

New Economic Policy, Human Resource Development and Entrepreneurship : A Case Study of North-East India

Ananda Das Gupta

The Scenario

Analysing economic and political scenario for the last forty-five years after independence, Indian economy was dominated by the regime of multiple controls, restrictive regulations and wide ranging state interventions. The one major effort to breakthrough these barriers of ideology, the Congress regime introduced wide ranging policy changes to liberate India's economy from July 1991. The policy prescriptions are reforms in relation to economy, industry, fiscal, monetary and finance.

Regarding economic reforms, the thrust of New Economic Policy (NEP) is towards creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system. While the industrial policy seeks to

bring about a greater competitive environment domestically, the trade policy seeks to improve international competitiveness subject to protection offered by tariffs. NEP makes a total shift towards reliance on market. Policy changes brought into force since July 1991 fall broadly into two categories : the first set of measures is part of what is known as stabilization policy, and the structural reform policies which are connected with foreign trade, investment and financial sector.

As regards industrial reforms, the new policy abolishes all industrial licensing irrespective of the level of investment except in certain industries related to security and of strategic concern. Monopolies and Restrictive Trade Practices (MRTP) provisions relating to limits on assets have been withdrawn. Foreign investment in India has been made easier, providing automatic approval to raise upto 51 per cent foreign equity with a provision for more in deserving cases. Repatriation of dividend has been delinked from export earnings. Foreign brand names have been allowed to be used. Many departments such as Chief Controller of Import and Export (CCI & E), Directorate General of Trade and Disposals (DGTD) and Controller of Capital Issues (CCI) are being abolished.

Securities Exchange Board of India (SEBI) has become regulatory authority for capital issues. Private sector has been allocated a much larger role for industrial development, confining public sector to operate only in eighteen items. Procedures for the private sector to raise capital in India and abroad, for import of equipment, material and know-how and to employ foreign technicians and advisors etc. have been considerably simplified. The sale of shares of some public enterprise has also brought a new dimension.

In the field of fiscal reforms, the important policies comprise reduction in fertilizer subsidy, abolition of cash compensatory support for exports, abolition of subsidy on sugar, divestment of 20 per cent of the government equity in selected public sector undertakings to mutual funds and adjustment of tax rates to yield additional net revenues besides a few more fiscal measures. Many of the recommendations of Chelliah's Tax Reforms Committee are accepted such as moderate taxes combined with lower deductions, exemptions and effective enforcement regarding voluntary tax compliance and the increase

in revenue.

The overall monetary policy continues to be restrictive to bring about a reduction in inflation, but there is some relaxation aimed at giving a stimulus to the productive sectors of the economy. The floor lending rate for advances of over Rs. 2 lakh is brought down from 20 per cent to 18 per cent in two stages. Banks are given freedom to fix the interest rates on Non-resident External (Rupee) Account as also on Domestic Term Deposits subject to 13 per cent and 12 per cent respectively. Selective credit controls against cotton, vegetable seeds and oils are relaxed. A target of 10 per cent of net bank credit has been fixed for credit to exporters to be attained by banks in a stipulated time. Interest rates on export credit are cut across the board by one percentage point.

Financial reforms aim at making the financial sector more viable and more efficient, the major policy thrust is to improve the operational and allocative efficiency of the system by reducing many of the exogenous and structural factors effecting the performance of banks and financial institutions. NEP claims that financial sector reforms would help banks and financial institutions to act as autonomous business units, fully responsible for their performances. It further says that successful identification and exploitation of the emerging opportunities will help their recovery and performance.

Now the question arises : is the NEP fostering any developmental process regarding the removal of poverty and creating more employment opportunities to the learning millions of this country? Before examining the question, let us see what the government says about it.

Deputy Chairman of the Planning Commission Pranab Mukherjee has said (1993) :

"We have ... to recognise the fact that the long-term solution to India's unemployment problem lies in energising the rural masses and creating conditions conducive for employment generation in rural areas so that the tendency to move to towns is curbed and people get employment in the place of their residence in the rural areas itself. We also have to raise income levels in the rural areas and make our agricultural activities more remunerative. The

focus our attention should be enhanced of agricultural production, creation of permanent assets in rural areas for sustainable development and expansion of agro-based industries."

But, as is evident from the country side, the government's pledges and promises seem to be a mere lip service to solving the burning problem.

After the initial moves, critical reforms have bogged down. Liberalisation of agricultural exports under NEP is still struck. Rice exports are still subject to a minimum export price of \$225 for non-basmati and \$550 for basmati. While wheat exports are ruled by quantitative quotas, there have been relaxations, with the government allowing export of superior quality wheat. Growth in rural credit is far from adequate and government investment in the sector has stagnated during the last decade, because government funds are getting locked up in irrigation and power subsidies in agriculture. In real terms, in the last two plan periods, both expenditure as well as capacity expansion in irrigation have fallen far below target by about 25-30 per cent on an average. So far, the government's way of reducing subsidies, essentially those on fertilizers, has been to make them as palatable as possible; that is, to announce a hike in procurement prices, and then cut some subsidies, government subsidies on food bought to feed the Public Distribution System (PDS) have overshoot the budget target by over Rs. 3,000 crore in the last budget (1996). In which, the room for hiking procurement prices and linking this with cuts in subsidies is limited.

