round agarbati sticks, one unit for producing bamboo pebble mat and, two units for sliver and mat production. The agency has also set up 16 units for bamboo charcoal and vinegar production unit, which is finding its value in today's market for which BDA has given 100 per cent assistance. The BDA has also taken up promotional activities under the Assistance to State for Infrastructure Development for Export and Allied Activities (ASIDE) (Ministry of Commerce and Industry, Government of India) scheme by constructing Export Promotional Industrial Park (EPIP) at Lengte and setting up of Bamboo Industrial Center for Export (BICE) at Bungthum, which is solely for collection and export of bamboo chips to Nitol Group of Bangladesh paper mills. For dissemination of technology in the bamboo sector, Bamboo Technology Park (BTP) has been set up at Sairang under the funding of North Eastern Council (NEC) and Planning Commission. This park will involve technologies like bamboo treatment plant, test lab for bamboo properties, common facilities cum training center. In order to achieve progress in the bamboo sector development, the BDA is stepping forward in preparing a road map which will be realised soon in the near future.

In addition to the main objectives, the BDA performs such functions as the government may prescribe from time to time. Without prejudice to the general objects above, the objectives, in particular, of the agency are:

- To obtain fund, assistance, grant, contributions and loans towards development of bamboo and bamboo utilisation.
- Disburse grant, assistance, loan, advances to individuals, group, firms or organisation having object similar to that of the agency.
- To start, encourage, assist, lease, carry on and venture jointly bamboo based industries and to carry on trade or business in such industries and bamboo based activities and in the matters incidental to such trade or business;
- To encourage, assist and undertake bamboo based trade or business or profession or work for all round economic upliftment of the people and to encourage such

actions for discontinuation of ‘*jhum*’ system of cultivation’(i.e. shifting cultivation).

- To encourage, assist and undertake scientific management of natural bamboo resources for economic upliftment of the people and for protection of environment and ecology.
- To encourage, assist and undertake plantation of suitable variety of bamboo species for degraded and non-forest areas.
- To undertake any work, programme and function in bamboo sector development and related fields.
- To collaborate with any other institutions/organisations/persons having objects wholly or partly similar to that of the agency.
- To help the people by way of training, quality control, standardisation, assistance, scientific and technical support, market support, publicity, education, incentives and patronising in bamboo related activities.
- To manufacture machinery, tools and implements required for bamboo based industries, to arrange for supply of raw materials, tools and implements for the same purpose, and to sell and to arrange for sale of bamboo and bamboo based products.
- To acquire patent or license relating to any inventions, improvements or designs.
- To undertake and encourage research, development and application work in bamboo sector development and bamboo utilisation.
- To discharge such other duties and to perform such other functions as the government may direct for the purpose of carrying out the objects of the Agency.

3.11 GROWTH OF SMALL BUSINESS UNITS IN MIZORAM

Industrialisation in Mizoram is an infantile stage. As noted, the entire state has been notified as backward and is categorised as ‘no industry state’ due to non-existence of large and medium industry. As such, Mizoram continues to remain as an industrially backward state. In this background the history of **industrial development** in Mizoram before British period (before 1871), British period (1872-1947), before statehood (up to 1986) and after statehood (after 1986) will be discussed.

3.11.1 Pre-British period (before 1871)

The early Mizo society was migratory having little urge to amass household possessions. Agriculture was the principal means of livelihood. Due to lack of intercourse with the neighbouring areas, the tribes living in this hilly region had to produce all that they needed for their day to day use. It was their own requirement that inspired the tribal people to apply their skills in art and crafts. The age old industries, which played a vital role in the economy of the territory like basket making, weaving, pottery, metal work, lacquering, and smithy started showing a declining trend. Most of the cottage industries were part time occupations of the villagers and were run by members of the family without outside assistance (District Gazetteers Mizoram, 1989).

The products of Lushai hills during pre British period were confined to cane and bamboo mats and baskets. They were made chiefly by the inhabitants on the slopes of ranges bordering Burma (now Myanmar). For local use, spears, axe-heads, daos, hoes, and knives were manufactured. Iron was procured from Myanmar. Blacksmith were found throughout the hills. Wunhla, a village in the southern Chin Hills was famous for iron work. The blacksmith's forge consisted of two bamboo bellows made out of two large bamboos standing upright with the pistons made of bamboo and cock's feather and work by hand. Charcoal was used for furnace, and the anvil consisted of a block of stone or a log of wood covered with a sheet of iron. The weapons were neatly made, but the science of tampering metal was unknown. Native blacksmiths could make every portion of a flintlock gun except the barrel. Although the springs, which they made, were weak and often snapped, they nevertheless were often found in the gunlock. The melting of brass and telegraph wires was universally practiced. Armlets and bangles were made by pouring the molten metal into moulds made of a mixture of paddy-husks and clay. Both men and women wore ivory as earrings and necklaces. They also keep long hair and used hairpins and hair sticks generally made of bamboo. Men on important occasion wore a head dress made and composed of parrot feathers and porcupine quills inserted into a bamboo ring. Earthen pots were made everywhere for holding water and liquor. The pots were dried in the sun and baked. Pottery was

the work of women. Rawvan in the south was most noted for this industry and superior class of articles (Kabra K.C, 2008). Thus, the industries were carried out to meet the bare minimum domestic needs and no attempts were made to sell the products. The Mizo lost their zest to develop anything on commercial lines when expansion of trade and commerce provided them with an easy and frugal method of obtaining articles of daily use (District Gazetteers Mizoram, 1989).

3.11.2 British period (1872-1947)

During the British period though the interest of the British government was limited to its administration just by safeguarding its own economic interest, still it showed some interest in the revival of cottage crafts. Government assistance for the development of cottage industries in Mizoram dates back to 1939 when the District Superintendent made some endeavour to inject commercial bias in handloom cotton weaving industry. Some funds were raised for this purpose with personal contribution and loans from the government. Some the Mizos were sent to Kolkata (previously Calcutta) to undergo training in synthetic dyeing. Sir Robert Reid, the then Governor of Assam gave the organisation a building called 'Reid House' for the purpose. The government assisted through grants which was equal to staff charges for a period of three years. However, not much could be done in this respect and Mizo district remained industrially the most backward district of Assam during pre independence period. It is interesting to note that during 1910-11, the first industrial unit, 'Synod Press Printing and Publishing' (a printing press) was set up at Aizawl, which provided employment to 20 people with an investment of ₹ 0.70 lakh. Among the workers, 12 were skilled and the rest unskilled. Further, 14 were males and 6 females. This enterprise is owned by Christian missionary of the Presbyterian Church (Kabra K.C, 2008).

3.11.3 After Independence (After 1947)

After India got independence in 1947, the purview of the Assam State Cottage Industries Department was extended to the erstwhile Mizo district for the development of small scale and cottage industries. There existed one government

weaving training center at Lunglei in 1949 for imparting training to weavers. Subsequently, five more training centers in different crafts were opened in Lunglei sub-division of which four were at the Lunglei block headquarters viz., soap making training cum production center (1959), dyeing training cum production center (1959), wood works training cum production center (1961), cane works training cum production center (1961). The other (fifth one), handloom weaving training class was opened at Demagiri in 1961 (Kabra K.C, 2008).

The government of Assam took up a Rural Industries Project in Mizoram under centrally sponsored scheme at the instance of Planning Commission, government of India. The project office was established at Aizawl in December 1962 which became functional in January 1963. For implementation of projects and schemes certain committees were set up at center, state and project level. Execution of schemes started in January 1964. The project provided for training programme, common service facilities, other development programmes, schemes for sericulture, weaving etc (District Gazetteers Mizoram, 1989). Under the training programme, one clustered type training center at Aizawl, one tailoring, knitting and embroidery training center at Kolasib, training inside and outside the state, study tours and seminars for village artisans were arranged. Under the common service facilities scheme, service engineering workshop, purchase and demonstration on use of improved tools, raw materials cum sales depot were established. Under other development schemes, experiment on local raw materials were carried out, besides supplying improved tools at subsidised rates and constructing subsidised factory sheds. Industrial exhibitions were organised at times and in deserving cases industrial loans were given. Under the scheme for sericulture and weaving, establishment of a handloom demonstration party and concentration centers for rearing of mulberry silk worms and cultivation of mulberry trees were taken up. The weaving party made demonstration to convert the old and outmoded loin looms into modern ones.

Under the new district level set up, the Rural Industries Project (RIP) was converted into District Industries Center (DIC) under centrally sponsored scheme with a view to

provide service to cottage and small scale industries under a single roof. Under this scheme, Mizoram got two DICs, one in Aizawl and the other in Lunglei. The DIC undertook economic investigation on potential for the development of the district including provision of raw materials and other resources, supply of machinery and equipment, effective arrangement for credit facilities, marketing assistance, quality control, research, extension and entrepreneurial training.

As Mizoram was part of Assam, there was no separate organisation to look after the industrial development activities. The Assistant Director of Industry, Silchar was responsible for carrying out industrial development programmes. Practically there was no industrial development programme to boost up the pace of development in the region. Mizoram was defined as 'No Industry District' under Category A during this period. The factor responsible for this are: lack of funds, lack of organisational structure coupled with very poor infrastructural facilities (Lianzela, 1994). The industrial activity was restricted mainly to traditional cottage and small scale industries like carpentry, weaving, handicrafts etc with only 0.28 per cent of total industrial units run on electricity in 1961 (Roy Burman, 1970).

In 1971, Lalkhama Committee was formed to give recommendations to promote industrial development in the region. According to the report of the Committee, though there were 119 units under Rural Industries Project Aizawl, except for a handful of them, these could not be called industries in real sense of the term. The Lalkhama Committee suggested certain industries, which could not be conveniently developed in the Mizo Hills. These included agro industries such as manufacture of sugar, fruit preservation, tapioca starch making, oil expelling, bamboo pulp and board, saw mill, and processing of maize, banana, chilly and ginger and other small industries like tyre retreading, radio repairing, manufacturing of plastic articles, foot wear, hosiery goods, readymade garments, and aluminium utensils (Small Scale Industries Development Organisation, *Report on Development of Industries in Mizo Hills*, 1971).

In 1952, one new printing press in Aizawl came up. In 1954, two more units, one furniture making unit in Durtlang and one printing press (J.Buana press) in Lunglei were set up. In 1959, the first automobile workshop was set up in Aizawl. In 1960, one more printing press was established in Aizawl. In 1961, two new units came up in Aizawl, one an automobile workshop and the other fabrication unit. In 1962 also, one automobile workshop was established in Aizawl. To sum up, by the end of 1962, there were nine SBUs in Mizoram, out of which one was in Lunglei and the rest in Aizawl. From 1962 to 1971 owing to disturbance in Mizo district no industrial activity worth mentioning took place.¹ The position regarding industries in Mizoram from 1952 to 1962 was presented in [Table 3.6](#)

Table 3.6

No. of SBUs in Mizoram and No. of Persons Employed Up to 1962							
	Year	Districts				Cumulative Total	No. of persons employed
		Aizawl	Lunglei	Chhim-Tuipui	Total No. of units		
1	Up to 1951	1	Nil	Nil	1	1	20
2	1952	1	Nil	Nil	1	2	27
3	1954	1	1	Nil	2	4	39
4	1959	1	Nil	Nil	1	5	51
5	1960	1	Nil	Nil	1	6	57
6	1961	2	Nil	Nil	2	8	75
7	1962	1	Nil	Nil	1	9	87
	Total	8	1	Nil	9	9	87

Note: As on 31 December for all the years viz. 1952 to 1962

Source: *Compiled from Census Report of Assam in Mizo district 1961*; and Kabra KC, *Economic Growth of Mizoram: Role of Business and Industry*, p. 95

3.11.4 Before statehood (up to 1985-86)

To foster the [industrial](#) development activities in proper and systematic direction, the Directorate of Industry was created after the formation of union territory in 1972. At the state level there was one Director of Industry and one Assistant Director of Industry. At the district level, there was one Assistant Director of cottage industries

for Aizawl district, one Superintendent for Lunglei district and District Industries Officer for Chhimituipui district. When the union territory of Mizoram was created in 1972 there seemed little scope for the department of industry to take up any planned programme as only two years of Fourth Five Year Plan were left. However, schemes to promote industrial estate, handlooms and handicrafts and sericulture were initiated. During 1972-73 and 1973-74, a craft center in Saiha, a Handicraft Training cum Production Center in Lunglei and a Weaving Training Center were established, and the total expenditure for industrial sector during these two periods were ₹ 15.29 lakh and ₹ 19.73 lakh respectively (*Mizoram Progress of Industrial Development Souvenir, 1989*).

Under the large and medium scale industrial sector, initiatives to start manufacturing units such as paper mills and plywood factories were taken up. A project proposal for 200 tonne capacity paper mill was prepared and a study for setting up mini sugar plant was also conducted. Preliminary study for setting up a ginger oil and oleoresin plant was conducted by the Central Food Technology Research Institute (CFTRI), Mysore. Preliminary works for setting up industrial estate in Aizawl and Kolasib were completed. Under village & small industries sector, 2125 artisans were assisted with grant in aid and 601 small scale entrepreneurs were assisted with small loans by the department of industry. Under the khadi and village industries scheme, apiary farms (bee keeping) were established in Aizawl, Lunglei and Chhimituipui districts. Under the handloom scheme, fly shuttle looms were introduced among the weavers and about 225 weavers were given looms with accessories at subsidised rate, and also weaver service centers were established in different parts of Mizoram. Under the scheme of handicrafts, cane and bamboo craft production center was opened at Luangmual (Aizawl) and a craft center in knitting and tailoring was established at Saitual in Aizawl district (*Administrative Report, 1984*).

During union territory period **industrial** development was mostly confined to small scale, cottage and tiny sectors by initiating loan facilities to entrepreneurs as short term measures. Training programmes were also initiated but mainly restricted to

handlooms and handicrafts. Attempts were made to identify viable industries by conducting industrial potential survey. A survey was conducted for Aizawl district by engaging Small Industries Extension Training Institute (Hyderabad). The Mizoram Small Industries Development Corporation Limited [now called Zoram Industrial Development Corporation (ZIDCO)] was set up in 1978. It has been rendering services by advancing loans to the entrepreneurs and by providing assistance in marketing of industrial products through emporia (Kabra K.C, 2008).

During the Sixth Five Year Plan (1980-85), the Industry department initiated schemes for balanced development of large, medium, village and cottage industries. Projects like mini paper plant, plywood factory etc were pursued. Saw mill cum timber seasoning plant, corrugated roofing sheets, mini sugar plant under NEC were taken up. After detailed techno-economic feasibility studies, projects like ginger oil and oleoresin plant at Sairang, ginger dehydration plant at Sairang and fruit preservation factory at Vairengte were taken up for implementation. Mineral exploration for industrial utilisation was also launched (Kabra K.C, 2008).

The **industrial sector** in Mizoram remained neglected and unorganised in even years after it attained the status of union territory in January 1972. The registered number of **SBU**s up to 1979 was only 19 units. Out of which only 107 persons were employed. In Lunglei district, 46 **SBU**s were registered in 1980 itself employing 213 persons. In Chhimtuipui district, the year 1985, 29 **SBU**s were registered employing 185 persons (Rualkhuma Colney, 1997).

The Mizoram Khadi and Village Industries Commission Board (MKVIB) was established in 1982. A separate Directorate was created for Sericulture, which became functional in 1985. During the Plan, a sum of ₹ 428.28 lakh was spent on village and small industries and ₹ 55.74 lakh on large and medium industries. The main instrument used to promote industrial development at that time was government schemes in terms of loans, grants-in-aid, power subsidy, interest subsidy and so on.

Table 3.7 and Exhibit. 3.1 show the number of SBUs registered in Mizoram and number of persons employed up to 1985-86. With 19 units employing 107 persons in 1978-79, the figures have gone up to 1185 units employing 6022 persons by the end of 1985-86.

The average annual growth of SBUs from 1978-79 to 1979-80 was 694.7 per cent whereas the growth of employment was 635.5 per cent during the same period. A decrease in industrial units with the corresponding decrease in employment can be noticed in 1980-81. During 1981-82, while there was little increase both in terms of units and employment, the next two consecutive years recorded a declining trend.

Table 3.7

No. of SBUs in Mizoram and No. of Persons Employed from 1978-79 to 1985-86				
	Year	No. of units registered	No. of persons employed	Average No. of employees
1	Up to 1978-79	19	107	5.6
2	1979-80	151	787	5.2
3	1980-81	120	555	4.6
4	1981-82	125	794	6.4
5	1982-83	118	483	4.1
6	1983-84	81	394	4.9
7	1984-85	235	1160	4.9
8	1985-86	336	1742	5.2
	Total	1185	6022	5.1

Source: Directorate of Industry, government of Mizoram, Aizawl

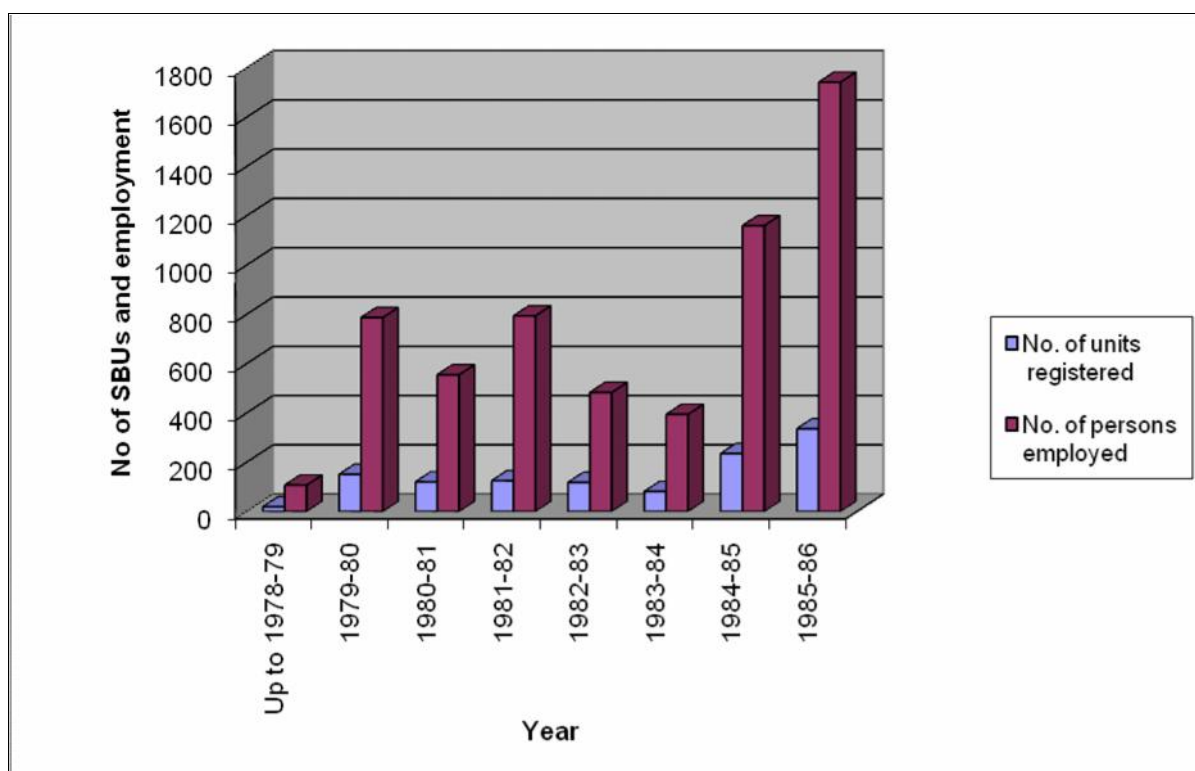
However, there was a remarkable increase both in units and number of employment in 1984-85. The percentage growth of units and employment during this year were 190.1 per cent and 194.4 per cent respectively. Again, during the year 1985-86, a considerable growth in number of units and employment was noticeable. From 1978-79 the total number of units registered grew 62.3 times in 1985-86, and the number of persons employed grew 56.2 times during the same period.

Overall, these units employed five persons on average. The following are the observations made by Kabra K.C (2008) on the status of industries in Mizoram during early union territory period.

- During 1974-75 to 1989-90 though the budget allocation for industries in Mizoram increased 22 times from ₹ 23 lakh to ₹ 512 lakh, the number of **SBU**s increased five fold only from 460 in 1974-75 to 2,205 in 1989-90. Similarly, jobs generated grew nearly six times from 2,015 in 1974-75 to 11,574 in 1989-90 as against 115 times increase in investment from ₹ 90 lakh to ₹ 10,424 lakh. Per unit capital investment in industries at ₹ 0.20 lakh in 1974-75 to ₹ 4.75 lakh in 1989-90 was very low, as basically these were village and tiny units rather than SSIs. The budget outlay 3.75 per cent showed that the state government's efforts towards the promotion of industries were meagre. Perhaps the government was not exposed to industrial environment and did not give this sector due emphasis.
- Industry group-wise highest growth was recorded in chemical and chemical products, where number of units grew 13.8 times, employment 12.3 times and investment 4 times because of inclusion of soap manufacturing units. Basic metal and allied industries (alluminium) recorded growth of 7 times in number of units, 8.6 times in jobs and 17.1 times in investment. Leaving miscellaneous group apart, next highest growth was recorded in textiles and textile goods, where the increase in number of units was 5.9 times, employment 8.5 times and investment 144.8 times. In rubber, plastics etc group (including tyre rethreading) the number of units increased 5.8 times, employment 6.8 times and investment grew 99.9 times. In wood and wooden product group, there was increase of 4.9 times in number of units, 6.7 times jobs and 143.3 times in investment. In service based industries, number of units grew 4.7 times, employment 5.4 times and investment 82.5 times. Paper products, publishing and allied industries group registered a nominal increase of 3.8, 2.7, 81.1 times and food products and allied industries group 3.6, 3.8 268.8 times respectively. The least growth was metal products and parts and leather goods and repairing. The job oriented leather industry did not show adequate growth, perhaps because of non-availability of leather.

- It was observed most of these units were proprietorship, as the Indian Partnership Act, 1932 is not made applicable to Mizoram. However, some units were registered as cooperative society.

Exhibit 3.1 No. of SBUs in Mizoram and No. of Persons Employed from 1978-79 to 1985-86



3.11.5 After statehood (After 1986-87)

Mizoram attained statehood on 20 February 1987. The creation of statehood coincided with the Seventh Five Year Plan (1985-90). Special attention was paid to handloom and handicraft enterprises and infrastructural development. Almost 80 per cent (₹ 1227 lakh out of ₹ 1546) was spent in respect of **SBUs** and 13 per cent (₹ 203 lakh) was in respect of large and medium industries and the rest 7.50 per cent (₹ 116 lakh) was for mines and minerals. During 1985-86 to 1989-90 the relative share of promotional expenditure on large and medium industries declined from 25.03 per cent in 1985-86 to 6.12 per cent in 1989-90. The same was reflected by corresponding increase in **SBUs** share from 74.39 per cent in 1985-86 to 84.11 per cent in 1989-90

(Kabra K.C, 2008). This indicates the relative importance of **SBU**s in the economy of Mizoram.

A scheme for agro-industries corporation was initiated during 1989-90 with a view to forming a corporation for the development of agro-horticulture based industries in Mizoram. The Mizoram Food and Allied Industries (MFAI) was first created as a separate cell under the Directorate of Industry, on the recommendation of the Central Food Technological Research Institute (CFTRI), Mysore. Later, the Mizoram Food and Allied Industries Corporation Limited (MIFCO) was incorporated in February, 1989, and later a fruit juice concentration plant was set up in Chhingchhip. Rural Industrial Development Center was set up in Aizawl for the purpose of supporting industrial units and for imparting training to artisans and workers of industrial enterprises. The Mizoram Handloom and Handicraft Development Corporation Limited (ZOHANCO) was incorporated in December 1988 which opened sales emporia in Aizawl and Lunglei. In the field of industrial infrastructure, small industrial estates in Kolasib and Zuangtui were set up.

In early 1990s, the Mizoram Food and Allied Industries Corporation Limited (MIFCO) expanded its activities and took over all the departmental projects like Ginger Oil & Oleoresin plant in Sairang, the Fruit Juice Concentration Plant in Chhingchhip, the Fruit Preservation Factory in Vairengte and the Maize Processing Plant in Khawzawl. Internal roads and buildings at Industrial Growth Center at Luangmual (Aizawl) were completed. Site for industrial estate in Pukpui and Lunglei was selected. During 1990-91 and 1991-92, a sum of ₹ 1339 lakh was spent on industrial sector, of which a major portion of about 88 per cent was spent on **SBU**s and over **11 per cent was spent for large and medium industries**.

During this Seventh Five Year Plan, the government of Mizoram announced the first industrial policy in April 1989 with some incentives/subsidy schemes. This industrial policy was implemented during the Eight Five Year Plan (Singha RKPG and Dasgupta A, 2003). Later on, the Mizoram government announced New Industrial Policy 2000 which will be discussed in the next section.

The Eighth Five Year Plan witnessed the development of tea nurseries at Luangmual, Biate and Pawlrang. 315 tea grower families of Biate were given training and also assisted grant-in-aid in cash and kind. Under handloom and handicraft sector, 680 handloom weavers were given assistance in the form of subsidy, 305 persons were given training in fly shuttle loom weaving, and a few weavers were trained with a diploma course in handloom technology. Besides, 796 entrepreneurs were given training in knitting and tailoring, 1356 craftsmen were assisted with grant-in-aid and 25 primary societies were given margin money received from the government of India. To spread electronic culture in the state, 59 local youth were given training in electronics, six in radio and TV technology, and eight for computer courses at various institutes/centers. Awareness campaigns and seminars on computer and electronic and vocational training were conducted in various schools and colleges. Grant-in-aid was given to electronic entrepreneurs. Necessary machines and equipments were procured and quality control equipments were set up at Common facility Center (Kabra K.C, 2008).

Further, in this section, the growth of **SBU**s in the state of Mizoram from 1999-2000 onwards is discussed.

The number of registered **SBU**s in Mizoram and the number of persons employed are given in **Table 3.8 and Exhibit 3.2**. The numbers of units registered given in the table are the number of units registered during the year. It can be seen from the table that the number of registered units up to March 31, 2000 were 4554 and the total number of persons employed was 12,295. The number of persons employed showed an increasing trend except in 2007-08 where there was a significant decline in the number of persons employed, whereas the number of units registered per year was fluctuating. It can be seen that even though there has been a considerable increase in the number of units registered in some years, some particular years recorded a declining trend, indicating that the growth rates of **SBU**s are remarkably fluctuating. A high growth rate in a particular year does not reflect a high growth in the following year and vice versa. In 2000-01 the number of units registered was 127 units, but in

the next year there was a sharp decline in the number of units. At the same time the number of persons employed was increasing during this period. Again, from 2003-04 to 2007-08, the number of registered units was declining but the number of employment was increasing (except in 2007-08). One noticeable thing is the year 2007-08 and 2008-09 where there was a notable increase both in terms of registered units and number of persons employed. The registered **SBU**s employed almost six persons per unit during 2008-09, compared to only three persons per unit during 2000-01. This indicates the entry of bigger units which could provide employment to more number of persons in recent past.

Table 3.8

No. of SBUs in Mizoram and No. of Persons Employed from 1999-2000 to 2008-09				
	Year	No. of units	Employment	Average No. of employees
1	Up to 1999-2000	4554	12295	2.7
2	2000-01	127	335	2.6
3	2001-02	92	369	4.0
4	2002-03	203	750	3.7
5	2003-04	340	979	2.9
6	2004-05	302	1116	3.7
7	2005-06	302	1228	4.1
8	2006-07	258	1376	5.3
9	2007-08	153	564	3.7
10	2008-09	704	4113	5.8
11	Total	7035	23125	3.3

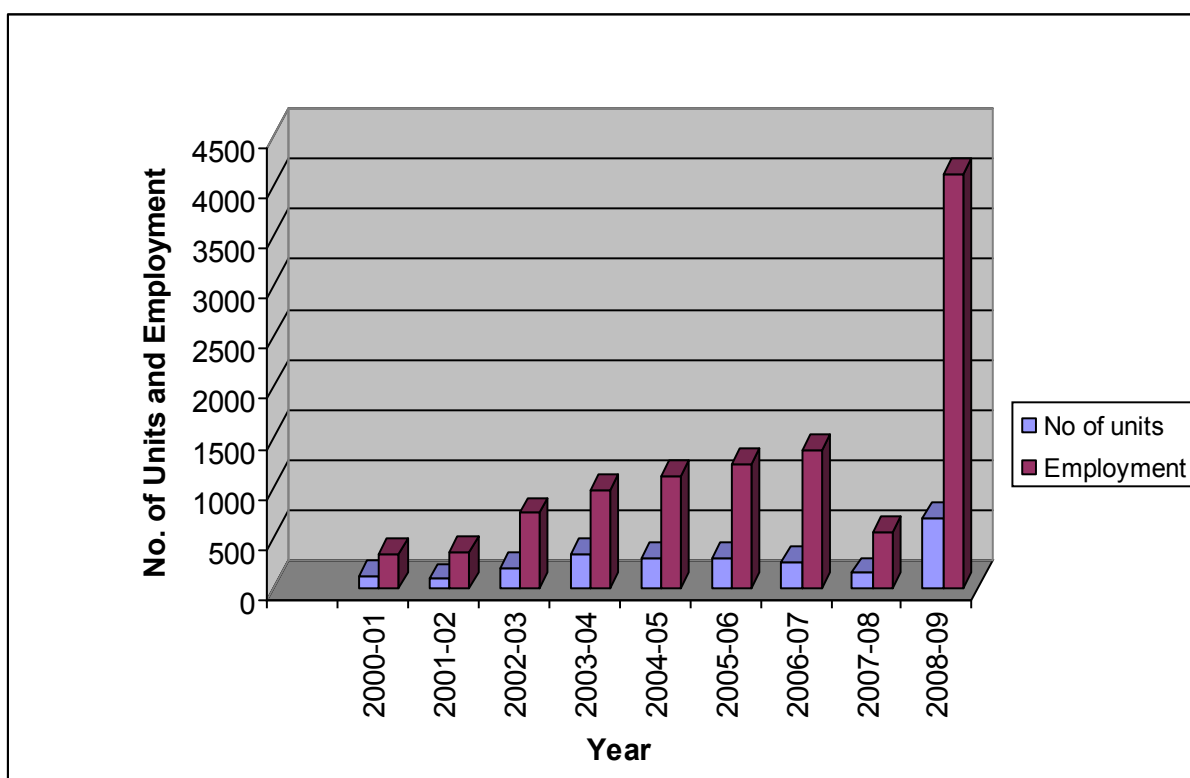
Source: Directorate of Industry, government of Mizoram, Aizawl

However, it may be noted that though the business enterprises were registered under the label ‘**small scale industries**’ in government records, almost all of them, in fact, were generally micro enterprises by nature and character. The industrial development in the state is of comparatively a recent phenomenon. The process of industrialisation has slowly growing up, especially in the **micro enterprises sector**. However, the backwardness in infrastructures under the topographical and geographical condition of the state, the development of **SBU**s could not attain optimum level. The long

tradition of shifting cultivation embedded in the mind of the first generation entrepreneurs of the Mizos need to be transformed into permanent engagement in the industrial enterprises.²

It may be seen that the number of **SBU**s as well as the number of persons employed by them has been gradually growing in Mizoram. As remarked by Rualkhuma Colney (1997) this may be because of the people in general are aware of the importance of establishing their own enterprises for generating employment. Like other states, Mizoram is also having acute unemployment problem both in rural and urban areas as well as among the educated youth. These jobless people having no alternative occupation are compelled to go for secondary occupations either as an entrepreneur or employee.

Exhibit 3.2 No. of SBUs in Mizoram and No. of Persons Employed from 2000-01 to 2008-09



With the changing lifestyle, growing urbanisation and rising aspirations of people, the present prospective small entrepreneurs are finding better opportunities to set up their

businesses in the fields relating to repair services, construction activities, food and hotels and personal services.

The data relating to number of registered **SBU**s by type of business in Mizoram from 2001-02 to 2008-09 are given in **Table 3.9**. Different type of **SBU**s are grouped into 25 categories as seen in the **table**. Among 25 categories of business, metal products was the fourth biggest business in numbers in 2001-02 but in 2008-09 it was the biggest business in terms of number. Hence, in 2008-09, metal product units dominated the **SBU sector** as 17.4 per cent of the units were involved in activities relating to metal products like steel fabrications, steel window frame, steel gates, household items etc. The number of metal product units in 2008-09 was 2.06 times the number of units in 2001-02. But in terms of growth, the number of units engaged in construction grew at a fastest rate among all businesses. There was only a single unit relating to construction in 2001-02, but their number grew to 66 units in 2008-09. This means the number of construction units grew 66 times from the period 2001-02 to 2008-09. The **SBU**s relating to food items, wool, hosiery and garments and miscellaneous manufacturing business have been growing steadily. The entrepreneurs were not showing interest in certain businesses viz. electrical machinery, water works and chemical products. The entrepreneurs need to exploit the opportunities available in certain businesses such as education, medical & health services, and hotel & restaurants.

The MSME sector encompasses vast scope covering activities such as manufacturing, servicing, retailing, financing and constructions. In view of the government of India's ever increasing importance given to **MSME sector** in national economy, more and more small industries and more and more entrepreneurs are going to enter in future (Rajasekharan, 2004). Industrialisation is one of the important means to usher in an economic and social transformation in the developing societies. More so, when agriculture cannot sustain the burden of increasing population, it is the industry and services sector, which have to shoulder the responsibility of sustaining and accelerating the pace of economic development (Jai Ganesh M, 2004). The same is

Table 3.9

No. of SBUs by type of Business in Mizoram from 2001-02 to 2008-09									
Sl. No	Type of business	Year							
		2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1	Food production	395	434	465	499	527	562	574	617
2	Beverage & tobacco production	42	43	43	43	49	44	44	47
3	Wool. silk, synthetic fibre	135	139	163	194	218	258	268	312
4	Hosiery & garments	319	339	341	354	368	357	362	482
5	Wool production	706	734	759	789	810	852	871	961
6	Paper products and printing	303	310	326	347	367	370	376	394
7	Leather products	19	21	22	22	23	25	26	26
8	Rubber and plastic products	85	87	91	97	106	112	112	113
9	Chemical products	11	11	11	11	11	8	8	8
10	Non metallic & mineral products	25	26	28	29	29	31	33	33
11	Metal products	594	619	746	827	919	1006	1051	1225
12	Machinery & parts except electrical	Nil	Nil	1	1	1	1	1	1
13	Electrical machinery	Nil	Nil	Nil	Nil	Nil	1	1	1
14	Misc. manufacturing industries	832	837	848	866	888	907	922	977
15	Water works & supply	2	2	3	3	3	3	3	3
16	Construction	1	1	1	8	20	23	45	66
17	Activities allied to construction	78	84	117	123	123	133	133	138
18	Restaurant and hotels	12	12	12	12	12	14	14	15
19	Education, scientific & research services	6	14	14	14	15	15	15	28
20	Medical & health services	1	2	3	4	4	5	5	12
21	Personal services	585	603	593	620	648	743	655	690
22	Repair services	600	631	699	721	734	653	753	795
23	Service not elsewhere classified	21	25	28	30	35	38	35	57
24	Others	1	2	2	4	10	17	24	34
	Total	4773	4976	5316	5618	5920	6178	6331	7035

Source: Compiled from Statistical Abstract of Mizoram 2007 & 2009, Directorate of Economics and Statistics, Aizawl and Baharul Islam Laskar (2010), Industrialisation in Mizoram: Problems and Prospect, New Central Book Agency

also true in the case of Mizoram in the sense that the number of micro enterprises and the number of persons employed by them as a whole is increasing every year. **The MSME sector** provides substantial scope for increasing employment as they are labour intensive and they require comparatively less capital. They have lesser gestation period and can easily be set up in rural areas or in backward areas. They need relatively smaller markets to be economical and hence they have advantage in being set up as ancillary units (Kalwajeet Singh, 2003). This type of business is highly suitable in a small and remote state of Mizoram.

3.12 MIZORAM STATE INDUSTRIAL POLICY

3.12.1 Industrial policy of Mizoram 1989

While making the policy resolution in 1989, the government of Mizoram was aware of the objectives of the central government with regard to upgradation of technology, export promotion, balanced growth, broad-based entrepreneurial skill and the improvement of technical skill for rapid growth of industries under a fast changing industrial scenario of the country. In consonant with these objectives, the government of Mizoram felt the need for establishing a common approach to industrial growth through various government departments, local bodies and other agencies dealing with industrial matters so as to channelise the growth of industry to a desired direction.

The Industrial Policy of Mizoram 1989 laid stress on reducing shifting cultivation by encouraging a shift from primary to secondary sectors by way of developing small scale industries like handloom and handicraft, and village and small cottage industries. Priority was assigned to agro and forest based industries, handloom and handicraft, sericulture and electronic industries. The policy also laid emphasis on even development of all sectors: large and medium, small scale, tiny, village and cottage industries.

The Industrial Policy 1989, considering the nascent stage of development in the state, laid accent on protection of the local small scale entrepreneurs in order to safeguard

the socio-cultural and ethnic identity of the indigenous people of Mizoram. Therefore, setting up of industries in small scale sector by outsiders was not allowed. However, investment from outside was allowed in medium and large scale industries in joint and assisted sectors. The intention of the government of Mizoram while announcing the first industrial policy was not only industrial growth but was rather directed towards all round development in the interest of the indigenous people of Mizoram and towards giving them gainful employment and self employment opportunities in the industrial and allied sector.

As a result of the policy direction given during the Eighth Five Year Plan period, significant growth in small scale industries, increase in production, awareness among the local entrepreneurs to set up own enterprises and improvement in basic infrastructure are now noticeable in Mizoram. It has been observed that, though there is no lack of enthusiasm among the local entrepreneurs to go for hi-tech investment, lack of finance and lack of locally available resources are the main difficulties. Further, the resources at the levels of government are also very limited to fund big projects.

3.12.2 New industrial policy of Mizoram 2000

In view of the continuing backwardness of the North Eastern Region, the government of India vide its notification No. EA/1/2/96-IDP dated 24.12.1997 announced the new industrial policy for the North Eastern Region.³ This policy aimed at encouraging investment in the industrial sector by announcing fiscal and other incentives for the purpose of overall economic growth of the region. In view of the national industrial policy which laid special emphasis for the development of industries in the North Eastern Region, the government of Mizoram had notified new industrial policy which is known as '*New Industrial Policy of Mizoram 2000*'. The main aims of New Industrial Policy of Mizoram 2000 are to engineer rapid sustainable growth of industry in Mizoram. It laid stress on encouraging industries utilising locally available raw materials. The government had adopted the approach for identification of thrust areas and promoting them with fiscal and other incentives. A broad policy on Foreign

Direct Investment (FDI) and investment from outside the state has been adopted on joint venture to safeguard the interest of tribal people of Mizoram. With the introduction of New Industrial Policy of Mizoram 2000, an attempt has been made towards development of local resource based industries during the Tenth and Eleventh Five Year Plans. The overall industrial growth has been experienced though it is much lower than the national average.

With regard to the change in global industrial scenario, national industrial policy and the economic development of the state, the government of Mizoram feels necessary to announce new industrial development policy for accelerating economic and industrial development of the state, and presently the government of Mizoram is stepping forward in preparing a new industrial policy for the third time which will be announced and enforced soon in the near future.⁴

The main aim of the New Industrial Policy of Mizoram 2000 is to engineer rapid growth in the state by industrialisation of the state to a sustainable extent for the fulfillment of the following objectives.

- Enrichment of industrial growth potential lying in the sector like agriculture, horticulture, forest and establishment of proper linkage among the industries based on resources available in these sectors.
- Formation of suitable mechanism for attracting and growth of capital formation in Mizoram by taking full advantage of the policy changes initiated by the central government in respect of industry, trade and commerce from time to time.
- Identifying and developing entrepreneurial and managerial skills by providing suitable training programmes at district, sub-divisions and block levels and to create facilities for training of industrial labour on sustained basis.
- Ensuring balanced sectoral and regional growth by promoting industries under all sectors.

- Promotion and modernisation of textile industry including traditional sericulture and handloom and handicraft sectors by induction of improved design, quality and technology so as to make textile industry a potential export oriented sector.
- Encouraging joint ventures between local entrepreneurs and industrialists from outside the state on selective basis.
- Encouraging joint ventures from outside the state with state's own public sector undertakings and with resourceful local entrepreneurs.
- Encouraging self employment especially among technically qualified unemployed persons of the state for generating additional employment opportunities in the state.
- Allowing convergence of activities of all government agencies so as to make concerted approach towards industrial growth.
- Identifying sick industries and take measures for the revival of such units which have the potential to turn around.
- Making Mizoram a major center for the growth of fruit and food based industries by encouraging plantation and growth of different kinds of live stocks in the state.
- Making major entry in bamboo based industries by optimum utilisation of bamboo resources of Mizoram.
- Developing Mizoram as an attractive region for tourism industries.
- Encouraging quality control, standardisation and competitiveness of the local products.
- Envisaging industrial development in Mizoram by encouraging private entrepreneurship and confining the role of government to that of promotional and catalytic agent for the growth of industry, trade and commerce in the state.
- Ensuring minimisation of pollution and encouraging eco-friendly units.
- Encouraging industry based on medicinal plants.

3.12.3 State subsidies

In addition to training of entrepreneurs and financing of **industry** by government agencies, a variety of subsidies and incentives are also given. As per the Incentive Schemes of 2000 (Government of Mizoram), all new **industrial units**⁵ in the private,

state public sector and in joint sector set up on or after 24 December, 1997 are eligible under the scheme. Existing industrial units⁶ undertaking expansion, modernisation or diversification made after 24 December, 1997 are also eligible under the scheme. Those existing industrial units which have already availed incentives similar in nature under the Incentive Scheme of 1989 and thereafter are not eligible under the schemes of 2000. A brief description of subsidies and incentives available to the entrepreneurs in Mizoram under the Incentive Scheme of 2000 (Industrial Policy of Mizoram, 2000) are given below.

Subsidy on cost of project report

An industrial unit is eligible to claim subsidy only for the amount of cost of project report already paid to the concerned consultant/agency as approved/recognised by the government of India or Director of Industry. An industrial unit is eligible to claim the subsidy only after taking effective steps.⁷ The amount of subsidy available is 90 per cent of cost in case of tiny units subject to a ceiling of ₹ 5000 per unit, 75 per cent in case of small scale and ancillary units and small scale service establishments subject to a ceiling of ₹ 25,000 per unit and 50 per cent in case of medium and large scale industries subject to a ceiling of ₹ 50,000 per unit.

Land subsidy

An industrial unit is eligible to claim subsidy on the amount of lease charge/fee on developed land allotted to the unit on the amount spent for the development of the allotted undeveloped land within the industrial estate, industrial growth center or industrial area declared by the Industries Department. The amount of subsidy admissible is 25 per cent of the lease fee of allotted developed/undeveloped land for the period of five years or 25 per cent of the amount spent by the unit on development of undeveloped land allotted.

Factory rent subsidy

The subsidy can be claimed by new tiny and small scale unit occupying the built up factory sheds within the declared industrial estate/industrial growth center/industrial

area on monthly basis. The subsidy can also be claimed by the existing tiny and small scale units on rent of built up factory sheds occupied for the expanded portion only. The subsidy is 50 per cent of the duly assessed rent of factory sheds subject to a ceiling of ₹ 30,000 per unit per year.

Manpower development subsidy

New and existing industrial units which have already gone into production which send their workers to institutions or registered/licensed industrial units outside Mizoram duly approved by the Director of industries for training for upgradation of their skill are eligible to claim the subsidy. An industrial unit is eligible to claim the subsidy on expenditure for managerial and technical training of its workers. For this purpose an industrial unit should give an undertaking that the trained workers will continue to be employed by it after training at least for a period of three years. The subsidy is limited to 50 per cent of the actual expenditure for training subject to a ceiling of ₹ 3000 per trainee and ₹ 25,000 per unit per year.

Interest subsidy

To bring the entrepreneurs at par with those benefited by RIP loan facility, a new scheme 'interest subsidy' was introduced for the first time in 1978-79 whereby the entrepreneur eligible to receive a subsidy equal to an amount of interest charged in excess of 5.5 per cent per annum by nationalised banks or financial institutions. Since then it continued in one form or other with minor modification. According to the first Industrial Policy of Mizoram 1989, the interest subsidy was available to the entrepreneurs at 4 per cent of the amount of term loan as well as working capital loan from banks for a period of five years with no maximum and minimum limit.

At present, an industrial unit is eligible to claim the subsidy only on the amount of interest on term loan and working capital loan already paid to the concerned banks/financial institutions/agencies. The subsidy is available only for the amount of interest where the repayment is made. An industrial unit may claim the subsidy for a period of five years from the date of commissioning of the unit. The interest on loan

paid by the industrial unit in excess of 8.5 per cent shall be subsidised up to a maximum of four per cent. Subsidy is limited to claim on the total amount not exceeding ₹ 3,60,0000 paid by an industrial unit towards interest on term loan in a full year. However, for working capital loan, the total amount paid towards interest on which subsidy can be claimed shall be limited to ₹ 1,20,000 in a full year.

Power subsidy

An industrial unit is eligible for subsidy for charges on power consumed for industrial production. For this purpose a separate energy meter should be installed for the industrial purpose. The industrial unit should have power supply connection from authorised department or agencies. No subsidy is eligible for power consumed for domestic lighting and other purpose. The subsidy can be claimed by an industrial unit for five years from the date of commissioning of the unit. The limit of subsidy is 60 per cent of the total expenditure on power consumption in case of tiny, small scale and ancillary units, 50 per cent of the total expenditure in case of medium scale unit and 30 per cent in case of large scale unit.

Subsidy on power line

An industrial unit is eligible to claim subsidy on cost of drawal of power line from the main power lines to the site of the industrial unit/factory shed which is executed by the approved department/agencies. Subsidy is limited to 50 per cent of the actual expenditure subject to a maximum limit of ₹ 50,000 per unit.

Subsidy on power generating set

An industrial unit is eligible to claim the subsidy on the cost of captive generating set and installation charge thereof actually used for industrial purpose. The captive generating set for which subsidy is claimed should be a brand new and purchased directly from the manufacturers or its regional/local agents. In the case of second hand generating set, the cost of the generating set shall be calculated on the basis of the life of the generating set and the exact depreciated value. The installation of the generating set, on whose charge the subsidy to be claimed should be executed by the

supplier of the generating set or its regional/local agent or other approved agent. The subsidy on cost and installation charge of captive generating set to an industrial unit is limited to 50 per cent of the cost of generating set and installation charge thereof subject to a ceiling of ₹ 3,00,000 per unit.

State transport subsidy on plant and machinery

A new industrial unit is eligible to claim the subsidy on actual cost of transport of plant and machineries from the place of purchase to location of the unit. An existing unit is also eligible for the subsidy but for the expanded portion only. Subsidy is available for movement of plant and machineries from outside the state the actual cost of transportation by railway or on road or both from place of purchase to location of the industrial unit. If it is within the state the actual cost of transportation on road from the godown of the approved supplier/local agent of the manufacturer to the location of industrial unit is eligible. For the cost of transportation it should be the cost of transportation charged by the road transport agency approved by the Director of industries or the rate of transportation approved by the Director of industries. The subsidy available to the entrepreneur is 50 per cent of the actual cost of transportation by railway or on road or both.

State capital investment subsidy

This subsidy is available to new as well as existing industrial units (carrying out expansion, diversification and modernisation activities) on investment in plant and machinery at the rate of 15 cent of total capital investment for artisans and tiny units, 10 per cent subject to a maximum limit of ₹ 5,00,000 for small scale units and five per cent subject to a maximum limit of ₹ 10,00,000 for medium scale units. For the industrial units set up in thrust area, the subsidy is permissible at 20 per cent of the total investment in plant and machinery for artisans and tiny units, 15 per cent subject to a maximum limit of ₹ 7,00,000 for small scale unit and 10 per cent subject to a maximum limit of ₹ 15,00,000 to medium scale unit.

Concession on state and central sales tax

State sales tax exemption is available to the newly set up industrial units for a period of seven years from the date of commencement actual commercial production. However, for the industrial unit set up in thrust area the exemption period is 10 years. Besides, the exemption of central sales tax and central excise duty are also available which is governed by various notifications or orders issued from time to time by the government of India in this regard.

Price preference

Mizoram Preferential Stores Purchase Rules 1986 was replaced by the new Mizoram Preferential Stores Purchase Rules 1994. According to this rules, while making purchase by the government departments and government controlled organisations, preference should be given to products manufactured by local industrial units registered with the District Industries Center (DIC) or the Directorate of Industries or the Mizoram Khadi and Village Industries Board (MKVIB). Local registered units, while submitting quotations for their products to the government departments or government controlled organisations, are exempted from earnest money/security deposit.

International Standard Organisation/Bureau of Indian Standard Certification

For obtaining certification from International Standard Organisation (ISO) or Bureau of Indian standard (BIS), an industrial unit may claim reimbursement of 100 per cent of the expenditure incurred on registration fee, testing fee, purchase of testing equipments etc subject to a maximum limit of ₹ 50,000. However, this maximum limit is ₹ 1,00,000 for unit set up in thrust area.

Subsidy on registration fee of promotional council, commodity board and chamber of commerce

The amount spent by an industrial unit for obtaining registration with recognised promotional council, commodity board, chamber of commerce etc may claim reimbursement of actual expenditure on registration subject to a limit of ₹ 20,000/-

Subsidy on 100 per cent export oriented unit

An additional five per cent capital investment subsidy for investment on plant and machinery subject to a maximum of ₹ 5,00,000 is made available to 100 per cent export oriented unit.

3.13 ACTIVITIES UNDERTAKEN BY MIZORAM GOVERNMENT

In addition to the above subsidies available to the entrepreneurs, the Department of Industries, government of Mizoram in collaboration with other government agencies undertook the following activities.

Feasibility and consultancy services

A branch office of Micro, Small and Medium Enterprises Development Institute (MSME-DI) [previously known as Small Industries Service Institute (SISI)] government of India, Aizawl provided services in the field of technical management, economic problems, preparation of project report etc since 1973. The institute guided the entrepreneurs in selecting items to be manufactured and in designing schemes. The institute also issues certificate for technical feasibility and it also undertakes industrial potential surveys, prepares state industrial profiles, renders economic information services, provides technical support services, makes plan for modernisation and technical upgradation, helps in locating new markets for products, and extends consultancy services to entrepreneurs. Besides, the North Eastern Industrial Consultants Ltd (NECON) provides various services to entrepreneurs such as preparation of project report, project appraisal and consultancy works on various matters concerned with the establishment of industries. NECON provides all types of services to the entrepreneurs and other clients. The services offered by it, *inter alia*, comprise of major activities, namely entrepreneurship development programmes (Jaitlay N.B, 1999). A consultancy bureau also works under the Directorate of Industries rendering various types of services to entrepreneurs in Mizoram.

Industrial estates and area development

The government of Mizoram aimed at engineering rapid industrial growth in the state by establishing industrial estates in many places. Two industrial estates at Zuangtui and Kolasib were completed. Development works for establishment of industrial estate at Chawngte and Champhai is underway. The government further projected to establish industrial estate in Mamit, Serchhip and Lawngtlai for which land are being acquired. The government also set up industrial growth center at Luangmual in Aizawl. The Integrated Infrastructure Development Center (IIDC) at Pukpui (Lunglei district) covering 25 acres of land had been set up. Scheme for establishment of Export Promotion Industrial park at Lengte is also taken up. A fruit park is also being developed at Chhingchhip for fruit industry.

Rural service workshop

An engineering workshop equipped with different types of machine tools and equipments has been set up in Aizawl to provide services to small scale automobile repairing workshops, which are not well equipped to perform these works with their limited machines, tools and equipments.

Raw material depot

The Raw Material Depot under Rural Industries Project (RIP) Aizawl is set up to provide the small entrepreneurs with scarce indigenous raw materials and miscellaneous raw material which are required by them, but difficult to procure. Such types of raw materials are stocked in the depot and sold at concessional rates. The items that are handled by the depot include knitting wool, dyed yarn, paraffin wax, aluminium ingots, aluminium circles, various types of soap making chemicals, shoe making materials, GI sheets and BP sheets.

Marketing

In order to provide assistance in the field of marketing for products of **SSIs** in Mizoram, Marketing Cell was set up under the Directorate of Industries. This cell undertakes collection and dissemination of all necessary information on marketing.

Further, in order to establish proper coordination, this cell maintains close liaison with different government agencies and **SSI**. As per the new Industrial Policy of Mizoram 2000, there is a Market Promotion Council (MPC) which is acting as an advisory council, it coordinates and interacts with the marketing agencies elsewhere to promote sales of local products inside and outside the country. One of the major areas of operation of this council is export promotion of locally identified exportable products like garments, processed foods, handloom and handicraft products and forest based **industries**.

Turnkey project scheme

There was a proposal by the Department of Industries to set up some need based engineering industries under this scheme. In the first phase, the government set up one barbed wire manufacturing unit in Mizoram. The department set up this factory on its own making all the necessary investment and then run and operated by the department. Later, it was handed over to the private entrepreneurs. The objective was to develop industrial atmosphere in the region and to create demonstration effect among the entrepreneurs so that they may also take up new ventures in setting up need based enterprises in the years to come. **Table 3.10** shows the financial assistance received by SBUs in Mizoram from 2000-01 to 2007-08.

Table 3.10

SBUs and Financial Assistance Granted in Mizoram			
	Year	No. of units	Amount (₹ in lakh)
1	2000-01	899	13.49
2	2001-02	733	11.00
3	2002-03	633	9.50
4	2003-04	466	7.00
5	2004-04	566	8.50
6	2005-06	740	18.50
7	2006-07	870	21.78
8	2007-08	161	6.80

Source: *Statistical Abstract 2009*, Directorate of Economics and Statistics, Aizawl.

3.14 CLOSED UNITS

The **small business units** in Mizoram normally do not have a ready and regular market. Most of the products are for local consumption. On the other hand, as indicated by research studies, there were entrepreneurs who set up their units not because of their entrepreneurial foresight but because of not finding gainful jobs elsewhere (*see Table 5.2 of chapter 5*). As a result, such entrepreneurs are half-hearted in managing their enterprises. This is one of the reasons for industrial sickness of units.

It is also observed that the entrepreneurs are ignorant of the functions and management of such undertakings as industries. Moreover, it seems that they do not bother the fact that this sector requires hard labour, skill, intelligence, research, ideas from the beginning to the end; the sector is full of competition. Government and other financial agencies provide loans, grants, subsidies etc. to these industrial entrepreneurs but it is observed that many of the loan applicants never establish their own units or on the way they give up with desperation (Singha and Dasgupta, 2003).

Mizoram is characterised by insufficient infrastructure for industrial development in terms of transportation, power supply, credit facilities and so on. A healthy business unit turns into sick if the infrastructural facilities are insufficient for all times (Vivek Deolankar, 2004). The per capita consumption of electricity in the state is lowest in industrial sector compared to other types of consumptions like domestic and commercial consumption. The frequent interruption of power is a big problem leading to discontinuing of work for a while. It has also been found from the entrepreneurs that it is the frequent interruption of power supply that matters than the heavy charges for power consumption.

There is a rich tradition of household industries, handlooms particularly, but this sector is under strain because of increasing competition from imported clothes (Kalpana Das, 2004). It is well known that the imported goods are far better in respect of quality and design than the local made goods. In this case, the local **small industries**

are vulnerable in the field of competition. This can also result in winding up of the enterprises. According to the Third Census of **Small Scale Industries** in 2001-02, there were 2718 registered **SBU**s in Mizoram, out of which 1328 units (48 per cent) were closed units. 62.8 per cent of the closed units were from Aizawl district. Distribution of district-wise closed units in Mizoram is given in **Table 3.11**.

Table 3.11

Distribution of Closed SBUs: District-wise					
	Districts	No. of closed units			Percentage to the total
		Rural	Urban	Total	
1	Mamit	17	9	26	1.9
2	Kolasib	5	60	65	4.8
3	Aizawl	59	776	835	62.8
4	Champhai	32	107	139	10.4
5	Serchhip	8	29	37	2.7
6	Lunglei	9	68	77	5.8
7	Lawngtlai	34	29	63	4.7
8	Saiha	31	55	86	6.4
	Total	195	1133	1328	100.0

Source: *Third Census of Small Scale Industries (2001-02)*, Ministry of Small Scale Industries, government of India

3.15 PROBLEMS OF INDUSTRIALISATION IN MIZORAM

There are a number of problems which stand in the way of industrial development in the state of Mizoram. Some of them are natural whereas some are man made. Natural hurdles may be set right just by re-aligning the system, but man made hurdles cannot be solved easily. It may take generations to bring change in social outlook. The following are some of the general problems of industrialisation as evident from the research studies (Kabra K.C, 2008; Agarwal A.K, 1999).

3.15.1 High transport cost and inadequate power supply

Industrial units in the remote area have to incur additional transportation cost on import of raw materials and other inputs from other parts of the country. In the

absence of any mechanical engineering industry in the state, the small industrial units are required to import even a small and simple spare parts and accessories from outside the state. This may, cause undue delay in repair and replacement works. This may, in turn, retards production. Moreover, the manufacturing cost in Mizoram is also comparatively higher than that in the neighbouring states. The **industrial units** incur extra cost as compared to units in other states because of high transportation cost. Inadequate power supply is another reason for which Mizoram is industrially backward. It may be an ironical situation when it is seen against the fact that Mizoram is endowed with vast power potential.

3.15.2 No inducement to outside participation

Most of the businessmen in Mizoram are local entrepreneurs. Outside participation is almost absent due to restrictive regulations are in force. A non-Mizo person is prohibited to do business. If the proposed investment in plant and machinery is more than ₹ 50 lakh, a non-tribal may establish small scale industries in thrust areas in a joint venture with local entrepreneurs only. However, this is also subject to fulfillment of other conditions. A non-Mizo may establish medium scale or large scale industry in joint venture with the state government and this is also subject to fulfillment of certain conditions. Moreover, the provisions of Inner Line Regulation do not permit permanent inner line pass except to those who hold permanent trade license from the former Mizo District Council. For all these things there is no adequate competition among the local entrepreneurs due to absence of outside participation, which is detrimental to the growth of industry in Mizoram.

3.15.3 Limitations of supporting agencies

The state Directorate of Industries and DICs were set up to promote industrialisation in the state by providing services and incentives to the entrepreneurs. But one of the problems is to find the right and adequate personnel to fill up the technical and managerial posts in these government offices. As a result, training programmes in small scale industries to the entrepreneurs are

adversely affected. Non-preparation of proper action plan and lack of determination on the part of government officials are other obstacles in the industrialisation of Mizoram.

3.15.4 Lack of business orientation

There is a general lack of concern for industrial development among the entrepreneurs. There are many entrepreneurs who receive financial assistance from government agencies in the form of grants or incentives do not make investment in business, rather they prefer to divert funds for some other purposes. It is also observed that many of the entrepreneurs lack business orientation and knowledge of business management. There is neither management training institute to impart training in micro entrepreneurs in the state nor the educated youth prefer to go for such training elsewhere outside the state. Business and industry cannot grow without properly trained and technical and managerial personnel. Majority of the entrepreneurs in business and industry in Mizoram are from first generation entrepreneurs.

3.15.5 Lack of trained manpower

The industrial development in Mizoram also suffered due to non availability of trained and experienced manpower. Because of lack of adequate supervision, the efficiency of workers is below expected level and resulting in higher cost of production. There are many unemployed engineering graduates and graduates in business management in Mizoram but are not adequately for running industries.

3.15.6 Entry restriction

The restriction on the entry of outside people into the state of Mizoram regarding non-tribal people also created difficulty in the growth and development of industries in Mizoram. The high cost of production, high transportation cost, higher wage rate, weak bargaining, high cost of living etc are some of the important issues responsible for not attracting investment from outside the state.

Attitude of the local people to non-local businessmen prevented and discouraged outside people to make substantial investments in Mizoram.

3.15.7 Absence of industrial environment

The high literacy coupled with essential carpentry and mechanical skills possessed by the local people could not help much in creating industrial climate in the state. The youth possessing even the requisite technical education prefer to go for government jobs. They hesitate to start new enterprises. The easy going life style and the desire to earn quick and easy money have failed to break the vicious circle of non industrialisation (Agarwal A.K, 1999).

3.15.8 Role of state government

Promotion of industrialisation in the state is one of the most important roles of state government. It is expected that the state government has to play a leading role in promotion of industries and entrepreneurship. In practice, the state government has not taken initiative to the desired extent. The meager state plan expenditure for industrial development is one indication of the fact. Late formulation of industrial policy is another indication. In Mizoram, the state industrial policy is declared for the first time in 1989 followed by the second in 2000. Most of the provisions remained unimplemented. It is expected from the state government to facilitate economic development of the state by making the situation more comfortable for the development of entrepreneurship.

3.16 CONCLUSION

With respect to industrial development, Mizoram is lagging behind the other states of India. Though the pace of industrialisation in the state had started during the British period, it could not attain much progress in industrialisation even after six decades of economic planning. Mizoram is endowed with fertile land and rich forest resources. Unless these resources are being utilised within the territory with proper efforts and in a systematic manner, the state cannot expect a boost in the level of development in the

economy. Though many new micro and small enterprises have been coming up in the state, the success rate is poor due to many problems. In a backward and remote state like Mizoram, micro and small enterprises are most suitable and they have a big role to play for the state economy. Though Mizoram is considered as peaceful state in India, the basic infrastructure needed for the growth of enterprises in terms of electricity, transport, communication and banking facilities pose a big challenge. Moreover, lack of vision, lack of willingness to explore the opportunities and absence of entrepreneurial mind hamper the industrial development.

In view of the prevailing situation in the state, the state government should take measures to create an environment conducive for the entrepreneurs to participate in the **MSME** sector. In this connection, the state government should permit non-Mizo entrepreneurs to establish enterprises in the state subject to certain conditions. The state government should also take appropriate measures to integrate the regional markets with national and international markets in order to explore opportunities for the entrepreneurs. There is ample scope for the development of enterprises on the basis of factor endowments in the state. The state government along with other stakeholders like banks and other financial institutions should encourage the entrepreneurs to set up more enterprises in the area of fruit processing, vegetable cultivation, horticulture, piggery and poultry in the state. Moreover, the state government should be proactive in evolving an industrial policy with a view to promote the large and medium enterprises in the state that would address the problem of industrial backwardness.

NOTES

¹The disturbance or insurgency can be traced back to 1959 when the Mizo Hills were hit by a severe famine known as *Mautam*. It was believed that Assam government was neither able to assess the intensity of impending famine nor could it rise to the occasion in dealing with it. There was an animated discussion in the Mizo Hills District Council at the slow moving process of the government of Assam while the rapid increase in rats due to *Mautam* were causing havoc. The members of the District Council were very angry with the government of Assam. Then the Mizo National Famine Front was formed. By the time the famine was over, it was overwhelmed by political consideration and converted itself into a political party known as Mizo National Front (MNF). Among the leaders in the party, there was a feeling of neglect and isolationism. Their Mizo identity overshadowed their identity as an Indian. The rising political consciousness resulted in the will to secede from the oppressor. As a result, the party fought for independence in 1966 and lasted for 20 years causing loss of a

number of lives and uncountable valuable properties. The accord was signed between the party and the government in 1986. Mizoram was given statehood and peace was restored.

² Concept Note on Market Oriented Micro Enterprises Development under the Aegis of NLUP, Mr Lalhmunsiam, Manager, M&E, Directorate of Industries, Aizawl, p.1

³ The Government of India has approved a package of fiscal incentives and other concessions for the North East Region namely the 'North East Industrial and Investment Promotion Policy (NEIIPP), 2007', effective from 1.4.2007. The North East Industrial Policy (NEIP), 1997 announced on 24.12.1997 covered all the States in North Eastern Region including Sikkim.

⁴ Speech delivered by Mr R.L. Rinawma, Commissioner and Secretary, Industry Department, government of Mizoram, on *Consultative Workshop on New Industrial Development Policy of Mizoram*, at Aizawl, dated 4th October, 2010

⁵ New industrial unit means an industrial unit which has undertaken one or more effective steps on or after 1.4.2000 are considered as new units for the purpose of incentive schemes of 2000.

⁶ An industrial unit which is/was in commercial production/operation at any time prior to 24.1.1997 are considered as an existing unit for the purpose of incentive scheme of 2000.

⁷ Effective steps means 60 per cent or more of the capital issued for the industrial unit has paid up or substantial part of the factory building has been constructed or a firm order has been placed for substantial part of the plant and machinery required for the industrial unit.

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CHAPTER – 4

SOCIOECONOMIC CHARACTERISTICS OF THE ENTREPRENEURS

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CHAPTER – 4

SOCIOECONOMIC CHARACTERISTICS OF THE ENTREPRENEURS

It is proposed in this chapter to identify the sources of entrepreneurship in Aizawl district of Mizoram by the socioeconomic characteristics of the micro entrepreneurs such as age of the entrepreneurs at the time of starting business, educational level, marital status, family size and so on. Further it is attempted to study such socioeconomic characteristics by different business activities undertaken by the entrepreneurs.

4.1 INTRODUCTION

Entrepreneurship among the tribal communities in the North Eastern Region (NER) of India is gradually gaining popularity with the growth of education and contraction of job opportunities in the public sector. Industrialisation through entrepreneurship development is now considered the most effective means of achieving economic development not only of a country but also of various regions in a balanced manner (Rahman, 2008). It has a crucial role to play in generating employment, poverty reduction and exploitation of natural resources for economic development in the backward region like Mizoram. In spite of the N.E states endowed with rich resources, it remains backward economically and industrially mainly due to inadequacy of supply of entrepreneurs. The reservation for the underdeveloped communities in government jobs is going to be less significant because job avenues in the government or public sector are gradually shrinking in the context of liberalisation, privatisation and globalisation. Therefore, the need of the hour is to encourage entrepreneurship as the way of livelihood by the new generations not only for self employment but to provide employment to others.

For the purpose of this study an entrepreneur is defined as one who is responsible for the establishment, management and development of the enterprise. **Majority of the micro entrepreneurs under this study were founder entrepreneurs and are still found to be managing their units at the time of field study. But there were few cases in which**

there was a change of ownership by inheritance. In such cases the person inheriting the business was taken as an entrepreneur.

As noted in Chapter 1 (*refer section 1.9*) the present study covers 406 micro entrepreneurs i.e., 383 entrepreneurs in Aizawl urban and 23 entrepreneurs in Aizawl rural. The number of entrepreneurs selected were broadly classified into seven categories according to their business activity. These are – (1) Food processing, (2) Wooden, (3) Repair services, (4) Steel/Metal, (5) Printing/Publication, (6) Handlooms and, (7) Tailoring. Under the present study 27.1 per cent were the entrepreneurs engaged in wooden, 20.9 per cent were in steel/metal, 17 per cent in repair services and in tailoring each, 8.4 per cent in handlooms, 4.9 per cent in food processing and 4.7 per cent in printing/publication. It is clear that the entrepreneurs interested in food processing activity and printing/publication were very few compared to other activities. This may be because of that the activities in these line required high amount of initial investment and skilled workers. Without proper training, these activities can not be undertaken. The largest proportion of the entrepreneurs preferred activities relating to wooden. It may be due to less risk involved. Less risk in the sense that the demand for these items is high in the local markets. Actually the local made wood products are not exported to other parts of the country, even if it is so, the entrepreneurs who are engaged in wooden find no difficulties in disposing of their products. The next highest proportion was the entrepreneurs engaged in steel/metal. As per the 2001 census, about 32 per cent of the state population was in Aizawl city alone and 37 per cent were in Aizawl district. The growing urbanisation leads to the need for increase in building and construction materials. In Mizoram, people prefer to spend money in construction of multi-storeyed buildings for earning rent (Agarwal, 1999). This situation somehow makes the business of steel/metal profitable. As a result the proportion of entrepreneurs engaged in steel/metal in the present study was also high.

The status of entrepreneurship development in Mizoram is not much different from other North East states; rather it is yet to find a place on the industrial map of India

being ‘a no industry area’. As per the Basic Statistics of NER, 2006 published by North Eastern Council (NEC), Government of India, there was only one enterprise in Mizoram which may be labeled as large and medium enterprise. The industrial economy of Mizoram is characterised by micro enterprises with small investment. There is a high dependence on government jobs. **The number of government employees per 1000 people in Mizoram in 2008-09 was 54.** Besides this, the few state owned public sector enterprises in the state are making heavy losses every year.¹ Mizos generally are known to be sincere, courageous, industrious, intelligent and capable of learning. But they lack specialisation and are averse to physical labour. Mizo people love white-collar jobs. The number of educated job seekers registered in Mizoram² as on September 30, 2008 is given in **Table 4.1.**

Table 4.1

No. of Educated Job Seekers in Mizoram (as on September, 2008)		
	Category	No. of persons
1	HSLC	11787
2	HSSLC	7539
3	Graduation	6674
4	Postgraduation	1959
5	Technical and professional	3451
6	Hindi (above Matric)	2975
7	Total	34385

Source: *Economic Survey Mizoram 2008-09*, Planning and Programme Implementation Department, Government of Mizoram, Aizawl.

As seen in the **table**, the number of unemployed persons in Mizoram was 34,385 as on September 2008, out of which 6,674 were graduates, 1,959 were postgraduates and 3,451 were with technical or professional qualification. Besides this, there were a number of unregistered job seekers in the state. Obviously the state government finds it extremely difficult to provide employment to the growing number of educated youth. There are a number of graduates, postgraduates and engineers who are underemployed and are under-salaried in Mizoram. The possession of professional

degree in engineering, medicine, management and other fields is no guarantee for a decent employment in the state either in public sector or in private sector.

There is a need to make suitable change in the present education system. The condition of graduates and postgraduates with education in liberal arts and science subjects is precarious for want of jobs in the employment market. Such graduates concentrate more on jobs for fixed wages rather than self employment for the simple reason of lack of aptitude for entrepreneurship (Nisar Ahmad, 2001). He further observed that in view of the prevailing education and employment market, it is desirable to reorient the education system to provide some kind of education which inculcates desire among the young men and women for self employment.

While reducing unemployment continued to be the major thrust of the developmental planning, growing unemployment problem still remains as an alarming feature of the state. Job seekers have been increasing over the years and there is a persistent problem of unemployment especially among the educated youth. One solution to the problem of educated unemployed may be development of entrepreneurship. The government policy makers should take this as a challenge for them. There is a need to change the mindset of the new generations. Their horizons are to be opened up by bringing change in their thought (Economic Survey Mizoram 2008-09).

4.2 AGE AT THE TIME OF STARTING ENTERPRISE

The age at which the entrepreneurs started the enterprise is shown in **Table 4.2**. In this regard, the age of entrepreneurs is divided into five groups: the first group representing those below 30 years, the second group in the age group of 31 – 40, the third group in 41 – 50, the fourth group in 51 – 60 and those 60 years above are in the fifth group. The age group 31 – 40 has the highest proportion (30 per cent) among the entrepreneurs. About one-fifth of the entrepreneurs commenced their business when they were below 30 years of age. Overall data indicates that nearly 50 per cent of the entrepreneurs started their business when they were below 40 years of age.

28.1 per cent of the entrepreneurs started their venture when they were in the age group 41 – 50 years. The entrepreneurs in this group were matured and seem to have given more importance to gain enough experience before launching their ventures and also to their initial lot of commitments at home front when the children are more dependent on the parents. 15.8 per cent (64 out of 406) of the entrepreneurs entered into the entrepreneurial activity during 50 - 60 years of age, and 6.9 per cent (28 out of 406) of the entrepreneurs started their business at above sixty years of age. These entrepreneurs seem to have started their business with a view to help their sons and daughters in a productive way.

Going by the whole picture, age does not seem to be a bar so far as one's entry into business is concerned.

Table 4.2

Age of the Entrepreneurs at the Commencement of the Enterprise			
	Age (in years)	No. of entrepreneurs	Per cent
1	Below 30	78	19.2
2	31 – 40	122	30.0
3	41 – 50	114	28.1
4	51 – 60	64	15.8
5	Above 60	28	6.9
	Total	406	100.0

Source: Field survey

Age is also analysed in business enterprise-wise as shown in [Table 4.3](#). Among the entrepreneurs whose age is below thirty years, entrepreneurs who engaged in tailoring is biggest in number i.e., 28.2 per cent (22 out of 78), followed by steel/metal which is 24.3 per cent (19 out of 78) and wooden which is 20.5 per cent (16 out of 78). The entrepreneurs who run food processing is the least i.e., 2.6 per cent (2 out of 78). The entry of tailoring entrepreneurs at an early age can be explained because of being born in the traditional tailoring families.³ They have been oriented and guided by their parents to take up their traditional occupations.

In the age group 31 – 40 years, 27.9 per cent of the entrepreneurs made their entry into wooden, which is the highest in this age group, followed by steel/metal (23.7 per cent) and repair services (19.6 per cent). But only 4.9 per cent of the entrepreneurs in this age group took up food processing.

Among 41 – 50 years of age group, the biggest number of entrepreneurs is again, those who were involved in the business of wooden (30.7 per cent), the second biggest number of entrepreneurs were involved in tailoring (21.1 per cent) and the entrepreneurs belonging to food processing activity is only 0.6 per cent (1 out of 114). In the age group 51 – 60 also there were 28.1 per cent entrepreneurs engaged in wooden, which is again the highest in this age group. Only 4.7 per cent entrepreneurs were engaged in food processing in this age group.

In case of steel/metal enterprise, more number of entrepreneurs were involved in younger age groups. It can be noted that in all the age groups other than the age group of below 30 years and the age group of above 60 years, the highest proportion of the entrepreneurs were engaged in wooden. This may be because of that the availability of raw materials and the demand for wood and wood related products such as household furniture and cane and bamboo products is very high in the local market. Another notable thing is that among the entrepreneurs who started business at the age of above 60 years, the highest number (28.6 per cent) of the entrepreneurs started food processing. In all the age groups except in the age group of above 60 years, the number of entrepreneurs who engaged in food processing were almost negligible. In establishing food processing business proper training is required. Lack of trained persons in food processing activity is one of the problems, or vocationally trained persons do not think of self employment which needs other qualities of innovation, managerial and risk taking ability. Further, the manufacturing activity in business such as food processing requires uninterrupted production process. But the Mizo people are not in the habit of going to work especially on Sunday. They devote their time in church services on Sunday. Such Mizo ethos discourages the entrepreneurs

Table 4.3

Age of the Entrepreneurs at the Commencement of the Enterprise : Enterprise-wise Distribution									
	Age (in years)	Business Activity							
		Food processing	Wooden	Repair services	Steel/ Metal	Printing/ Publication	Handlooms	Tailoring	Total
1	Below 30	2 (2.6)	16 (20.5)	11 (14.1)	19 (24.4)	3 (3.8)	5 (6.4)	22 (28.2)	78 (100)
2	31 - 40	6 (4.9)	34 (27.9)	24 (19.7)	29 (23.8)	3 (2.5)	11 (9.0)	15 (12.3)	122 (100)
3	41 - 50	1 (0.9)	35 (30.7)	19 (16.7)	22 (19.3)	5 (4.4)	8 (7.0)	24 (21.1)	114 (100)
4	51 - 60	3 (4.7)	18 (28.1)	12 (18.8)	12 (18.8)	6 (9.4)	6 (9.4)	7 (10.9)	64 (100)
5	Above 60	8 (28.6)	7 (25.0)	3 (10.7)	3 (10.7)	2 (7.1)	4 (14.3)	1 (3.6)	28 (100)
	Total	20	110	69	85	19	34	69	406

Figures in parenthesis indicate percentage

Source: Field Survey

from doing business in manufacturing activities which would demand continuity of production process throughout the year.

4.3 PERIOD OF ESTABLISHMENT

The year of establishment of the enterprise indicates the length of survival of the business in a particular line of activity. The period of establishment of the business enterprise by the entrepreneurs is shown in Table 4.4. The biggest proportion of the sample i.e 45.8 per cent of the entrepreneurs (186 out of 406) established their enterprise during 1996 – 2000. The second biggest proportion i.e 14 per cent of them (57 out of 406) made their entry during 1986 – 1990. The percentage of the entrepreneurs who established in and after 2001 was 12.6 per cent (51 out of 406).

Table 4.4

Period of Commencement of the Enterprises by the Entrepreneurs			
	Period of commencement	No. of entrepreneurs	Per cent
1	Before 1980	31	7.6
2	1981 – 1985	34	8.4
3	1986 - 1990	57	14.0
4	1991 – 1995	47	11.6
5	1996 – 2000	186	45.8
6	2001 and after	51	12.6
	Total	406	100.0

Source : Field survey

It may be observed that 30 per cent (122 out of 406) of the sample entrepreneurs started their entrepreneurial career in and before 1990. These entrepreneurs had successfully faced the initial difficulties in their business which were mostly due to insurgency in the state and were now able to survive. It is worth mentioning that the disturbed and difficult situations could not stop these entrepreneurs from continuing their business. In this case it is true to say that determination, despite all constraints and bottlenecks, is most important to survive in business. Among many other factors, the growth of business units depends on the entrepreneurial ability.

Table 4.5

Period of Commencement of the Enterprise by the Entrepreneurs : Enterprise-wise Distribution									
	Period of commencement	Business Activity							
		Food processing	Wooden	Repair services	Steel/ Metal	Printing/ Publication	Handlooms	Tailoring	Total
1	Before 1980	6 (19.4)	4 (12.9)	2 (6.5)	4 (12.9)	5 (16.1)	2 (6.5)	8 (25.8)	31 (100)
2	1981 – 1985	2 (5.9)	9 (26.5)	3 (8.8)	5 (14.7)	2 (5.9)	2 (5.9)	11 (32.4)	34 (100)
3	1986 - 1990	3 (5.3)	17 (29.8)	9 (15.8)	17 (29.8)	1 (1.8)	5 (8.8)	5 (8.8)	57 (100)
4	1991 – 1995	3 (6.4)	10 (21.3)	89 (17.0)	10 (21.3)	3 (6.4)	5 (10.6)	8 (17.0)	47 (100)
5	1996 – 2000	6 (3.2)	56 (30.1)	33 (17.7)	37 (19.9)	5 (2.7)	18 (9.7)	31 (16.7)	186 (100)
6	2001 and after	-	14 (27.5)	14 (27.5)	12 (23.5)	3 (5.9)	2 (3.9)	6 (11.8)	51 (100)
	Total	20	110	69	85	19	34	69	406

Figures in parenthesis indicate percentage

Source : Field survey

Now after the introduction of 1991 economic reforms in India, the central and state governments including Mizoram, have gradually started giving more importance to liberalisation. As a result the growing number of educated youth started seeking employment opportunities by setting up of their own enterprises.

The period of commencement by enterprise-wise is indicated in [Table 4.5](#). Before 1980, the entrepreneurs engaged in tailoring forms the biggest proportion (25.8 per cent), followed by food processing. During 1981-1985 period, the biggest proportion of the entrepreneurs (32.4 per cent) were in tailoring, followed by wooden (26.5 per cent). But after 1995, the proportion of entrepreneurs engaged in tailoring show a declining trend. On the other hand, it may be worth mentioning that the proportion of the entrepreneurs who took up repair services show a rising trend. While before 1980, only 6.5 per cent of the entrepreneurs were engaged in repair services, in and after 2001, 27.5 per cent of them were engaged in repair services. This may be because of, among many reasons, the growing number of vehicles in the state and other durable goods including electronics.