In which case, a major spurt in agricultural growth is unlikely. While there are indications that yields of traditional crops have declined, particularly in frontline food-producing states, growth appears to have plateaued at around 3-3.5 per cent. In fact, a food shortage seems imminent with the eighth plan target of 210 million tonnes far from being achieved, the production being estimated at 179 million tonnes, the year 1994. One way out of the impasse would be to develop currently low yield areas—Uttar Pradesh and Madhya Pradesh for rice. But none of these areas has suitable irrigation facilities which are an absolute essential for raising production. Moreover, the

government's support programmes like distribution of high yielding seeds are also poor. Equally important would be to implement land reforms to allow consolidation of holdings for commercial agriculture as well as to improve extension services.

On the industrial front, out of the total labour force of 317 million (1994) in the country, the organised sector employs merely 26.8 million, *i.e.* 8.5 per cent, while the unorganised sector employs 290.2 million, *i.e.* 91.5 per cent. During the last decade and a half, there has been a gradual shift of employment from the organized to the unorganized sector. Within the organized sector the proportion of contract and casual labour has increased phenomenally. This has been one of the major consequences of industrial restructuring during the 80's. The NEP is bound to accelerate this trend. The main advantage of the employers in the unorganized sector is the relative insulation from labour laws. With the increasing emphasis on exports more and more Export Processing Zones (EPZ) are likely to emerge in different parts of the country.

Under NEP, the growth of employment will be severely affected. This is born out of the examples from Latin American countries which have undergone the structural adjustments. Between 1980 and 1984 open unemployment in these countries has gone up from 7 per cent to 11 per cent. In Chile, Columbia, Peru and Venezuela unemployment jumped from 50 per cent to 100 per cent and ranged between 14 per cent to 20 per cent. In India, it is as estimated that the unemployment rate was likely to jump from 4 per cent in 1991-92 to 5 per cent in 1992-93 assuming a high growth scenario, and 5.9 per cent in 1992-93 to 6.6 per cent in 1993-94 assuming a low growth scenario. Hence, the additional unemployment due to stabilisation programme would be four million persons under high growth scenario and ten million persons under low growth scenario. The spectre of industrial closures and job losses large in the 90s. According to estimates, the number of workers employed in the sick units in the country is around 45 lakhs, of which the 58 chronically sick public sector units employ 4.1 lakhs, large private sector units 4.5 lakhs and the small units around 36 lakhs. Sooner or later, these units would be wound up, throwing such large number of workers out of jobs. The safety net being discussed by the government is so far only on paper.

Introduction of new technology, which is a part of globalisation process, brings-in a host of problems concerning employment, particularly in a labour-surplus economy. Firstly it makes a host of traditional skills redundant. Secondly, new technology enables the management to have greater control over labour process.

Ninan (1994) suggests that policies to accelerate agricultural growth, infrastructural development and provide better access to subsidised food, alongwith measures to control inflation seem to be most effective in reducing the incidence of rural poverty in India. Measures to control population growth and promote environmental conservation too ought to be incorporated into anti-poverty alleviation strategies in India. He cautions against the implication of NEP like structural changes and adjustments resulting in low priority to agriculture as against industry, slashing of public expenditure on social sectors including subsidised food, etc. which are detrimental to the poor and could reverse the negative trends in rural poverty viable after 1969-70.

Now, we would like to raise a few points regarding the development programmes of the country :

- (a) Ninan's observations apart, looking into the monitoring process of the five year plans, we find a plethora of loopholes existing in the system that fosters so-called rural development programmes. First of all, economic profligacy should be banned altogether.
- (b) Second, adoption of the Appropriate Technology (AT) is to be introduced and adopted to augment development by way of absorbing surplus labour in the rural area alongwith providing a plank for entrepreneurial development at the three levels - rural, fringe and urban for going beyond the under-development equilibrium stage.
- (c) Human Resource Management (HRM), thirdly, should be given importance to develop human resources of the country.
- (d) Finally, an integrated model should be adopted to avoid lop-sided development in rural, semi-urban (fringe) and urban areas with suitable linkage facilities.

The Way Out : Problems and Alternatives

Taking the first point, *i.e.* regarding the lacking monitoring system and the widespread malpractices in the areas of rural development, it is found that in most of the cases, the real beneficiaries are not benefited from the programmes at all.

The implementation of the programmes has been evaluated by a number of organisations since its inception. Major evaluation studies were carried out by Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Institute for Financial Management and Research (IFMR) and Programme Evaluation Organisation (PEO) of Planning Commission. No study has found fault with the utility of the strategy envisaged under the programme which had a positive impact on the income of beneficiaries. The bulk of the benefits have gone to SC and STs. However, almost all the studies have pointed out shortcomings in the selection of beneficiaries, low level of investment, lack of infrastructure, linkages etc.

The reports reveal that there are frequent examples about the existence of *wide-spread* malpractices in the implementation of various poverty alleviation programmes. Until now, the central government has left it largely to the state governments to take necessary corrective actions. Whenever complaints are received by the government of India, they are forwarded to the state governments for taking appropriate action.

It is however a fact that the action taken by the state governments have not made any significant impact in reducing the area of malpractices. There apparently is no determined bid on the part of the state governments to reduce corruption and other malpractices, leading to misutilisation of government funds. What is called for, therefore, is a serious analysis of the nature and scope for malpractice in the implementation of these programmes and to consider a number of new initiatives to overcome them. In the very nature of the programmes this has to be a joint exercise of the central and state governments. In view of the large involvement of the central government funds, the central government has naturally to take initiative in the exercise.

Various evaluation reports of the Public Accounts Committee and Controller and Auditor General have brought out different types of malpractices noticed in the implementation of these programmes. These are listed below separately for Integrated Rural Development Programme (IRDP) and NREP/RLEGP.

Integrated Rural Development Programme

It has been found during the evaluation of the programme that ineligible families have been selected for assistance while the PED found 26 per cent families to be ineligible, the corresponding figures in NABARD and RBT surveys were 15 and 18 per cent respectively. The concurrent evaluation of IRDP for 1985-86 has shown that the selection of ineligible families is only 9 per cent. The findings in the concurrent evaluation for the subsequent periods also show that the extent of assistance to ineligible families is more or less at the same level. Though one can infer that with the experience gained in the implementation of the programme the number of ineligible families getting assistance, has come down, it is a serious matter that still about 9 per cent of the assisted families belong to ineligible groups. The percentage of ineligible families vary from state to state and in some states this group constitutes a high percentage.

There is a widespread belief that the full amount of subsidy granted to the beneficiaries under IRDP does not reach them. Though it is difficult to make an assessment to the extent of this serious malpractices, an attempt has been made in the concurrent evaluation by indirectly making an assessment of the difference in the value of the asset recorded in the books and on the basis of assessment of the debtors. It has been found that in 27 per cent of the cases there were difference of these in 12 per cent of the cases difference was more than 1,000 rupees and in 4 per cent of the case it was between 501-1,000. In some states particularly in the north-east, the percentage is very high. The inevitable conclusion is that the poor are deprived of a large portion of their entitled loan and subsidy from government. As

purchases of the assets are decided by a purchase committee in which the bank and block officials play a prominent role, the leakage can be directly attributed to the delinquency on the part of these officials.

There has been a number of instances where there are complaints against the procedure adopted by the banks in providing the necessary loan. The concurrent evaluation has observed that whereas the working capital was required in 53 per cent cases it could not be provided in 25 per cent cases. Similarly, though the guidelines prescribe that the repayment period of the loan should be more than three years, the evaluation report has shown that in about 40 per cent cases, the repayment period was either three years or less than that. In some banks the repayment periods was less than three years in 54 per cent cases. Similarly, even though instructions issued by the Reserve Bank of India clearly lay down that no collateral security should be insisted for loans upto Rs. 10,000, there are instances of bank managers insisting on mortgaging of fixed assets owned by the beneficiary. These procedural violation standing instructions on the part of the bank can also be taken as an indication of the pressure being brought on the poor beneficiaries to squeeze them out of their eligible assistance.

Audit reports have brought out a number of cases of excess payment of subsidy, payment of subsidy in violation of the prescribed rates, as well as delay in the payment of subsidy of the beneficiaries. It has been observed that though the guidelines have provided that the subsidy amount should be kept in the bank for adjustment, some of the state governments insist the IRDP funds should be kept in PO A/c in the Treasury. As a result of the failure to observe these instructions, the beneficiaries are often burdened with higher interest.

The audit reports have also discovered a number of cases of collusive lending particularly in the case of cattle loan where the same cattle heads were taken round and shown as being given to different beneficiaries under the programme. It was estimated that such leakages amounted to 25-30 per cent of the total loan given for the purchase of cattle. This is a serious case of corruption where the block and bank officials in collusion with the beneficiaries share the subsidy and concessional loans; provided under the programme.

National Rural Employment Programme/Rural Landless Employment Guarantee Programme

A test check report on employment generation figure as given by the state government by audit has revealed that the reports furnished to the Headquarters central government were highly exaggerated. In a few cases it was reported that the actual figures of employment generation were not obtained from the muster rolls maintained for each work but were derived from the expenditure figures reported.