During 1986-1990, the biggest proportion of the entrepreneurs were in the business of wooden and steel/metal (29.8 per cent each). In 1991-1995, the highest percentage of entrepreneurs were engaged in wooden and steel/metal (21.3 per cent each). In 1996-2000, the highest percentage of entrepreneurs were in the business of wooden followed by steel/metal (19.9 per cent) and repair services (17.7 per cent). Of those entrepreneurs who started business in and after 2001, 27.5 per cent of them set up their venture in wooden and also repair services, followed by steel/metal (23.5 per cent).

It can be seen that from 1986 onwards the entrepreneurs who took up wooden as their business were among the highest percentage. This may be because of the reason that the state of Mizoram is rich in forest resources. In Mizoram, 22 species of bamboo have been reported, of which 14 per cent of the growing stock in the country is available in Mizoram forest and nine species of cane have also been

identified from the forest of Mizoram. Forest covers 18,430 sq.km (87.42 per cent) of the state geographical area, out of which 84 sq. km is very dense forest, 7,404 sq. km is moderately dense forest (Forest Survey of India, 2003). People can get forest products such as bamboo, teak and other wild trees in a raw form at a cheap rate. However, rural people used forest products not only for food, income and farm input, but also for social, cultural and religious functions (Dubey, 2007). Besides, the cultivation system practicing in the state is shifting cultivation (*also called jhuming system*) – cutting of forest trees and burning for cultivation. This cultivation system with the growing number of population is devastating the forest resources which will make the forest products expensive in the years to come.

4.4 ANNUAL INCOME

Income of the entrepreneurs also influences the development of the entrepreneurial activity but during the field survey, most of the entrepreneurs hesitated to disclose their actual income. In order to assess the financial position of the sample entrepreneurs and the extent to which their financial standings could facilitate them in becoming successful entrepreneurs, an attempt was made to work out the average annual income of the entrepreneurs from different sources at the time of field study and is shown in **Table 4.6**. The annual income of the entrepreneurs is divided into six groups.

On the whole more than half of the entrepreneurs i.e., 59.4 per cent of the of them have average annual income of ₹ 1,00,000 and above. The high proportion of the entrepreneurs in this group is because of that, at the time of field survey, it has been worked out that in addition to the income generated from the enterprises, other income generating assets owned by them are taken. On the other hand, there were no entrepreneurs who have average annual income of less than ₹ 40,000. Ninety per cent of the entrepreneurs have average annual income of more than ₹ 80,000 and the remaining 10 per cent of the entrepreneurs have average annual income of less than ₹ 80,000. The entrepreneurs whose annual income was less than ₹ 80,000 confessed that the income generated from the enterprise was the only source of income they

have and they do not have other income generating assets or other sources of income.

Table 4.6

Annual Income of the Entrepreneurs from Different Sources			
	Annual income (₹)	No. of entrepreneurs	Per cent
1	Up to 20,000	-	-
2	20,001 - 40,000	-	-
3	40,001 - 60,000	2	0.5
4	60,001 - 80,000	39	9.6
5	80,001 - 1,00,000	124	30.5
6	Above 1,00,000	241	59.4
	Total	406	100.0

Source : Field survey

Enterprise-wise annual income of entrepreneurs is given in [Table 4.7](#). From the table it can be seen that about 60 per cent of the entrepreneurs (241 out of 406) were in the income group of ₹ 1,00,000 and above. Among the group of entrepreneurs having income of ₹ 1,00,000 and above, 25.7 per cent of the entrepreneurs were engaged in wooden, followed by tailoring (23.7 per cent) and repair services (22.4 per cent). It can be seen that in all the different income groups, the entrepreneurs engaged in wooden occupy the highest proportion. One entrepreneur each in handloom and tailoring has annual income up to ₹ 60,000.

Table 4.7

Annual Income of the Entrepreneurs from Different Sources: Enterprise-wise Distribution									
	Annual Income (₹)	Business activity							
		Food processing	Wooden	Repair services	Steel/ Metal	Printing/ Publication	Handlooms	Tailoring	Total
1	Up to 20,000	-	-	-	-	-	-	-	-
2	20,001 - 40,000	-	-	-	-	-	-	-	-
3	40,001 - 60,000	-	-	-	-	-	1 (50.0)	1 (50.0)	2 (100.0)
4	60,001 - 80,000	3 (7.7)	11 (28.2)	6 (15.4)	4 (10.3)	7 (17.9)	6 (14.4)	2 (5.1)	39 (100.0)
5	80001 - 1,00,000	5 (4.0)	37 (29.8)	9 (7.3)	39 (31.5)	9 (7.3)	16 (12.9)	9 (7.3)	124 (100.0)
6	Above 1,00,000	12 (5.0)	62 (25.7)	54 (22.4)	42 (17.4)	3 (1.2)	11 (4.6)	57 (23.7)	241 (100.0)
	Total	20	110	69	85	19	34	69	406

Figures in parenthesis indicate percentage to the total

Source : Field survey

4.5 EDUCATION

While studying the socioeconomic characteristics of entrepreneurs, it was considered important to evaluate the level of formal education because the formal education has always been considered as an important plus-point of an individual in building his entrepreneurial career. The formal education not only helps in gaining the required knowledge for a job which demands non-traditional skills but also imparts knowledge about the different occupational opportunities. The communication skills, technological innovations, production efficiency and marketing capability of an entrepreneur mainly depend on his/her educational level (Meher and Sahoo, 2008). In Mizoram, the formal education is looked upon as a means to improve one's socioeconomic position in the society. People have now aware of the importance of education in the development of human resources. If one rejects the notion that investment in education must be productive, then he should also be prepared to reject the goal of rapid economic progress (Frederich and Myres, 1968). The lack of education has proved an inhibitor to the progress of entrepreneurs and has compounded their problems (Ramaswamy and Jyoti Kumar, 2010).

The beginning and spread of education in Mizoram was mainly due to the hard labour and sincere efforts of the western missionaries who came to Mizoram not long after the annexation of the land by the British in 1890 (Know Your Own Land Mizoram, 1982). The history of education in Mizoram started with the coming of two Christian missionaries, Rev.J.H. Lorrain and Rev. F.W. Savidge who arrived at Aizawl, on the 11th January, 1894. Immediately they erected a small hut on a suitable hillock, now called Mac Donald Hill at Aizawl. In this humble hut they began their first mission of imparting education to the Mizo people. In the beginning of 1895 they ventured to prepare Mizo alphabet in Roman script. Few Mizo began to learn the preliminary lessons in this hut. The then Superintendent of Lushai Hills, Col. J.Shakespeare erected another hut for the hostel near Fort Aijal (Aijal was the previous name of Aizawl). The hostel accommodated only few learners **mainly the chiefs and the sons of the chiefs**. The two missionaries however stayed only for four

years and returned to their country in December 1897. During their four years stay in Mizoram the missionaries started preparation of Dictionary of the Lushai Language. They were succeeded by another missionary, Rev. D.E. Jones in 1897 (Lalhmuaka and T.Chawma, 2000).

Rev.D.E. Jones started schools afresh in 1898. Towards the end of the year, Rev. Edwin Rowlands joined him who was deputed to look after education in Mizoram. The first school was started on the hill behind the present Synod Bookroom, Aizawl. By 1900, there are six lower primary schools in different localities of Aizawl. In 1904, a separate school for girls was established on the opposite hillock. In 1901 census, there were 25 women literates against 736 men. According to the first School Report in October 1903, there were 15 (fifteen) lower primary schools in Mizoram, six in Aizawl and the rest in various parts of the interior places. The first lower primary school exam was conducted in June 1903 where two females passed among the 19 successful examinees (Mizo Women Today, 1991).

One had to go outside Mizoram to pursue higher studies against odds and difficulties as there had not been any way of doing beyond Middle School level, and that was afforded only by a few wealthy people. The nearest High School had been the Government High School at Shillong (Meghalaya) which required about a 180 km by boat to reach the nearest railhead from Aizawl. With a steady progress and growing demand of students for higher studies, the first High School in Mizoram called Mizo High School was started in 1944. In spite of the benefits of Mizo High School, one's ambition for higher studies above matriculation was still to be met and even the bright ambitious matriculated students could not proceed further. A generation elapsed between the first high school and the opportunity of having a college. The main difficulty thereof being the disadvantageous just after the Second World War immediately following the departure of the British from India followed by independence with the vexed political atmosphere in Mizoram at that time (Lalhmuaka, 1981).

During that time, Mizoram continued to be one of the districts in Assam state and a desire for an institution of higher education became intensely great among Mizo people. So, in and around nineteen fifties (1950's), the educated Mizo people and the then students raised a concerted stronger voice for an immediate start of a college, pressurizing government authorities. The matter was brought to the Deputy Commissioner and the authorities of the District Council. While there had been three colleges in Shillong, there was no sign of efforts for college in Mizoram. The voice of the demand for higher means of studies became louder and louder. To look for a way of having a college, an Organising Board was formed in 1957 appointing the Deputy Commissioner as the Chairman thereof. It was fortunate that there came in 1958 a new Deputy Commissioner, Mr Lawrence Sing Ingty at Aizawl. He was an officer giving great importance to education, having been actually an instrument for establishing the college. Then, on the 15th August 1958, the Indian Independence Day, the Deputy Commissioner Mr L.S. Ingty inaugurated the first college in Mizoram called Aijal College. This college is now called Pachhunga University College. At present there are 21 colleges in Mizoram, out of which 9 are in Aizawl (*Memorabilia- Pachhunga University College Golden Jubilee Souvenir*, 2008).

The North Eastern Hill University (NEHU) located in Shillong (Meghalaya) established one more campus in Mizoram at Aizawl in 1979. This NEHU campus was offering certain postgraduates courses till Mizoram has separate University. Then after that, universities like Indira Gandhi National Open University (IGNOU), Madurai Kamrai University (MKU) and Himachal Pradesh University (HPU) opened their branches of distance education in the state capital of Aizawl. After forty-three years of the establishment of first college in Mizoram, the state has one full fledged university namely Mizoram University (a central university) which was established in 2001. Besides these formal educational institutions, there are some professional education centers like Mizoram Polytechnic at Lunglei and Women Polytechnic at Aizawl, imparting diploma level of various engineering courses; Regional Institute of Paramedical and Nursing Sciences (RIPANS), and Mizoram

College of Nursing, imparting para-medical and nursing courses up to degree level courses; Department of Electronics Accreditation Computer Courses (DoEACC), imparting degree, diploma and certificate courses in Computer and I.T education in the state; Institute of Chartered Financial Analysis of India (ICFAI), imparting post graduate and degree courses in financial and business management.

The progress in education in the state is because of the part played by the government and partly because of the active participation of the community. There has been much development in education during the recent years especially in the Primary and Middle level of education with the execution of various educational programmes by the state government such as Hindi education, continuing education for neo literates, adult education, promotion of science education, and non formal education and by the implementation of SSA programme by the national government. As per the latest census in 2001, Mizoram attained the second highest position in terms of literacy in the country. As per the assessment made by India Today Magazine, in September 2007, Mizoram was placed at the top of the small states in primary education.

Education aimed at bringing out the best from man and thereby helping the development of a nation. Development of a nation is in turn the development of man. Man means his resourcefulness. Resourcefulness means initiative to find new and better ways and the plan to look for opportunities and turn them into reality. This is the relationship between education, entrepreneurship and development. Education is the best source of development of man's resourcefulness which makes him well balanced. Education is not for making people wealthy but for productive and for making people an asset and not a liability (Gangadhara Rao N, 1986). This is the importance of education for entrepreneurial development.

It is in this background, it is proposed to ascertain the educational level of the entrepreneurs by the examinations they have passed or the degrees they have

obtained from schools and colleges. The level of education has been indicated into five broad categories as given below.

- Illiterate : Those who can neither read nor write.
- School : Those who completed their higher secondary in a school.
- College : Those who completed their graduation in any course other than professional course.
- University : Those who have obtained their master degree from any recognised university other than professional course.
- Professional : This includes diploma, degree or postgraduate degree in management or engineering.

The educational level of entrepreneurs is shown in **Table 4.8**.

Table 4.8

Entrepreneurs' Educational Level			
	Educational level	No. of entrepreneurs	Per cent
1	Illiterates	25	6.2
2	School	281	69.2
3	College	83	20.4
4	University	15	3.7
5	Professional	2	0.5
	Total	406	100.0

Source : Field survey

From **Table 4.8** it could be observed that 69.2 per cent of the entrepreneurs had completed higher secondary education in a school and one-fifth of the entrepreneurs had education up to college. It is observed that most of the enterprises were promoted by school level educated entrepreneurs as more than two-third of the enterprises were owned by them. Only 6.2 per cent of the entrepreneurs (25 out of 406) were illiterate. In this case, their low level of formal education did not act as a barrier to their entrepreneurial career. However, the literacy rate in case of Mizoram

is far better off compared with the national average. Census data indicates almost 90 per cent of literacy rate in case of Mizoram against the national average of 65.38 per cent in 2001. Moreover, Aizawl district earned the reputation of the most literate district of the country. In a similar study conducted by R.C. Dangwal and Kailash Saklani (2002) among the women entrepreneurs in Chamoli district of Uttar Pradesh revealed that 34 per cent of them were illiterates. In the present study, only 0.5 per cent (2 out of 406) had professional education.

Most of the parents send their children to schools with the intention of preparing them for government jobs. In a less developed N.E state like Mizoram the first choice for educated youth is government job because of assured and regular income. But with the growing population and increasing number of educational institutions in the state, a large number of graduates are being produced by these institutions every year. It is not possible for any government to provide employment in government services to all the educated youth. Fortunately there are a few institutions like polytechnic, ICFAI and DoEACC where students can study many job oriented professional courses. Such institutions foster entrepreneurship among the students. It is to be noted that the Mizoram state government has enforced the New Industrial Policy of Mizoram since 2000. Under this policy the new and existing business units can avail incentives and various types of subsidies. It is also expected that this industrial policy of the state encourage the educated youth to take up entrepreneurial venture of large size.

It cannot be said that entrepreneurship finds no place among educated youth as about one-fourth of the entrepreneurs in the present study were graduates or postgraduates. However, it is to be noted that about one-fourth of sample entrepreneurs were either illiterates or having formal education of class 10 only. It is to be noted that formal education background enables the entrepreneurs to understand and handle the problems in business in an efficient manner. Besides, in an economy where opportunities are few, education plays a significant role in shaping aspirations, ambitions, and a sense of achievement among entrepreneurs.

Among the illiterate entrepreneurs, 36 per cent were engaged in wooden and 24 per cent were engaged in handlooms. Among those entrepreneurs who finished their higher secondary school education, 30.2 per cent (85 out of 281) of the entrepreneurs were involved in wooden. Nearly 20 per cent of such entrepreneurs were in tailoring business. Around 17 per cent of the entrepreneurs were involved in businesses relating to steel/metal and repair services each. About 29 per cent of micro entrepreneurs who completed their graduation were found to be managing steel/metal. About 23 per cent of such entrepreneurs were managing repair service businesses. Of 15 entrepreneurs who had postgraduate education, eight (53.3 per cent) of them were engaged in steel/metal. Out of two entrepreneurs having professional qualifications, one of them was managing food processing and the other one printing/publication business.

In other words, the entrepreneurs having lower formal education were found to be managing businesses relating to wooden, handlooms and tailoring. Most of the entrepreneurs having graduation and postgraduation qualifications were found to be in businesses namely steel/metal and repair services.

Table 4.9

Entrepreneurs' Educational Level: Enterprise-wise Distribution									
	Educational level	Business Activity							
		Food processing	Wooden	Repair services	Steel/ Metal	Printing/ Publication	Handlooms	Tailoring	Total
1	Illiterates	1 (4.0)	9 (36.0)	2 (8.0)	3 (12.0)	-	6 (24.0)	4 (16.0)	25 (100.0)
2	School	16 (5.7)	85 (30.2)	46 (16.4)	50 (17.8)	5 (1.8)	23 (8.2)	56 (19.9)	281 (100.0)
3	College	1 (1.2)	14 (16.9)	19 (22.9)	24 (28.9)	12 (14.5)	5 (6.0)	8 (9.6)	83 (100.0)
4	University	1 (6.7)	2 (13.3)	2 (13.3)	8 (53.3)	1 (6.7)	-	1 (6.7)	15 (100.0)
5	Professional	1 (50.0)	-	-	-	1 (50.0)	-	-	2 (100.0)
	Total	20	110	69	85	19	34	69	406

Figures in parenthesis indicate percentage.

Source : Field survey

4.6 MARITAL STATUS

Marital status of the entrepreneurs also plays an important role in starting the entrepreneurial venture along with other personal characteristics such as education, age and place of origin.

Marriage is a regulated contract between two individuals and their families. In Mizo society courtship is necessary among the Mizo youth for marriage. The boys and girls normally prefer love marriage. Even today, in the evening boys would go round in the girl's residence courting young women who are not married. This system of dating is called '*Nula rim*'⁴ (Know Your Own Land Mizoram, 1990). The boys go out for '*Nula rim*' at about seven o'clock in the evening and return by about ten. After the boy convinces girl for marriage, a 'go between' or a negotiator is sent from the boy's family to arrange the terms and time of marriage. There is no dowry; instead the nominal price is paid for the bride. Normally, the boys get married between 20 and 30 years of age and the girl between 18 and 23. Widows and divorced wives do not have any difficulty in getting remarriage. There is no social law against their remarriage. Before the annexation of Mizoram by the British, bride price was not paid in cash as there was no cash in those days, but was paid in *Sial* (means a bull). This is the age-old practice. Before the advent of Christianity, Lushai customs, marriage and divorce were easily contracted without any religious sanction (Mahapatra, 2008). Now a days, after Christianity, the groom pays the marriage price of ₹ 420 in cash to the nearest relative of the bride⁵. The bride's price is paid one day before the marriage is solemnised in the church. While settling marriage in accordance with the Mizo customs and traditions, solemnisation is to be performed according to the Indian Christian Marriage Act (Lalthangliana B, 2005).

Divorces are also easy in Mizo society. However, marriage normally takes place only after a fairly long period of courtship between boys and girls and to that extent chances of divorce were less than what it would have been without such courtship. There are two common ways of separation. First is *Ma* (or *Mak*),⁶ where the husband divorces his wife or if a man is sick of his wife, he could just throw her out.

All that he losses with his wife is the bride price he had paid for her. Second is *Sumchhuah*,⁷ where the wife divorces her husband by returning the marriage price. In these forms of divorce, the party taking the initiative was required by social customs to bear the burden of the agreed married price. Occasionally there has been divorce on mutual consent also (Dokhuma, 1992).

However, it should be remembered that there are important social safeguards to ensure the security of the women. She could not be considered as divorced except by an explicit statement of her husband himself that ‘I divorce you’. Thus she could not be just driven out by any of her husband’s family members or relatives during his absence. In case she was so driven out, she was to be called back by her husband soon after his return. Social protection of the married women and her children against willful abandonment on the part of the husband was provided for by the right of such abandoned women to retain all the properties of the husband. If, however, the husband would try to come back to his wife after a year or so, it was left to the wife to accept him or not, and even she chose not to accept him, all his properties including the house and children were to pass on to her by social custom. It so happened sometimes that a married man having fallen in love with another girl divorced his wife and married the girl on that very day or the next day of his marriage (Chatterji, 1975). In the case of husband divorcing wife (*Ma or Mak*) or wife divorcing husband (*Sumchhuah*), a woman is entitled to take all her personal property. These are the two common forms of divorced but it is not always easy to discover whether a given case is one of *Mak* or *Sumchhuah* as a women will always try to make out that she has been divorced while her husband will try to make out he is divorced (Parry, 2009).

In this backdrop, the marital status of the entrepreneurs has been enquired into. The marital status of the entrepreneurs is given in [Table 4.10](#).

Table 4.10

Marital Status of the Entrepreneurs			
	Marital Status	No. of entrepreneurs	Per cent
1	Married	361	88.9
2	Unmarried	37	9.1
3	Widow/Divorced	3	0.7
4	Widower	5	1.2
	Total	406	100.0

Source : Field survey

So far as the sample is concerned, an overwhelming majority of the entrepreneurs, which is 88.9 per cent (361 out of 406), were married. As regards entrepreneurship in a study (Ghosh *et al.*, 1998), it is observed that there is a strong belief that it is only after marriage that women are more capable of withstanding the pressure of business life. In another study conducted in Assam, Rajkonwar and Baruah, (2010) observed that the married group indicates that the entrepreneurs had confidence in their units and were able to maintain their family through self employment. At the time of administering schedule, discussion with married entrepreneurs revealed that spouses were largely perceived as helpful and supportive of the business activity. Almost all the married entrepreneurs mentioned that they have supporting spouse sharing all types of responsibilities in running their enterprises. Since many of them were already married at the time of starting enterprise, they did not consider that they would have been entrepreneurs had they been unmarried. As already mentioned earlier, the average age of marriage is 20 to 30 years of age for boys and 18 to 23 for girls. The highest proportion of entrepreneurs (i.e., 30 per cent) under this study belonged to the age group of 31 – 40 years at the time of starting their enterprise (see Table 4.2 of this chapter).

Only 9.1 per cent (37 out of 406) of the entrepreneurs were unmarried at the time of field study. At the time of field study and discussion with the unmarried entrepreneurs, some of them (both males and females) stated that unmarried

entrepreneurs generally face some problems in finding a prospective partner for marriage because they were spending most of their time in connection with their business. Therefore, it is difficult for them to spare their time for searching and selecting a suitable partner. This may be true because there is no arranged marriage system in Mizoram. As a result, it is observed that there are some entrepreneurs who are not getting married even after crossing 40 years of age. There were very few entrepreneurs who are widows or divorced or widowers. All the widow(er)/divorced entrepreneurs confessed that they were compelled into business due to economic responsibility which they had to shoulder as singles. Fortunately, in case of the sample entrepreneurs of the present study, the proportion of widow(er)/divorced is very less.

4.7 FAMILY SIZE

Family is the primary group wherein every member is directly associated with its activities. The type and size of the family determines the extent to which an entrepreneur can take decisions by himself. An important issue for the success of entrepreneur is the support from family members. The supply of entrepreneurship is facilitated by the membership of resourceful family. There is a controversy that joint family system is always described to be an obstacle in Indian economic development. This is a matter of discussion in academic and non academic circles (Gangadhara Rao N, 1986). The studies by Singh (1992), Anna (1990), Surti and Sarupriya (1983) show that both nuclear and joint families had certain advantages and disadvantages in facilitating entrepreneurship. The merits of large family size in business are: its ability to mobilise large amount of available resources, better decisions, and access to trustworthy personnel to watch over the operations. The demerits are: it may be difficult for the business to obtain efficient, skilled and talented persons for firm from their family and it is likely to hold back the expansion of firms.

Traditionally, the Indian society followed the joint family system. However, industrialisation is slowly disintegrating the joint family system giving way to the

independent family system (Narasimha Murthy, 1989). The joint family system in India was found to be on the decline as is evident from the study conducted by Sujata Mukherjee (2010) among the micro entrepreneurs in Mumbai and Pune, where 86 per cent of them belonged to nuclear family and only 14 per cent lived in joint family. In another study conducted in Prakasam district of Andhra Pradesh, a majority of the handloom weavers belonged to the nuclear families and only a negligible proportion of them had joint family (Laxmi Narasaraiah, 1999). A Study (Rajkonwar and Baruah, 2010) conducted on the entrepreneurs in Jorhat district of Assam also revealed that 78 per cent them were having nuclear families and only 22 per cent were with their joint families. However, Lalrinmawia (2005) observed that joint family system is still prevailing in Mizoram. This is also evident from a recent study conducted on the micro entrepreneurs of handloom cluster in Thenzawl town of Mizoram undertaken by Ramaswamy and Jyoti Kumar (2010), where 73.2 per cent of the entrepreneurs were living in joint families and only 26.8 per cent were in nuclear families.

In the present study it is found that about one-fourth of the sample entrepreneurs (102 out of 406 entrepreneurs) were living with their joint families and the rest of the entrepreneurs were having nuclear families. This finding is in contrast with that of the study conducted by Ramaswamy and Jyoti Kumar (2010) where nearly three-fourth of the entrepreneurs in Thenzawl handloom clusters were having joint families. Though Thenzawl is considered as a town according to government notification it has less than six thousand population and exhibits the characteristics of a rural economy. The micro entrepreneurs covered in the study were basically handloom weavers. On the other hand, Aizawl district has all the qualities of a city which accounts for nearly half of the state's population. Perhaps it is due to this factor that about three-fourth of the sample entrepreneurs in the present study were having nuclear families. This means that growth in business, occupations and modernisation split up the joint family system leading to independent family system. The growing needs of food, shelter, expectations and ambitions compel the people to live independent. In Mizo society the aim of youths after marriage is to establish

a house of his own and live separate life in a separate house. Generally all the sons, except the youngest settle down in a separate house after two or three years of marriage, occasionally even after five years or so. The youngest son is left behind to look after the parents. This may be one of the reasons where number of persons in a family is usually low.

One of the important factors influencing the success of an entrepreneur is the support from family which in turn depends upon the structure and economic status of the family. Membership of a resourceful family or belonging to a resourceful community facilitates entrepreneurship (Narasimha Murthy, 1989). The number of persons in a family or household gives an idea about the size of the family. For the purpose of this study, the number of members in a family up to five is taken as small family and the number of members more than five is taken as a large family. Family size of the entrepreneurs is given in **Table 4.11**. The data revealed that exactly 50 per cent of the respondent entrepreneurs (203 out of 406) were having family members up to five. Almost 43 per cent of the respondents were having a family with 6 – 10 members. About 7 per cent of the respondents were having very big families with 11 or more family members. In other words, five out of 406 entrepreneurs were having a family with above 15 family members.

Table 4.11

Family Size of the Entrepreneurs			
	No. of members	No. of entrepreneurs	Per cent
1	Up to 5	203	50.0
2	6 to 10	174	42.9
3	11 to 15	24	5.9
4	Above 15	5	1.2
	Total	406	100.0

Source: Field survey

It could be seen from **Table 4.12** that among the entrepreneurs whose family member was up to five, 23.6 per cent of the entrepreneurs were engaged in wooden,

Table 4.12

Family Size of the Entrepreneurs : Enterprise-wise distribution									
	No. of members	Business Activity							
		Food processing	Wooden	Repair services	Steel/ Metal	Printing/ Publication	Handlooms	Tailoring	Total
1	Up to 5	10 (4.9)	48 (23.6)	34 (16.7)	44 (21.7)	5 (2.5)	18 (8.9)	44 (21.7)	203 (100)
2	6 to 10	6 (3.4)	56 (32.2)	26 (14.9)	39 (22.4)	11 (6.3)	13 (7.5)	23 (13.2)	174 (100)
3	11 to 15	4 (16.7)	5 (20.8)	8 (33.3)	1 (4.2)	3 (12.5)	1 (4.2)	2 (8.3)	24 (100)
4	Above 15	-	1 (20.0)	1 (20.0)	1 (20.0)	-	2 (40.0)	-	5 (100)
	Total	20	110	69	85	19	34	69	406

Figures in parenthesis indicate percentage

Source : Field survey

21.7 per cent each of them were engaged in steel/metal and tailoring. Among the entrepreneurs whose family size was 6 to 10 members, almost one-third of them were engaged in wooden and 22.4 per cent of the entrepreneurs were engaged in steel/metal. Among the entrepreneurs whose family size was more than 10, 53.3 per cent were from repair services, 44.2 per cent were from handlooms and 40.8 per cent of them were from wooden.

4.8 GENDER

The coming out of women entrepreneurs in any society may be attributable to three situations – force, chance and ambitions. Some women come into entrepreneurial activities due to force of circumstances and some others enter into this activity merely by chance. There are some others who aimed at becoming entrepreneurs and they take up entrepreneurial activity intentionally (Choudhury, 2000). The entry of women in the field of entrepreneurship is relatively recent phenomenon though the concept of entrepreneurship was never restricted to men alone. In common perception, entrepreneurship particularly of Industrial type, is an all male game. Not only in entrepreneurship, but overall participation of women is unfavourable compared to those of their male counterparts. In India and some other countries also, there seems to be a cultural bias regarding the comparative role of man and women (Saxena, 2005).

The development of an economy can be measured not only in terms of Gross Domestic Product (GDP), per capita income and wage but also in terms of effective participation and utilisation of the capabilities of both men and women as an effective human resource potential (Mary, 1996.) In this context, the economic role of women cannot be isolated from the total framework of development. Equal participation of women is a pre-condition for the development of not only the women but also the country as a whole (Lalhriatpuii, 2007).

Women constitute almost half of the total population in the world. But their representation in gainful employment is comparatively low. In most countries,

average earnings of women are lower than those of men (Jerinabi, 1998). Women entrepreneurship is an emerging reality and the concept of 'women as entrepreneurs' is becoming a global phenomenon today. According to the Global Entrepreneurship Monitor (GEM), women represent more than one-third of all people involved in entrepreneurial activity and are likely to play an even greater role when informal sectors are considered (Minnuti *et al*, 2005). Women all over the world are playing a vital role in business community. Morris (2001) asserted that higher levels entrepreneurship in developing countries will significantly improve the economic performance and raise incomes. A study by the United Nations (2002) found a causal relationship between entrepreneurship, economic growth and poverty reduction and noted that the Micro, Small and Medium Enterprises are the backbone of the private sector in the developing world since they create jobs. Micro business enterprises are considered to be the most critical factor in dealing with problems of unemployment and poverty both in rural and urban areas. Micro businesses empower the poor by developing skills, self esteem and self efficiency (Mukherjee, 2007). Women businesses are continuing to demonstrate economic power worldwide. According to the GEM report, 8.9 per cent of women are involved in entrepreneurship across the globe.

According to the former Prime Minister Mr. P.V. Narasimha Rao 'women are central to human development'. As spouse, as mothers and as part of productive force, women wield significant catalytic capabilities in limiting the size of families, spreading the message of the small family norm and imparting education to the rising generation and enhancing, production and productivity of economic enterprises (Vasanthi, 1998).

The National Convention of Women Entrepreneurs which was held for the first time in New Delhi in 1981, called for priority to women entrepreneurs in the allocation of sheds, sanction of power, industrial license etc. The government of India initiated the scheme 'Development of Women and Children in Rural Areas' during the sixth five year plan. The 1991 New Industrial Policy also redefined the women

entrepreneurs for encouraging their growth and development. Women's cells are opened in many banks and financial institutions to help women entrepreneurs. These things have helped in the coming out of women entrepreneurs in India (Choudhury, 2000).

In the earlier days, women play an active role in the economic life of Mizo society though seldom they were given political and administrative responsibilities. Mizo society is a male dominated society. A woman may bear all the responsibilities of running the family and make a major contribution in the economic pursuits of the family. But they could not have any substantial share in important family decisions. From early childhood, a daughter has no share in the property of her father. Her responsibility is to become a true housewife. On the contrary, a boy is taught his duties and responsibilities towards his village and community from childhood. Even today despite their outstanding contributions the Mizo women have no place in the higher administration of the church organisations (Mizo Women Today, 1991).

In a traditional Mizo society, from early childhood, a female child in a Mizo family engaged herself in many of the household activities. She helps her mother in cooking, drawing water from village water point, collecting firewood for domestic use, washing and spinning and so many other domestic works. On the other hand, the male child had no duty at home. While the men concentrated themselves on defence of the village, hunting and clearing forest for cultivation it is the duty of women to look after the domestic affairs. It is her duty to cloth all her family members. They are in sole charge of making all the clothing for the whole family. They made these clothing from cotton grown in the *jhum*, which the women themselves gather, clean, spin, and weave into cloth. At the *jhum*, the greatest part of weeding and harveating had been done by women. The activity of pottery is also extremely left to the domain of women. All these things she did without the help of men. Women play an important role in bringing the family even though men are considered as the bread earner of the family. There used to be a sharp gender

division in traditional Mizo society. The traditional position of women in Mizo traditional society was clear from some of the anecdotes and proverbs. For example,

Flesh of crab is no meat; word of women is no word.

Worn out fencing and women can be replaced.

Women have no religion

Wisdom of women do not reach beyond village water point.

In Mizoram during those days the economy as a whole was agrarian. The Mizo women were hard working and industrious. The art of weaving also made the village society a self sufficient unit. Practically they were in charge of all domestic duties and they also helped men in their cultivation. In spite of these the status of women in the earlier Mizo society was considered economically and socially very low.

Till the end of British administration in Mizoram in 1948, there were comparatively small numbers of girls in schools. This was mainly due to the conservative attitude of Mizo parents towards female education and the economic condition. With the inception of Autonomous district called **Mizo Hills District in 1952**, job opportunities in government services increased. The few educated women were employed in government jobs. This opened a new era for female education. The importance of education was realised and the conservative attitude towards female education waned.

In order to enforce their position and status in all walks of life, a voluntary organisation was set up in 1974 named *Mizo Hmeichhe Insuihkhawn Pawl* (Mizo Women Federation).⁸ But this is the association of Mizo women in general. Unfortunately there is no separate or specific association meant for women entrepreneurs in Mizoram. But in other parts of India, some organisations/associations are set up to promote women entrepreneurs. Andhra Pradesh Women Co operative Finance Corporation is an example. Besides,

associations of women entrepreneurs are also formed in some states. These are – Association of Women Entrepreneurs of Karnataka, (AWAKE), Bangalore; Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP), Hyderabad; Self Employed Women's Association, (SEWA), Ahmedabad; North East Women Entrepreneurs Association, (NEWEA) etc. These associations have taken steps for the promotion of women entrepreneurs in their respective places. However, the only association in Mizoram is The Mizoram Entrepreneurship Network (MEN), in which any entrepreneur can become a member, irrespective of gender.

Mizo women played a very active role in economic life today. As far as possible, they help and supplement the income of their family. It is not uncommon in many of the families where it is only the women who maintain the family economically, even though the husband may also be contributing. In many of Mizo households where the husband is alcoholic, or in houses where the head of the household is a widow, the women maintain the house efficiently. A Mizo woman is now legally entitled to hold property half of which is in any case, built up through her labours. The British Christian missionaries and the introduction of education opened new opportunities for the Mizo people. They opened schools and encouraged people to take up western education. The absence of education among the women in the earlier period was mainly responsible for their low status in the society. The parents do not considered necessary to educate their daughters. It is now realised that girls must also get education in order that the whole nation must march together. Mizo women are now coming up in almost every sphere of human activities. There are in no way considered inferior in any field to their male counterparts (Vanlalhlani T, 2005).

In Mizoram the impact of the developmental activities on women during the post independence period is significant. The role and status of women in Mizoram has undergone notable changes with improvement in literacy and awareness that comes along with development and changes in the social and economic life. Female population constitutes a strong force in Mizoram and the proportion of female workers in work participation show an improving trend like the rest of India. The

2001 census reveals that work participation in Mizoram is much higher than India. The total work participation in Mizoram is 52.6 per cent as against 39.1 per cent in India. The female work participation rate, according to 2001 census is 43.7 per cent as against 31.5 per cent in India for the same period. There has been an increase in the proportion of total workers through India and Mizoram. This could be due to an absolute increase in the number of male and female workers in all the areas. Increase in female workers may be counted for a growth in the literacy rate and also due to greater social awareness among the people to seek monetary value for the services rendered (Lalhriatpuii, 2008).

In western countries women started entering into entrepreneurial activities during the later fifties and early sixties whereas in India women made their debut in the field during the early seventies only. The declaration of International Decade for Women (1975 - 85) gave forward motion to the growth of women entrepreneurs in India (Basu, 1988). In this connection it is recommended that efforts should also be made for the development of entrepreneurship both by government and private agencies by organising seminars, workshops, conferences etc. and highlighted the importance of entrepreneurship among women in Mizoram.

With the passage of time, the literacy of women was increased and with the increase in their exposure to higher and technical education, the level of confidence of women has increased. This made the women not only to compete with their males counterparts in government jobs but also in the field of business. Women entrepreneurship is of recent origin in Mizoram. There is less resistance from family and society to women in taking up entrepreneurial activities. It is felt that women should contribute equally to the field of entrepreneurship. However, still there are few problems. Choudhury (2000) has remarked that a woman, in order to become a successful entrepreneur, has to cross the barriers of self, family and society.

In India, as per the Second Census of Small Scale Industries (1990), women owned enterprises comprise 7.69 per cent of all the small scale enterprises, it was 12.5 per

cent in North East states, whereas in our sample their proportion is 23.6 per cent. According to the Third Census of Small Scale Industries (2001-02) 10.1 per cent of the entrepreneurs were women. As per the Quick Results of Fourth All India Census of Micro, Small and Medium Enterprise (2006-07), women enterprise was 7.36 per cent. The enterprises actually managed by women were 9.46 per cent.

Table 4.13

Gender of the Entrepreneurs			
	Gender	No. of entrepreneurs	Per cent
1	Males	310	76.4
2	Females	96	23.6
	Total	406	100.0

Source : Field survey

Table 4.13 shows that out of 406 entrepreneurs, only 23.6 per cent (96 out of 406) were females and the remaining 76.4 per cent (310 out of 406) were males. In the advanced countries there is a phenomenal increase in the number of self employed women after Second World War. In the United States (U.S) women own 25 per cent of all businesses, even though their sales on an average are less than two-fifth of those small businesses. In Canada one-third of small businesses are owned by women. In France, it is one-fifth. In the United Kingdom (U.K) since 1980, the number of self employed women has increased three times (Prasad and Venkateswara Rao, 1998). It is obvious that the sample women entrepreneurs in the present study had been struggling because they had to look after their family, and simultaneously face the rigors of an entrepreneurial career especially during the initial stage. The ambition to contribute to the family is also one of the motivators for their entry into business. Some of the women entrepreneurs said that they want to supplement income of husband/family mainly for children's education expenses. Compared to the national average, the high participation rate of women in the present study proves that Mizo women of today are becoming more competent, ambitious, and confident to exploit their entrepreneurial talents and opportunities.

The need for an independent living was another reason behind the entry of these women into business. The unseen entrepreneurial potentials of women have been changing with the growing sensitivity to the role and economic status in the society. Women are increasingly becoming conscious of their existence, their rights and their work situations. Today, women entrepreneurs are exploiting new avenues of economic participation. Among the reasons for women to run organised enterprises are their skills, knowledge, talents, motivation from family members and abilities in business and a desire to do something new and positive.

Table 4.14

Gender of the Entrepreneurs : Enterprise-wise Distribution				
	Business activity	Gender		
		Males	Females	Total
1	Food processing	14 (70.0)	6 (30.0)	20 (100)
2	Wooden	94 (85.5)	16 (14.5)	110 (100)
3	Repair services	65 (94.2)	4 (5.8)	69 (100)
4	Steel/Metal	76 (89.4)	9 (10.6)	85 (100)
5	Printing/Publication	16 (84.2)	3 (15.8)	19 (100)
6	Handlooms	19 (55.9)	15 (44.1)	34 (100)
7	Tailoring	26 (37.7)	43 (62.3)	69 (100)
	Total	310	96	406

Figures in parenthesis indicate percentage

Source: Field survey

An attempt is also made to classify male and female entrepreneurs on the basis of business activity. The **enterprise-wise** classification of the entrepreneurs on the basis of gender is shown in **Table 4.14**. It can be seen from the table that tailoring accounts for 62.3 per cent (43 out of 69) of women entrepreneurs. Only in tailoring

activity, the number of women entrepreneurs is more than male entrepreneurs. It can be said that the potential for developing women entrepreneurs in this line of activity in Mizoram is very high because all other enterprises are dominated by male entrepreneurs. The next highest number of entrepreneurs (44.1 per cent) were engaged in handloom sector. In a study conducted by R.Ramaswamy and N.V.R.Jyoti Kumar (2010) in Thenzawl handloom cluster also revealed that 95.8 per cent of handloom weavers in Mizoram are female. It can be said from the above **table** that women entrepreneurs are not interested in business activities like wooden, repair services, steel/metal and printing/publication and their participation rate is also very low.

30 per cent of the sample female entrepreneurs were engaged in food processing. It may be observed that nearly 16 per cent of the female entrepreneurs were managing printing/publication, followed by wooden (14.5 per cent) steel/metal (10.6 per cent) and repair services (5.8 per cent). Normally male entrepreneurs have advantages in managing businesses such as printing/publication, wooden, steel/metal and repair services. Quite interestingly about 9 per cent entrepreneurs (32 out of 406) were found to be in those businesses where men are dominated. In other words, one-third of the sample female entrepreneurs were successfully managing the above cited businesses where men have advantages in view of their physical stamina and high technical skills.

In case of male entrepreneurs, 94.2 per cent were found to be managing repair service businesses, 89.4 per cent were managing steel/metal related enterprises, 85.5 per cent wooden and 84.2 per cent printing/publication. Interestingly about 56 per cent of male entrepreneurs were engaged in handloom sector. Nearly 38 per cent of male entrepreneurs were managing tailoring firms.

4.9 RURAL/URBAN BACKGROUND

The entrepreneurs are classified into two categories namely, entrepreneurs with rural background and entrepreneurs with urban background. This classification may

help us in analysing the rural-urban background of the entrepreneurs and to find out whether the urban background is a precondition of entrepreneurship. It is common that the entrepreneurs establish their business in the place of residence as they have well acquaintance in their place. It is also usual that the entrepreneurs reside in the place where they have their enterprise but sometimes it may also be seen otherwise.

As per the 2001 census, the rural population in India constitutes 72.2 per cent whereas 27.8 per cent forms urban population. The rural population in the North Eastern Region is 227.7 lakh which constitutes 78.9 per cent of the population in the region and the urban population is 60.8 lakh constituting only 21.1 per cent. In Mizoram there is not much difference between the proportion of rural and urban population. The rural and urban population were 50.4 per cent and 49.6 per cent respectively.

Table 4.15

Rural/Urban Background of the Entrepreneurs			
	Background	No. of entrepreneurs	Per cent
1	Rural	125	30.8
2	Urban	281	69.2
	Total	406	100

Source: Field survey

In case of the entrepreneurs under this study, 69.2 per cent (281 out of 406) were entrepreneurs with urban background and 30.8 per cent (125 out of 406) were entrepreneurs with rural background as shown in **Table 4.15**. Lesser percentage of entrepreneurs belonging to rural background may be attributable to the fact that the educational level of rural entrepreneurs is generally less than that of their urban counterparts. Moreover, they are less exposed to the business world because of lack of commercial activities in rural areas. People coming from rural areas are suffering from many inferiority complexes; they are less aggressive and less competent. This may be because of that they are less informed and the life in the rural areas will not permit them to have a rapid grasp of what is happening in the outside. One who

loves in villages is often compared to the bat which lives in darkness (Gangadhara Rao N, 1986). Besides, the rural entrepreneurs are not much aware of entrepreneurial support organisations. These factors result in their not being confident enough to venture into a career of business. It would be better that the entrepreneurial support organisations, particularly within the state of Mizoram, should explore the potential sources of rural entrepreneurs instead of only targeting at the urban entrepreneurs.

But life in villages is not full of limitations. There are many ambitious, hard working, competent, educated and honest people in the villages also. Given an opportunity and properly directed, they are more committed and faithful. Normally they are the people who hate easy money and they live for ideals. However, living in some towns and cities for certain number of years enables the men in the rural areas to throw away all his weaknesses. Many of the entrepreneurs who can get their children educated in big cities like Delhi, Kolkatta, etc are of the opinion that their interest is not only to avail better education but also to have experience of life in those cities. A few years stay in big cities may help them better in facing the challenges of life because of change in mindset and outlook. This is true in the field of business also (Gangadhara Rao N, 1986).

In the present study it is observed that only 2.7 per cent of the entrepreneurs (11 out of 406) had experienced of undergoing training on entrepreneurship development outside Mizoram. Moreover, as almost all the entrepreneurs under study belonged to lower income middle class strata of the society, they were not fortunate enough to have education from outside Mizoram. Even today like many other N.E states, Mizoram is a landlocked state. Although Aizawl city is well connected with air transportation with four daily flights to and fro Kolkatta-Aizawl and two flights to and fro Guwahati-Aizawl, the lower middle class people even today can not dream of traveling by flight. Silchar (Assam) is a nearby developed city for the people of Aizawl though it is 180 km away from Aizawl the journey takes around eight hours of time due to hilly terrain and bad road conditions. Even if the travelers preferred to

go by shared sumo (about 10 passengers shared a Tata sumo vehicle), it would cost about ₹ 500 per traveler. Due to hilly terrain Mizoram is not connected with railway transport. In view of these constraints the business people in general and micro entrepreneurs in particulars do not have any opportunity to gain business experience by working in developed regions of the country. In the process they have to incur substantially high costs (due to distance and time barrier) that would make their business less competitive and less productive. Finally it is the customer who has to pay the price for low performance of businesses. Consequently the society has to suffer from low standard of living in the long run. Although the sample entrepreneurs in the present study were drawn from urban areas and rural areas in Aizawl district, by and large Aizawl district exhibits the characteristics of a city or town. 36.7 per cent of the state population live in Aizawl district. Mizoram is known for the high rate of urbanisation in the country. With growing urbanisation and fast changing life style of the people living in Aizawl district, it may be concluded that there may not be significant differences between the urban entrepreneurs and the rural entrepreneurs in the present study.

From **Table 4.16** it can be observed that in all the business activities, the proportion of urban entrepreneurs is more than their rural counterparts. The growing population and urbanisation compels the entrepreneurs to be located their enterprises in urban areas. About one-third of the entrepreneurs in repair services were with urban background and 73.6 per cent of the entrepreneurs in wooden were also with urban background. Almost one-third of the entrepreneurs engaged in steel/metal, printing/publications and handlooms were with urban background. On the other hand, only 56.5 per cent of the entrepreneurs in tailoring business were with urban background.

Table 4.16

Rural/Urban Background of the Entrepreneurs: Enterprise-wise				
	Entrepreneurs' occupational group	Background of the entrepreneurs		
		Rural	Urban	Total
1	Food processing	6 (30.0)	14 (70.0)	20 (100)
2	Wooden	29 (26.4)	81 (73.6)	110 (100)
3	Repair services	17 (24.6)	52 (75.4)	69 (100)
4	Steel/Metal	26 (30.6)	59 (69.4)	85 (100)
5	Printing/Publication	6 (31.6)	13 (68.4)	19 (100)
6	Handlooms	11 (32.4)	23 (67.6)	34 (100)
7	Tailoring	30 (43.5)	39 (56.5)	69 (100)
	Total	125 (30.8)	281 (69.2)	406 (100)

Figures in parenthesis indicate percentage

Source: Field survey

4.10 FATHER'S OCCUPATION

When a business unit is set up, there are always some reasons. The idea of starting business unit must have occurred from the owner himself, or it could have been suggested by family members, relatives or friends or one's desire to follow father's footsteps. An enquiry into father's occupation is necessary as the occupation of parents seemed to exert a strong influence on the choice of children (Gangdhara Rao N, 1986). It is in this context, an enquiry was made into the occupation of the entrepreneur's father. The father's occupations of the present entrepreneurs of the study are given in **Table 4.17**.

Table 4.17

Father's Occupation of the Entrepreneurs			
	Father's occupation	No. of entrepreneurs	Per cent
1	Agriculture	102	25.1
2	Business	156	38.4
3	Government service	41	10.1
4	Retired/pensioners	94	23.2
5	Died/Not working	4	1.0
6	Private service	9	2.2
	Total	406	100.0

Source: Field survey

Father's occupation of 38.4 per cent (156 out of 406) of entrepreneurs had been business which is the highest in the case of the entrepreneurs under this study. In the case of 25.1 per cent (102 out of 406), it had been agriculture. While 23.2 per cent (94 out of 406) of the entrepreneur's father were retired from government service, 10.1 per cent (41 out of 406) of them are government employees. Thus, the entrepreneurs who have business as their father's occupation are more prone to become entrepreneurs. The next occupation is those with agricultural background. These two occupational groups covered more than half *i.e.* 63.5 per cent of the sample units.

4.11 NUMBER OF WORKERS

The number of workers engaged by the enterprises is important from the point of view of entrepreneur's role in employment generation. The number of workers employed by the sample enterprises at the time of field survey is given in **Table 4.18**.

Out of the total of 406 enterprises, 67.2 per cent (273 out of 406) of the enterprises were employing up to five workers. In the case of 23.6 per cent of the enterprises (96 out of 406), the employment was between 6-10 workers per enterprise. Likewise, for 5.9 per cent of the enterprises (24 out of 406), the range of

employment was between 11-15 and for the remaining enterprises 3.2 per cent of them (13 out of 406), the employment was above 16 workers per enterprise. Thus, a considerable proportion of the enterprises that is 32.7 per cent of the enterprises (133 out of 406) were employing more than five workers. 9.1 per cent (37 out of 406) enterprises employed 11 or more number of workers per enterprise. This signifies that the micro enterprises were important in generating employment to a certain extent. However, the educated entrepreneurs in Mizoram need to be encouraged to take up large and medium enterprises since most of the enterprises in Mizoram are micro and at the same time there are a number of educated job seekers in the state of Mizoram (*see Table 4.1 of this chapter*).

Table 4.18

No. of Workers Employed by Enterprises			
	No. of workers	No. of enterprises	Per cent
1	Up to 5	273	67.2
2	6 to 10	96	23.6
3	11 to 15	24	5.9
4	Above 16	13	3.2
	Total	406	100.0

Source: Field survey

4.12 CONCLUSION

The socioeconomic profile of the entrepreneurs indicates that a large number of factors go in for making a successful entrepreneur. Education, experience, age, and family play an important role in shaping the entrepreneurial spirit of the entrepreneur. The analysis of data reveals that the entrepreneurs under this study possessed the qualities of endurance and sustained efforts to nurture their enterprises as half of the respondent-entrepreneurs had set up their enterprises at the age below 40 years of age. An overwhelming majority of the entrepreneurs were found to have education up to school level and most of them were with urban background. The study further reveals that the entrepreneurs under the study were engaged in

different lines of business activities involving complex technologies and demanding different skill sets. They exhibited entrepreneurial performance by way of generating employment and about one-third of the sample enterprises are found employing more than five workers. This is an indication of healthy foundation of business enterprises with high prospect of growth. However, educated youth in the state should be encouraged to establish the large and medium enterprises which would address the challenge of educated unemployment in the state.

NOTES

¹ Speech delivered by Mr S.Hiato, Minister of Industry, government of Mizoram in the Mizoram State Assembly on September 22, 2010. During 2009-10, loss suffered by ZIDCO was ₹ 1961 lakhs and the loss suffered by ZOHANCO was ₹ 737 lakhs and MIFCO incurred a loss of ₹ 1833 lakhs during the same period.

² The number of job seekers in Mizoram were for the districts of Aizawl, Lunglei, Saiha and Champhai only. Data for the remaining four districts were not available.

³ See Table 4.17 of this chapter. Father's occupation is given in this table. Among Father's occupation 'Business' is the highest. Familiarity with father's occupation inculcates the desire to follow father's same line of business.

⁴ *Nula rim* is a kind of courtship practiced by Mizo boy. As a rule a boy who is courting a girl goes off about 6 to 7 p.m (after dinner) to the girl's house and they sit together and talk. But very courting should not necessarily be utilised for exchange of love nor should it be held between two lovers only. Many boys can also go to a girl's house at a time. Where they gossip, play jokes and discuss the incidents of the day and the next day work. In many cases, boys and girls develop love affairs out of courting which lead them to get married.

⁵ After the boy and girl both agree to get married, the boy's parents send a persons (may be two or three persons) of their choice preferably their relatives to the girl's parents, the night before the date of marriage was fixed, handing over the bride price to the girl's parents. The marriage price paid by the boy's parent is ₹ 420. The marriage price falls into two parts - *manpui* (main price) and *mantang* (subsidiary price). The *manpui* was paid to the father of the bride or in his absence to the brother. While in the absence of both father and brother, the main price would always go to the person actually responsible for her being brought up to the age of her marriage. The subsidiary price used to be distributed among quite a large number of people connected closely with the bride. In the olden days before Christianity marriage prices were practically never paid up in full at once at the time of wedding for the reason that hardly anybody has got enough money to pay up a price at once. Usually an installment is paid on the wedding day and the balance of the price is paid up in easy installment and twenty years or more.

⁶ When a man divorces his wife in this form, he simply says '*I ma you*' and the woman is then divorced. If the woman had any children with her husband whether these are alive or not, the husband has to pay up the whole of the balance of the woman's marriage price (if there is unpaid balance). If the woman had no children at all with her husband, the man will not have to pay up the balance outstanding of the marriage price. However, he can not claim the repayment of any part of the marriage price that he may have already paid. A woman who has been divorced can take with her all her personal property.

⁷ A woman who refuses to remain with her husband and leaves him is considered to have divorced him and this form of divorce is known as *sumchhuah*. A woman is at liberty to divorce her husband in this way whenever she likes but the whole of the marriage price that her husband has paid to her parents must be

returned to him. When a woman divorces her husband in this way, she is entitled to take all her personal property.

⁸ Mizo Hmeichhe Insuihkhawm Pawl (Mizo Women Federation) is the biggest women organisation and one of the strongest non government organisations in Mizoram. It was established in 6th July 1974. It's motto is 'Service to Others'. By paying a membership fee any girl attaining the age of 16 years from Mizoram can enroll herself as its member. The aims and principles of this organisation includes to safeguard the rights of women, to look after the welfare of women, to look into the moral and physical needs of women and children, to help the poor and needy to avoid violence to help and support the government in various developmental programmes, to introduce various kinds of informal education like handicraft, guidance to healthy living etc. The association also looks into the customs and traditions and suggests necessary amendments. It also runs craft center at different places in which many young girls get training in tailoring, embroidery works, knitting etc. The association has been taking and fulfilling various measures in order to promote the status of women in Mizo society.

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CHAPTER - 5

MOTIVATIONAL FACTORS OF THE ENTREPRENEURS

Socioeconomic characteristics of the sample **entrepreneurs** were discussed in the previous chapter. Now it is intended in this chapter to study the motivating forces behind entrepreneurship. Analysis of the factors that have compelled and facilitated the emergence of entrepreneurship in the sample micro **entrepreneurs** is the aim of this chapter. This chapter has also enquired into the entrepreneurs' reasons for selecting their lines of business, their choice of location of business and their aspirations about their children.

5.1 INTRODUCTION

Researchers have advanced theories of entrepreneurship around the entrepreneurial persons (Carland et al, 1988). Among the various aspects of personality that have attracted the attention of researchers, the most prominent ones were the motives of the entrepreneurs (Brockhaus and Horwitz, 1986; Naffziger et al., 1994; Gatewood et al., 1995). A major thrust for this line of research came from the work of McClelland during the 1950s and 1960s (McClelland et al., 1953). McClelland's (1961) studies showed that the entrepreneurial individual was characterised by high levels of achievement motivation, a psychological construct originally proposed by Murray (1938) and measured by projective techniques such as Thematic Apperception Test (TAT). In spite of the complexities of the construct and the difficulties associated with the projective measurement, the concept fascinated entrepreneurship researchers for two decades (Manimala and Pearson 1998). According to Fred Luthans (1995), motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive. In the word of Stephen P. Robins (1998), motivation is the willingness to exert high levels of efforts towards organisational goal, conditioned by the effort ability to satisfy some individual needs. Gray and Starke (1988), motivation is the result of process, internal or external to the

individual, that arouse enthusiasm and persistence to pursue a certain course of action.

Motivation refers to the way a person is enthused at work to intensify his desire and willingness to use his energy for the achievement of objectives. It is something that moves a person into action and continues him in the course of action enthusiastically. The role of motivation is to develop and intensify the desire in a person to work effectively and efficiently (Weiner, 1992). Dubin (1970) has defined motivation as ‘the complex of forces starting and keeping a person at work in an organisation. Motivation is something that moves a person to action and continues him in the course of action already initiated.’ According to McFarland (1974), motivation refers to ‘the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings.’

In fact, in simple term, motivation means any idea, need, emotions or organic state that prompts a human being to an action. The motive is an internal factor that integrates a human behaviour. Stating otherwise, the activities of human being are caused and behind every action there is a particular motive or need. And motivation is the process of inducing persons ‘to experience needs’ for certain desired behaviour, so that the efficiency is achieved (Iman and Phukan, 1998). Motivation is an indispensable function of management. A man can not be forced to work like a machine. The efficiency of the enterprise is related not merely to the efficiency of sophisticated machines but more importantly upon the satisfaction and the spontaneous desire of man who is at work. This spontaneous involvement in work is not merely related to monetary awards (or) assignment of position but to the system of motivation. If the entrepreneur feels motivated, his behaviour will bring about the desired action. Motivational factors constitute the inner drive present in an individual which continuously demands from him to do something new and unique as also to perform better than others. These motivational factors stimulate the persons to undertake entrepreneurial activities relating to creation of new business (Palanivelu A, 2008).

Several studies have been conducted in India to identify the factors which motivate the entrepreneurs to start business enterprises.¹ Sharma, R.A. (1980) and Sharma, P.N (1987) identified the motivating factors of entrepreneurs into internal and external motivating factors. The internal factors include

- (a) Educational background
- (b) Occupational experience
- (c) Desire to work freely and independently
- (d) Desire to do something pioneering and innovative
- (e) Family background

The external motivating factors include

- (a) Assistance from government
- (b) Assistance from financial institutions
- (c) Availability of technology/raw materials
- (d) Encouragement from big businesses
- (e) Financial assistance from non-government sources
- (f) Heavy demand for products

The internal motivating factors make the personality of the entrepreneur. These factors generate an inclination to adopt entrepreneurial activity. The internal factors may be supplemented by the external factors. The external motivating factors serve as a spark in the lightening of the entrepreneurial idea.

Another study undertaken by Gangadhara Rao, N (1986) in coastal Andhra Pradesh, classified entrepreneurial motivation into three broad categories namely entrepreneurial ambitions, compelling entrepreneurs to enter industry and facilitating factors. According to him, entrepreneurial ambitions include making money, continuing family business, securing self employment, fulfilling the desire of self/wife/parents, to make independent living, gaining social prestige. These entrepreneurial ambitions influence an individual to undertake entrepreneurial activity. The compelling reasons include unemployment, dissatisfaction with the

previous job, make use of idle funds and revival of sick units started by fathers. The facilitating factors are success stories of entrepreneurship, previous employment in the same or other line of activity, property inherited, property acquired, encouragement from family members and encouragement from relatives and friends.

Man is mostly influenced by his environment and his attitudes. Environment and attitudes are a product of cultural and psychological factors besides economic and sociological factors. They influence the man and provide a source of inspiration to make a successful living in the society. Environment and attitudes are two inseparable entities and they influence each other. But the attitudes of the people exert more influence on the environment. Though the man is responsible for moulding the environment in which he is placed, he always finds it difficult to break the inherent barriers of development, thereby becoming the prisoner of the environment in which he is the creator. But the attitudes of man are not static, they are ever changing. Man, in his attempt to improve his lot, constantly endeavours to conceive new ideas and better ideas and indulges in experiment on them. This process leads to changed attitudes and the changed environment. Again the center of change is man and his changing ideas and outlook. The economists, sociologists, and psychologists are concerned with the attitudes of man (Gangadhara Rao N, 1986).

The existence of innate abilities and lack of enterprising qualities in India was clearly illustrated by Ram K. Vepa (1973). He cited the example of Orissa, Assam, Bihar and Madhya Pradesh which were endowed with rich natural resources and have, in the past, produced striking achievements both artistic and cultural. He referred to the temples of Konark, Bhubaneswar and Khajuraho which speaks volumes about the skills of the master craftmen and the culture of the people of those areas in the past but which remained backward at present. These states remained backward till now in spite of massive investment in various public sector projects since the beginning of planning in India. Ultimately, it is the entrepreneur

who acts as a 'spark plug' to transform the economic scene and bring a new sense of dynamism into it (Gangadhara Rao N, 1986).

Since man is a product of his own environment, the prevailing socio-economic, psychological and cultural factors naturally influence him and act as a source of inspiration to make a successful living in the society (Ram. K. Vepa, 1973). But entrepreneurs are not only the product of their environment and ambitions, but also of the aspirations of their family members, relatives and friends. The encouragement received from family members, relatives and friends, and the assistance received from government agencies, and the experience, skills and knowledge gained either in trading or manufacturing or previous employment are some of the important factors which influence the entrepreneurs (Narasimha Murthy, 1989). In addition to the ability to innovate, to take risk and manage, and plan for the future, the attitudes of man is very important factor in the emergence of entrepreneurship since the entrepreneur is a person who has vision, makes plans for future, conceives ideas, works it out in detail and organises the business (Renu Arrora and S.K Sood, 2007). In some cases there are some compelling forces which lead them into entrepreneurial activity. For example, a man who lost his job or a woman who is living on his husband, after becoming widow, may ultimately be forced to start business. Finally, the process of the emergence of entrepreneurship in Aizawl district is center of this chapter.

5.2 AMBITION OF ENTREPRENEURS

Ambition is the force of all motives. The intentions and initiatives of all men are directed by his ambition. It is the ambition that directs man's action. The common saying that 'aimless life is a goalless game' emphasises the importance of ambition in life. But ambitions may differ from individual to individual on the basis of personal taste and preferences, and from family to family depending upon the circumstances and the priorities which they have set for themselves. Sometimes, personal aspirations come in the way of family aspirations. Whoever it may be,

aspirations change with the change in time. Ambition is not something which is not similar to greed. Well conceived notions, careful planning, and timely decision making make the ambition meaningful (Gangadhara Rao N, 1986).

Among the subjective factors that act as a motive force for an individual's life, his ambition ranks first. It is his ambition that gives colour and direction to his career. The ambition of the individual puts his pressure on the need for achievement and this in turn, motivates him to play an active role to realise his ambitions (Murali Krishna S, 2007). Ambitions or aspirations motivate men, activate them, broaden their vision and make the life meaningful. Ambition is an index of one's own resourcefulness. Like an individual, nations or regions or families may have their own ambitions which speak of their resourcefulness. The ambition builds up the achievement 'pressure' in the individual concerned and it seems reasonable to infer that he has a strong 'inner concern' with achievement. This pressure or inner concern provides the basis for McClelland's n-factor (the need for achievement factor) rating (McClelland, 1967).

The statement that people are poor because they prefer it that way is one of the causes of poverty attributed by Galbraith (1969) for the backwardness of many Asian and African nations. Galbraith further stated that the people of those nations are lacking ambition that is why they are lagging behind others in the development (Galbraith, 1969). One of the biggest obstructions to development or growth is also deemed to be the limited aspirations of the people (Kusum Nayar, 1962).

5.2.1 Kakinada experiment

David C. McClelland, a well known behavioural scientist of the USA holds the view that achievement motivation can be developed through training and experience. For this, McClelland conducted his experiments with groups of businessmen in three countries - Malawi, India and Equador. He carried out a separate full-fledged training programme in India to instill achievement motivation

in the minds of entrepreneurs. This successful experiment is popularly known as *Kakinada Experiment*. Kakinada is a well developed district town with high literacy and a modest industrial infrastructure in Andhra Pradesh. A full fledged programme was undertaken by McClelland at Kakinada. The programme started in January, 1964. The main objective of the programme was to break the barrier of limited aspirations by inducing achievement motivation. A total of 52 persons were selected from business and industrial community of the town and they were given orientation programme at Small Industry Extension Training Institute (SIET Institute), Hyderabad.² The participants were grouped into three batches and they were put under training for three months. The training programme was designed in such a way that it could help the trainees improve imagination and enable them introspect their motivation (Khanka S.S, 2005).

The impact of the training on participants' behaviour was observed after a period of two years. The observation was encouraging. It was found that those attended the programme performed better than those did not (McClelland, 1966). The participants' need for achievement was assessed by using Thematic Appreciation Test (TAT). In this TAT, ambition related pictures were displayed to the trainees and then they were asked to interpret the picture and what is happening in the picture. Thereafter, all the themes related to achievement were counted and, thus, the final score represented one's need for achievement. McClelland reached to this conclusion that the training programme positively influenced the entrepreneurial behaviour of the participants. As regards, caste, traditional beliefs and western ways of life, they did not determine one's behaviour as an entrepreneur (Khanka S.S, 2005).

That the need for achievement motivation can be developed more especially in younger minds is well supported by the cross-country experiments. For example, a 'Junior Achievement Programme' is started in USA with a view to instill achievement motivation in the minds of younger generation. Similarly, in UK, 'Young Enterprise' programme has been started with the same objective of inducing

achievement motivation in younger minds (Khanka S.S, 2005). The said experiments/programmes have made us to realise that entrepreneurship is to be developed at a very young age (Ram K.Vepa, 1973).

So far as the ambitions of the entrepreneurs under the present study are concerned, the information is collected by administering schedule, asking them to mark any three out of six given ambitions, in order of importance. Based on the prior research on entrepreneurial motives (Manimala and Pearson 1998; Mitchell, 2004; McClelland, 1967; Collins and Moore, 1964; Kamaraj, Arul and Muralidaran, 2005), the ambitions that are given to them are shown in **Table 5.1**. They include to continue family business, to make money, to secure self employment, to fulfill the ambition of self, to gain social prestige and ‘others’ (for those possible ambitions which are not given in the schedule). The entrepreneurs who marked ‘others’ column were requested to specify the reasons. However, no entrepreneur in the present study marked ‘others.’ Ambitions marked by the entrepreneurs were rated by weighted score. The first ranking ambition carries three points, the second two points and the third one point. On the basis of the percentage of total weighted score for each ambition, overall ranking is made.³

It can be seen from the **table** that 96.5 per cent of the entrepreneurs (392 out of 406) marked to make money as one of their three ambitions. For 240 of them it is first ranking ambition, for 123 it is second ranking ambition and for another 29 it is third ranking. This ambition was ranked first in the overall rating of all the ambitions (40.8 per cent of rating). Altogether its rating is higher than one-third, this implies that the pull of money making ambition is very high in the minds of the present sample entrepreneurs. Money making ambition was one of the most important factors which induced entrepreneurship in other parts of India. Studies conducted by Khanka S.S (2009) among the entrepreneurs in Small and Medium Enterprises (SMEs) sector in Assam also revealed that economic consideration has been the major motive for people to become entrepreneurs. In another study undertaken by Sadhak (1989), monetary consideration is the most important motivating factor

among **small entrepreneurs**. Research evidences confirmed that the economic considerations have been the major motivation to take up entrepreneurial careers (Das M, 1999; Khanka, S.S 1990). Drucker (1970) viewed profits as the necessary concern of being in and staying in business.

To secure self employment stands second in the overall ranking (26.2 per cent of rating). This means that many of the entrepreneurs in the present study wanted to become their own boss. That means many of the entrepreneurs want to become a job giver rather than a job seeker. To continue family business is ranked third in the overall ranking (23.2 per cent of rating). Nearly two-third of the sample entrepreneurs (264 out of 406) indicated 'to continue family business' as one of the three important entrepreneurial ambitions. The other two ambitions namely 'to fulfill the ambitions of spouse/parents' and 'to gain social prestige' were not considered as the most important ones by a majority of the sample entrepreneurs.

In a similar recent study conducted by Rama Ramswamy (2010) on handloom entrepreneurs in Thenzawl cluster, Mizoram, it was found that the ambitions which influenced the entrepreneurs in starting the business were: to earn a livelihood, to make money, to gain independent living, in that order. In this study also the ambitions namely 'to fulfill the desire of parents or spouse' and 'to gain social prestige' were not significant ambitions.

Table 5.1

Entrepreneurs' Ambitions Leading to their Present Venture							
	Ambitions	Entrepreneurs' ranking of the ambition					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	To continue family business	98	106	60	566	23.2	3
2	To make money	240	123	29	995	40.8	1
3	To secure self-employment	53	155	169	638	26.2	2
4	To fulfill the ambitions of spouse/parents	13	16	117	188	7.7	4
5	To gain social prestige	2	6	31	49	2.0	5
6	Any other ambitions (Please specify)	-	-	-	-	-	
	Total	406	406	406	2436	100.0	

Source: Field survey

5.3 COMPELLING REASONS

It is not untrue that several people take up a particular kind of employment or business, not that they desire it so, but purely out of compulsion (Sujata Mukherjee, 2010). Venturing into entrepreneurship to generate income is increasingly being adopted by poor people as a livelihood strategy. Many studies have illustrated how poor people have utilised their entrepreneurial skills to become economically independent and provided economic support to the family through entrepreneurship (Morrison et al. 1987). In some cases it is the compulsion rather than the ambition that leads a person into entrepreneurship. Sometimes the ambition of the entrepreneur at the initial stage may be in contradiction with the opportunities. In that case the destiny is shaped by the compulsion of the situations. Sometimes one may be thrown out of the present job and he is forced to pursue a different occupations. There are cases of people trying their level best to seek petty employment position and as a matter of last resort becoming a petty trader and ultimately entering entrepreneurial activities on a disproportionate scale and expand the business thereby providing employment to other people. That is the importance of the element of compulsion in one's life. It is, therefore, worth to examine the reasons that might have compelled the entrepreneurs to put them on the road to entrepreneurship (Gangadhara Rao N, 1986).

The compelling factors of the entrepreneurs under the present study are shown in **Table 5.2**. They are unemployment, dissatisfaction with the job so far held/occupation so far pursued, to make use of idle funds, to make use of technical and professional skills and lack of alternative career opportunities. It can be seen from the table that the most important reason that have compelled the sample entrepreneurs into entrepreneurial career was unemployment (28.8 per cent of rating). Almost 80 per cent of the entrepreneurs (324 out of 406) mentioned unemployment either as the first, second or third compelling reason. As shown in the table, 144 of them ranked it as number one compelling reason, 89 of them as number two reason and 91 of them as number three reason. The problem of

unemployment has becoming a big issue in the state of Mizoram. Statistics revealed that there were large numbers of registered job seekers in Mizoram (*see Table 4.1 of chapter 4*). Various factors have caused this problem. There is enormous increase in the population every year. Besides this, every year hundreds of young graduates are produced from colleges and universities who are seeking jobs. Although Mizoram ranked second in literacy in the country (as per the 2001 census), many educated youths in the state are jobless. This is mainly because of low industrialisation in the state. The service sector that has been a major growth driver in the Indian economy has not developed sufficiently in the State, although its contribution to the state GDP at factor cost was **58.52 per cent in 2009-10** (Statistical Handbook Mizoram, 2010).

Another compelling reason ranked second by the entrepreneurs is dissatisfaction with the job so far held (27.1 per cent of rating). Here the line of demarcation between number one compelling reason and number two compelling reason is very small. Many of them have turned to entrepreneurship because they were dissatisfied with their previous job and they feel that their aspirations were more than what normally jobs provide for. And they also feel that their abilities were certainly more than what the job requires. May be they want to capitalise their extra capabilities by starting their own enterprises. Agriculturists and business persons also might have realised that entrepreneurship is a gainful proposition. This may be the reason why dissatisfaction with the job so far held is ranked second in the list of compelling reasons. In another study undertaken by S. Ashok Kumar (1990), among the compelling factors, dissatisfaction with the previous job was one of the most significant compelling factors that made the respondents to become entrepreneurs. In her study conducted by Rama Ramswamy (2010) on micro entrepreneurs in Thenzawl handloom cluster, Mizoram, the overall rating assigned to the compelling reasons suggests that the sample entrepreneurs were compelled to enter industry to make use of idle funds, followed by unemployment, diversification of economic interest and dissatisfaction with the previous job. As in the present study, in the

study conducted by Rama Ramswamy, unemployment was considered as an important compelling factor affecting the entrepreneurs' choice of their business.

The third compelling reason is making use of technical and professional skill (20.4 per cent of rating). To make use of idle fund is ranked fourth (16.5 per cent of rating). Lack of alternative career opportunities is ranked fifth in the list of compelling reasons (6.3 per cent of rating). Every job has a requirement of formal qualification. Thus, for persons with no or little formal education, self-employment or entrepreneurship may be the only possible career prospect. In other cases, it may not be lack of employment but non-suitability or unattractiveness that may lead people to pursue a career in entrepreneurship.

It is interesting to note that all the 406 entrepreneurs have responded that the questions relating to the entrepreneurial ambitions and compulsions. However, as rightly pointed out by Gangadhara Rao N (1986), it is difficult to draw a demarcating line between ambition and compelling reasons. What is an ambition for some entrepreneurs may be a compelling reason for some other entrepreneurs. It is the attitude of the entrepreneur that makes the difference. For example, making use of idle funds may be an ambition for one entrepreneur whereas a different entrepreneur may take it as a compulsion.

Table 5.2

Compelling Reasons for Becoming an Entrepreneur							
	Compelling reasons	Entrepreneurs' ranking of compelling reasons					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Unemployment	144	89	91	701	28.8	1
2	Dissatisfaction with the job so far held/occupation so far pursued	114	116	86	660	27.1	2
3	To make use of idle funds	48	81	97	403	16.5	4
4	To make use of technical and professional skills	70	96	96	498	20.4	3
5	Lack of alternative career opportunities	27	20	32	153	6.3	5
6	Any other reasons (Please specify)*	3	4	4	21	0.9	
	Total	406	406	406	2436	100.0	

* Includes loss of a previous job and change of ownership from parents

Source: Field survey

5.4 FACILITATING FACTORS

Ambitions or compulsions alone may not make a person an entrepreneur. The encouragements that the entrepreneurs get from his family members, his relatives and friends, the experience he has gained in the previous employment in the same or other line of activities, the skills or property acquired or inherited etc are also the factors which influence entrepreneurship. (Narasimha Murthy, 1989)

The material support from family members, relatives and friends and even from government agencies are not enough to make a person an entrepreneur. What is really needed is the moral support. Even if there is adequate material support, lack of moral support dampens the enthusiasm of the entrepreneur. On the other hand, moral support from family members and relatives inspires, builds the confidence and makes the entrepreneurs prepare to face the challenges even if there is less material support (Murali Krishna S, 2007).

It is in this context, an attempt is made to identify the factors which facilitate the emergence of entrepreneurship in the present study. The facilitating factors as shown in **Table 5.3** are success stories of entrepreneurs, previous employment in the same line or other line of activity, property inherited, property acquired, property belonging to spouse, advice or encouragement of family members and advice or encouragement of relatives and friends. Success stories of entrepreneurs was ranked first of all facilitating factors (33.2 per cent of rating). This shows that the success of others in business can have an inspirational effect on potential entrepreneurs. The influence of success stories of entrepreneurs has been recognised as an important factor which facilitates entrepreneurship. The success stories of entrepreneurs not only generate entrepreneurship but also improve the quality. Hence, there is a need to emphasise such stories in school curriculum, and even in newspapers. Indian school curriculum is known for the inclusion of few lessons on political leaders and social reformers. Success stories in business are conspicuous by their non-inclusion (Gangadhara Rao N, 1986). Being a close-knit society, in Mizoram people in

general depend on informal sources of communication for sharing information and the news events. Even today people remember and often discuss the success stories of Mizo business people such as Mr Pachhunga, Mr Hrangbana, Mr Buangthanga. Such business people run their retail and wholesale business houses under severe constraints like lack of transportation facility, lack of financial support from banks and lack of government support. The first generation of entrepreneurs in Mizoram had conducted their business activities not only for profit but also with a social objective. They had to face a struggle even to buy certain essential products like common salt by travelling to nearby places namely Burma (now Myanmar) and Silchar (Assam). Pachhunga and Hrangbana were mainly responsible for establishment of colleges in the state. For example, Aijal College which was established in 1958 was renamed as Pachhunga University College. Similarly Hrangbana started a college in 1984 which is known as Hrangbana College.

Despite the development of transportation, telecommunication and information technology in Mizoram in recent years, the state is still considered as an isolated remote state of India's North East. Though Mizoram is one of few states in the country with high rate of literacy, common people are not very much aware of the national developments. Only highly educated people are aware of the national events and issues. Even today the local newspapers and local channels do not cover the national events. Rarely the local newspapers and the local channels cover business news. Therefore, there is no possibility of getting successful entrepreneurial stories. However, it is heartening to note that many national newspapers, national magazines and journals are gaining more circulation especially in Aizawl. The young generation has more access to the internet. Direct To Home (DTH) technology has enable the people to get all kinds of news and knowledge channels. Even the local channels have started telecasting business news, interviews and discussions with the local business people. However, the local media has a long way to play a proactive role in popularising the business news and in cultivating investment attitude among the people.

Previous employment in business is ranked second by the entrepreneurs of the study (22.9 per cent of rating). This implies that the entrepreneurs gained self confidence out of previous employment or experience. It is better to get training instead of straight away setting up an enterprise. Such experience instills confidence among the youths and serves as the nursery for the building enterprises, and accelerates the process of generation of entrepreneurship (Narasimha Murthy, 1989). As the sample entrepreneurs were engaged in those businesses such as carpentry, steel/metal making, handlooms, tailoring and printing which require a high degree of technical skills, it is but natural to acquire these skills in previous employment before starting their own enterprise.

The third facilitating factor was advice or encouragement of family members (16.7 per cent of rating). Family members may have different roles to play in making decisions within the family. A supportive family is the bedrock upon which lives and careers are built and this may not be more true anywhere than in entrepreneurship. In cases where the decision of the individual to enter entrepreneurial activity is in conformity with the established family tradition, normally one may not face any resistance. However, in the case of first generation entrepreneurs, it is natural that there may be some resistance because of their non conforming behaviour even as, in fact, they might be in greater need of the support of family. The problem is even more severe for women desirous of a career in entrepreneurship. In fact, what to talk of decision of setting up business, even an expression of the desire for participation in existing business by women is overlooked, if not resisted even within the business families. But over the years things have to be changing for the good. Increasingly the parents are taking an open view on the aspirations of their children and departures from the traditions are taken not as non conforming behaviour. Family is a source not only of the first social approval of entrepreneurial identity but also a great source be it investment money, security of subsistence and so on. Hence, family support could be an important facilitator for setting up business (Juyal and Singh, 2009). Women in Mizoram constitute almost 49 per cent of the total population with almost 43.7 per cent of

total female population working according to the 2001 census. Majority of the population are engaged in informal sector and are therefore subjected to the discrepancies, which exist in the labour market. Traditional handicrafts like weaving and bamboo works occupy a prominent place next to agriculture. In Mizoram, the impact of the developmental activities on women during post-independence period is significant. The role and status of women in Mizoram has undergone notable changes with improvement in literacy and awareness that comes along with development and change in social and economic life. The 2001 census revealed that work participation in Mizoram is much higher than India. The total work participation in Mizoram is 52.6 per cent as against 39.1 per cent in India. The female work participation rate is also 43.7 per cent as against 31.59 per cent in India during the same period (Lalhriatpuii, 2007). Like in other parts of the country, women play an active role in managing small businesses in Mizoram. It can be observed that many businesses are being run by women entrepreneurs. However, in the present study out of 406 sample entrepreneurs, only 23.6 per cent were found to be women. This may be due to the fact that in businesses such as carpentry,, steel making and printing technology men have natural advantage because these kinds of businesses require physical stamina. During the course of field study, the researches has observed that in case of many sample business enterprises the entrepreneurs family members were also involved in running the business.

Property inherited (9.6 per cent of rating) and property acquired (9.4 per cent of rating) were rated more or less equally sharing fourth and fifth ranks respectively. The influence of advice or encouragement of relatives and friends (4.9 per cent of rating) and property belonging to spouse (3.3 per cent of rating) in facilitating entrepreneurship were negligible. This implies that the entrepreneurs' dependence on the advice of relatives and friends, and the property belonging to wife are inconsiderable.