Though the guidelines provide that the wages to be paid on the rural employment works should be the same as notified for the relevant schedule of employment under the Minimum Wages Act, it has been observed that in some states minimum wages are not paid to the workers of the rural employment works. Related to this malpractices is the payment of wages, in some cases, on a piece rate basis without legal justification. There are also cases of inflation of muster roll and misappropriation of funds.

There were also instances of several cases where in effect, rural employment programmes are not executed but the money is misappropriated fraudulently with the connivance of the local staff of the block and other agencies. There are other variations of such misutilisation. Cheap and sub-standard materials are procured in the construction of works against costly items shown in the books. Similarly, physical measurement of the work done is much less than what is shown in the books of measurement. There are blatant cases of corruption by the executing agencies.

Foodgrains under the rural employment programme are being misutilised. There are instances where the entire quantity of food intended to be distributed as part of wage in kind were diverted for flour mills or to be in open market at higher prices. In some cases the workers were given less foodgrains than shown as having been distributed. In view of the subsidised nature of the foodgrains, the temptation for misuse is also large.

The guidelines for NREP/RLEGP provide that contractors should not be engaged for the execution of the work. No middlemen or intermediary agency should be deployed for execution of work under the programme. So that full benefits

of wages to be paid reach the workers and the cost of works does not go up on account of commission charges payable to such contractors/middlemen or intermediary agency. In spite of this provision, deployment of contractors in different forms is noticed in the field. To Consultative Committee of Parliament have expressed concern over the violation of these guidelines. In one state the High Court in a judgment has pointed out that contractors have come to be deployed in one shape or the other in the NREP works.

Another disturbing feature noticed in the concurrent evaluation of NREP is that since its inception the programme has touched only about 50 per cent of the panchayats in the country. In other words, the funds of the programme has been used selectively to benefit a few areas to the neglect of others.

In considering the various malpractices in the implementation of the programmes which have been listed above, we have to draw a distinction between misutilisation of funds contrary to the programme objectives and down right corruption or misappropriation of money by government officials, bank staff or public or private individuals involved in implementation. In the case of misutilization of funds contrary to programme objectives, quite often, these instances take place with the connivance of the state government either at the state levels. Diversion of funds take place because of pressure brought on the government machinery by various influence groups. I counter this tendency. We have proposed in another paper that in the case IRDP, under employment programmes also, funds should be given directly to DRDAs and that planning and implementation of rural development works should be decentralised with delegation of powers to blocks and panchayats. If the selection of the works and their implementation is done by the local government at grass-root levels and supervised by the people's representatives, there is every chance of reducing the scope of misutilization. This is the one line reform which is urgently to be taken up.

When the state government is found to be diverting the funds intended for one programme uses other than what is provided in the guidelines it is deliberately refusing to furnish information, what is the sanction the central government has to discipline the state. The natural answer could to withhold

further assistance or ask Accountant General to adjust amount against the amount due to the state government. This approach will directly hit the poor when we want to serve. But it can be argued that this is only way the state government can be made to realise its responsibility and play the game.

In order that the position is understood by all, certain ground rulers should be clearly laid down and its strict adherence ensured. The suggestions are :

- (i) When a state government is found to be deliberately flouting the guidelines laid down under the programme, the amount involved should be refunded and further release allowed only on getting full report that the defects found are remedied. In case of proved diversion of funds, a multiple of the amount involved may be reduced from the funds allocated to the states.
- (ii) Whenever the state government do not furnish full information on complaints sent to them for enquiry, release of further amount should be suspended and the suspension revoked only with the approval of Agriculture Minister.
- (iii) Strict enforcement of release procedure may give rise to political pressure on central government and the Rural Development Department may be cornered to be lenient as otherwise funds may lapse and the department called upon to explain. This should be avoided.

As far as corruption on the part of implementing officers is concerned, there is need for strengthening the vigilance machinery at the state level. At present, the general vigilance is set up the state level is also expected to inquire into complaints of corruption against officials implementing the rural development programmes. This arrangement is found to be inadequate. Over the years the emphasis on the development as opposed to the regulatory rule of the block staff had underplayed the need for vigilance in the implementation of these programmes. It is the time that this trend is corrected. Considering the large magnitude of money involved in the programmes as well as the large number of officials implementing the programmes, there is a case for an independent

vigilance arrangement under the overall umbrella of Rural Development Department in each state. This special vigilance machinery should consist of persons with proven integrity from the finance and engineering branches of government. This unit should be mobile and in a position to conduct regular as well as surprise inspections. All complaints against the officials machinery should be looked into by this branch. This unit should be directly reporting to the state Secretary (RD). Such an independent machinery for vigilance do exist in other major departments like Forest, Public Works etc. in various state governments and there should be no hesitation to constitute the same for Rural Development. The staff cost for this unit should be funded by government of India as otherwise the state government may be reluctant to set up the same on their own. Periodical reports from this unit should also be sent to government of India for information.