Table 5.3

Factors Facilitating Entrepreneurship							
	Facilitating factors	Entrepreneurs' ranking of facilitating factors					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Success stories of entrepreneurs	177	103	63	800	33.2	1
2	Previous employment in the same line or other line of activity	87	110	71	552	22.9	2
3	Property inherited	20	41	90	232	9.6	4
4	Property acquired	22	34	92	226	9.4	5
5	Property belonging to spouse	16	11	10	80	3.3	7
6	Advice or encouragement of family members	66	77	51	403	16.7	3
7	Advice or encouragement of relatives and friends	18	24	15	117	4.9	6
8	Any other reasons (Please specify)	-	-	-	-	-	
9	No. of entrepreneurs not responded	-	6	14	-	-	
	Total	406	406	406	2410	100.0	

Source: Field survey

A similar study (Rama Ramaswamy, 2010) conducted in Mizoram found that the factors facilitating entry into entrepreneurship were: previous experience in weaving, property inherited/acquired, encouragement of family members/relatives/friends, success stories of entrepreneurs in that order. These findings are similar to that of the present study as far as previous business experience and the role of family members.

5.5 ENTREPRENEURS' ADVISERS

In this section an attempt has been made to present the factors that shaped the individual's desire for a career in entrepreneurship. It was here relied on the schedule administered and direct personal interview with 406 entrepreneurs. The responses of the entrepreneurs were given in [Table 5.4](#). It can be seen from the table that the highest proportion of the entrepreneurs considered themselves to be their own adviser (41.5 per cent of rating). This means that they were self motivated entrepreneurs. The high proportion of self developed entrepreneurs is an indication of the resourcefulness of the entrepreneurs. According to Narasimha Murthy (1989) it is this class of entrepreneurs that are needed most.

Family members was ranked second (29.7 per cent of rating). Almost one-third of the entrepreneurs considered their family members as a source of motivation. Family members as an adviser indicated the encouragement and inspiration received from them at the time of starting their business. The influence of relatives was ranked third (20.3 per cent of rating). The fourth rank was advice by government agencies (4.7 per cent of rating). Government agencies and officers who are involved in the development of entrepreneurship were always making promises that the entrepreneurs would be given material and financial assistance. The government agencies or departments from whom the material assistance is received in the shape of loan or subsidy are not considered by the entrepreneurs as motivator. This makes it clear that only material assistance does not lead to the emergence of entrepreneurship. So as to induce motivation entrepreneurs need more than material

Table 5.4

Who Advised Entrepreneurs to Start Business							
	Advisers	Entrepreneurs' ranking of motivating factors					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	His own idea	274	80	20	1002	41.5	1
2	Family members	78	210	63	717	29.7	2
3	Relatives	31	75	247	490	20.3	3
4	Friends	9	13	39	92	3.8	5
5	Government agencies	14	20	32	114	4.7	4
6	Other factors (please specify)	-	-	-	-	-	
7	No. of entrepreneurs not responded	-	8	5	-	-	
	Total	406	406	406	2415	100.0	

Source: Field survey

assistance. The fifth rank was advice of friends (3.8 per cent of rating). The role of friends as motivator of entrepreneurship was inconsiderable.

5.6 ENTREPRENEURS' REASONS FOR SELECTING THEIR LINES OF BUSINESS

In this section, the entrepreneurs' reasons for choosing the particular line of activities are discussed. The reasons thereof are different depending upon the entrepreneurs. For prospective entrepreneurs selection of business line is not an easy task. However, the success of business depends on the decision of the entrepreneur. The resourcefulness of an entrepreneur is put to test in such selection. No other decision may be important as this. The decision as to selection of business line, choice of suitable location of business and determination of the size of business are closely inter related. In such a situation, for making decision the guidance of expertise professionals is required. In case of small business it is not possible to trace back mistake which is committed once, since small entrepreneurs can least afford to experiment on alternative ideas or plans (Gangadhara Rao N, 1986).

It is revealed from **Table 5.5** that out of the various reasons for choosing different lines of entrepreneurial activities in which they were found presently in Aizawl district of Mizoram, easy to enter was ranked as number one reason (30.4 per cent of rating). The second reason given by the entrepreneurs was high profit margin (28.5 per cent of rating). This means that the entrepreneurs were tempted by high profit expectation. The third reason is previous experience in the same line or other line of activity (11.2 per cent of rating). No difficulty in securing know how which was ranked fourth and rated 10.6 per cent. Entrepreneurs were not getting tempted by the existence of similar business in the neighbourhood as it was ranked number eighth. The reason lack of competition which influenced the choice of business line was ranked fifth. Other reasons include advice of family members, relatives and friends, to continue family business. 'Other reasons' was ranked number seventh reason.

Table 5.5

Entrepreneurs' Reasons for Selecting their Line of Business							
	Reasons	Entrepreneurs' ranking of reasons					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Easy to enter	154	114	43	733	30.4	1
2	High margin of profits	138	122	31	689	28.5	2
3	Previous employment in the same line or other lines of activity	34	51	66	270	11.2	3
4	No competition	15	34	102	215	8.9	5
5	No difficulty in securing know how	26	49	79	255	10.6	4
6	Related to the profession or occupations pursued so far	20	17	54	148	6.1	6
7	Existence of similar business in the neighbourhood	6	7	17	49	2.0	8
8	Any other reasons (Please specify)*	13	7	3	56	2.3	7
9	No. of entrepreneurs not responded	-	5	11	-	-	
	Total	406	406	406	2415	100.0	

* Other reasons include advice of family members, relatives and friends, to continue family business.

Source : Field survey.

5.7 ENTREPRENEURS' CHOICE OF LOCATION OF BUSINESS

Several considerations influence the entrepreneurs in choosing a particular location to establish their business. They include availability of raw materials, infrastructure and labour, nearness to markets, nearness to home place and existence of similar businesses. During the initial stage of business due to limited capital resources, poor information networks and lack of supporting conditions, entrepreneurs tended to set up their business either at or near their home places. With the expansion in their size and increase in their resources, experience, information flows etc., the entrepreneurs become more mobile and shifted their business to different locations. When the entrepreneurs become, in due course of time, highly resourceful, greater degree of mobility occurs even cutting across the state and national boundaries (Narasimha Murthy, 1989).

Table 5.6 bears data on entrepreneurs' considerations for selecting location of their business. It was revealed from the table that nearness to markets has been considered the most important factor for locating business in the area (23.5 per cent of rating). Advice of family members, relatives and friends ranked second important consideration in determining the location of business (21.8 per cent of rating). Nearness to home place has been considered to be the third important consideration for selecting the location of their business (19.2 per cent of rating). In this case, many of the entrepreneurs told that they have selected their business to be located near the place of residence as to avoid waste of time in coming and going to the enterprise. The fourth rank is nearness to raw materials (16.5 per cent of rating). This implies that availability of raw materials has not been a very important influencing factor affecting entrepreneurs' choice of location of the enterprise. Good transport facilities and existence of similar businesses in the neighbourhood are less important in selection of places for entrepreneurial activities.

The study conducted by Rama Ramaswamy (2010) in Thenzawl, Mizoram, found that the factors which induced entrepreneurs in selection of their location for setting

Table 5.6

Entrepreneurs' Reasons Affecting the Choice of Business Location							
	Reasons	Entrepreneurs' ranking of reasons					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Advice of family members/relatives/friends	128	48	52	532	21.8	2
2	Nearness to raw materials	62	83	50	402	16.5	4
3	Nearness to markets	79	132	71	572	23.5	1
4	Existence of similar units in the neighborhood	16	44	58	194	8.0	6
5	Good transport facilities	19	60	66	243	10.0	5
6	Nearness to home place	96	37	106	468	19.2	3
7	Any other reasons (Please specify)*	6	2	3	25	1.0	7
	Total	406	406	406	2436	100.0	

* Includes own building, non availability of building on rent.

Source: Field survey.

up enterprise are: availability of labourers, nearness to native place, existence of similar units in the cluster, availability of raw materials and so on in that order. These findings are similar in the present study in respect of nearness to home place, nearness to raw materials and good transport facilities.

It can be concluded that almost all the businesses run by the sample entrepreneurs rely heavily on advance orders received from the customers. Businesses such as wooden, tailoring, steel/metal, printing and repairs should be established closer to the customers in order to gain competitive advantage. Therefore, the sample entrepreneurs considered the nearness to markets as the number one factor influencing their choice of location.

5.8 ENTREPRENEURS' COMMITMENT TO THE ENTERPRISES

The entrepreneurs' commitment to the enterprise is measured in terms of time devoted by the entrepreneur himself. The time devoted by the entrepreneurs indicates the degree of attachment to the enterprise, and this determines his or her success. Here the entrepreneur's time is defined as 9:00 A.M to 5:00 P.M on every day except Sundays. It is a common practice in Mizoram to close all the shops and business establishments on Sundays in order to facilitate the native Mizo people to attend church services. The average time devoted by the entrepreneurs is shown in **Table 5.7.**

It is seen that 50.2 per cent of the entrepreneurs devoted 75-100 per cent of their time, 35 per cent devoted 50-75 per cent and the remaining 14.8 per cent not more than half of their time in looking after their enterprises.

The largest proportion of entrepreneurs devoting their maximum time of 75-100 per cent was found to be in printing/publication (57.9 per cent), followed by handlooms (52.9 per cent), repair services (52.2 per cent), tailoring (50.7 per cent), and steel/metal (50.6 per cent). In wooden and food processing, less than half of the

entrepreneurs spend their maximum time of 75-100 per cent of their time in looking after their enterprises.

In a study (Rama Ramswamy, 2010) conducted on micro-entrepreneurs in Thenzawl handloom cluster in Mizoram, it was found that over 70 per cent of them devoted more than six hours in a day to their enterprise and about 24 per cent of them devoted more than 10 hours in a day to their enterprise. Only 7.22 per cent of the entrepreneurs spare 2-4 hours of time to their enterprise.

With regard to the involvement of family members in the enterprises, there were two types of enterprises – enterprises with no involvement of family members and those with some sort of involvement. The average time devoted by the family members of the entrepreneurs was given in [Table 5.8](#). It can be seen from the table that out of 406 enterprises studied, 72 enterprises (17.7 per cent) utilise the services of family members of the entrepreneurs in running the enterprise. Among the enterprises having some sort of family member's involvement, 47.2 per cent of them devote 75-100 per cent of their time; 23.6 per cent each devote 50-75 per cent and less than 25 per cent of their time. These family members were mostly involved in wooden and printing/publication.

The level of involvement of family members was low in the present study compared to the similar study conducted by Rama Ramswamy (2010). Her study found that the family members of the entrepreneurs in Thenzawl cluster actively participated in all the stages of the weaving process. Nearly 97 per cent of the weavers devote at least four hours of time a day for their enterprise.

Table 5.7

Entrepreneurs' Commitment to the Enterprises																	
	Average devoted time	Activities in which the entrepreneurs are engaged															
		Food processing		Wooden		Repair services		Steel/Metal		Printing/ Publication		Handlooms		Tailoring		Total	
	By the Entrepreneurs	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	Less than 25 %	6	30.0	4	3.6	10	14.5	-	-	-	-	2	5.9	2	2.9	24	5.9
2	25 - 50 %	2	10.0	15	13.6	-	-	9	10.6	-	-	2	5.9	8	11.6	36	8.9
3	50 - 75 %	4	20.0	38	34.5	23	33.3	33	38.8	8	42.1	12	35.3	24	34.8	142	35.0
4	75 - 100 %	8	40.0	53	48.2	36	52.2	43	50.6	11	57.9	18	52.9	35	50.7	204	50.2
5	Total	20	100.0	110	100.0	69	100.0	85	100.0	19	100.0	34	100.0	69	100.0	406	100.0

Source: Field Survey

Table 5.8

Entrepreneurs' Family Members Commitment to the Enterprises																	
	Average devoted time	Activities in which the entrepreneurs are engaged															
		Food processing		Wooden		Repair services		Steel/Metal		Printing/ Publication		Handlooms		Tailoring		Total	
	By Family members	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	Less than 25 %	4	80.0	3	14.3	1	10.0	4	22.2	2	18.2	2	40.0	1	50.0	17	23.6
2	25 - 50 %	1	20.0	-	-	2	20.0	-	-	-	-	1	20.0	-	-	4	5.6
3	50 - 75 %	-	-	4	19.0	4	40.0	6	33.3	3	27.3	-	-	-	-	17	23.6
4	75 - 100 %	-	-	14	66.7	3	30.0	8	44.4	6	54.5	2	40.0	1	50.0	34	47.2
5	Total	5	100.0	21	100.0	10	100.0	18	100.0	11	100.0	5	100.0	2	100.0	72	100.0

Source: Field Survey

5.9 ASPIRATIONS ABOUT THEIR CHILDREN

It may also be prudent to examine whether the entrepreneurs under study were interested in developing their children as entrepreneurs in future. The entrepreneurs' willingness to make their children to be as entrepreneurs is shown in [Table 5.9](#). It was found that 36.2 per cent of the entrepreneurs wanted their children to follow their footstep, another 34.7 per cent of them do not want their children to be entrepreneur and the remaining 29.1 per cent cannot decide. But it can be seen that the level of entrepreneurs' desire was not very high that slightly more than one-third of the entrepreneurs wanted their children to follow their footstep. 44.9 per cent of entrepreneurs engaged in tailoring, followed by handlooms (44.1 per cent), printing/publication (42.1 per cent), food processing (40 per cent) and steel/metal (35.3 per cent) wanted their children to become entrepreneur. Among the entrepreneurs who were engaged in wooden, 35.5 per cent of them do not like their children to become entrepreneur while 32.7 per cent wanted their children to become entrepreneur and the rest 31.8 per cent cannot decide. In case of repair service also 39.1 per cent of the entrepreneurs do not like their children to be entrepreneurs and 27.5 per cent of them wanted to be entrepreneurs. These entrepreneurs expressed their wish to the researcher that their children should go for higher education and seek for white collar jobs. But this does not mean that all of them are going to disband their activities. The enterprises under this study were of small size and the number of members in the family was not small. As discussed earlier (*see Table 4.11 in chapter 4*), 50 per cent of families of the entrepreneurs under this study were with family members six or more. Such small enterprises cannot accommodate all the family members. It may also be the wish of the parents with two or more children to handover the business enterprise to one of them and to settle other children otherwise. The other possible reasons for less positive attitude may be due to fear of failure, risk involved, competition etc. Some of the entrepreneurs who cannot decide for their children expressed that it is the fate of their children to decide their future when they grow up. Interestingly, in a similar study (Rama Ramswamy, 2010) conducted on handloom weavers in Mizoram, only

Table 5.9

Do You Want Your Children to Become Entrepreneurs: Enterprise-wise Distribution																	
	Entrepreneurs' desire	Activities in which the entrepreneurs are engaged															
		Food processing		Wooden		Repair services		Steel/Metal		Printing/ Publication		Handlooms		Tailoring		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1	Yes	8	40.0	36	32.7	19	27.5	30	35.3	8	42.1	15	44.1	31	44.9	147	36.2
2	No	6	30.0	39	35.5	27	39.1	24	28.2	6	31.6	13	38.2	26	37.7	141	34.7
3	Can't say	6	30.0	35	31.8	23	33.3	31	36.5	5	26.3	6	17.6	12	17.4	118	29.1
4	Total	20	100.0	110	100.0	69	100.0	85	100.0	19	100.0	34	100.0	69	100.0	406	100.0

Source: Field survey

about 16 per cent of the entrepreneurs would like their children to become entrepreneurs in the same business whereas about 80 per cent of the entrepreneurs do not want their children to become entrepreneurs in the handloom industry. However as discussed earlier, 36.2 per cent of the entrepreneurs in the present study wanted their children to follow their footsteps.

5.10 CONCLUSION

We can understand from the above discussion that ambitions alone are not enough for entrepreneurship to emerge. They are to be transformed into reality and entrepreneurs have to work in order to materialise these ambitions. This requires a positive outlook, encouragement, determination, willingness and drive apart from capital and other infrastructural prerequisites. Factors like previous experience in the same line of activity, availability of funds, encouragement from family members, relatives and friends and others, getting hold of a new idea, possibility of marketing, help from financial institutions and government agencies etc. are some of the factors that influence entrepreneurial decision.

The most important ambition that have led the entrepreneurs to start entrepreneurial venture was to make money. The most important reason to have compelled them to go into entrepreneurship was unemployment. It was further found that among the factors which facilitate the emergence of entrepreneurship, success stories of entrepreneurship was most significant. The prime motive for selecting their lines of business was easy to enter. Nearness to market was the prime consideration for selecting location of their business. 85 per cent of the entrepreneurs devote at least 50 per cent of their time in managing their enterprises. This suggests that the entrepreneurs were committed and hard working in looking after their business. However, only about one-third of the entrepreneurs under this study wanted their children to seek a career in the field of entrepreneurship. This finding shows the perceived hardship experienced by the entrepreneurs in running their business.

NOTES

¹ For Example, R.A. Sharma (1980): *Entrepreneurial Change in Indian Industry*, Sterling Publishers, New Delhi; P.N. Sharma (1987): *Development Banks and the New Entrepreneurship in India*, National Publishing House, New Delhi; N. Gangdhara Rao (1986): *Entrepreneurship and Growth of Enterprise in Industrial Estate*, Deep & Deep Publication, New Delhi; B.E.V.V Narasimha Murthy (1989) : *Entrepreneurship in Small Towns*, Mittal Publication, New Delhi; S. Murali Krishna (2007) : *Entrepreneurship in Small Scale Industries*, Discovery Publishing House, New Delhi.

²SIET Hyderabad is now renamed as the National Institute for Micro, Small and Medium Enterprises (NIMSME), which is an organ of Ministry of Micro, Small and Medium Enterprises, Government of India.

³ Data relating to compelling reasons of the entrepreneurs to enter business, facilitating factors of the entrepreneurs, factors motivating entrepreneurs, entrepreneurs reason for selecting their lines of business, entrepreneurs choice of location of business, were also elicited and evaluated similarly in the ensuing sections of this chapter.

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CHAPTER – 6

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CHAPTER - 6

PROBLEMS FACED BY ENTREPRENEURS

This chapter deals with the various problems faced by the sample entrepreneurs in the course of starting and managing their respective enterprises. And this chapter studies the problems relating to marketing, raw materials, power supply, labour, finance and internal management. The focus of the analysis is based on the primary data collected from the sample entrepreneurs of Aizawl district, Mizoram. During the field survey it was observed that the entrepreneurs were suffering from several problems that obstructed the growth of their enterprises which were discussed in this chapter.

6.1 INTRODUCTION

The entrepreneurship process consists of constant search for alternatives, certain amount of risk taking, perseverance and attempts to identify and utilise opportunities for economic betterment. In fact, from the moment the entrepreneur conceives the idea of starting his own business he has to work hard against heavy odds. The problems of business whether small, medium or large, are more or less similar in nature but vary in their scope. The large sector can influence to some extent its suppliers of raw materials, its customers and even sometimes the government in framing the policies. On the other hand, the small and medium sectors have many limitations as compared to the large sector in facing different problems. Majority of functions have to be performed by the owners themselves due to limitations of resources (Sivaloganathan, 2004).

The variations in the growth of enterprises may be due to various problems faced by the enterprises from time to time. The problems faced by the entrepreneurs may be different from place to place and between one occupation to another. Even within the same occupation, the problems may be different from enterprise to enterprise and also from entrepreneur to entrepreneur. In fact, the efficiency of the

entrepreneurs is measured by his efficiency in handling the problems. The various problems faced by the entrepreneurs may be relating to raw materials, marketing, power supply, labour, finance, technical, managerial and government policy. All these problems in due course affect the overall performance of the business. If the problems have their reflections on the performance, the performance gives an idea of the magnitude of the problems. The better the performance, the fewer may be the problems. In other words, the greater the problems, the greater the non-performance of enterprises leading to lesser growth in terms of investment, employment etc (Gangadhara Rao N, 1986).

Every country desire to attain economic growth within the shortest possible time, but in the process, they were seriously handicapped by the rigid institutional set up, political instability, market imperfection, traditional value system etc (Chanambam, 2006). The problems of the entrepreneurs in managing the enterprises can be broadly divided into two major groups: internal and external. Internal problems are those which are not influenced by external forces, mainly crop up from within the **enterprise** and can be controlled internally. External problems, on the other hand, are those which are the outcome of external factors and are beyond the particular unit. The non-availability or scarcity of power, communication problems and other infrastructure bottleneck etc. are examples of external problems while problems relating to organisational structure, production, distribution, management, training etc are internal problems (Desai, 2006). The North East states of India are quite different from the rest of the country due to their socioeconomic, geographical and cultural diversities. Similarly, the problems faced by the industrial sector in this area are also different from their counterparts in the other parts of the country. The **industrial** sector in this region suffers from a number of innate constraints like entrepreneurial, geographical, financial, social, political and infrastructures. The development of **small and medium enterprises** in the **NER** is lagging far behind the other regions of India. In spite of the huge potential for different types of resources based industries, the process of industrialisation is very slow because of the unique

geographical location, inadequate infrastructure, worried investment climate, lack of entrepreneurial skill, remoteness of market etc (Ram K. Vepa, 1988).

Due to the steep slopes of the hills in the NER, road transport and railways are not well developed. The region also suffers from lack of sufficient plain areas to be used for industrial purpose. The ethnic feeling is also very strong especially in Mizoram and Nagaland which retards the industrial growth. Because of the ethnic reason the political economy does not permit free movement of potential investors and skilled manpower from other parts of the country. There is a tendency among the tribal people to get rich quickly. This mental attitude unfavorably affects their courage to take risk in setting up industrial enterprises. The investment environment in this region is also insecure because of the insurgency and terrorism prevailing in the entire NER. Frequent racial clashes, extortion of money by the insurgent groups etc. create an insecure investment environment which discourages the national and multinational companies in investing in the region and ultimately go against the interest of the industrial development (Lingaiah, 1998).

The limitations and constraints which hinder the growth of **micro and small enterprises** at the national level are more or less equally applicable to the problems of this sector in the NER. The **enterprises** which are run by an individual or a few partners usually suffer from some innate deficiencies like poor capital base, lack of proper technical know how, weak bargaining power, poor marketing capacity of products etc (Deb, 1993). Given the poor performance of the primary sector in Mizoram in accelerating economic growth, it is necessary to establish linkages among different sectors of the economy to boost the overall progress of the region. Though the geographical location, unique hilly landscape combined with infrastructural bottlenecks and other constraints rule out the viability of major industries in the region in general and Mizoram in particular. The linkages can only be established by the development of **micro and small enterprises** in the region to create income opportunities and employment generation (Laskar, 2010).

6.2 MAJOR PROBLEMS FACED BY THE ENTREPRENEURS

The analysis of the problems faced by the enterprises was taken up with a view to evaluate the entrepreneurship on the basis of their magnitude and the intensity. Here, the self assessment of the problems faced by the entrepreneurs themselves was sought. They were asked about the problems which were faced by **them** as regards marketing, raw materials, power, labour, finance and internal management of the business. The entrepreneurs were asked to mark out the major problems faced by them. They were further asked to specify the nature of particular problems. For example, if the problem faced was relating to marketing, the entrepreneurs were asked to clearly specify whether it is a problem of competition from other small units, competition from large units, slackness in demand, lack of advertising efforts, transport problems or any other problems. In the same way, the enquiry into other major problems is also made.

It is evident from **Table 6.1** that while 89.65 per cent (364 out of 406) were facing the problem of marketing, 10.34 per cent (42 out of 406) were reported not facing the problem. Among the enterprises facing the problems of marketing, the biggest proportion belonged to wooden. On the other hand, among the enterprises not facing the problems of marketing, one-third of them (14 out of 42) were from steel/metal, followed by printing/publication and handlooms.

With regard to the problem of raw materials, 59.3 per cent of the enterprises (241 out of 406) were facing the problem. The remaining 40.6 per cent (165 out of 406) were not facing the problems. Furthermore, enterprises facing the problems of raw materials among repair services was nil. There were also another three types of enterprises (other than repair services) where the number of enterprises not facing the problem dominated the enterprises facing the problems, namely food processing, printing/publication and tailoring.

It is also evident from the table that 94.5 per cent (384 out of 406) of the enterprises were facing the problem of power. Moreover, all the enterprises both in food processing and steel/metal were reported to be facing the problem of power. This indicates that power problem is one of the biggest problems faced by the enterprises of the present study. Only 5.4 per cent (22 out of 406) enterprises were reported that they do not have problem of power.

Coming to the problem relating to labour, the number of enterprises facing the problem of labour was less than the number of enterprises not facing the problems of labour, except in handlooms. In case of handlooms, it exhibits a contrasting feature. Going by the whole picture, 45.8 per cent (186 out of 406) of the enterprises were facing the problems of labour and 54.1 per cent (220 out of 406) of them were not facing the problems of labour.

Out of the total 406 enterprises, 84.4 per cent (343 enterprises) of them were facing the problem of finance, only 15.5 per cent (63 out of 406) were reported of not facing the problem of finance. As regards the problem of finance, number of enterprises facing the problem was more than five times the number of enterprises not facing the problem.

With respect to the problems relating to the internal management, 39.1 per cent (159 out of 406) were facing the problems of internal management, while 60.8 per cent (247 out of 406) of them were not facing any problems of internal management. This indicates that the problem of internal management was not a big problem compared with the problems for micro enterprises in the present study.

Table 6.1

Major Problems Faced by the Enterprises: Enterprise-wise Distribution													
	Types of business	Problems											
		Marketing		Raw materials		Power		Labour		Finance		Internal management	
		FP	NFP	FP	NFP	FP	NFP	FP	NFP	FP	NFP	FP	NFP
1	Food processing	17 (4.7)	3 (7.1)	9 (3.7)	11 (6.7)	20 (5.2)	-	8 (4.3)	12 (5.5)	17 (5.0)	3 (4.8)	8 (5.0)	12 (4.9)
2	Wooden	105 (28.8)	5 (11.9)	95 (39.4)	15 (9.1)	107 (27.9)	3 (13.6)	48 (25.8)	62 (28.2)	99 (28.9)	11 (17.5)	48 (30.2)	62 (25.1)
3	Repair services	67 (18.4)	2 (4.8)	-	69 (41.8)	65 (16.9)	4 (18.2)	32 (17.2)	37 (16.8)	62 (18.1)	7 (11.1)	28 (17.6)	41 (16.6)
4	Steel/Metal	71 (19.5)	14 (33.3)	69 (28.6)	16 (9.7)	85 (22.1)	-	38 (20.4)	47 (21.4)	69 (20.1)	16 (25.4)	34 (21.4)	51 (20.6)
5	Printing/Publication	11 (3.0)	8 (19.0)	9 (3.7)	10 (6.1)	16 (4.2)	3 (13.6)	7 (3.8)	12 (5.5)	15 (4.4)	4 (6.3)	6 (3.8)	13 (5.3)
6	Handlooms	28 (7.7)	6 (14.3)	27 (11.2)	7 (4.2)	30 (7.8)	4 (18.2)	21 (11.3)	13 (5.9)	25 (7.3)	9 (14.3)	12 (7.5)	22 (8.9)
7	Tailoring	65 (17.9)	4 (9.5)	32 (13.3)	37 (22.4)	61 (15.9)	8 (36.4)	32 (17.2)	37 (16.8)	56 (16.3)	13 (20.6)	23 (14.5)	46 (18.6)
	Total	364 (100.0)	42 (100.0)	241 (100.0)	165 (100.0)	384 (100.0)	22 (100.0)	186 (100.0)	220 (100.0)	343 (100.0)	63 (100.0)	159 (100.0)	247 (100.0)

Note : FP = No. of enterprises facing the problems; NFP = No. of enterprises not facing the problems

Figures in parentheses indicates percentage to the column

Source: Field survey.

6.3 MARKETING PROBLEMS

Market is the ultimate destination of all industrial concerns whether small or big. Marketing is a broad process of linking the gap between the producer and the consumer (Ahmed S.F, 1989). The role of marketing in accelerating industrial development lies in selling the goods and services produced by these units. The goods have no value for the manufacturing units unless these are sold (Khanka S.S, 1994). Effective marketing not only enables the entrepreneur to sell his products on profitable terms to the ultimate consumer or user but, prospective demand can also be generated among the potential customers by discovering and creating new needs for them. Moreover, marketing function determines the success of an enterprise. If there is no market for the items produced by the enterprise, the very existence of it will be threatened after a certain period. Hence, the need for proper management of marketing aspect is vital for the successful operation of an enterprise (Murali Krishna S, 2007).

Micro and small enterprise face a number of difficulties in marketing their products due to growing competition among themselves and also due to emergence of stiff competition from foreign goods in the era of liberalisation. It is due to weak financial base of the **small entrepreneurs** that they cannot afford to spend as heavily as the large enterprises on marketing their products. Because of the limited resources and lack of experience, **the entrepreneurs** cannot incur heavy selling costs on publicity, advertisement and other sales promotional measures. Moreover, market analysis is almost absent in the sector which leads to failure in marketing the products. Many problems which the **entrepreneurs** face in marketing their products related to lack of demand, poor quality and design, weak bargaining power, poor service to customers etc (Laskar, 2010).

The **entrepreneurs** of the study are facing increasing difficulties in marketing their products and generally are not utilising their production capacity to the fullest extent. Likewise, many of the customers are not satisfied with the products

produced by the enterprises due to poor quality, high cost, lack of standardisation etc. Several studies conducted in the past indicate that small entrepreneurs have not fully appreciated the importance of marketing, nor have they employed and implemented effective marketing techniques in their enterprises. Some recent studies have found that small entrepreneurs were yet to realise the importance of marketing and adopt modern marketing techniques. In fact, marketing is one of the major stumbling blocks for small entrepreneurs (Panda, 2003).

The small enterprises in Mizoram are not in a position to enjoy locational advantages in marketing their products as it is located in the north eastern corner of India. A long period of neglect and isolation from the rest of the country had its impact on the industrial development. While industries had their foothold in the country during pre-independence period and flourished after independence, Mizoram remained untouched by the process of development for a very long period of time. Remoteness of the state is another important impediment in industrial development. Being located at the remotest part of the country, away from the mainstream of trade and industry, inadequate economic and physical infrastructure, small size of market in the state etc, together put a strain to the local entrepreneurs to sell their products. The ability to produce is necessary but not sufficient condition for success. It is the market forces of demand and supply that guides and determines the fate of any enterprises (Reddy J and Prakash R, 1991).

The micro enterprises in the state of Mizoram lack synchronisation between production and marketing. Producers give much attention on production while marketing of products do not get due emphasis as they do not possess the necessary marketing skills. The state and central government agencies have adopted various schemes from time to time through institutional sources by providing marketing assistance to mitigate the problems faced by the enterprises. Notwithstanding the various schemes of assistance, the scenario with respect to micro enterprises in the state does not seem to have improved. Handloom and handicrafts are among the most important industrial activities in Mizoram. Mizoram has highly gifted skilled

handloom and handicraft artisans. The various handloom and handicraft products bear the testimony of both traditional and modern taste. These handloom and handicraft products of the state are facing stiff competition from the modern textile mill products. Traditional weaving products are cheap at the place of production but it becomes costlier in the hands of middlemen, which ultimately affects the market demand of these products. Moreover, due to high transportation cost and high wages etc. the cost of production in Mizoram is 10 – 12 per cent higher as compared to other plain areas. The small enterprises cannot afford to spend on marketing their products. They cannot resort to advertise in electronic and other media as it is beyond their capacity to afford costly publicity (Laskar, 2010).

Marketing efficiency is one of the most important factors for the success of an entrepreneur. Actually the entrepreneurs operating in Aizawl district mostly depend on the local market for disposing of their products. The state of Mizoram is not so well developed in infrastructure facilities like communication system, transport system etc. This acts as an impediment in the process of searching for new markets in different places. It may be difficult to survive for an entrepreneur who solely depends on the local market. In addition, the entrepreneurs of the present study do not have proper knowledge for exporting their products across the state, national and even the international boundaries. Against this background, an attempt is made to analyse the marketing problems faced by the entrepreneurs and different marketing problems faced by the sample entrepreneurs are shown in **Table 6.2**.

Table 6.2

Problems of Marketing							
	Problems	Entrepreneurs' ranking of marketing problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Competition from other micro enterprises	156	107	51	733	33.8	1
2	Competition from large enterprises	41	25	26	199	9.2	4
3	Slackness in demand	94	119	80	600	27.7	2
4	Lack of advertising efforts	48	82	98	406	18.7	3
5	Transport problems	17	26	90	193	8.9	5
6	Any other problems (Please specify)*	8	5	2	36	1.7	6
7	No. of entrepreneurs not responded	-	-	17	-	-	-
	Total	364	364	364	2167	100.0	

Note: 42 enterprises were reported not facing the problems of marketing

* Other problems include credit sales and poor debt recovery from customers

Source: Field survey

Table 6.2 depicts the various marketing problems being faced by 364 the sample respondent entrepreneurs. The remaining 42 entrepreneurs were excluded as they were not facing any marketing problem. On the whole, as seen in the table, the biggest problem faced by the entrepreneurs as regards marketing was competition from other **micro enterprises** (33.8 per cent of rating), followed by slackness in demand (27.7 per cent of rating) and lack of advertising efforts (18.7 per cent of rating). Competition from large enterprise was ranked fourth (9.2 per cent of rating) and transport problem was ranked fifth (8.9 per cent of rating).

For more than one-third (156 out of 364) of the enterprises facing the marketing problems, the number one problem was competition from other micro enterprises. In addition, 11.2 per cent (41 out of 364) of the enterprises stated that competition from large enterprises as number one problem. There were no joint stock companies in Mizoram which were registered as per the Companies Act 1956. Interestingly, there was no partnership business which was registered as per the Partnership Act 1932. Here large enterprises mean the enterprises which were relatively larger compared with the entrepreneur's own business. Slightly less than one-fourth of the entrepreneurs (94 out of 364) specified slackness in demand as the number one problem. Lack of advertising efforts was number one problem faced by 13.1 per cent (48 out of 364) of the enterprises. Only 4.6 per cent (17 out of 364) of the entrepreneurs cited transport problem as the number one problem.

Business-wise distribution of number one marketing problem is given in **Table 6.3**. It is clear from the table that although 11.5 per cent (42 out of 364) of the enterprises on the whole had no problem in marketing, no **business** group was free from marketing problems. Out of the enterprises not facing the problem of marketing, 14 were steel/metal, eight were printing/publication, six were handlooms and the remaining 14 belonged to either food processing or wooden or repair services or tailoring.

Table 6.3

Problems of Marketing: Number One Problem																		
	Types of business	Number one problem																
		Competition from other small units		Competition from large units		Slackness in demand		Lack of advertising efforts		Transport problems		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	12	7.7	1	2.4	1	1.1	1	2.1	2	11.8	-	-	17	4.7	3	7.1	20
2	Wooden	44	28.2	5	12.2	34	36.2	16	33.3	3	17.6	3	37.5	105	28.8	5	11.9	110
3	Repair services	34	21.8	2	4.9	18	19.1	11	22.9	2	11.8	-	-	67	18.4	2	4.8	69
4	Steel/Metal	20	12.8	9	22.0	19	20.2	13	27.1	8	47.1	2	25.0	71	19.5	14	33.3	85
5	Printing/Publication	2	1.3	3	7.3	4	4.3	2	4.2	-	0.0	-	-	11	3.0	8	19.0	19
6	Handlooms	12	7.7	2	4.9	6	6.4	3	6.3	2	11.8	3	37.5	28	7.7	6	14.3	34
7	Tailoring	32	20.5	19	46.3	12	12.8	2	4.2		0.0	-	-	65	17.9	4	9.5	69
	Total	156	100.0	41	100.0	94	100.0	48	100.0	17	100.0	8	100.0	364	100.0	42	100.0	406

Note: Figures in parentheses indicate percentage to the column

Source: Field survey

The proportion of the enterprises not facing any problem of marketing was high among printing/publication, handlooms and steel/metal. The respective proportions were 42.1 per cent (8 out of 19), 17.6 per cent (6 out of 34) and 16.4 per cent (14 out of 85). Hence, in comparison with other **businesses in the** group, printing/publication, handlooms and steel/metal were in an advantageous position in the area of marketing.

It can also be seen that competition from large enterprises was the most significant problem for tailoring business compared to other **businesses**. As mentioned earlier, majority of the marketing problems faced by the entrepreneurs of the present study was competition from other small enterprises which cut across all the **business** groups. However, competition from other small enterprises was not significant for printing/publication business. The small entrepreneurs need to acquire relevant marketing techniques and skills to attract the customer's loyalty. With a view to make up for the competition from big and other small enterprises, many of the entrepreneurs cited that government must come to their rescue by providing assistance, whether financial or marketing assistance. The state government can help the **micro and small entrepreneurs** by evolving a policy of placing order and buying goods and services exclusively from indigenous enterprises. For this purpose, it can reserve certain products/services to be purchased from small enterprises located in Mizoram.

The Mizoram market is flooded with a variety of packaged food products which are manufactured by Myanmar, Thailand, etc. The product information printed on the wrappers is usually in foreign languages. There should be an effective check on such unauthentic food products available in the market.

Slackness in demand was the most important problem suffered by wooden enterprises. It was also the most serious problems for those businesses involved in steel/metal and repair services, but not a big problem for food processing, printing/publication, handlooms and tailoring.

Table 6.4

Problems of Marketing: Number Two Problem																		
	Types of business	Number two problem																
		Competition from other small units		Competition from large units		Slackness in demand		Lack of advertising efforts		Transport problems		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	1	0.9	1	4.0	10	8.4	3	3.7	2	7.7	-	-	17	4.7	3	7.1	20
2	Wooden	31	29.0	6	24.0	35	29.4	21	25.6	10	38.5	2	40.0	105	28.8	5	11.9	110
3	Repair services	16	15.0	2	8.0	19	16.0	25	30.5	5	19.2	-	-	67	18.4	2	4.8	69
4	Steel/Metal	17	15.9	5	20.0	24	20.2	18	22.0	7	26.9	-	-	71	19.5	14	33.3	85
5	Printing/ Publication	5	4.7	1	4.0	3	2.5	2	2.4	-	-	-	-	11	3.0	8	19.0	19
6	Handlooms	9	8.4	4	16.0	9	7.6	4	4.9	2	7.7	-	-	28	7.7	6	14.3	34
7	Tailoring	28	26.2	6	24.0	19	16.0	9	11.0	-	-	3	60.0	65	17.9	4	9.5	69
	Total	107	100.0	25	100.0	119	100.0	82	100.0	26	100.0	5	100.0	364	100.0	42	100.0	406

Source: Field survey

Table 6.5

Problems of Marketing: Number Three Problem																		
	Types of business	Number three problem																
		Competition from other small units		Competition from large units		Slackness in demand		Lack of advertising efforts		Transport problems		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	3	5.9	1	3.8	5	6.3	5	5.1	1	1.1	-	-	15	4.3	3	7.1	18
2	Wooden	19	37.3	3	11.5	17	21.3	15	15.3	42	46.7	-	-	96	27.7	5	11.9	101
3	Repair services	8	15.7	6	23.1	12	15.0	23	23.5	14	15.6	-	-	63	18.2	2	4.8	65
4	Steel/Metal	7	13.7	9	34.6	12	15.0	24	24.5	19	21.1	-	-	71	20.5	14	33.3	85
5	Printing/ Publication	2	3.9	1	3.8	1	1.3	4	4.1	3	3.3	-	-	11	3.2	8	19.0	19
6	Handlooms	7	13.7	2	7.7	2	2.5	8	8.2	9	10.0	-	-	28	8.1	6	14.3	34
7	Tailoring	5	9.8	4	15.4	31	38.8	19	19.4	2	2.2	2	100.0	63	18.2	4	9.5	67
	Total	51	100.0	26	100.0	80	100.0	98	100.0	90	100.0	2	100.0	347	100.0	42	100.0	389

Source: Field survey

Lack of advertising efforts was a number one problem for many enterprises relating to three business groups viz. wooden, steel/metal and repair services.

Besides maintaining good quality of products, the entrepreneurs have to adopt different methods to exploit the market to the maximum extent possible. Keeping in view the changing conditions, the entrepreneurs should adopt different techniques or methods of promoting their sales (Murali Krishna S, 2007). Only 17 enterprises cited the problem of transport as the most serious constraint. The number two and number three marketing problems identified by different business groups are presented in Table 6.4 and 6.5 respectively.