One of the reasons attributed for the widespread misuse of funds under the Rural Development Programmes is that these programmes are not as well supervised as other normal departmental programmes. In the case of normal departmental works the officers of the respective departments have necessarily to visit the work in the course of its progress for measurement/check measurement, supervision, etc. On the other hand, rural development works executed by Panchayats or local committees are not usually supervised by officers above the block. To overcome this observed deficiency, the guidelines have recently been amended prescribing the minimum number of field visits for each supervisory level officer from the state to the block level. A check list of item to be looked into at the time of each visit has also been suggested. It is our hope that the states who have been consulted before issuing these instruction will strictly follow the norms for inspection and thereby bring about better compliance of instructions in the implementation of Rural Development Programme.

The real solution for the problem of diversion and misuse of government funds under the poverty alleviation programmes is more effective monitoring of the Programmes. At present, monitoring of the Programme at the government of India level is rather weak. It is entirely based on certain periodical reports furnished by the state government. Though certain basis

information like utilisation of funds, beneficiaries assisted are more or less regularly received, qualitative information on the implementation of the Programme is often lacking. Even the few statements like quarterly and annual reports, which give more information on qualitative aspects are seldom received on due dates. What is received finally is often incomplete and totally inadequate. We have no way to judge whether all the information provided is true.

Unless the government of India is in a position to get a faithful record of the implementation of the programmes on ground, it may not be possible to fulfil its role as a policy maker who can provide the necessary programme guidelines for achieving its objectives. This will no doubt, require the strengthening of the existing machinery for monitoring of the programme at the state level. At the same time there is also need for the setting up of an independent monitoring arrangement for the central government which can cross check the reports received from the state governments and also make its own assessment on important issues involved. For a department like Rural Development which has today a plan Budget of over Rs. 2,200 crores, the cost involved in organising a independent monitoring unit cannot be regarded as too expensive.

Secondly, the adoption of Appropriate Technology (AT) is one of the major factors in choice of technique for a country that is developing and emerging as one of the 'Asian Tigers.' Schumacher (1975) provides the theoretical underpinnings for the AT movement in that it examines the altitudes and assumptions underlying growth-oriented, large-scale economics. He argues for a 'technology with a human face'—that is, a technology that does not deprive workers of useful and creative labour.

By keeping in mind the existence of the 'Self-limiting principle,' that is, by recognising the need to find simple, inexpensive and appropriate solution to local problems, the humane engineer could offer meaningful assistance to those in greatest need. Under AT, the expert becomes a comrade, a person who lives and works with those who are sharing his or her expertise; democratic sharing of skills replaces top-down advising. Instead of being seen a treated as tenders of machines,

recipients of aid, or victims of underdevelopment, the people who are engaged in AT projects are active partners in development as workers, critics or trainees (Ovitt : 1989).

AT is especially attractive because it seems to solve a number of problems at once. Because it involves self-reliance and local production for local needs, on a national level this approach can remove the list of obstacles to develop many of the inequalities of an international system that is dominated by the expensive technology and economic power of the rich countries. AT may be described as an approach to technological problem solving one that involves the following characteristics (Darrow : Late Sixties) :

- AT is low in capital costs
- AT uses local materials
- AT creates jobs locally
- AT can be understood, controlled and maintained by the local people who use it. Continued supervision by experts is unnecessary
- AT involves decentralized, renewable energy resources (solar, wind, methane, animal power or efficient machine power)
- AT is flexible enough to be adapted by changing local conditions
- AT does not involve patents, royalties, import duties or consulting fees
- AT assumes collective efforts by a community rather than individual efforts

Thus, "a realistic assessment of the political value of AT must take these facts into account. Yet for those of us who remain committed to an essential change in the world's balance of power, AT offers the promise of bringing better lives and stronger social bonds to some of the world's poor. In so far as a proper revolutionary goal is to strengthen the poor and to weaken the rich, appropriate technology must be considered a constructive tool in the long-term struggle" (Ovitt : 1989). Now, in order to strengthen the objectives of AT, we have to underline the importance of Entrepreneurship. Joseph. A Schumpeter published his book "Theory of Economic Development" in 1912 in his mother tongue, *i.e.* Austrian. According to him, neither

interest, nor profit is feasible in a static economic situation; infusing dynamism in the economy is an essential pre-requisite. This task is reserved for persons—who through the introduction of what Schumpeter called a “new production function,” set in motion a series of changes in the process of creating social products. The “new production function” could include :

- (i) The introduction of a new good or a new quality of good.
- (ii) The development of a new method of production.
- (iii) The opening of a new market.
- (iv) Conquest of a new source of supply of raw materials or half manufactured goods.
- (v) Carrying out of a new organisation of industry (Schumpeter : 1934).

Schumpeter's emphasis on innovation gave a new orientation to entrepreneurial theory. He did not seek to measure or quantify the contribution of entrepreneurial decisions to profit at a time when most theorists preferred to explain every aspect of economic behaviours in terms of quantifiable evidence.... Thus, Schumpeter caused a turmoil in their thinking and it was largely due to his efforts that entrepreneur came to occupy a significant position on the horizon of economic theory. (Tripathi: 1985). The model that has been presented here regarding entrepreneurial process has several merits. First, it calls for separate analysis of each entrepreneurial experience for a proper understanding of its growth. Secondly, the model is multifactorial rather than unifactorial. The concept of the constellation of forces is elastic enough to accommodate all influences and their interaction with one another that may impinge on the fortunes of an enterprise. Thirdly, it eschews stereotyped, predetermined and a *priori* explanations of entrepreneurial behaviour. In this sense, it is scientific. Lastly, it can be used to study the process of entrepreneurship in any culture and society. An added merit of this model is that it can explain organisational entrepreneurship—the entrepreneurial act which cannot be easily attributed to the creativity of a single individual—as much as the endeavour revolving round a charismatic figure. In this sense, the model is comprehensive. Fourthly, taking the Human Resources Management (HRM) point, we find that the present

industrial and economic scenario unmistakably shows that both the managers and the entrepreneurs in the organized and the unorganized sectors respectively are confronted with the challenging task of raising the productivity of the organisations in the face of global competition, changing technology, increasing consumer rights and growing ecological awareness.

In recent years, however, HRM has been gaining momentum all over the world as the most effective approach to acceleration of the productivity and profitability, even under widely differing environmental variables.

As a distinct managerial approach, HRM is based on the fundamental premise that people are the core resources of an organization and it is the responsibility of the entire organisation to develop and utilize them for the effective realization of individual and organizational goals. Growing body of research evidence lends support to the fact that the creative potential of people is also unlimited and the increasing use of HRM practice consisting of four basic elements—acquisition, development, motivation and maintenance of human resource, leads to improved economic results. The four basic elements of HRM are interrelated and interdependent should be performed on the basis of systems theory which seeks to integrate all the parts with the whole for effective functioning of the both. Each function of HRM on its part involves a number of important activities which are carried out in the light of behavioural science theories and research.

HRM is as much useful to developing countries as it is to developed ones. It has assumed a special significance to India in the context of the government's recent policy on the part of the both organized and unorganized sectors in the interest of their survival and growth. The adoption of HRM techniques can help the Indian managers and entrepreneurs to tide over the present problems of low productivity and low profitability and foster good economic environment through increased employees participation and co-operation for the rapid turnaround of the organization on one hand and contribution to the GDP on the other.

Letting Y represent national income, a represent the output-capital ratio, Q the stock of capital, I investment, b the ratio of

capital to human resources and H the stock of human resources, we can then write

$$Y = a \cdot Q ; \Delta Y = a \cdot I \quad \dots (i)$$

$$Q = b \cdot H ; I = b \cdot \Delta H \quad \dots (ii) \text{ and}$$

$$\Delta Y = a \cdot b \cdot \Delta H \quad \dots (iii)$$

In this simplified model the rate of growth of national income depends entirely on the rate of increase in the stock of human resources. Technical assistance which goes directly into the skilled labour force brings an immediate increase in national income. Technical assistance to the educational system or for research and surveys brings an increase in national income after some gestation period. This assumption can further be substantiated by a model given (Fig. 25.1).

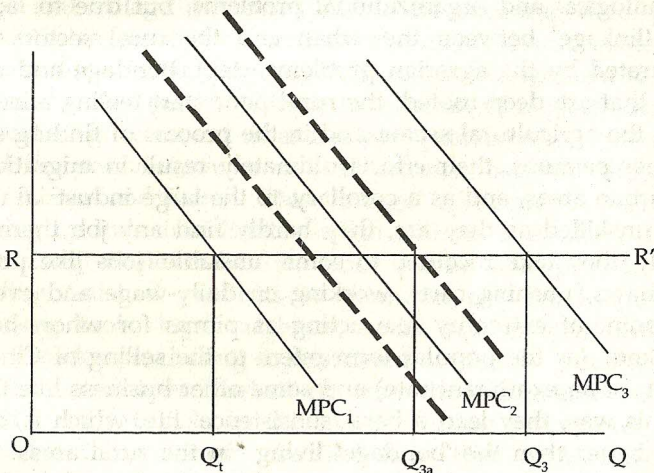


Fig. 25.1

In our model, the solid line RR' represents the "minimum return to capital" equivalent in this context to the minimum wage level of the Lewis analysis (1966). The curve MPC_1 represents the marginal productivity of capital with the existing stock of human skills. If economic expansion is limited to what is possible on the basis of output of the educational system

alone, this curve may shift through time in the manner indicated by the dotted lines. If the supply of human resources is supplemented by doses of technical assistance, however, it may shift over the same time periods by the manner indicated by the solid lines (MPc_2 and MPc_3 and so on). That is, there is a need for fostering sustainable development with the help of human skills on one hand and the technical progress on the other.