6.4 PROBLEMS OF RAW MATERIALS

A major problem that the small enterprises have to contend with is the procurement of raw materials. The problems of raw material assume the shape of (i) an absolute scarcity (ii) a poor quality of raw material, and (iii) high cost (Khanka S.S, 1999). Because of their smallness and weak financial base and poor bargaining power, **small enterprises** are required to utilise the service of middlemen to get raw materials. Such an arrangement results in higher cost due to high margins of the middlemen. This in turn, induces the entrepreneurs to use cheap and low quality materials, which in turn, affects the quality of their finished products. Moreover, irregular supply of certain raw materials adversely affects their production schedules and delay in delivery (Desai, 2006).

The availability of raw material has been a major problem in our country. Some of them are very scarce at times and abundant at others causing price fluctuations. There are often artificial shortages created by dishonest manufacturers and suppliers to rig the prices up. This is particularly true in case of business enterprises in the state of Mizoram. The industrial sector of the state economy mostly depends on the neighbouring states for the supply of raw materials. Road transport is the only mode of transport in the state, which is also not so well developed. Bad condition of road

network and communication system especially in rainy season, leads to uncertainties in the procurement of essential raw materials. Due to ethnic reasons the political economy does not permit free movement of potential investors, skilled labour force and cheap raw materials from other parts of the country, which ultimately cause industrial backwardness. Agriculture and horticulture products are grown in large quantities in Mizoram such as ginger, oranges and chilies etc. The growers sell their produce at their doorsteps to outside agents in bulk quantities. The local entrepreneurs are required to purchase the same at high price because they can not afford bulk purchase. It may be surprising that the price of ginger which is grown locally is between ₹ 25-50 per kg at Aizawl market while the same is available at ₹ 10 per kg at Bagha market (Silchar), the nearest market in Assam. Similarly, the businessmen from Assam send their agents to make bulk purchase of agricultural products in Mizoram such as oranges, chilies and ginger, who never mind to give huge advance to the growers even before harvesting season. The local entrepreneurs fail to apply such skills and tactics to procure raw materials. Moreover, the small enterprises in Mizoram do not have adequate warehousing facilities to store these raw materials for long periods. To overcome the shortage of raw materials, institutional arrangement is necessary to boost up the process of industrialisation in the state (Laskar, 2010).

Table 6.6 shows an overview of the problems faced by the sample respondent entrepreneurs with regard to raw materials. They were asked to rank (up to three) the most serious problems faced by them in order of importance. The problems identified were: scarcity, high price, low quality and transport problem. 48.9 per cent of them (118 out of 241) indicated high prices as the number one problem. 25.3 per cent of them (61 out of 241) cited the problem of scarcity of raw materials as the most important problem faced by them. 16.1 per cent of the entrepreneurs (39 out of 241) cited the problem of transport as the number one problem. In fact, being a hilly area, the problem of transport is a serious constraints faced by almost the whole NER of India. As a result the firms face the problems such as scarcity of raw

Table 6.6

Problems of Raw Materials							
	Problems	Entrepreneurs' ranking of raw material problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Scarcity	61	53	17	306	24.9	2
2	High price	118	77	45	553	45.0	1
3	Low quality	15	38	22	143	11.6	4
4	Transport problems	39	25	25	192	15.6	3
5	Any other problems (Please specify)*	8	6	-	36	2.9	5
6	No. of entrepreneurs not responded	-	42	132	-	-	
	Total	241	241	241	1230	100.0	

Note: 165 enterprises were reported not facing the problems of raw materials.

* Other problem includes irregular supply of raw materials

Source: Field survey

materials and high price of raw materials. Only 6.2 per cent of the entrepreneurs (15 out of 241) cited low quality of raw materials as number one problem.

Going by the whole picture, the biggest problem with regard to raw materials was high price (45 per cent of rating), followed by scarcity (24.9 per cent of rating) and transport problem (15.6 per cent of rating). The problem of low quality was ranked fourth (11.6 per cent of rating).

Business-wise distribution of number one problem of raw materials is given in **Table 6.7**. As discussed above, nearly half of the entrepreneurs mentioned the high price of raw material as the number one problem. This is closely linked with transport problem. Being a remote and hilly region, the transport cost is very high in Mizoram, and this adversely affects the price of raw materials which in turn, affects the price of finished products. Of the enterprises which indicated high price of raw materials as the most serious problems, wooden enterprises constitute 39.8 per cent, followed by steel/metal enterprises (29.7 per cent), tailoring (13.6 per cent), handlooms (9.3 per cent), food processing (4.2 per cent) and printing/publication units (3.4 per cent).

Among the enterprises which perceived scarcity of raw materials as the most serious constraints, 36.1 per cent (22 out of 61) belonged to wooden, followed by handlooms (21.3 per cent) and steel/metal (19.6 per cent). The raw materials required by the enterprises engaged in wooden were a piece of wood that have been obtained from forest products. But woods are not coming from outside the state in a raw form; mostly they are obtained within the state of Mizoram from the wild forest. However, cutting of trees is not legally permissible permitted by forest department. For cutting of trees permission from the department of forest is required and some necessary fees to be paid, the process is very intricate. Therefore, cutting of trees in the forest is regulated by the forest department, government of Mizoram. This makes the raw materials scarce for the entrepreneurs who are engaged in

Table 6.7

Problems of Raw Materials: Number One Problem																
	Types of business	Number one problem														
		Scarcity		High price		Low quality		Transport problems		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	3	4.9	5	4.2	1	6.7	-	-	-	-	9	3.7	11	6.7	20
2	Wooden	22	36.1	47	39.8	4	26.7	18	46.2	4	50.0	95	39.4	15	9.1	110
3	Repair services	-	-	-	-	-	-	-	-	-	-	-	-	69	41.8	69
4	Steel/Metal	12	19.7	35	29.7	3	20.0	15	38.5	4	50.0	69	28.6	16	9.7	85
5	Printing/Publication	2	3.3	4	3.4	2	13.3	1	2.6	-	-	9	3.7	10	6.1	19
6	Handlooms	13	21.3	11	9.3	3	20.0	-	-	-	-	27	11.2	7	4.2	34
7	Tailoring	9	14.8	16	13.6	2	13.2	5	12.8	-	-	32	13.3	37	22.4	69
	Total	61	100.0	118	100.0	15	100.0	39	100.0	8	100.0	241	100.0	165	100.0	406

Source: Field survey

wooden business. Some entrepreneurs confessed that they get their raw materials from informal sources.

For steel/metal business the raw materials required were not manufactured/obtained in the state of Mizoram and were required to be imported from other parts of the country. The physical shape of the land of Mizoram is hilly and its geographical isolation coupled with transport and communication bottlenecks has resulted in high transport cost, undue delay in the movement of materials and machinery and narrowing down of market for the products. Natural calamities like heavy rainfall, landslides, floods etc have also affected the entrepreneurial growth in NER. In rainy season, it is very difficult to transport the goods from one place to another place. All these difficulties pose a severe to the availability of raw materials.

In case of handlooms also the raw materials like cotton, wool, silk, polyester etc are not manufactured in Mizoram and therefore the handloom weavers depend on from outside the state. This is the main reason for scarcity of raw materials. Because of the scarcity of raw materials the entrepreneurs cannot meet their targeted production in time which in turn, creates problem in the growth of enterprises in the state.

Among the enterprises who opined the problem of transport as the number one problem faced by their enterprises, about 46 per cent of them (18 out of 39) belonged to wooden business and 41.6 per cent (15 out of 39) were steel/metal enterprises. Even after 64 years of independence the NER is still neglected in the field of transportation. This is one of the reasons for underdevelopment in industrial sector of the region. On the other hand, a good transport system increases the productivity and profitability of business. As discussed earlier, road communication is the only major means of transportation in Mizoram. Most of the places in the state are hilly and are covered by thick forest; transportation system is inadequate in the entire state. This is one of the main reasons for the industrial backwardness of the region. Sometimes due to some natural calamities and other factors roads are blocked for 5 to 10 days. This is directly affecting the business and they cannot get

the required raw materials in time and also their products cannot reach the consumers in time. The result is that the manufacturing cost in Mizoram is higher than that in the neighbouring states. The business enterprises incur about 10-20 per cent extra cost as compared to the enterprises in other states owing to high transportation cost (Kabra K.C, 2008). The business-wise distribution of the number two and number three problems in respect of raw materials as identified by micro entrepreneurs is presented in Table 6.8 and 6.9 respectively.

Table 6.8

Problems of Raw Materials: Number Two Problem																
	Types of business	Number two problems														
		Scarcity		High price		Low quality		Transport problems		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing unit	2	3.8	4	5.2	3	7.9	-	-	-	-	9	4.5	11	6.7	20
2	Wood product	23	43.4	23	29.9	13	34.2	12	48.0	3	50.0	74	37.2	15	9.1	89
3	Repair services	-	-	-	-	-	-	-	-	-	-	-	-	69	41.8	69
4	Steel/Metal products	14	26.4	23	29.9	6	15.8	9	36.0	-	-	52	26.1	16	9.7	68
5	Printing/Publication	1	1.9	4	5.2	2	5.3	2	8.0	-	-	9	4.5	10	6.1	19
6	Handloom	7	13.2	11	14.3	6	15.8	-	-	-	-	24	12.1	7	4.2	31
7	Tailoring	6	11.3	12	15.6	8	21.1	2	8.0	3	50.0	31	15.6	37	22.4	68
	Total	53	100.0	77	100.0	38	100.0	25	100.0	6	100.0	199	100.0	165	100.0	364

Note: 42 entrepreneurs did not respond to the number two problem

Source: Field survey

Table 6.9

Problems of Raw Materials: Number Three Problem														
	Types of business	Number three problem												
		Scarcity		High price		Low quality		Transport problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing unit	1	5.9	2	4.4	3	13.6	3	12.0	9	8.3	11	6.7	20
2	Wood product	7	41.2	14	31.1	8	36.4	9	36.0	38	34.9	15	9.1	53
3	Repair services	-	-	-	-	-	-	-	-	-	-	69	41.8	69
4	Steel/Metal products	3	17.6	11	24.4	5	22.7	12	48.0	31	28.4	16	9.7	47
5	Printing/Publication	1	5.9	5	11.1	2	9.1	1	4.0	9	8.3	10	6.1	19
6	Handloom	3	17.6	6	13.3	3	13.6	-	-	12	11.0	7	4.2	19
7	Tailoring	2	11.8	7	15.6	1	4.5	-	-	10	9.2	37	22.4	47
	Total	17	100.0	45	100.0	22	100.0	25	100.0	109	100.0	165	100.0	274

Note: 132 entrepreneurs did not respond to the number three problem

Source: Field survey

6.5 POWER PROBLEMS

One of the most important resources for the growth of enterprises is the availability of power. Now a days many of the enterprises are mechanised and they need uninterrupted power supply. In Mizoram, notwithstanding the great potential for producing electric power through hydro electricity only a very small part of its potential is being utilised. There are always frequent power failures in different parts of the state, which in turn disrupt the smooth running of the enterprises. Underutilisation of production capacity and resources on the part of business firms are the consequence of irregular power supply failures.

At present, under arrangement with the government of Assam, hydro electric power is being purchased and brought to Mizoram through 66 KV line to supplement the demand in the state (Kabra K.C, 2008).

The problems as regards power faced by the entrepreneurs of the present study are shown in **Table 6.10**.

Table 6.10

Power Problems							
	Problems	Entrepreneurs' ranking of power problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Scarcity	115	102	85	634	29.8	3
2	Irregularity	160	121	84	806	37.9	1
3	High cost	109	118	121	684	32.2	2
4	Any other problems (Please specify)*	-	-	-	-	-	
5	No. of entrepreneurs not responded	-	43	94	-	-	
	Total	384	384	384	2124	100.0	

Note: 22 enterprises were reported not facing the problem of power.

Source: Field survey

The most serious problem faced by the entrepreneurs with regard to power is irregularity (37.9 per cent of rating), followed by high tariff of power (32.2 per cent of rating) and scarcity of power (29.8 per cent of rating). 41.6 per cent (160 out of 384) of enterprises cited irregularity as the number one problem. For 29.9 per cent (115 out of 384) of the enterprises, scarcity of power supply was the number one problem. 28.3 per cent (109 out of 384) of the enterprises cited the high tariff of power as the most serious problem. Many of the entrepreneurs cited that because of the frequent interruption of power supply, they were compelled to use other means of power like a small diesel generator, which will increase the production cost.

Distribution of number one power problem as perceived by **business** group is given in **Table 6.11**. It can be noticed that all the enterprises in food processing and steel/metal business categories were reported to be facing power problem. This may be because the activities in these enterprises were mechanised and they require uninterrupted power supply, without it all the works will be in a standstill. The enterprises for whom irregularity of power is a problem were spread among all the **business** groups. Of the total enterprises facing the problem of power scarcity as the most important problem, wooden, repair services and steel/metal business account for 33.9 per cent, 18.3 per cent and 16.5 per cent respectively. Out of the enterprises facing the problem of high tariff of power as the most serious constraints, more than half of the enterprises belonged to either steel/metal business (34 enterprises) or wooden business (27 enterprises).

At present only 3 per cent of the total energy demand of the state is met within the state and the remaining 97 per cent is imported mainly from central sector projects (Economic Survey Mizoram, 2009-10). In this situation, various power related problems are bound to happen.

Table 6.11

Power Problems: Number One Problem												
	Types of business	Number one problem										
		Scarcity		Irregularity		High cost		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	8	7.0	10	6.3	2	1.8	20	5.2	-	-	20
2	Wooden	39	33.9	41	25.6	27	24.8	107	27.9	3	13.6	110
3	Repair services	21	18.3	27	16.9	17	15.6	65	16.9	4	18.2	69
4	Steel/Metal	19	16.5	32	20.0	34	31.2	85	22.1	-	-	85
5	Printing/Publication	2	1.7	9	5.6	5	4.6	16	4.2	3	13.6	19
6	Handlooms	9	7.8	12	7.5	9	8.3	30	7.8	4	18.2	34
7	Tailoring	17	14.8	29	18.1	15	13.8	61	15.9	8	36.4	69
	Total	115	100.0	160	100.0	109	100.0	384	100.0	22	100.0	406

Source: Field survey

The power peak load requirement of Mizoram was around 60 MW. Against the requirement the total installed capacity was only 37.17 MW. Further, as against these demand and installed capacity, the total power generated within the state comes to only 14.22 MKWH creating a huge gap between demand and supply. In order to meet the demand, the state continued to purchase power from other sources. Power is imported mainly from central sector (NEEPCO, NHPC) and TSECL, Tripura. The total consumption of electricity in the state during 2006-07 was 151.22 MKWH. The consumption of electricity was highest in case of domestic which is 99.69 MKWH. The lowest consumption of electricity comes from industrial sector. Industries consumed only 2.29 MKWH during 2006-07 which is only 1.5 per cent of the total consumption (Economic Survey Mizoram 2007-08).

Mizoram has lagged far behind rest of the country in the development of power generation due to geographical and other constraints. Mizoram is endowed with huge potential of hydro electric power. **The Central Electricity Authority (Government of India) assessed that Mizoram has around 2196 MW of hydro power potential.** But till today **less than one per cent** of that potential is exploited (Annual Report 2007-08, Central Electricity Authority).

The business-wise distribution of the number two and number three problems in respect of power as identified by different entrepreneurs is presented in **Table 6.12 and 6.13** respectively.

Table 6.12

Power Problems: Number Two Problem												
	Types of business	Number two problem										
		Scarcity		Irregularity		High cost		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	8	7.8	7	5.8	5	4.2	20	5.9	-	-	20
2	Wooden	22	21.6	42	34.7	37	31.4	101	29.6	3	13.6	104
3	Repair services	17	16.7	16	13.2	23	19.5	56	16.4	4	18.2	60
4	Steel/Metal	22	21.6	33	27.3	26	22.0	81	23.8	-	-	81
5	Printing/Publication	4	3.9	6	5.0	6	5.1	16	4.7	3	13.6	19
6	Handlooms	11	10.8	6	5.0	6	5.1	23	6.7	4	18.2	27
7	Tailoring	18	17.6	11	9.1	15	12.7	44	12.9	8	36.4	52
	Total	102	100.0	121	100.0	118	100.0	341	100.0	22	100.0	363

Note: 43 entrepreneurs did not respond to the number two problem.

Source: Field survey

Table 6.13

Power Problems: Number Three Problem												
	Types of business	Number three problem										
		Scarcity		Irregularity		High cost		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	3	3.5	5	6.0	8	6.6	16	5.5	-	-	16
2	Wooden	21	24.7	14	16.7	38	31.4	73	25.2	3	13.6	76
3	Repair services	13	15.3	12	14.3	27	22.3	52	17.9	4	18.2	56
4	Steel/Metal	28	32.9	24	28.6	21	17.4	73	25.2	-	-	73
5	Printing/Publication	4	4.7	5	6.0	4	3.3	13	4.5	3	13.6	16
6	Handlooms	9	10.6	11	13.1	8	6.6	28	9.7	4	18.2	32
7	Tailoring	7	8.2	13	15.5	15	12.4	35	12.1	8	36.4	43
	Total	85	100.0	84	100.0	121	100.0	290	100.0	22	100.0	312

Note: 94 entrepreneurs did not respond to the number two problem.

Source: Field survey

6.6 LABOUR PROBLEMS

One has to keep eyes to know about the labour laws, that changes from time to time. In modern competitive world, labourers are aware of their rights and they should therefore, to be handled with care and patience (Desai, 1983). In fact no production process can take place without the service of labour. Raw materials have to be collected and assembled, machines have to be operated, productions have to be undertaken and the whole activities of the business have to be administered and managed with the help of human resources. The entrepreneurs need skilled labourers that are sincere and hard working. Sometimes getting this type of workers is difficult and time consuming. The industrial and entrepreneurial development in Mizoram also suffered due to scarcity of skilled, experienced and trained manpower. There are three Industrial Training Institutes (ITI) in Mizoram located at Aizawl, Lunglei and Saiha. The Education Reforms Commission, Mizoram (2010) suggested that the ITIs need to broad base the course offerings and work out the instructional, human resource and infrastructural requirements, to fulfill the needs of the emerging knowledge economy. The state has a women polytechnic college in Aizawl and another polytechnic college in Lunglei. These institutions are, however, suffering from paucity of staff and research constraints for on-going programmes (The Education Reforms Commission Mizoram, 2010).

The type of labour problem faced by the entrepreneurs is shown in [Table 6.14](#). 45.8 per cent of the sample entrepreneurs (186 out of 406) were reported to be facing the problems of labour as shown in the table. On the whole, the main labour problems faced by the entrepreneurs are scarcity of labour (41.6 per cent of rating), followed by high labour cost (31.2 per cent of rating), labour turnover (18.3 per cent of rating) and labour absenteeism (8.8 per cent of rating).

Of the enterprises facing the problem of labour, nearly half of the enterprises (90 out of 186) have indicated scarcity of skilled labourers as the most serious problem. High labour cost was reported by 23.6 per cent (44 out of 186) of the enterprises and

labour turnover was the number one problem for 17.2 per cent (32 out of 186) of the enterprises. Labour absenteeism was also reported as the number one problem by 10.7 per cent (20 out of 186) of the enterprises.

The problem of skilled labour is not limited to any place or any activity. Many of the enterprises secured the services of skilled labours from far places. For example, many of the south Indian workers were from Tamil Nadu, Kerala etc. In the process, the enterprises had to offer more than normal wages because the problem was more serious in the beginning and since such workers are coming from very far places, their permanent stay is not certain. To solve the problem of labour in future some entrepreneurs induced training to local labourers. The benefit that the entrepreneurs can get is that the local labours remain loyal to the employer as the workers are benefited by the acquired skills and their continued stay is guaranteed. High labour cost is the result of unionism and unsatisfactory labour-employer relationship. Another problem is that once trained they (the employees) leave for better job prospect and even some of them started their own business. Labour turnover is on account of other local concerns offering higher wages and better working conditions; absenteeism without proper notice for unreasonable grounds is lack of discipline. Among skilled and efficient workers also there is a tendency not to turn up for work without notice to the employer (Gangadhara Rao N, 1986). This also holds true in case of the entrepreneurs under the present study.

Table 6.14

Labour Problems							
	Problems	Entrepreneurs' ranking of labour problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Scarcity of skilled labour	90	46	43	405	41.6	1
2	High labour cost	44	68	36	304	31.2	2
3	Labour turnover	32	27	28	178	18.3	3
4	Labour absenteeism	20	13	0	86	8.8	4
5	Any other problems (Please specify)*	-	-	-	-	-	
6	No. of entrepreneurs not responded	-	32	79	-	-	
	Total	186	186	186	973	100.0	

Note: 220 enterprises were reported not facing labour problem.

Source: Field survey

The business-wise distribution of number one labour problem faced by the enterprises is shown in **Table 6.15**. Among the enterprises facing the problem of scarcity of skilled labour, 70 per cent (63 out of 90) belonged to either wooden (24 enterprises) or repair services (22 enterprises) or steel/metal (17 enterprises). The problem was high in these three groups because of the high skilled labour requirement. Scarcity of skilled workers would lead to delay in the process of production and low quality of the products or services. In modern business consumers are serious about the quality of the product. Sometimes they do not bother about the price of a product if it is of a good quality product. To become a successful entrepreneur, it is important to pay attention to the quality of the product. But the problem is that many of the entrepreneurs are not serious about the quality of their products and services, sometimes, their vision is only for short term profit. All these are the consequences of non availability or scarcity of skilled labours. If an enterprise faces the problem of scarcity of labour, it may not work to the fullest capacity and may not achieve the targets.

In this context, The Education Reforms Commission, Mizoram (2010) recommended that the system of vocational and technical education should be further expanded at the earliest by establishing at least four more polytechnics in districts other than Aizawl and Lunglei out of which two polytechnics may be designed as ‘Community Polytechnics’. In addition, vocational schools be set up in those districts where polytechnics are not being established. The polytechnics at Aizawl should be made coeducational so that male students of the areas surrounding Aizawl are also benefited. The state government should appoint a task force to identify courses to be offered in the new polytechnics including Community Polytechnics.

Table 6.15

Labour Problems: Number One Problem														
	Types of business	Number one problem												
		Scarcity of skilled labours		High labour cost		Labour turnover		Labour absenteeism		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	3	3.3	3	6.8	2	6.3	-	-	8	4.3	12	5.5	20
2	Wooden	24	26.7	11	25.0	3	9.4	6	30.0	44	23.7	62	28.2	106
3	Repair services	22	24.4	7	15.9	6	18.8	-	-	35	18.8	37	16.8	72
4	Steel/Metal	17	18.9	13	29.5	6	18.8	3	15.0	39	21.0	47	21.4	86
5	Printing/Publication	5	5.6	-	-	2	6.3	-	-	7	3.8	12	5.5	19
6	Handlooms	7	7.8	6	13.6	4	12.5	4	20.0	21	11.3	13	5.9	34
7	Tailoring	12	13.3	4	9.1	9	28.1	7	35.0	32	17.2	37	16.8	69
	Total	90	100.0	44	100.0	32	100.0	20	100.0	186	100.0	220	100.0	406

Source: Field survey

Of the enterprises facing the problem of high labour cost as the most severe labour problem, steel/metal unit constitutes 28.2 per cent (13 out of 44), followed by wooden 25 per cent (11 out of 44). The problem of high labour cost is closely linked with the problem of scarcity of skilled labour. If there is scarcity of skilled labours, the demand for them becomes high.

Among those who considered labour turnover as the most serious problem, 28.1 per cent of the enterprises (9 out of 32) were tailoring firms, 18.8 per cent were repair services and steel/metal business each. Some entrepreneurs said that there were people who are well educated holding high educational qualifications, but not getting employment anywhere at the moment, were engaged in their enterprises and paid small amount of wages. These people who naturally not satisfied with their work were prone to leave their jobs after a certain period of time. Sometimes there were labourers, after acquiring skills and know-how, leave their previous job to start the entrepreneurial activities of their own.

Of the entrepreneurs who perceived absenteeism of workers as the most serious labour problem 35 per cent (7 out of 20) belonged to tailoring business, 30 per cent (6 out of 20) belonged to wooden business and the rest of them were involved in handlooms and steel/metal business. The business-wise distribution of number two and number three problems faced by the entrepreneurs are shown in [Table 6.16](#) and [6.17](#) respectively.

Table 6.16

Labour Problems: Number Two Problem														
	Types of business	Number two problem												
		Scarcity of skilled labours		High labour cost		Labour turnover		Labour absenteeism		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	2	4.3	5	7.4	1	3.7	-	-	8	5.2	12	5.5	20
2	Wooden	14	30.4	17	25.0	6	22.2	-	-	37	24.0	62	28.2	99
3	Repair services	7	15.2	12	17.6	5	18.5	4	30.8	28	18.2	37	16.8	65
4	Steel/Metal	8	17.4	13	19.1	7	25.9	-	-	28	18.2	47	21.4	75
5	Printing/Publication	2	4.3	3	4.4	1	3.7	-	-	6	3.9	12	5.5	18
6	Handlooms	4	8.7	5	7.4	4	14.8	5	38.5	18	11.7	13	5.9	31
7	Tailoring	9	19.6	13	19.1	3	11.1	4	30.8	29	18.8	37	16.8	66
	Total	46	100.0	68	100.0	27	100.0	13	100.0	154	100.0	220	100.0	374

Note: 32 entrepreneurs did not respond to the number two problem.

Source: Field survey

Table 6.17

Labour Problems: Number Three Problem														
	Types of business	Number three problem												
		Scarcity of skilled labours		High labour cost		Labour turnover		Labour absenteeism		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	3	7.0	2	5.6	2	7.1	-	-	7	6.5	12	5.5	19
2	Wooden	7	16.3	8	22.2	5	17.9	-	-	20	18.7	62	28.2	82
3	Repair services	9	20.9	7	19.4	4	14.3	-	-	20	18.7	37	16.8	57
4	Steel/Metal	11	25.6	7	19.4	5	17.9	-	-	23	21.5	47	21.4	70
5	Printing/Publication	2	4.7	1	2.8	2	7.1	-	-	5	4.7	12	5.5	17
6	Handlooms	6	14.0	5	13.9	5	17.9	-	-	16	15.0	13	5.9	29
7	Tailoring	5	11.6	6	16.7	5	17.9	-	-	16	15.0	37	16.8	53
	Total	43	100.0	36	100.0	28	100.0	-	-	107	100.0	220	100.0	327

Note: 79 entrepreneurs did not respond to the number two problem.

Source: Field survey

6.7 PROBLEMS OF FINANCE

Finance is the life-blood of modern business and it is the most important organ of an enterprise. It is the powerful tool of development which helps the dynamic process of an enterprise. Without the availability of adequate financial resources the smooth running of the business will be in a standstill. Usually small entrepreneurs started well in the initial stage but somewhere down the line in their operation they miss the route to success. In more than half of such cases the reasons identified can be attributed to financial mismanagement. At times such entrepreneurs had a feeling they are doing financially well but the year end consolidation of accounts indicate a different picture, i.e. loss or almost on the verge of losing (Pathak H.N, 1991). One of the most difficulties for the entrepreneurs and prospective entrepreneurs is non-availability or scarcity of finance to meet their requirement. Financial support as well as financial viability, therefore, are the most important considerations of any business proposition (Dhameja S.K, 2004). Most of the entrepreneurs under this study belonged to middle class income families and hence they find it difficult to obtain credit.

Financial support and availability are one of the most important considerations of any business. The quantum of financial problems faced by the entrepreneurs in the state of Mizoram is not less than their counterparts in other states of the country. Because of lack of financial support, it may be difficult for the entrepreneurs to have sales promotion activities like the capacity to divert their financial resources for advertisements, giving samples free of cost, sponsorship etc. The financial problem faced by the entrepreneurs coupled with competition from other well established firms were one of the major problems faced by the present sample entrepreneurs. Hence, lack of competitiveness leads to loss of markets for their products. This might have adverse effects in the growth of entrepreneurship in Mizoram.

The nature of financial problems faced by the entrepreneurs of the study were depicted in [Table 6.18](#).

Table 6.18

Problems of Finance							
	Problems	Entrepreneurs' ranking of financial problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	High rate of interest	149	96	81	720	36.8	1
2	Meagre assistance from government agencies	76	76	58	438	22.4	2
3	Red tapism in government agencies	35	62	63	292	14.9	4
4	Red tapism in banks	69	70	87	434	22.2	3
5	Any other problems (Please specify)*	14	12	7	73	3.7	5
6	No. of entrepreneurs not responded	-	27	47	-	-	
	Total	343	343	343	1957	100.0	

Note: 63 enterprises were reported not facing the problem of finance

* Other problems include credit sales and bad debt.

Source: Field survey

High rate of interest was rated as the most serious problem (36.8 per cent of rating), followed by meagre assistance from government agencies (22.4 per cent of rating), red tapism in banks (22.2 per cent of rating) and, red tapism in government agencies (14.9 per cent of rating). 43.4 per cent (149 out of 343) of the entrepreneurs indicated high rate of interest as the number one problem. 30.3 per cent of the entrepreneurs (96 out of 316) felt high interest rate as the second most important problem, and 27.3 per cent (81 out of 296) of them considered it as the third most important problem. The scarcity of finance was one of the main obstructions in the development of entrepreneurship in Mizoram. The capital base of the **enterprises** in the state is typically weak and they generally run their business on single ownership.

Recognising the need and importance for smooth credit flow for the development of **micro and small enterprises** sector, the government of India nationalised 14 major commercial banks in 1969 (Bhuyan, 2005). The government of India also set up State Financial Corporations (SFCs) and Small Industries Development Bank of India (SIDBI) to look after the financial needs of the **small scale sector**. Banks were mandated to provide 40 per cent of their lending to priority sector including **micro and small enterprises**. However, banks claim to meet their lending target on paper but in reality they are reluctant to lend to the **small entrepreneurs** due to low recovery rate and higher cost of lending to small firms. Moreover, banks insist on collateral security against the spirit of Reserve Bank of India (RBI) guidelines. Sometimes the market value of collateral could be as high as five times the value of the outstanding loan or credit limit. The small enterprises are hardly in a position to offer the guarantee required by the banks. Small loans can be raised from government agencies but the procedure is so cumbersome that most of the entrepreneurs hesitate to avail these facilities (Laskar, 2010).

There were 108 bank branches in Mizoram as on December 31, 2008 including 60 branches of Mizoram Rural Bank (MRB), 26 branches of State Bank of India (SBI), 11 branches of Mizoram Cooperative Apex Bank (MCAB). Besides, development financial institutions like NABARD, SIDBI and NEDFi also have their branches in

Mizoram. Only 18 per cent of the total loans and advances were disbursed to the industrial sector during 2006-07. The same was 15.8 per cent in 2007-08; it was 7.56 per cent in 2008-09 and 5.84 per cent in 2009-10 (Economic Survey Mizoram 2010-11). This implies the poor performance of banks in providing assistance to **small industrial sector**. Moreover, Mizoram has no State Financial Corporation (SFC) to provide funds to the industrial sector in the state. Most of the sample entrepreneurs in the present study do not maintain proper books of account to record their business transactions. At the time of applying for loans, banks, financial institutions and government agencies ask them to produce financial information but the entrepreneurs are not always in a position to do so because of non-maintenance of proper records. In addition, those entrepreneurs who could get loans find it difficult to repay the loans due to improper financial planning and management. Therefore, banks and financial institutions hesitate to the entrepreneurs because of risk of creating non-performing assets. The recovery rate of bank loans during 2005-06 was 59.79 per cent; it was 69.95 per cent during 2006-07, 64.34 per cent in 2007-08, 70.2 per cent in 2008-09 and 70 per cent in 2009-10 (Economic Survey Mizoram 2009-10). The loan recovery rates under different centrally sponsored schemes were even in worst position. For example, during 2007-08, the recovery rate under PMRY scheme was only 11.62 per cent; it was 46.57 per cent under SGSY, 11.64 per cent under SJSRY (Economic Survey Mizoram 2007-08). This poor loan recovery has prevented many educated youth of Mizoram from benefiting from the loans offered by various financial institutions. Moreover, District Industries Centers (DICs) make recommendations to the banks from time to time regarding the requirements of funds by the entrepreneurs. It was found that the banks and financial institutions in the state do not give due importance to those recommendations forwarded to them by DICs. The specialised bank branches like IDBI, SIDBI, NEDFI, NABARD etc. are located only in the state capital at Aizawl while many of the **enterprises** are located across the state. It is difficult for them to provide adequate and timely credit to the enterprises which are located in rural areas (Laskar, 2010).

The business-wise distribution of number one financial problem faced by the different enterprises is given in Table 6.19. Among the enterprises facing the problem of finance, high rate of interest was perceived as number one problem by 43.4 per cent (149 out of 343) of the enterprises. Of them, 25.5 per cent (38 out of 149) of the enterprises were belonged to wooden business, 21.4 per cent (32 out of 149) of the enterprises were from repair services, 19.4 per cent (29 out of 149) of them were from tailoring, and 18.1 per cent (27 out of 149) of them were involved in steel/metal business. Because of lack of adequate security for funds and poor recovery, banks and financial institutions in the state are reluctant to advance loans to micro and small enterprises sector. Few respondent entrepreneurs in the present study find their source from private money lenders with short repayment period. Such credit was obtained on a very high rate of interest.

With regard to the problem of meager assistance from government agencies, 22.2 per cent of the entrepreneurs (76 out of 343) cited it as the number one financial problem faced by them. Since the entrepreneurs under the study were from the lower below middle class segment, they do not have sufficient funds of their own nor can they obtain loan from banks, the shortage of funds makes it difficult for them to buy necessary machines and tools and to meet their working capital requirement.

Table 6.19

Problems of Finance: Number One Problem																
	Types of business	Number one problem														
		High rate of interest		Meager assistance from government agencies		Red tapism in government agencies		Red tapism in banks		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	7	4.7	6	7.9	-	-	4	5.8	-	-	17	5.0	3	4.8	20
2	Wooden	38	25.5	21	27.6	11	31.4	23	33.3	6	42.9	99	28.9	11	17.5	110
3	Repair services	32	21.5	13	17.1	8	22.9	9	13.0	-	-	62	18.1	7	11.1	69
4	Steel/Metal	27	18.1	18	23.7	5	14.3	13	18.8	6	42.9	69	20.1	16	25.4	85
5	Printing/Publication	5	3.4	4	5.3	2	5.7	4	5.8	-	-	15	4.4	4	6.3	19
6	Handlooms	11	7.4	3	3.9	5	14.3	4	5.8	2	14.3	25	7.3	9	14.3	34
7	Tailoring	29	19.5	11	14.5	4	11.4	12	17.4	-	-	56	16.3	13	20.6	69
	Total	149	100.0	76	100.0	35	100.0	69	100.0	14	100.0	343	100.0	63	100.0	406

Source: Field survey

Among the entrepreneurs who considered red-tapism in banks as number one problem, 33.3 per cent of them (23 out of 69) were from wooden business, 18.8 per cent of them (13 out of 69) were from steel/metal business and 17.4 per cent of them (12 out of 69) were from tailoring business. Only 5.7 per cent each (4 out of 69) were from food processing, printing/publications and handlooms.

It is known that entrepreneurs who were illiterate and uneducated are prone to commit more defaults than others; people whose primary occupation is non-agriculture commit more defaults than those whose primary occupation is agriculture; and people borrowing large amount commit more defaults than those who borrow small amount (Rajashekar, 2000). In Mizoram, the loan recovery from **micro and small enterprise sector** is far less than all recovery. On an average, only 23.38 per cent of banks' annual disbursement could be recovered from small industrial sector. The poor loan recovery by financial institutions hampered the process of sanctioning fresh loan (Kabra K.C, 2008). For obtaining adequate finance free from the lengthy formalities the entrepreneurs seek funds from the source of unorganised sector like private money lenders, relatives and friends etc. However, to source funds from such an informal sector is also not a problem free (Saini and Rama Chhabra, 1998). The money lenders are hesitant to provide finance in large amount at the stage of establishment of enterprises. Such lenders doubt as to whether the entrepreneurs would be successful or not and whether they would be able to repay the loan amount with interest as per time schedule; and the interest rate is very high from non formal sources which is a major problem faced by the entrepreneurs. The high rate of interest from unorganised sector and the problem of getting loan from banks due to poor recovery create problems in the development of entrepreneurship. This is the point in which the government should come in (Kabra K.C, 2008). The government should introduce legislations to make banks feel more comfortable in disbursing loan to the entrepreneurs. At the same time it should also enforce some regulations for the borrowers so that they should feel obliged to repay the amount they have borrowed. Both bankers and the government functionaries

Table 6.20

Problems of Finance: Number Two Problem																
	Types of business	Number two problem														
		High rate of interest		Meager assistance from government agencies		Red tapism in government agencies		Red tapism in banks		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	5	5.2	4	5.3	3	4.8	4	5.7	-	-	16	5.1	3	4.8	19
2	Wooden	29	30.2	18	23.7	17	27.4	21	30.0	7	58.3	92	29.1	11	17.5	103
3	Repair services	15	15.6	15	19.7	12	19.4	8	11.4	3	25.0	53	16.8	7	11.1	60
4	Steel/Metal	23	24.0	16	21.1	11	17.7	12	17.1	-	-	62	19.6	16	25.4	78
5	Printing/Publication	3	3.1	4	5.3	2	3.2	5	7.1	-	-	14	4.4	4	6.3	18
6	Handlooms	4	4.2	5	6.6	6	9.7	6	8.6	2	16.7	23	7.3	9	14.3	32
7	Tailoring	17	17.7	14	18.4	11	17.7	14	20.0	-	-	56	17.7	13	20.6	69
	Total	96	100.0	76	100.0	62	100.0	70	100.0	12	100.0	316	100.0	63	100.0	379

Note: 27 entrepreneurs did not respond to the number two problem

Source: Field survey

Table 6.21

Problems of Finance: Number Three Problem																
	Types of business	Number three problem														
		High rate of interest		Meager assistance from government agencies		Red tapism in government agencies		Red tapism in banks		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
1	Food processing	5	6.2	3	5.2	4	6.3	3	3.4	-	-	15	5.1	3	4.8	18
2	Wooden	23	28.4	15	25.9	17	27.0	22	25.3	4	57.1	81	27.4	11	17.5	92
3	Repair services	14	17.3	10	17.2	14	22.2	13	14.9	-	-	51	17.2	7	11.1	58
4	Steel/Metal	18	22.2	11	19.0	14	22.2	15	17.2	3	42.9	61	20.6	16	25.4	77
5	Printing/Publication	3	3.7	4	6.9	3	4.8	3	3.4	-	-	13	4.4	4	6.3	17
6	Handlooms	5	6.2	4	6.9	4	6.3	9	10.3	-	-	22	7.4	9	14.3	31
7	Tailoring	13	16.0	11	19.0	7	11.1	22	25.3	-	-	53	17.9	13	20.6	66
	Total	81	100.0	58	100.0	63	100.0	87	100.0	7	100.0	296	100.0	63	100.0	359

Note: 47 entrepreneurs did not respond to the number three problem

Source: Field survey

have the responsibility to spread public awareness towards loan repayment (State level bankers committee meeting, June 1999).

Collateral security should also be dispensed away in the case of **micro and small enterprises** provided they have reliable guarantors because, as already mentioned earlier, many of the micro and small entrepreneurs in Mizoram belong to lower middle income group. Many of them have hardly any property or other assets in their own name to be guaranteed as collateral security. The business-wise distribution of **number two and number three** financial problems faced by the **enterprises** are given in **Table 6.20 and 6.21** respectively.