Fourthly, as we have suggested that an integrated model should be adopted to foster development in rural, fringe (semi-urban) and urban areas with proper and suitable linkage facilities, let us take a look at the 'step-by-step' approach. Sector wise, to build a model for finding a holistic approach.

Firstly, taking the agricultural sector, we find, it is an established fact that the rural poverty is not only due to technological and organizational problems, but due to lack of any 'linkage' between the urban and the rural sectors also. Frustrated by the agrarian problems, debt, bondage and other evils that are deep-rooted, the rural poor start feeling alienated from the agricultural sector, and in the process of finding some greener pastures, their efforts ultimately result in migration to the urban areas, and as a corollary, to the large industrial units. But, unskilled as they are, they hardly find any job there and finally, they take recourse to some 'unstable' jobs like pulling rickshaws, pushing carts, working on daily-wage and even to the point of extremity like acting as pimps for whore-house, 'blackiers' (as the popular term refers to the selling of Cinema-tickets at an exorbitant rate) and some other business like these. By this way, they lead a bare 'subsistence' life, which is, in no way, better than the 'bondage' living in the rural areas.

So, in order to better the conditions of the rural poor, if the first sector, namely the agricultural sector is considered among the two productive sectors (agriculture and industry), it is found that the co-operative firms are the best solution for the long-term development. For, co-operative alone can ensure productivity, employment, generation and justice for all time. But, some points should be noted about co-operatives. Co-operatives cannot be brought into existence directly from the situation prevailing today; any attempt to do so will merely lead to domination by the rich. So, we have first to go through

the stage of giving land to the tillers and then slowly, bringing conviction to the peasant that his best interests lie in total mutual co-operation, because, it is one of the essential pre-conditions of successful co-operatization that it must be voluntary. Individual attention to operations in agriculture is indispensable and vital. In this way, the peasant would now have every incentive to put in all he has into the productive process for the benefits would accrue to him *alone*. At present the labour intensity in Indian agriculture is very low : about 100 labour-day per annum are put in per hectare as compared to 450 labour-days in China or Japan. A reform, as suggested here will gradually raise this figure and also raise productivity correspondingly.

Now, coming to the 'linkage-factor,' as we have mentioned earlier, in the economy of the country, we suggest that traditional cottage and village industries should be encouraged fully at first so that a concept of 'total-development' should come up and serve for a wider purpose. With full encouragement to this traditional sector (which is hitherto a victim of neglect, amidst all so-called government measures and protections) a 'linkage' should be provided, as a second priority, between the two sectors Urban and Rural. This 'linkage' will come in the way of setting up Industrial Estates which will act as ancillary units to the Large-Scale industries both public and private, by providing finished products to them on one hand and by purchasing tools, hand-machines, small equipments, leather-works (besides purchasing sophisticated articles for running the production from open-market) etc. from the village and cottage industrial units to use in the manufacturing process on the other. One thing should be clarified here that while making provisions for in additional sectors to supply materials (either finished or semi-finished) to the industrial estates, these units (*i.e.* industrial estate) will also provide equipments for 'modernising' the traditional sectors so that they could withstand the changing winds of the time and gear themselves to modern needs. Thus, there will be a relation of 'parallel assistance' between the industrial estates and the small sectors in the rural areas, while only a 'one-way relation' will exist between the big sectors and the industrial estates. At the same time, these industrial estates may provide (because as the industrial estates

grow, new satellite townships will surely come up) markets for the allied agricultural products that are coming from the rural side. They are mainly two such products; dairy products and poultry-products. The process of doing equity and social justice does not end right here.

The concept of the 'Third Sector' should also be developed at the same time. The concept provides the idea of setting-up export-oriented Small-Scale Industrial Units, besides the two productive sectors : Large public sector units and large private sector units including the ancillaries (see Fig. 25.2). This third sector will tremendously help in improving the economic conditions of the society by raising productivity and providing employment to a larger section of the society simultaneously, which are but in a shambles nowadays—because of the malfunctioning and "stagnation" of the public sector units in general and the unscrupulous motives for spinning high-profits of the large private sector units at large. If we take the case of India, we will find that though it is often claimed that capitalism has taken its roots in the economy, it is but a mistaken view. For, the nature of the capitalism in this country is not similar to that of "industrial capitalism" prevalent in the Western countries including the USA. Rather, we are passing through a stage of "merchant-capitalism" and the 'culture' of this merchant-capitalism is well reflected in the way the twenty big houses of the country are functioning. (The loan-mela, spate of bribery, influencing bureaucracy, flouting the RBI laws and other government regulations, underhand dealings, 'benami' business to evade taxation etc.—all are but essential elements of the merchant capitalism).