6.7.1 Sources of initial capital

Initial capital may be defined as the amount of capital required for the establishment of an enterprise initially. Sources of initial capital remain one of the major problems for **micro and small entrepreneurs**, more so for first generation entrepreneurs. It would be prudent to examine the entrepreneurs' sources of initial capital to start enterprises. The entrepreneurs' major sources of initial capital are shown in **Table 6.22**. 47.8 per cent of the entrepreneurs (194 out of 406) cited their own funds as a major source of initial capital contributed by them. On the other hand, only 6.7 per cent (27 out of 406) of the entrepreneurs started their entrepreneurial activity by availing bank loans. Only small proportion of entrepreneurs could have access to bank loans because of the reluctance shown by banks to grant loans to micro entrepreneurs.

The problem of bank finance takes various forms from delay in sanction and disbursement of loan to outright rejection of loan proposals. The delays occur because of procedural formalities, lack of persons capable of appraising loan proposals at bank branches, and to guide and counsel entrepreneurs, lack of clear and unambiguous communications between the banks and entrepreneurs, delay in completing documentation formalities, lack of extension motivation at banks etc.

Lack of extension motivation is reflected in the expression of the feeling that there was heavy load of work in the bank branches, shifting of responsibility to higher authority whenever possible. Bankers are also afraid of creation of non-performing assets (NPA) while taking decisions in favour of **micro and small entrepreneurs**. Most of these delays are avoidable delays and can be avoided with little efforts and proper mindset. If delays can be avoided or at least minimised, most of the problems of bank finance may be solved. At the same time many of the small entrepreneurs do not have fixed assets for collateral security without which banks cannot give loans. For all these reasons some of the entrepreneurs depend on money lenders and their relatives and friends to borrow funds at very high rate of interest. Hence, large proportion of entrepreneurs who cannot get loans from banks but at the same time, hesitate to borrow from private source at high rate of interest, find it difficult to start and run their enterprises due to paucity of funds. In order to improve the situation, the decision making process in banks and financial institutions should be quick and time bound. This will reduce undue delay even in case of the proposals which are not viable, and hence not acceptable to banks. Some measures are also needed to remove the fear of creation of NPA to enable the bankers to take decisions on their own. Banks are in search of credit opportunities. But most often, they find it difficult to take positive decisions because of the fact that the entrepreneurs are first generation entrepreneurs. In such a situation as pointed by IIE (IIE Newsletter, March-April, 1998) the development of extension motivation in banks and financial institutions is the need of the hour so that the entrepreneurs can get adequate and timely credit to set up and manage their enterprises.

It is found that a small number of entrepreneurs under the present study started their entrepreneurial activities by utilising loan under PMRY scheme,¹ in addition to the own funds. The scheme covers both rural and urban areas. The aim of the scheme is to assist the eligible youth in setting up self employment ventures in industry, service and business sectors. The scheme has been implemented by Directorate of industries in collaboration with banks. Banks have been providing finance to PMRY candidates. Since it is a sponsored programme, the PMRY candidates could get

finance from banks without any collateral security. However, in the field study, many sample microentrepreneurs expressed their displeasure over the favouritism shown in the selection of beneficiaries under the PMRY scheme.

5.7 per cent (23 out of 406) of the sample entrepreneurs availed government assistance/grants as a major source of initial capital. Most of the entrepreneurs under this category utilised funds under the New Land Use Policy (NLUP) scheme of the government of Mizoram. NLUP scheme was under operation during 1993-98 under which the entrepreneurs were granted initial capital by the government to start business enterprises. Few entrepreneurs did not want to mention their specific source from which they received funds as part of their initial capital.

Many of the entrepreneurs hesitate to disclose their financial matters as regards source of capital. As such, 26.6 per cent of them (108 out of 406) did not want to specify their initial source of capital.

Table 6.22

Sources of Initial Capital			
	Major source	No. of enterprises	Per cent
1	Own funds supplied by the entrepreneurs	194	47.8
2	Assistance/ Grants from government agencies	23	5.7
3	Loan from government agencies	11	2.7
4	Loan from banks	27	6.7
5	Borrowing from money lenders	5	1.2
6	Borrowing from friends/relatives	31	7.6
7	Other sources (Please specify)*	7	1.7
8	No. of entrepreneurs not specifying the source	108	26.6
	Total	406	100.0

* Sale of land, saving from salary of spouse and retirement money of parents.

Source: Field survey

6.7.2 Problem of repayment of loan

The entrepreneurs under the present study who had availed loan from government agencies, loan from banks, borrowing from money lenders and borrowing from friends/relatives were asked whether they were repaying their loans. As indicated in **Table 6.23**, 37.8 per cent (28 out of 74) cannot repay their loans, 32.4 per cent (24 out of 74) said that they can repay their loans with interest in time, and the remaining 29.7 (22 out of 74) said that they can repay only some portion of their loans.

Table 6.23

Are you able to Repay the Loan?			
	Entrepreneurs' answer	No. of Entrepreneurs	Percent
1	Yes	24	32.4
2	No	28	37.8
3	Only partially	22	29.7
	Total	74	100.0

Source: Field survey

6.7.3 Reasons for non-repayment of loan

The entrepreneurs who cannot repay their loans and those who can repay only partially were asked the reasons for their non repayment/partial payment of their loans/borrowing, which is depicted in **Table 6.24**.

Table 6.24

Reasons for Non-Repayment of Loan			
	Reasons	No. of Entrepreneurs	Per cent
1	Lack of liquidity	7	14.0
2	Due to business loss	21	42.0
3	Due to high rate of interest	14	28.0
4	The agency is not serious about repayment	2	4.0
5	Any other reasons (Please specify)*	6	12.0
	Total	50	100.0

* Tight repayment period

Source: Field survey

The main problem faced by the sample entrepreneurs for non-repayment of their loan is due to business loss (42 per cent), followed by high rate of interest (28 per cent) and lack of liquidity (14 per cent). 12 per cent of them (6 out of 50) also said that tight repayment period is the biggest problem faced by them. In this context, instead of granting only loans by banks and providing only one time assistance to the entrepreneurs by the government in the form of subsidy, cheap finance, machinery etc. they should also involve in developmental and monitoring activities so as to prevent the entrepreneurs from facing the problem of repayment.

6.8 PROBLEMS OF INTERNAL MANAGEMENT

The entrepreneur should understand that he or she could make his or her dreams come through only with the active cooperation and participation of the employees. If he or she does not pay attention to this aspect, all the other efforts like production planning, financial planning, business and marketing strategy etc. will only be on paper. He should promote friendly, harmonious, cordial and affectionate relationship with the employees so that the employees will contribute to the vision of the entrepreneur. Efficient management of human resources is an important factor in determining the growth and development of business enterprises. This holds true particularly in small business where the owner entrepreneurs have to forge a close and more personal relationship with the employees (Jayabal and Nagarajan, 2008).

Unlike large organisations, supervision and control mechanism in small enterprises are more direct and informal (Cassell, et al., 2002; Jackson, et al., 1989; MacMahon and Murphy, 1999). The owner-entrepreneur plays an important role in managing human resources in small enterprises (Koch M.J, 1996). Employees are in direct contact with the owner-entrepreneur and are known to him personally. This is the reason that the entrepreneur's aspirations and tactics of the entrepreneurs shape the business culture of the enterprises (Marlow and Patton, 1993).

Table 6.25

Problems of Internal Management							
	Problems	Entrepreneurs' ranking of internal management problems					
		Number One	Number Two	Number Three	Weighted score	Rating (per cent)	Rank
1	Lack of co ordination	33	31	14	175	20.3	2
2	Lack of communication	26	30	15	153	17.7	3
3	Lack of team work	37	29	11	180	20.9	1
4	Lack of leadership skills	13	17	8	81	9.4	6
5	Improper delegation of authority	21	11	45	130	15.1	4
6	Lack of work culture	21	12	14	101	11.7	5
7	Any other problems (Please specify)*	8	7	4	42	4.9	7
8	No. of entrepreneurs not responded	-	22	48	-	-	
	Total	159	159	159	862	100.0	

Note: 247 enterprises were reported no problem in internal management

* Lack of experience to deal with personnel.

Source: Field survey

The problems faced by the sample entrepreneurs with regard to the internal management of the enterprise are given in [Table 6.25](#).

It can be seen from the table that 39.2 per cent (159 out of 406) of the enterprises were reported to be facing the problem of internal management. In fact, the problem of internal management is not a serious problem confronted by the [enterprises](#) under the present study. This is because of the fact that all the enterprises were [micro](#) and the number of persons employed by them was also small ([see Table 4.18 of chapter 4](#)). It is to be noted that all the enterprises under the study were managed under sole proprietorship form of business.

Among the different problems of internal management, lack of team work was rated as the most serious problem faced by the enterprises (20.9 per cent of rating), followed by lack of co-ordination (20.3 per cent of rating), lack of communication (17.7 per cent of rating), improper delegation of authority (15.1 per cent of rating), lack of work culture (11.7 per cent of rating) and lack of leadership skill (9.4 per cent of rating). However, the problems of internal management faced by the entrepreneurs were more or less equally spread among all the enterprises.

Nearly half of the sample entrepreneurs indicated lack of team work as one of the three important internal managerial problems faced by them. Every single employee's performance in [small enterprises](#) is more important than in large enterprises because the per person's influence on productivity and profitability of the entire organisation is higher in case of the former (Singh and Vohra, 2009). Almost 30 per cent of the entrepreneurs in the present study indicated lack of work culture in their enterprises as one of the three important problems relating to internal management.

Similarly, every alternative entrepreneur in the study felt lack of coordination as one of the three important internal managerial problems faced by them. It is the responsibility of the owner-entrepreneur to achieve good human relations in the

enterprise. He must keep himself in touch with the workers and understand their personal problems. He should try to reconcile the conflicting interest in the organisation as harmony is a must for growth and prosperity of the enterprise. When a number of people are working to carry out task, coordination is the only method of synchronisation (Chhabra, 2005). Co-ordination is an important method by which the owner-entrepreneur can avoid potential sources of conflict among the members of the workers. Co-ordination is a creative force to harmonise the efforts of various individuals. It gives unity of direction to the group of workers. The quality of co-ordination is the crucial factor in the survival of the business organisation. It is the responsibility of the entrepreneur to keep ears and eyes open to see that whether there is proper coordination among the various activities performed by the employees of the business undertaking (Barnard, 1939).

One of the important requirements for achieving coordination is the presence of effective communication between the entrepreneur and the employees and among the workers themselves. The good communication system will help in the integration of various activities in the business. Communication can also help in motivating the employees and getting their cooperation. The entrepreneur can motivate his employees by using appropriate words to commend their performance. This leads to better human relation among the workers which in turn leads to better cooperation, better team work and better work culture. The entrepreneur should try to develop effective communication because it is only through communication that the entrepreneur can attempt to mould the attitudes of workers, motivate the workers, fulfill leadership role and coordinate the efforts of people within the organisation. In case of the sample entrepreneurs of the present study, lack of communication was one of the three important problems confronted by them concerning internal management of the firm.

The problems relating to internal management of the business are interrelated and interdependent. For example, there can be no proper communication among the workers without the presence of proper spirit of team work. Since the entrepreneurs

themselves are the managers of the enterprise, their role is very important in handling their employees. Improper handling of the workforce through defective personnel policies may compel the entrepreneurs to be satisfied with less qualified and less efficient workers. This may create various problems such as labour turnover and absenteeism. In order to avoid or handle the problems relating to internal management of the enterprises, entrepreneur should possess adequate managerial and leadership skills.

Interestingly, about 24 per cent of the sample entrepreneurs confessed that lack of leadership skills was one of the three important constraints faced by their firms relating to internal management. The leadership pattern of the owner-entrepreneur plays an important role in managing human resources of the enterprise. The owner-entrepreneur's aspirations and style of leadership in the formative years of the enterprise shape the work culture of the enterprise.

Leadership is an important part of entrepreneur's job. He must be able to lead the employees under him for inspiring team work. He should have the ability to induce the employees to work with confidence and zeal. The entrepreneur can achieve maximum co-operation from the employees by providing good communication and by motivating them. He should also be able to co-ordinate the various activities of the workers. All the internal management problems can find their solutions if the entrepreneur has adequate knowledge of basic management principles.

Table 6.26

Problems of Internal Management: Number One Problem																				
	Types of business	Number one problem																		
		Lack of co ordination		Lack of communi cation		Lack of team work		Lack of leadership skills		Improper delegation of authority		Lack of work culture		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
1	Food processing	1	3.0	-	-	3	8.1	-	-	2	9.5	2	9.5	-	-	8	5.0	12	4.9	20
2	Wooden	7	21.2	8	30.8	11	29.7	4	30.8	9	42.9	6	28.6	3	37.5	48	30.2	62	25.1	110
3	Repair services	8	24.2	6	23.1	5	13.5	2	15.4	4	19.0	3	14.3	-	-	28	17.6	41	16.6	69
4	Steel/Metal	4	12.1	6	23.1	9	24.3	3	23.1	4	19.0	5	23.8	3	37.5	34	21.4	51	20.6	85
5	Printing/Publication	2	6.1	-	-	2	5.4	-	-	1	4.8	1	4.8	-	-	6	3.8	13	5.3	19
6	Handlooms	4	12.1	-	-	3	8.1	2	15.4	1	4.8	2	9.5	-	-	12	7.5	22	8.9	34
7	Tailoring	7	21.2	6	23.1	4	10.8	2	15.4	-	-	2	9.5	2	25.0	23	14.5	46	18.6	69
	Total	33	100.0	26	100.0	37	100.0	13	100.0	21	100.0	21	100.0	8	100.0	159	100.0	247	100.0	406

Source: Field survey

The business-wise distribution of number one problem relating to internal management faced by different enterprises is shown in Table 6.26. It can be seen from the table that among the enterprises facing the problem of lack of team work as number one problem, 29.7 per cent of them (11 out of 37) belonged to wooden business, followed by steel/metal (24.3 per cent) and repair services (13.5 per cent). The problem of lack of communication was prevalent as the most serious problem in wooden, repair services, steel/metal and tailoring business. Food processing, printing/publication and handloom businesses did not report it as the most serious problem. Among the enterprises facing the problem of improper delegation as number one problem, 42.8 per cent of the enterprises (9 out of 21) belonged to wooden business. Proper delegation of authority by the entrepreneur will enhance the decision making skills of the employees and quick and efficient decision making is necessary for the growth and development of the enterprise.

It may be suggested that the entrepreneurs need to be more assertive towards their employees, but at the same time they should pay reasonable remuneration to the labourers and should be kind and helpful towards their needs. If possible effective incentive system should also be formulated by the entrepreneurs. This may improve the motivation, performance and efficiency of the workers. In order to have effective and efficient management of the enterprise, the entrepreneurs must get themselves trained in management skills and development. In order to have efficient and committed workforce, the entrepreneurs must pay proper attention to training and employee development activities and undertake systematic human resource management practices. This will prevent, to some extent, the conflict and problems relating to the internal management of the enterprise. The business-wise distribution of number two and number three internal management problems faced by the enterprises is given in Table 6.27 and Table 6.28 respectively.

Table 6.27

Problems of Internal Management: Number Two Problem																				
	Types of business	Number two problem																		
		Lack of co ordination		Lack of communi cation		Lack of team work		Lack of leadership skills		Improper delegation of authority		Lack of work culture		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
1	Food processing	1	3.2	2	6.7	-	-	2	11.8	1	9.1	-	-	-	-	6	4.4	12	4.9	18
2	Wooden	6	19.4	7	23.3	12	41.4	4	23.5	4	36.4	3	25.0	-	-	36	26.3	62	25.1	98
3	Repair services	11	35.5	6	20.0	4	13.8	2	11.8	1	9.1	2	16.7	-	-	26	19.0	41	16.6	67
4	Steel/Metal	3	9.7	5	16.7	4	13.8	4	23.5	2	18.2	3	25.0	3	42.9	24	17.5	51	20.6	75
5	Printing/Publication	4	12.9	3	10.0	1	3.4	-	-	-	-	1	8.3	-	-	9	6.6	13	5.3	22
6	Handlooms	4	12.9	2	6.7	2	6.9	1	5.9	2	18.2	1	8.3	-	-	12	8.8	22	8.9	34
7	Tailoring	2	6.5	5	16.7	6	20.7	4	23.5	1	9.1	2	16.7	4	57.1	24	17.5	46	18.6	70
	Total	31	100.0	30	100.0	29	100.0	17	100.0	11	100.0	12	100.0	7	100.0	137	100.0	247	100.0	384

Source: Field survey

Table 6.28

Problems of Internal Management: Number Three Problem																				
	Types of business	Number three problem																		
		Lack of co ordination		Lack of communi cation		Lack of team work		Lack of leadership skills		Improper delegation of authority		Lack of work culture		Other problems		No. of units facing the problem		No. of units not facing the problem		Total no. of units
1	Food processing	2	14.3	-	-	1	9.1	-	-	1	6.7	1	7.1	-	-	5	6.2	12	4.9	17
2	Wooden	3	21.4	5	33.3	4	36.4	2	25.0	6	40.0	3	21.4	2	50.0	25	30.9	62	25.1	87
3	Repair services	2	14.3	3	20.0	-	-	1	12.5	2	13.3	2	14.3	-	-	10	12.3	41	16.6	51
4	Steel/Metal	1	7.1	2	13.3	3	27.3	-	-	1	6.7	2	14.3	2	50.0	11	13.6	51	20.6	62
5	Printing/Publication	1	7.1	1	6.7	-	-	2	25.0	-	-	1	7.1	-	-	5	6.2	13	5.3	18
6	Handlooms	2	14.3	2	13.3	1	9.1	1	12.5	2	13.3	1	7.1	-	-	9	11.1	22	8.9	31
7	Tailoring	3	21.4	2	13.3	2	18.2	2	25.0	3	20.0	4	28.6	-	-	16	19.8	46	18.6	62
	Total	14	100.0	15	100.0	11	100.0	8	100.0	15	100.0	14	100.0	4	100.0	81	100.0	247	100.0	328

Source: Field survey

6.8.1 Role of training and development

The Directorate of Industries, Zoram Industrial Development Corporation (ZIDCO), North Eastern Development Finance Corporation (NEDFi), Micro, Small and Medium Enterprise Development Institute (MSME-DI), [formerly known as SISI], North Eastern Industrial Consultancy (NECON), Small Industries Development Bank of India (SIDBI) and Mizoram KVI Board share the responsibility of promotion of entrepreneurship in Mizoram by conducting different skill development and training programmes from time to time. Out of 406 sample micro entrepreneurs in the study, only one-fifth of the entrepreneurs found an opportunity to attend training and skill development programme. The remaining 325 entrepreneurs (80 per cent) never attended any such programme.

When enquired about the reasons for not participating in any skill development or training programme, 38.5 per cent of those who have not attended such programme admitted their ignorance or lack of awareness of training programme (Table 6.29). 28 per cent of the entrepreneurs (91 out of 325) did not attend any training programme as they do not see any utility. About one-fourth of the entrepreneurs (82 out of 325) found it ‘inconvenient’ to attend training/development programme. Only 8.3 per cent (27 out of 325) said they did not attend such programmes as it would be ‘expensive’ to attend.

Table 6.29

Entrepreneurs' Reasons for Not Attending Training and Development programmes			
	Reasons	No. of Entrepreneurs	Per cent
1	Not aware of such programmes	125	38.5
2	Do not think useful	91	28.0
3	Expensive	27	8.3
4	Inconvenience	82	25.2
	Total	325*	100.0

*The remaining 81 entrepreneurs found an opportunity to attend a management development programme.

Source: Field survey

It may be suggested that any agency undertaking management development programmes to the entrepreneurs, should publicise the event by using mass media well in advance. Directly contacting the target groups of entrepreneurs by using 'right' people such as opinion leaders, leaders from business community and Non-Government organisations (NGOs) would enable the entrepreneurs to take keen interest in training and development programmes. The agencies involved in conducting such programmes should make use of experts having practical knowledge. Some of the entrepreneurs said that if they think such programmes were useful, they can spare their time in attending the training programme and the problem of inconvenience will not arise. But because of the reason that they do not think useful, they don't want to waste their time in attending unnecessary training programmes.

Although there are three industrial training institutes and two polytechnics to train entrepreneurs in Mizoram, some entrepreneurship development programmes were occasionally conducted in Mizoram by different agencies cited above. The poor response to entrepreneurial development programmes indicates lack of interest or keenness on the part of organising agencies and entrepreneurs in such programmes. Sometimes, it gives an impression that such programmes were being conducted as a mere formality to achieve certain 'targets' on papers. Although the government of Mizoram offered training and subsidy support to willing persons, entrepreneurship could not be developed considerably in the state to enable the entrepreneurs to take up high value projects. One important reason for lack of entrepreneurship development in Mizoram is lack of entrepreneurial motivation. People were not motivated to take up own enterprise.

6.8.2 Entrepreneurs' rating of training and development programmes

At the time of field survey, with a view to know the perceptions of the entrepreneurs about the usefulness of training and development programmes, they were asked to give rating of such programmes they attended (Table 6.30).

Table 6.30

Entrepreneurs' Rating of Usefulness of Skill Development Programme			
	Entrepreneurs' rating	No. of entrepreneurs	Per cent
1	Very useful	10	12.3
2	Useful	28	34.6
3	Not very useful	34	42.0
4	Not useful	9	11.1
	Total	81	100.0

Source: Field survey

Of the 81 entrepreneurs who has experience of participating in training and development programmes, only 12.3 per cent of them perceived those programmes as 'very useful'. Over one-third of them felt that such programmes were 'useful'. The rest of 53.1 per cent of the entrepreneurs were not satisfied with the training and development programmes they had attended so far. Here it is recommended that the government should take some measures in the process of entrepreneurship development by setting up more number of institutions for the development of entrepreneurship.

6.9 CONCLUSION

The micro enterprises in Mizoram face some inherent problems such as small markets, low productivity, high cost, poor technology, lack of entrepreneurial mind and scarcity of funds. Modernisation of business proves to be difficult due to the very small capital base of the enterprises. Lack of good infrastructure is one of the serious constraints faced by the entrepreneurs in Mizoram, which is considered an obstacle in the growth of enterprises in the state. The inadequacy of infrastructure facilities hold back the state from capitalising the advantage it has in terms of availability of forest resources and natural resources. In the hilly state of Mizoram, even after six decades of economic planning in India, the state suffers from inadequate road transport and communication system, which is the major

impediment to the socioeconomic development of the state. The enterprises have to incur about 10-20 per cent extra cost as compared to units in other states owing to high cost of transportation. The project cost is also higher by 20-25 per cent. The critical inputs that mostly come from outside are neither available in adequate quantity nor in time.

Out of the micro enterprises confronting the problem of marketing, the study reveals that the major problem faced by them was competition from other micro enterprises. With regard to raw materials, the main problem was high price, followed by scarcity and transportation. Irregular supply of power and high tariff were the problems faced by the enterprises. Though over 50 per cent of the enterprises were reported not facing the problem of labour, among the enterprises facing such a problem, the most serious problems were scarcity of labour, high labour cost and labour turnover in that order. The study further reveals that a high rate of interest was the most serious financial problem, followed by meagre assistance from government agencies, red-tapism in banks and red-tapism in government agencies. Because of lack of financial support the enterprises found it difficult to spend money in promoting their products and services which is affecting their competitiveness. Only nearly seven per cent of the enterprises started their venture by availing bank loans. This is because of the reluctance shown by banks to grant loans to micro entrepreneurs. 80 per cent of the entrepreneurs never participated in any skill development or training programme. Of a few entrepreneurs who attended such programmes, most of them were not satisfied with the quality of such programmes.

Thus, the problems faced by the entrepreneurs are multi-dimensional which can be solved by coordinated efforts of entrepreneurs, supporting institutions and government agencies without red-tapism and bureaucratic attitude. The entrepreneurs should be educated and proper training should be given so that the entrepreneurial mind would be strengthened. Therefore, the need of the hour is to strengthen the sector so that it could adapt to the liberalised environment and contribute to the state's economy.

NOTES

¹ In October, 1993, the Government of India introduced employment generation scheme- Prime Minister's Rozgar Yojana (PMRY). The scheme was especially designed for educated unemployed youth. The scheme covered urban areas only during the 1993-94 but subsequently covered both urban and rural areas. The scheme provides a loan upto a ceiling of ₹ 1 lakh in case of individuals. If two or more eligible persons enter into partnership, projects with higher cost can be assisted provided the share of each person in the project cost does not exceed ₹ 1 lakh.

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CHAPTER – 7

SUMMARY OF FINDINGS AND SUGGESTIONS

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CHAPTER - 7

FINDINGS AND SUGGESTIONS

7.1 MAJOR FINDINGS

Finally, this chapter highlights the major findings drawn from the analysis and interpretation of the data discussed in preceding chapters. This chapter also brought out areas for further research for the prospective researchers in the area of entrepreneurship. The following are the major findings of the study:

Chapter 1: Introduction

- Entrepreneurship can be viewed as a creative and innovative response to the environment and an ability to recognise, initiate and exploit an economic opportunity. The emergence and development of entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political and psychological factors often known as supporting conditions to entrepreneurship development.
- The most important task of the entrepreneur is to take moderate risk and invest money to earn profits by exploiting an opportunity. For this he must possess far-sightedness to perceive an opportunity so that he can exploit it well in time.
- The development or underdevelopment of an economy is the reflection of the development or underdevelopment of entrepreneurship in the society.
- In North Eastern states of Mizoram, unemployment, underemployment and poverty are the baffling problems faced by its people. The state is not in a position to provide government jobs to a number of people. Due to its inherent problems such as physical location, hilly terrain and inaccessibility, there is no possibility of establishing large scale industrial units which will provide large scale employment opportunities. In this situation, entrepreneurship can play an

important role by providing employment opportunities to different sections of society.

- Mizoram is one of the most industrially backward states in India. The entire state has been notified as backward and is categorised as ‘No Industry State’ due to non-existence of large and medium industries.
- The state has witnessed a low scale of migration of workforce from agriculture to non-agricultural sector. Business activities like tailoring, furniture making, automobile repairs, steel making, bakery, handloom weaving, blacksmithy etc, account for 80 per cent of the total number of business enterprises in the state. There is little scope for either medium or large scale industrial units and as such micro enterprises dominate the industrial scenario acquiring a prominent place in the socioeconomic development of the state.

Chapter 2: Economic Landscape of India's North East: A Focus on Mizoram

- The NER of India is the home for more than 166 separate tribes having unique social and cultural practices, speaking a wide range of languages. There are four states in the region viz. Arunachal Pradesh, Meghalaya, Mizoram and Nagaland where tribals are in majority and in Mizoram, they constitute as high as 95 per cent of the population. According to the 2011 census, the literacy rate among all the states in the region is above 75 per cent which is slightly higher than the national average of 74 per cent.
- About 70 per cent of the region is hilly, and the topography varies with each state, mountains and hills cover most of Arunachal Pradesh, Mizoram, Nagaland, Meghalaya, Sikkim and about half of Tripura, one-fifth of Assam and nine-tenth of Manipur.
- The economy of NER is mainly rural and agrarian. The region has got its definite identity due to its peculiar physical, economic and socio-cultural

characteristics. Agriculture provides livelihood support to 70 per cent of the population.

- All the states in the region continue to be a net importer of food grains even for their own consumption. In spite of covering 7.9 per cent of the country's total geographical area, the region produces only around 1.5 per cent of the country's total food grain production.
- The contribution of agriculture to state domestic income is much higher in the region except for Meghalaya and Nagaland. Mining in case of Meghalaya and forestry and logging in case of Arunachal Pradesh and Nagaland are important contributors to NSDP.
- The per capita NSDP in NER on an average is ₹ 26,472 as compared with the national average of ₹ 37,490 at current prices in 2008-09. NSDP shows that Sikkim has been doing better than the national average
- The total road length in the region is 1,73,261 km which works out to be 7.05 per cent of the country's aggregate road network. Out of the total road length, only 25.5 per cent (44,261 km) was surfaced and the remaining 74.5 per cent (1,29,000 km) was unsurfaced road. The average road availability per one thousand population in the NER is 4.46 km as against 2.39 km for the whole country.
- Almost 98 per cent of the railway route length in the region is in Assam. In Arunachal Pradesh, Manipur and Mizoram the railway route length is less than 2 kilometers.
- In NER, there are 11 operational and 11 non-operational airports. At present, only Meghalaya and Sikkim have no full-fledged airports.

- Hydro power potential of the NER in terms of installed capacity has been estimated as 58971 MW, i.e., almost 40 per cent of the country's total hydro potential, out of which only 1202.7 MW have been harnessed so far.
- By the end of March, 2004, there were 2101 bank branches in the region, out of which 1229 are commercial banks, 643 are regional rural banks and 229 are cooperative banks.
- Assam is the first state in the NER, taking planned and systematic efforts to promote entrepreneurship. In 1973, Assam started an integrated approach for entrepreneurship development by setting up district level agency known as Entrepreneurial Motivation Training Center (EMTC) to identify, select, and train prospective entrepreneurs, and to provide them all support services to establish and manage their enterprises.
- Only three per cent of MSMEs in the country are located in the NER, out of which slightly more than 60 per cent are found to be in Assam. Sikkim is the state in the region with least number of MSMEs.
- The employment in the registered MSME sector in the NER is only about 3.11 per cent of the total registered MSME employment in India. Assam constitutes more than half of NER's share in the registered MSME sector employment.
- 4.38 per cent of exporting units in the MSME sector in India are located in the NER. Though Sikkim is the state in the NER with least number of MSMEs, the number of registered exporting units in the MSME sector in the region is highest in Sikkim. The exporting units in the NER contribute only 0.23 per cent of the export value of the country.
- Out of the total registered working MSMEs in the NER, 46.27 per cent are located in rural areas and the remaining 53.73 per cent are located in urban areas.

However, Arunachal Pradesh, Manipur, Meghalaya and Tripura have more units in rural areas.

- 39 per cent of the registered MSMEs in the NER are closed units. The closed units are mostly located in urban areas.
- 2.92 per cent of women enterprises in the country are located in the NER and 2.82 per cent of enterprises managed by women are found to be in NER. Assam has the highest share of women enterprises and the enterprises managed by women in the region.
- In NER, in terms of share of female employment in the total employment of the state, Mizoram is highest (27.46 per cent), followed by Manipur (17.06 per cent); while Assam had only 6.08 per cent of female employees in the state, which is lower than the national average of 13.31 per cent. The share of NER is 13.98 per cent which is higher than the national average of 13.31 per cent.
- In NER, perennial units dominate the MSME sector. Mizoram has the highest share of perennial units (96.85 per cent), followed by Nagaland (96.48 per cent). In Sikkim, seasonal units play a significant role (33.91 per cent). The highest proportion of casual units was found in Arunachal Pradesh (16.08 per cent).
- Among the states in the NER, Nagaland is leading in manufacturing activities, accounted for 74.5 per cent of the total units, followed by Manipur (65.7 per cent) and Sikkim (63.7 per cent). Repairs and maintenance is an important activity of Arunachal Pradesh comprising of 31.7 per cent of the total units. In case of service activity, Tripura is in the lead, comprising of 57 per cent of the units, followed by Mizoram (47.7 per cent).
- In 2005-06 the NER had 3,56,002 MSMEs as against 123.42 lakh in the country. In 2009-10 there are 4,02,209 MSMEs in the region as against 298.08 lakh in the country and accounted for a share of 1.34 per cent. The trend of development

within the eight states of the region is not uniform. In 2009-10, Assam had 2,46,980 MSMEs and accounted for 61.4 per cent of the enterprises in the region.

- As per the Basic Statistics of NER 2006, there were 213 large and medium enterprises in the NER, out of which almost half of them (i.e, 56.3 per cent) were found to be in Assam.
- The Government has approved a package of fiscal incentives and other concessions for the North East Region namely the ‘North East Industrial and Investment Promotion Policy (NEIIPP), 2007’, effective from 1st April, 2007.
- Some of the organisations which have been involved in the development of MSMEs in the NER are: Ministry of Micro, Small and Medium Enterprises (Govt. of India), National Small Industries Corporation Ltd. (NSIC), Indian Institute of Entrepreneurship (IIE), North Eastern Council (NEC), North Eastern Development Finance Corporation Ltd (NEDFi), North Eastern Industrial and Technical Consultancy Organization Limited (NEITCO), North Eastern Handloom and Handicraft Development Corporation Limited (NEHHDC).
- As per the 2011 Census, Mizoram has a population of 10,91,014. Out of the total population, 5,52,339 are males and 5,38,675 are females. The density of population is 52 persons per sq km. The literacy rate is 91.58 per cent, which is far higher than the national literacy rate of 74.04 per cent. The sex ratio is 975 females per 1000 males. The state is divided into eight administrative districts.
- From 1999-2000 to 2008-09, the contribution of agricultural sector normally ranges from 13 per cent to 22 per cent, industrial sector normally ranges from 15 per cent to 20 per cent and the contribution of services sector ranges from 61 per cent to 67 per cent.

- The category-wise consumption of electricity in Mizoram is highest in case of domestic purpose, ranging from 59.88 per cent and 75.47 per cent of the total consumption in the state, whereas the consumption by industrial sector is less than one per cent of the total consumption in the state.
- The road length per 1000 population in Mizoram is 5.64 km, and the road per 100 sq. km is 24.07 km.
- Out of 108 bank branches in Mizoram (as on February 28, 2009), 77 are in rural whereas the rest 31 are in urban/semi urban areas. It is observed that the population served per branch comes to around 3,804 in Mizoram which is favourable compared with the national average of 15,000.
- There are over 400 post offices in Mizoram, out of which nearly 90 per cent were in rural areas and the rest were in urban areas.

Chapter 3: Entrepreneurship and MSME Sector in Mizoram

- The government of India, with a view to facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises, the Micro, Small and Medium Enterprises Development (MSMED) Act was passed in 2006.
- It is estimated that in terms of value, the MSME sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 32 million persons in over 13 million units throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSMEs in India. It is well known that the MSMEs provide the maximum opportunities for both self-employment and jobs after agriculture.

- Tamil Nadu (14.5 per cent) makes the maximum contribution to employment followed by Maharashtra (9.7 per cent), Uttar Pradesh (9.5 per cent), and West Bengal (8.5 per cent). Per unit employment is high—17, 16, and 14, respectively in Nagaland, Sikkim, and Dadar & Nagar Haveli. Madhya Pradesh has the lowest figure of two. In all other cases it is around six.
- MSEs often act as ancillary industries for large scale industries providing them with raw materials, vital components, and backward linkages.
- The Eleventh Plan approach to the MSE sector marks a shift from the welfare approach to that of empowerment. The Plan looks at this sector as an engine for sustained and inclusive economic growth and employment.
- As per the Incentive Schemes of 2000 (Government of Mizoram), all new **industrial units** in the private, state public sector and in joint sector set up on or after 24 December, 1997 are eligible under the scheme. Existing industrial units undertaking expansion, modernisation or diversification made after 24 December, 1997 are also eligible under the scheme. Those existing industrial units which have already availed incentives similar in nature under the Incentive Scheme of 1989 and thereafter are not eligible under the schemes of 2000.
- With regard to the growth of SSIs in Mizoram during ten years from 1999-2000 to 2008-09, the growth in number of registered units was 54.47 per cent whereas the growth of employment was 88.08 per cent. The growth in employment was much higher than the growth in number of units.
- The enterprises relating to metal products dominate the **SSI sector** in Mizoram as 17.4 per cent of them (in 2008-09) were involved in activities like steel fabrication, steel window frames, steel gates, etc.

- The enterprises engaged in construction activities were growing at a faster pace than others. There was only one such registered unit in 2001-02, there were 66 units in 2008-09.
- According to the Third Census of SSIs, there were 2718 registered **SSIs** in Mizoram, out of which 1328 units were closed units (48.8 per cent).

Chapter 4: Socioeconomic Characteristics of the Entrepreneurs

- Age has been found to be one of the important factors associated with the success of entrepreneurs. The study observed that 19.2 per cent of the entrepreneurs commenced their business when they were below 30 years of age. The age group 31 – 40 has the highest proportion among the entrepreneurs (30 per cent). 28.1 per cent of the entrepreneurs were in the age group 41 – 50 years and 15.8 per cent of the entrepreneurs entered into the entrepreneurial activity during 50 - 60 years of age. Interestingly 6.9 per cent of them started entrepreneurial activity after completing 60 years of age. However, overall data indicates that nearly 50 per cent of the entrepreneurs started their business when they were below 40 years of age. One distinctive feature with regard to the age is that with the increase in the age of the entrepreneurs, the proportion of the entrepreneurs engaged in steel/metal is declining.
- Among the entrepreneurs who started business at the age of above 60 years, the highest number (28.6 per cent) of the entrepreneurs started food processing. In all the age groups except in the age group of above 60 years, the number of entrepreneurs who engaged in food processing were almost negligible. In establishing food processing business proper training is required. Lack of trained persons in food processing activity is one of the problems, or vocationally trained persons do not think of self employment which needs other qualities of innovation, managerial and risk taking ability. Further, the manufacturing activity in business such as food processing requires uninterrupted production process. But the Mizo people are not in the habit of going to work especially on

Sunday. They devote their time in church services on Sunday. Such Mizo ethos discourages the entrepreneurs from doing business in manufacturing activities which would demand continuity of production process throughout the year.

- In respect of the period of establishment of the enterprise by the entrepreneurs, it was observed that the biggest proportion (45.8 per cent) of the sample entrepreneurs established their enterprise during 1996 – 2000. It was further observed that before 1985, the biggest proportion of the entrepreneurs under the present study were engaged in tailoring. But after 1991 onwards, the proportion of entrepreneurs engaged in tailoring show a declining trend. On the other hand, it may be worth mentioning that the proportion of the entrepreneurs who took up repair services show a rising trend.
- There were no entrepreneurs who have average annual income of less than ₹ 40,000. Ninety per cent of the entrepreneurs have average annual income of more than ₹ 80,000 and the remaining 10 per cent of the entrepreneurs have average annual income of less than ₹ 80,000. The entrepreneurs whose annual income was less than ₹ 80,000 confessed that the income generated from the enterprise was the only source of income they have and they do not have other income generating assets or other sources of income.
- Among the group of entrepreneurs having income of ₹ 1,00,000 and above, 25.7 per cent of the entrepreneurs were engaged in wooden, followed by tailoring (23.7 per cent) and repair services (22.4 per cent). It can be seen that in all the different income groups, the entrepreneurs engaged in wooden occupy the highest proportion.
- The study found that 6.2 per cent of the entrepreneurs were illiterates. The highest proportion of the entrepreneurs had education up to school (69.2 per cent). This indicates that the low level of formal education did not act as a barrier to the emergence of entrepreneurship. Among the entrepreneurs having

education up to school, the biggest proportion of them were engaged in wooden (30.2 per cent), followed by tailoring (19.9 per cent) and steel/metal (17.8 per cent). None of the illiterate entrepreneurs took up printing/publication activities, mostly they were concentrated in wooden (36.per cent) and handlooms (24 per cent).

- The study also revealed that nearly 90 per cent of the entrepreneurs were married at the time of starting the enterprise. **This proves that the entrepreneurs in the region have a tendency to start their entrepreneurial activities after marriage.**
- Almost all the married entrepreneurs mentioned that they have supporting spouse sharing all types of responsibilities in running their enterprises.
- Half of the respondent-entrepreneurs have family members up to five, 42.9 per cent of the respondents have 6 – 10 members and 7.1 per cent of the respondent-entrepreneurs have very big families with 11 or more family members. Among the entrepreneurs having family members up to 10, the highest proportion of the entrepreneurs were engaged in wooden, and among the entrepreneurs with more than 15 members, the biggest proportion (40 per cent) of the entrepreneurs was engaged in handlooms.
- In Mizoram the impact of the developmental activities on women during the post independence period is significant. The role and status of women in Mizoram has undergone notable changes with improvement in literacy and awareness that comes along with development and changes in the social and economic life. Female population constitutes a strong force in Mizoram and the proportion of female workers in work participation show an improving trend like the rest of India. The 2001 census reveals that work participation in Mizoram is much higher than India. The total work participation in Mizoram is 52.6 per cent as against 39.1 per cent in India. The female work participation

rate, according to 2001 census is 43.7 per cent as against 31.5 per cent in India. With regard to the gender composition among the entrepreneurs, it was found that 76.4 per cent of them were males and the remaining 23.6 per cent of them were females. However, tailoring is female dominated activity as majority of them (62.3 per cent) were females. Moreover, the composition of females in handlooms is also significant as almost 45 per cent of them were females.

- The entrepreneurs are classified into two categories namely, entrepreneurs with rural background and entrepreneurs with urban background. The rural population in the NER is 227.7 lakh which constitutes 78.9 per cent of the population in the region and the urban population is 60.8 lakh constituting only 21.1 per cent. In Mizoram, there is not much difference between the proportion of rural and urban population. The rural and urban population were 50.4 per cent and 49.6 per cent respectively. In case of the entrepreneurs under this study, it was found that 69.2 per cent were entrepreneurs with urban background and 30.8 per cent were with rural background. Among the entrepreneurs with rural background, the largest proportion (43.5 per cent) of them was engaged in tailoring; whereas among the entrepreneurs with urban background, the largest proportion (75.4 per cent) of them was engaged in repair services.
- Agriculture occupies a very important place in the economy of Mizoram and more than 60 per cent of the total workers are engaged in agricultural activities. In this context, an enquiry was made into the occupation of the entrepreneur's father. It was revealed that the highest proportion (38.4 per cent) of the sample entrepreneurs' father pursued business as their occupation. In this context, it can be inferred that the entrepreneurs who have business as their father's occupation are more prone to become entrepreneurs.

Chapter 5: Motivational Factors of the Entrepreneurs

- It was found that the most important ambitions that have led the entrepreneurs to start entrepreneurial activity was 'to make money'. 96.5 per cent of the entrepreneurs marked to make money as one of their three ambitions. For 240 of them it is first ranking ambition, for 123 it is second ranking ambition and for another 29 it is third ranking. This ambition was ranked first in the overall rating of all the ambitions (40.8 per cent of rating). This implies that the urge for money making ambition is very high in the minds of the present sample entrepreneurs. 'To secure self employment' was the second ambition in the overall ranking (26.2 per cent of rating). This means that many of the entrepreneurs wanted to become their own boss. This indicates that the entrepreneurs want to become a job giver rather than a job seeker. The third ambition was 'to continue family business' (23.2 per cent of rating).

- An enquiry was made into the factors which compelled the entrepreneurs to take up entrepreneurial activities. It was observed that the most important reason to have compelled the respondent-entrepreneurs to go into entrepreneurship was unemployment (28.8 per cent of rating), followed by dissatisfaction with the previous job (27.1 per cent of rating), to make use of technical and professional skills (20.4 per cent of rating) and to make use of idle funds (16.5 per cent of rating). Almost 80 per cent of the entrepreneurs (324 out of 406) mentioned unemployment either as the first, second or third compelling reason. 144 of them ranked it as number one compelling reason, 89 of them as number two reason and 91 of them as number three reason. 316 entrepreneurs cited that dissatisfaction with the job so far held or occupation so far pursued was one of the three compelling reasons which induced them to start enterprises. 262 entrepreneurs mentioned that technical and professional skill is the most important reason which compelled them to become entrepreneurs. For 226 entrepreneurs the most important reason which compelled them into entrepreneurship was to make use of idle funds.

- It was found that among the factors which facilitate the emergence of entrepreneurship, success stories of entrepreneurs was most important. This factor was ranked first (33.2 per cent of rating). This shows that the success of others in business can have an inspirational effect on potential entrepreneurs. For 177 of them it is first ranking facilitating factor, for 103 it is second ranking facilitating factor and for another 63 it is third ranking. Previous employment in the same line or other line of activity is ranked second by the entrepreneurs (22.9 per cent of rating). 268 entrepreneurs mentioned it as one of the three facilitating factors which make them enter industry. The third rank was advice or encouragement of family members (16.9 per cent of rating). 194 entrepreneurs mentioned 'advice or encouragement of family members' as a facilitating factor which make them enter industry.

- With regard to the entrepreneurs' reasons for selecting their line of business, it was observed that the most important reason for selecting their line of business was easy to enter (30.4 per cent of rating), followed by high margin of profit (28.5 per cent of rating) and previous employment in the same line or other lines of activity (11.2 per cent of rating). However, no difficulty in securing know how, no competition, related to the profession or occupations pursued so far and existence of similar business in the neighbourhood were not significant reasons for the entrepreneurs for choosing their line of business.

- The present study also enquired into the entrepreneurs' considerations for selecting location of their business. The first rank was assigned to nearness to markets (23.5 per cent of rating), followed by advice of family members/relatives/friends (21.8 per cent of rating). The third important reason is nearness to home place (19.2 per cent of rating). It was also observed that the existence of similar units in the neighbourhood was the least important reason accorded by the entrepreneurs in selecting their location of business. Therefore, it can be inferred that the entrepreneurs were repelled by fear of competition.

- The present study also enquired into the entrepreneurs' commitment to the enterprises. The entrepreneurs' commitment to the enterprise is measured in terms of average time devoted by the entrepreneur himself. The time devoted by the entrepreneurs indicates the degree of attachment to the enterprise, and this determines his or her success. It was observed that 50.2 per cent of the entrepreneurs devoted 75-100 per cent of their time, 35 per cent devoted 50-75 per cent and the remaining 14.8 per cent not more than half of their time in looking after their enterprises. Overall data indicates that 85.2 per cent of the entrepreneurs devote at least 50 per cent of their time in the enterprise. This indicates that the entrepreneurs were committed and hardworking in looking after their enterprises.

- An attempt was also made to know the commitment of the entrepreneurs' family members in looking after the enterprise in terms of average time devoted by them in the enterprise. With regard to the involvement of family members in the enterprises, there were two types of enterprises – enterprises with no involvement of family members and those with some sort of involvement. It was found that 17.7 per cent of the enterprises (72 out of 406) utilise the services of family members of the entrepreneurs in running the enterprise. It was also revealed that among the entrepreneurs having some sort of family members' involvement, 70.8 per cent of the entrepreneurs' family members devote at least 50 per cent or more of their time in the enterprises. These family members were mostly involved in wooden and printing/publication.

- The present study examined the entrepreneurs' aspirations about their children. For this purpose, the entrepreneurs under the study were asked whether they were interested in developing their children as entrepreneurs in future. It was found that 36.2 per cent of the entrepreneurs wanted their children to follow their footsteps. But the level of entrepreneurs' desire was not very high since slightly more than one-third of the entrepreneurs wanted their children to follow their

footstep. Another 34.7 per cent of them do not want their children to be entrepreneurs in future and the remaining 29.1 per cent cannot decide.

Chapter 6: Problems Faced by the Entrepreneurs

- Among the entrepreneurs under the present study, 42 entrepreneurs (10.3 per cent) were reported not facing the problem of marketing. Out of the entrepreneurs facing the problem of marketing, it was observed that the biggest problem faced by them was competition from other micro enterprises (33.8 per cent of rating), followed by slackness in demand (27.7 per cent of rating), lack of advertising efforts (18.7 per cent of rating), competition from large enterprises (9.2 per cent of rating), and transport problem (8.9 per cent of rating).

- An attempt was made to identify the problems faced by the sample respondent entrepreneurs with regard to raw materials. They were asked to rank (up to three) the most serious problems faced by them in order of importance. The problems identified were: scarcity, high price, low quality and transport problem. 48.9 per cent of them (118 out of 241) indicated high prices as the number one problem. 25.3 per cent of them (61 out of 241) cited the problem of scarcity of raw materials as the most important problem faced by them. 16.1 per cent of the entrepreneurs (39 out of 241) cited the problem of transport as the number one problem. In fact, being a hilly area, the problem of transport is a serious constraints faced by almost the whole North Eastern Region of India. As a result, the firms face the problems such as scarcity of raw materials and high price of raw materials. Only 6.2 per cent of the entrepreneurs (15 out of 241) cited low quality of raw materials as number one problem.

Going by the whole picture, the biggest problem with regard to raw materials was high price (45 per cent of rating), followed by scarcity (24.9 per cent of rating) and transport problem (15.6 per cent of rating). The problem of low

quality was ranked fourth (11.6 per cent of rating). However, 165 entrepreneurs (40.6 per cent) were reported not facing the problem of raw materials.

- It was found that the most serious problem faced by the entrepreneurs with regard to power is irregularity (37.9 per cent of rating), followed by high tariff of power (32.2 per cent of rating) and scarcity of power (29.8 per cent of rating). 41.6 per cent (160 out of 384) of enterprises cited irregularity as the number one problem. For 29.9 per cent (115 out of 384) of the enterprises, scarcity of power supply was the number one problem. 28.3 per cent (109 out of 384) of the enterprises felt the high tariff of power as the most serious problem. Many of the entrepreneurs stated that because of the frequent interruption of power supply, they were compelled to use other means of power like a small diesel generator, which would increase the production cost. However, 22 entrepreneurs (5.4 per cent) were reported not facing the problem of power.
- With regard to labour problem, 220 entrepreneurs (54.1 per cent) were reported not facing the problem of labour. Among the entrepreneurs facing the problem of labour, the most serious labour problem faced by the entrepreneurs is scarcity of labour (41.6 per cent of rating), followed by high labour cost (31.2 per cent of rating), labour turnover (18.3 per cent of rating) and labour absenteeism (8.8 per cent of rating).

Of the enterprises facing the problem of labour, nearly half of the enterprises (90 out of 186) have indicated scarcity of skilled labourers as the most serious problem. High labour cost was reported by 23.6 per cent (44 out of 186) of the enterprises and labour turnover was the number one problem for 17.2 per cent (32 out of 186) of the enterprises. Labour absenteeism was also reported as the number one problem by 10.7 per cent (20 out of 186) of the enterprises.

- Financial support and availability are one of the most important considerations of any business. The quantum of financial problems faced by the entrepreneurs

in the state of Mizoram is not less than their counterparts in other states of the country. Because of lack of financial support, it may be difficult for the entrepreneurs to spend on advertising and sales promotion activities. The financial problem faced by the entrepreneurs coupled with competition from other well established firms were one of the major problems faced by the sample entrepreneurs. Hence, lack of competitiveness leads to loss of markets for their products. This might have an adverse effect in the growth of entrepreneurship in Mizoram.

With regard to the problem of finance, it was observed that high rate of interest was rated as the most serious problem (36.8 per cent of rating), followed by meagre assistance from government agencies (22.4 per cent of rating), red tapism in banks (22.2 per cent of rating) and, red tapism in government agencies (14.9 per cent of rating). 43.4 per cent (149 out of 343) of the entrepreneurs indicated high rate of interest as the most serious problem. 30.3 per cent of the entrepreneurs (96 out of 316) felt high interest rate as the second most important problem, and 27.3 per cent (81 out of 296) of them considered it as the third most important problem. The problem with regard to finance was one of the main constraints in the development of entrepreneurship in Mizoram. The capital base of the **micro enterprises** in the state is typically weak.

- The sources of initial capital of the entrepreneurs are also enquired into. Initial capital is defined as the capital required for the establishment of the enterprise initially. The study revealed that 47.8 per cent of the entrepreneurs (194 out of 406) cited their own funds as a major source of initial capital. On the other hand, only 6.7 per cent (27 out of 406) of the entrepreneurs started their entrepreneurial activity by availing bank loans. This indicates that only small proportion of entrepreneurs could have access to bank loans because of the reluctance shown by banks to grant loans to micro entrepreneurs.

- The entrepreneurs under the present study who had availed loan from government agencies, loan from banks, borrowing from money lenders and borrowing from friends/relatives were asked whether they were repaying their loans. It was observed that 37.8 per cent (28 out of 74) cannot repay their loans, 32.4 per cent (24 out of 74) said that they can repay their loans with interest in time, and the remaining 29.7 (22 out of 74) said that they can repay only some portion of their loans.
- The entrepreneurs who cannot repay their loans and those who can repay only partially were asked the reasons for their non-repayment or partial payment of their loans. It was found that the biggest problem faced by the sample entrepreneurs for non-repayment of their loan is due to business loss (42 per cent), followed by high rate of interest (28 per cent) and lack of liquidity (14 per cent). 12 per cent of them (6 out of 50) stated that tight repayment period is the main problem faced by them.
- The present study enquired into the problems with regard to the internal management faced by the enterprises. As such, it was observed that 39.2 per cent (159 out of 406) of the enterprises were reported to be facing the problem of internal management. However, the problem of internal management is not a serious problem confronted by the enterprises under the present study as majority (60.8 per cent) of the enterprises were reported not facing the problem of internal management. Among the enterprises facing the problem of internal management, it was found that the most serious internal management problem faced by them was lack of team work (20.9 per cent of rating), followed by lack of coordination (20.3 per cent of rating), lack of communication (17.7 per cent of rating), improper delegation of authority (15.1 per cent of rating), lack of work culture (11.7 per cent of rating) and lack of leadership skill (9.4 per cent of rating).

- The study revealed that out of 406 sample micro entrepreneurs, only one-fifth of the entrepreneurs found an opportunity to attend training or skill development programme. The remaining 325 entrepreneurs (80 per cent) never attended any such programme. When enquired into the reasons for not participating in any skill development or training programme, 38.5 per cent of those who have not attended such programme admitted their ignorance or lack of awareness of such training programmes. 28 per cent of the entrepreneurs (91 out of 325) did not attend any training programme as they do not see any utility. About one-fourth of the entrepreneurs (82 out of 325) found it ‘inconvenient’ to attend training/development programme. Only 8.3 per cent (27 out of 325) said they did not attend such programmes as it would be ‘expensive’ to attend.
- With a view to know the perceptions of the entrepreneurs about the usefulness of training and development programmes, they were asked to evaluate such programmes they attended. Of the 81 entrepreneurs who have experience of participating in training and development programmes, only 12.3 per cent of them perceived those programmes as ‘very useful.’ Over one-third of them felt that such programmes were ‘useful’. The rest of 53.1 per cent of the entrepreneurs were not satisfied with the training and development programmes they had attended so far.

7.2 SUGGESTIONS

This section gives the suggestions for the entrepreneurs and the stakeholders such as different government agencies and various supporting agencies who are interested in the development of entrepreneurship.

- *Proper records of business:* It is unfortunate to note that most of the entrepreneurs do not keep proper records of their business transactions. It is suggested that the entrepreneurs should maintain proper books of accounts to keep systematic records of all business transactions, to know the financial position of their business and to provide information to interested persons.

- *Prior education*: It is desirable for potential entrepreneurs to acquire formidable educational qualifications (at least graduation) before venturing into entrepreneurship because education acts as a powerful tool to break the barriers of successful entrepreneurship.
- *Prior experience*: It is also desirable for potential entrepreneurs to acquire few years of experience in the line of activity they intend venturing into. This would give them an insight into the functioning of a business enterprise and will therefore prepare them to better face the challenges ahead in the start up and management of their enterprises.
- *Exploring opportunities in poultry and piggery*: The North Eastern states including Mizoram are heavily dependent on other parts of the country for consumption of food grains. In spite of covering 7.9 per cent of the country's total geographical area, the region produces only about 1.5 per cent of the country's total food grains production. The food habit of the people in the region suggests tremendous demand for eggs, pork and chicken. There is a severe shortage of poultry and pork products in the region. Hence, the entrepreneurs should be encouraged to set up farms for poultry and piggery in order to meet the growing demand for such products. In this regard MIFCO, a state owned enterprise should play a proactive role in providing required support to the entrepreneurs. Similarly, there is a need to attract private investment in the area of animal feed production as Mizoram has sizable production of maize. The new entrepreneurs should be encouraged to set up animal feed ventures in the state.
- *Harnessing local resource based enterprises*: There is a tremendous opportunity to establish the business enterprises which are based on local resources available. There is scope to promote new businesses and strengthen the existing businesses such as bamboo based, timber based, horticulture, fruit processing orchid cultivation, and floriculture. Mizoram is rich in terms of biodiversity. There are

more than 400 medicinal plants available in the state, of which more than 60 are recorded as new medicinal plants (Kabra KC, 2008). In addition, research evidence suggests that 90 per cent of India's medicinal plant diversity in forest and 10 per cent in non-forest habitat suits Mizoram condition (Department of Environment and Forest, Mizoram Forest 2003, Government of Mizoram, Aizawl, p.4). As Mizoram University has been producing postgraduates in the area of forestry, biodiversity and horticulture, the new entrepreneurs can make use of their talents in establishing and managing medicinal plant extractions and other horticulture units.

- *Improving competitiveness:* With regard to the problem of marketing, it is suggested that the entrepreneurs must establish credibility first in terms of quality, price and competitiveness of products/services. He/she should acquire relevant techniques and skills on winning customers' loyalty. With a view to improve their competitiveness, government should undertake effective check on spurious goods available in the market. The problem of transport can be overcome to some extent by availing transport subsidy which is permissible by New Industrial Policy of Mizoram 2000 and central transport subsidy. The entrepreneurs can tackle the problem of advertising of their products/services due to limited availability of finance by looking for cheaper alternatives. As per the new Industrial policy of Mizoram 2000, there is a Market Promotion Council which is acting as an advisory council, it coordinates and interacts with the marketing agencies elsewhere to promote sales of local products inside and outside the country. The entrepreneurs should be in touch with this agency so as to promote sales of their products/services.
- *Raw material depots:* With a view to offset the problems as regards raw materials, the government should establish proper and effective raw material depots from where the entrepreneurs can get scarce raw materials at a price

controlled by the government which are not locally available. It is also suggested that a uniform quota system should be developed.

- *Efficient generation and distribution of power:* It was found that the most serious problems faced by the micro enterprises with regard to power is irregularity, followed by high tariff of power and scarcity of power. Only 5.4 per cent of the enterprises were reported not facing the problem of power. Power is an important basic infrastructure around which all economic activities move. Though Mizoram has huge hydroelectric potential, the progress in the field is very slow creating a huge gap between demand and supply in the state. The consumption of electricity was highest in case of domestic and lowest in case of industrial sector. Therefore, it is suggested that the ongoing power projects in the state should be speeded up by the government so that there should be availability of power supply for industrial sector. On the other hand, in order to ensure more systematic and efficient generation and distribution of power, the government should encourage private investment in power sector.

- *Inclusive banking:* With regard to the problems of finance, it was observed that high rate of interest was rated the most serious problem, followed by meagre assistance from government agencies, red-tapism in banks and red-tapism in government agencies. The capital base of the micro enterprises in the state is typically weak. In the present study, hardly seven per cent of the entrepreneurs had availed bank loans while starting their ventures. This indicates that only small proportion of entrepreneurs could have access to bank loans because of the reluctance shown by banks to grant loans to micro entrepreneurs. Collateral security should also be dispensed with by banks in the case of micro and small enterprises provided they have reliable guarantors because many of the micro and small entrepreneurs in Mizoram belong to lower middle income group. Many of them have hardly any property or other assets in their own name to be guaranteed as collateral security. The decision making process in banks should

be quick and time bound to minimise delays in sanction and disbursement of loans. Too much official formalities in banks should be avoided. Reluctance of banks to lend to micro and small entrepreneurs is primarily due to poor recovery. Banks are also partly responsible for poor recovery. Therefore, it is suggested that there should be effective follow up and monitoring by banks to ensure utilisation of loan after it is disbursed. This would create mutual trust and confidence between banks and entrepreneurs.

- *Business incubators:* The study reveals that only one-fifth of the entrepreneurs found an opportunity to attend training or skill development programmes when enquired into the reasons for not participating in any skill development or training programme. Nearly 39 per cent of those who have not attended such programmes admitted their lack of awareness of such programmes. 28 per cent of the entrepreneurs did not attend any such programme as they do not see any utility. About one-fourth of the entrepreneurs found it inconvenient to attend training programme. With regard to the usefulness of training programme, the entrepreneurs who attended such programmes were asked to evaluate the programme attended. Only 12.3 per cent of them perceived those programmes as very useful. Over one-third of them felt that such programmes were useful. The rest 53 per cent of the entrepreneurs were not satisfied with the training programme they have attended so far. Entrepreneurship support organisations should make intensive promotional efforts to popularise their schemes of assistance for entrepreneurs so that more number of entrepreneurs would be able to avail the various schemes of financial and technical assistance. Entrepreneurship support organisations need to tap the reservoir of technically qualified persons by offering them better schemes of assistance and ensuring their proper implementation. Preference should also be given to them in the existing schemes of assistance. The support organisations should follow the participatory approach through bottom up while planning EDPs. They should design curriculum keeping in view the needs of entrepreneurs and conduct EDPs

for right mix of entrepreneurs at their convenience. More number of successful entrepreneurs should be involved in imparting the skills and in inspiring the participants. There is a need to organise the trained entrepreneurs meet on a regular basis with the government departments and other organisations concerned at a state level and regional level. Such type of follow up action would be helpful to the micro entrepreneurs in resolving their problems. It is important to establish **Business Incubators** in the government and in higher educational institutions in the state such as Mizoram University and National Institute of Technology (NIT) with a view to provide continuous support to micro and small enterprises. Many resources persons such as experts, policy makers and bankers would be associated with such **Business Incubators**.

- *Women entrepreneurship cells*: As is revealed by the study, less than one-fourth of the sample entrepreneurs are women. This indicates that there is a need to encourage women entrepreneurship in Mizoram. For this purpose, separate cells should be created in various entrepreneurial support organisations. These cells should be managed by women officials. In addition, the state government should also give special incentives to women entrepreneurs for a certain period of time. The government should also evolve schemes of assistance exclusively meant for women entrepreneurs.
- *Separate policy for micro enterprises*: The government should adopt a separate policy for micro enterprises in line with the policy for small and medium enterprises indicating financial support, marketing support, infrastructure support, training support etc. This will provide considerable impetus for the growth of micro enterprises.
- *Rural entrepreneurship*: Almost 75 per cent of the enterprises are located in Aizawl district, and the remaining 25 per cent of the enterprises are distributed in other districts of the state (*see Table 1.1 of chapter 1*). It is suggested that the

government should evolve a policy to cater to the needs of rural areas also without focusing on Aizawl district only. The government along with the entrepreneurship support organisations should play more proactive role with a view to tap those rural small entrepreneurs who have potential to become successful entrepreneurs, so that there would be better inclusive growth.

- *Entrepreneurship as an option:* The biggest proportion of the entrepreneurs started their entrepreneurial activities in the age group 31-40 (*see Table 4.2 in chapter 4*), and the biggest compelling force of the entrepreneurs is unemployment (*see Table 5.2 in chapter 5*). It is suggested that the entrepreneurship support organisations should give priority to the potential entrepreneurs who are below 30 years of age, who want to start their entrepreneurial activities by ‘ambition’ and not by ‘compulsion’. Preference should be given to these young potential entrepreneurs in extending support so that they will be motivated to take calculated risks out of willingness to take up challenging tasks than out of compulsion.
- *Preventing proxy entrepreneurs:* At the time of granting loans, technical assistance, material assistance, grant-in-aid etc. the entry of proxy entrepreneurs needs to be checked so that the benefits trickle down only to genuine entrepreneurs.
- *Inculcating the entrepreneurial attitude:* It is found in the present study that unemployment was the most compelling reason for opting to be an entrepreneur. Almost 80 per cent of the entrepreneurs mentioned unemployment either as the first, second or third compelling reason. The study further reveals that only 36 per cent of the entrepreneurs wanted their children to follow their footsteps. This indicates the negative or indifferent attitude of the people in general for seeking a career in entrepreneurship. It is further observed young people even today have some reluctance in assuming calculated risk in choosing business as their career.

However, the government no longer would assume the responsibility of providing large scale employment for educated youth. In Mizoram rich people and eminent persons are generally from families belonging to politicians and high officials of government. Young generations always want to follow the footsteps of these people. It is necessary to change the mindset of the young people. It is not difficult to mould the young minds than the matured minds. Therefore, in order to inculcate the entrepreneurial attitude in the minds of young generation, entrepreneurial education needs to be introduced and strengthened, especially from the secondary school level. This will help the young generation in visualising their career in entrepreneurship rather than in government sector.

- *Reforms in vocational education:* The study reveals that among the enterprises facing the problem of labour, the most serious problem is scarcity of labour, followed by high labour cost, labour turnover and labour absenteeism. The system of vocational and technical education should be further expanded by establishing at least four more Polytechnics in districts other than Aizawl and Lunglei out of which two polytechnics may be designed as ‘Community Polytechnics’. In addition, vocational schools should be set up in those districts where polytechnics are not being established. The women polytechnics at Aizawl should be made coeducational so that male students of the areas surrounding Aizawl are also benefited. At present, there are only three Industrial Training Institutes (ITI) in Mizoram, which are located in Aizawl, Lunglei and Saiha. It is suggested that ITIs should be established in all the eight districts of the state. As rightly pointed out by the Education Reforms Commission (2010) the state government should appoint a task force to identify courses to be offered in the new polytechnics including community polytechnics. The Commission further recommends that at least two community colleges be established in Mizoram to offer programmes which can lead to employment to Mizo youth both in and outside Mizoram. The undergraduate colleges found to be unviable

may be converted community colleges. The curriculum of the community college has four distinct parts: life skills, work skills, internship and preparation for employment. The community college is the need of the hour in the context of problems of unemployment, under employment and unemployability. In North East region, there is ample opportunities available in seeking careers in health care, hospitality industry, automobile industry, construction, printing and publishing, agro-based industry, medical transcription etc.

- *Making DICs more functional*: District Industries Center (DIC) plays an important role for industrial development at a district level. It helps the entrepreneurs with regard to matters connected with registration, consultancy, project formulation etc. Out of the eight districts in Mizoram, there are three districts which do not have DIC viz. Serchhip, Mamit and Lawngtlai. The government should take steps to establish DICs in these three districts and make all the DICs in the state more effective and functional so as to foster the industrial development.

7.3 SUGGESTED AREAS FOR FURTHER RESEARCH

The prospective researchers may undertake their research on the following related areas.

- Marketing practices of micro and small enterprises.
- Financial management in respect of micro and small business
- Entrepreneurship development in micro enterprises located in rural areas
- Industrial sickness in micro and small enterprises
- Inter state comparison in respect of entrepreneurship development in micro and small enterprises in north east.
- Inter state comparison in respect of entrepreneurship development in micro and small enterprises in north eastern state and any other state.
- A study of achievement motivation among school/college students.
- Impact of socio-cultural factors and the ethos on entrepreneurship.

- Entrepreneurship development in service organisations.
- Entrepreneurship development in not-for-profit organisations.
- A study of entrepreneurship component in curriculum in school/college/university education in North East.
- Entrepreneurship development in agricultural sector.
- Women entrepreneurship.
- Role of commercial banks in entrepreneurship development.
- Social entrepreneurship.

7.4 CONCLUSION

The statistic that 78 per cent of the work force in the North East depends on agriculture for their livelihood reveals high incidence of agricultural employment. This indicates the low level of industrialisation and high incidence of agricultural employment. At the same time, the agricultural sector has been suffering from low productivity mainly due to lack of entrepreneurship in utilising modern technology, scientific methods of cultivation and marketing of agricultural produce. Ultimately, this has resulted in under employment in agricultural sector (Jyoti Kumar NVR, 2010).

The North East has one of the highest rates of unemployment of 12 per cent against the national average of 7.7 per cent. There were over 43 lakh registered educated unemployed youth in the region. It is to be noted that the actual number of job seekers (including those unregistered with the employment exchanges) may far exceed this figure. Manipur has the highest proportion of job seekers (25.53 per cent of state population), followed by Tripura (13.54 per cent), and Assam (7.05 per cent). The entire region is lagging behind in terms of industrial development. Even Assam, the most industrialised state of the region has registered one of the lowest gross per capita industrial output of ₹ 3000, much lower than the national average (Jyoti Kumar NVR, 2008). Inadequate number of motivated entrepreneurs is posing a serious challenge to the region. There has been a low level of private sector

participation in the region. Heavy imports of food grains and other essential products drain away financial resources of the region. Not even a single state from North East figured in the list of top ten most competitive states in India (Ketels, 2009). Assam ranked 16th (out of 27 states), followed by Meghalaya (17th rank), Sikkim (21), Arunachal Pradesh (22), Manipur (23), Tripura (24), Mizoram (25) and Nagaland (26). The overall scores range from 46.41 (Assam), to 40.20 (Nagaland). The North East states have to go a long way in improving their competitiveness, considering the overall scores of the leaders such as Maharashtra (58.38 scores), Goa (58.02), and Tamil Nadu (57.16).

The higher education scenario is not as rosy as primary and secondary education in the North East. The region is far lagging the national average in terms of the number of professional and technical colleges such as engineering, medical and polytechnic colleges. For example, Delhi and Goa, among the small states, were producing a good number of engineering graduates per year when compared to the North East states. While Mizoram is producing only 384 engineering graduates per year, Delhi and Goa are producing 18,872 and 2,688 graduates respectively (Jyoti Kumar NVR, 2010).

Physical location is much less important in the age of global economy. The fact that a country or a region had missed out on industrialisation was increasingly seen as a blessing. It meant that there were no rusting industrial plants and no unemployed workforce born and bred to heavy industry. It also meant that the region's economy could take advantage of new trends beyond its border in the global economy (Ohmae, 2006). The North East states have to understand that success in the global economy may mean challenging physical constraints. The region does not have to be born rich or be borne in a wealthy country to prosper. All four C's, namely communication, capital, corporations (companies) and consumers can and will come to the region, if it has the right recipe. Alternatively, if our logic and system are out of sync with the global economy, the four C's will evaporate, and we will not have an opportunity to perform in the global stage. Flexibility is one of the characteristics

of any successful region. The policy makers of the North East states should have a willingness not to be imprisoned by the paradigm of the past, and they need to rediscover themselves to meet the changing global economy. The North East in general and Mizoram in particular has to identify and focus on their core competencies. Not being different and distinctive is considered the fastest route to commercial failure. The states are masters of their destiny. The priorities adopted by the states have serious long term consequences. For example, Kerala, Tamil Nadu, Maharashtra, Gujarat and Karnataka have focused on school education and health care over the years. As a result, productivity has gone up, birth rates have declined, people are more skilled and investments are growing. The state governments in North East region need to give utmost priority to entrepreneurship development. If their basic policies are wrong, and if execution is poor, it will only see burgeoning expenditure with little to show for it. If collusive corruption is unchecked, and competition is distorted, there is neither efficiency nor thrust in political system. Good entrepreneurs are deterred in such an environment and predatory and crony capitalism strikes the deep roots.

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ANNEXURE

SCHEDULE FOR ENTREPRENEURS

A. Identification with Socioeconomic Characteristics of the Entrepreneurs

1. Name of the entrepreneur
2. Name and address of the unit (with phone no.)
3. Form of organization
4. Nature of business
 - (a) Food processing []
 - (b) Wooden []
 - (c) Repair services []
 - (d) Steel/Metal products []
 - (e) Any others []
5. No. of employees
 - (a)Up to 5 []
 - (b) 6-10 []
 - (c) 11-15 []
 - (d) Above 16 []
6. Age of the entrepreneur
 - (a) Below 30 []
 - (b) 31 - 40 []
 - (c) 41 - 50 []
 - (d) 51 - 60 []
 - (e) Above 60 []
7. Period of establishment
 - (a) Before 1980 []
 - (b) 1981-1985 []
 - (c) 1986-1990 []
 - (d) 1991-1995 []
 - (e) 1996-2000 []
 - (f) 2001 and after []
8. Present annual income from different sources
 - (a) Up to ₹ 20,000 []
 - (b) ₹ 20,001 – 40,000 []
 - (c) ₹ 40,001 – 60,000 []
 - (d) ₹ 60,001 - 80,000 []

- (e) ₹ 80,001 – 1,00,000 []
 (f) Above ₹ 1,00,000 []
9. Educational background
- (a) Illiterate []
 (b) School []
 (c) College []
 (d) University []
 (e) Professional []
10. Marital status
- (a) Married []
 (b) Unmarried []
 (c) Widow/divorced []
 (d) Widower []
11. Family size
- (a) Up to 5 []
 (b) 6 – 10 []
 (c) 11 – 15 []
 (d) Above 15 []
12. Gender
- (a) Male []
 (b) Female []
13. Community
14. Religion
- (a) Christian []
 (b) Hindu []
 (c) Muslim []
 (d) Others (please specify) []
15. Are you a native or immigrant of this town/village? If migrated
 year of migration. _____
13. Your father is
- (a) Agriculturist/Farmer []
 (b) Business persons []
 (c) Government employee []
 (f) Retired/pensioner []
 (g) Died/not working []
 (h) Private service []
 (i) Others (Please specify) []

B. Motivating and Facilitating Factors.

1. Which of the following ambitions influenced you in starting the activity?
Please give ranks up to three.

- | | |
|--|-------|
| (a) To continue family business | [] |
| (b) To make money | [] |
| (c) To secure self employment | [] |
| (d) To fulfill the ambitions of spouse/parents | [] |
| (e) To gain social prestige | [] |
| (f) Others (Please specify) | [] |

2. Which of the following compelling reasons influenced you in starting the activity? Please specify three reasons in order of importance.

- | | |
|---|-------|
| (a) Unemployment | [] |
| (b) Dissatisfaction with the job so far held/occupations so far Pursued | [] |
| (c) To make use of idle funds | [] |
| (d) To make use of technical and professional skills | [] |
| (e) Lack of alternative career opportunities | [] |
| (e) Any other reason (Please specify) | [] |

3. Did any of the following factors lead you to the idea of starting the activity?
Please specify three factors in order of importance.

- | | |
|--|-------|
| (a) Success stories of entrepreneurs | [] |
| (b) Previous employment in the same or other lines of activity | [] |
| (c) Property- inherited | [] |
| (d) Property acquired | [] |
| (e) Property belonging to spouse | [] |
| (f) Advice or encouragement of family members | [] |
| (g) Advice or encouragement of relatives and friends | [] |
| (h) Any other reason (Please specify) | [] |

4. Which of the following persons advised you in starting the activity? Please give three ranks.

- | | |
|---------------------------------------|-------|
| (a) Own idea | [] |
| (b) Family members | [] |
| (c) Relatives | [] |
| (d) Friends | [] |
| (e) Government agencies | [] |
| (f) Any other reason (Please specify) | [] |

5. Why did you choose this line of activity(ies). Please specify three factors in order of importance.

- | | |
|--|-----|
| (a) Easy to enter | [] |
| (b) High margin of profit | [] |
| (c) Previous employment in the same line or other line of activity | [] |
| (d) No competition | [] |
| (e) No difficulty in securing know how | [] |
| (f) Related to the profession or occupation pursued so far | [] |
| (g) Existence of similar business in the neighbourhood | [] |
| (h) Any other reason (Please specify) | [] |

6. Why did you choose your enterprise to locate in this place? Please give three reasons in order of importance.

- | | |
|--|-----|
| (a) Advice of family members/relatives/friends. | [] |
| (b) Nearness to raw materials | [] |
| (c) Nearness to markets | [] |
| (d) Existence of similar units in the neighborhood | [] |
| (e) Good transport facilities | [] |
| (f) Nearness to home place | [] |
| (g) Any other reasons (Please specify) | [] |

C. Expectation Scale

1. How much of your time is devoted to your enterprise?

- | | |
|---------------------|-----|
| (i) 75 – 100 % | [] |
| (ii) 50 – 75 % | [] |
| (iii) 25 – 50 % | [] |
| (iv) Less than 25 % | [] |

2. How much of your family members' time is devoted to your enterprise?

- | | |
|---------------------|-----|
| (i) 75 – 100 % | [] |
| (ii) 50 – 75 % | [] |
| (iii) 25 – 50 % | [] |
| (iv) Less than 25 % | [] |

3. Do you like your children to become entrepreneur in business

- | | |
|---------------|-----|
| (a) Yes | [] |
| (b) No | [] |
| (c) Can't say | [] |

D. Training and Development

1. Did you attend any management development/training programme? If yes, give details of the course attended

Name of the training programme	Organiser	Time/Duration
(i) _____	_____	_____
(ii) _____	_____	_____
(iii) _____	_____	_____
(iv) _____	_____	_____
(v) _____	_____	_____
(vi) _____	_____	_____

2. If you have attended, do you find that they are useful to your enterprise?

- | | |
|---------------------|--------|
| (a) Very useful | [] |
| (b) Useful | [] |
| (c) Not very useful | [] |
| (d) Not useful | [] |

3. If you have not attended, what were the reasons? Rank the reasons

- | | |
|--|--------|
| (a) Not aware of such programme | [] |
| (b) I don't think they are useful | [] |
| (c) They are very expensive | [] |
| (d) It is inconvenient | [] |
| (e) Any other reasons (please specify) | [] |

E. Problems Faced by the Entrepreneurs

What major problems are faced by your enterprise? Specify any three reasons in order of importance under each head

(1). Marketing

- | | |
|---|--------|
| (a) Competitions from other small units | [] |
| (b) Competition from large units | [] |
| (c) Slackness in demand | [] |
| (d) Lack of advertising effort | [] |
| (e) Transport problems | [] |
| (f) Any other problems (Please mention) | [] |

- (2). Raw materials
- | | |
|---|-----|
| (a) Scarcity | [] |
| (b) High prices | [] |
| (c) Low quality | [] |
| (d) Transport problems | [] |
| (e) Any other problems (Please mention) | [] |
- (3). Power
- | | |
|--|-----|
| (a) Scarcity | [] |
| (b) Irregularity/uncertainty | [] |
| (c) High cost | [] |
| (d) Any other problem (Please mention) | [] |
- (4). Labour
- | | |
|---|-----|
| (a) Scarcity of skilled labour | [] |
| (b) High labour cost | [] |
| (c) Labour turnover | [] |
| (d) Labour absenteeism | [] |
| (e) Any other problems (Please mention) | [] |
- (5). Finance
- | | |
|--|-----|
| (a) High rate of interest | [] |
| (b) Meagre assistance from Government agencies | [] |
| (c) Red tapism in government agencies | [] |
| (d) Red tapism in banks | [] |
| (e) Any other problems (Please mention) | [] |
- (6). Problems relating to internal management of the enterprise.
- | | |
|---|-----|
| (a) Lack of co-ordination | [] |
| (b) Lack of communication | [] |
| (c) Lack of team work | [] |
| (d) Lack of leadership skills | [] |
| (e) Improper delegation of authority | [] |
| (f) Lack of work culture | [] |
| (g) Any other problems (Please specify) | [] |

F. Sources of Fund

1. Own funds supplied by proprietors ₹. _____

2. Assistance/grants from government agencies

Name of agencies	Amount (₹)	Year
(a) _____	_____	_____

(b)	_____	_____	_____
(c)	_____	_____	_____
(d)	_____	_____	_____

3. Loan from banks/financial institutions

Name of banks/institutions	Amount (₹.)	Year	Duration
(a) _____	_____	_____	_____
(b) _____	_____	_____	_____
(c) _____	_____	_____	_____
(d) _____	_____	_____	_____

4. Borrowings from money lenders.

Amount (₹)	Year	Duration
(a) _____	_____	_____
(b) _____	_____	_____
(c) _____	_____	_____
(d) _____	_____	_____

5. Borrowing from relatives/friends

Amount (₹)	Year	Duration
(a) _____	_____	_____
(b) _____	_____	_____
(c) _____	_____	_____
(d) _____	_____	_____

6. Any other sources (Please specify)

Sources	Amount (₹.)	Year	Duration
(a) _____	_____	_____	_____
(b) _____	_____	_____	_____
(c) _____	_____	_____	_____
(d) _____	_____	_____	_____

7. Are you able to repay the loans/ borrowing from different sources?

- (a) Yes []
 (b) No []
 (c) Only partially []

8. Reasons for non repayment/partial payment of loans/borrowing.

- (a) Lack of liquidity []
 (b) Due to business loss []
 (c) Due to high rate of interest []
 (d) The agency is not serious about repayment []
 (e) Any other reason (Please specify) []

G. Your recommendations and suggestions for further improvement of the unit/enterprise

H. Your suggestions/complaints about the Government Agencies/Bank/Financial institution/other agencies.

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