Now, against the background for the need of developing the Traditional Sector (*i.e.* village and Cottage Industries including handloom and handicrafts), the Industrial Estates or the 'Linkage Establishments' (*i.e.* Ancillaries) and the 'Third Sector' (*i.e.* Independent and Export Led Small-Scale industries besides the existence of large Public Sector and Private Sector industrial Units), we may now examine the role played by the government of India during five year plans.

It is imperative to boost village industries including Khadi, handicrafts, coir and others for an 'even' economic development in the country, Dr. V.K.R.V. Rao, Prof. A.M. Khusro and Prof. H.

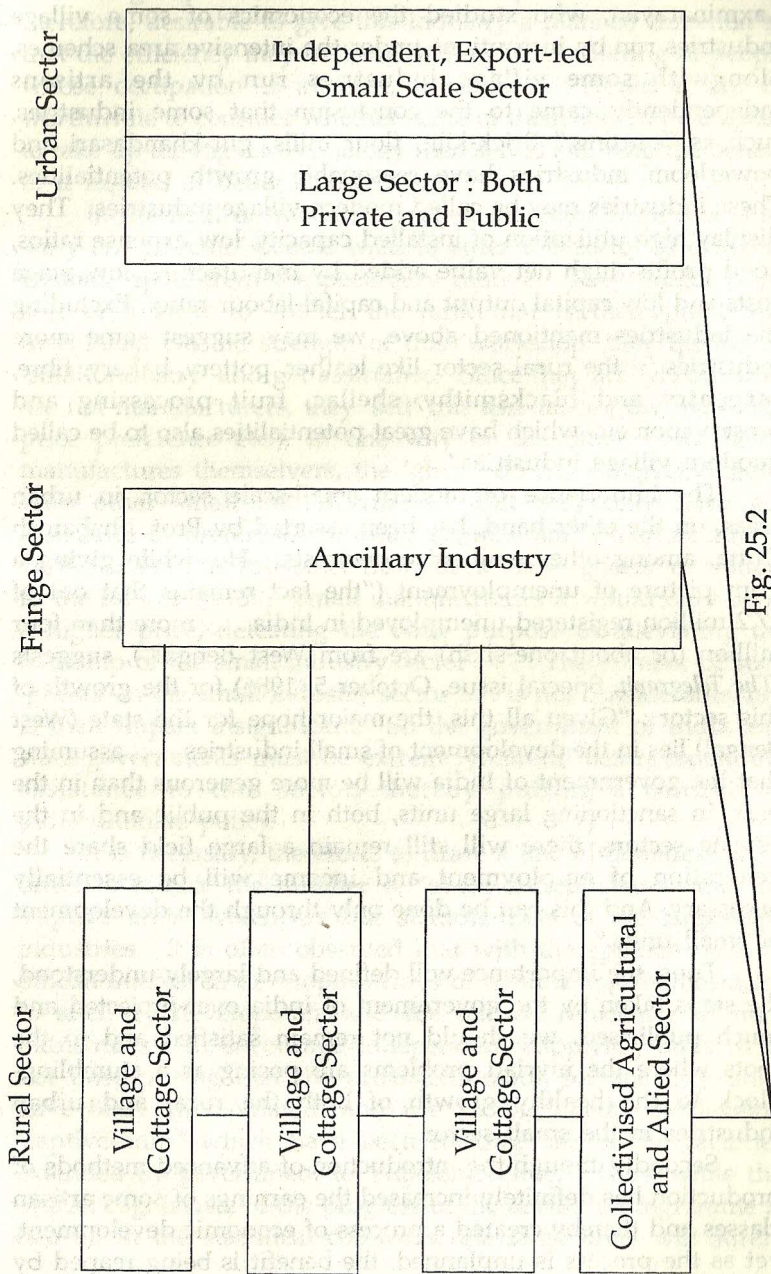


Fig. 25.2

Laxminarayan, who studied the economics of some village industries run by institutions under the intensive area schemes, alongwith some village industries run by the artisans independently, came to the conclusion that some industries, such as "carding," Brick-kiln, flour mills, gur-khandasari and powerloom industries have reasonable growth potentialities. These industries may be called modern village industries. They display high utilization of installed capacity, low expense ratios, good profits, high net value added by manufacture, low wage costs and low capital output and capital-labour ratio. Excluding the industries mentioned above, we may suggest some more industries in the rural sector like leather, pottery, bakery, fibre, carpentry and blacksmithy, shellac, fruit processing and preservation etc. which have great potentialities also to be called 'modern village industries.'

The importance of modern small-scale sector, in urban areas, on the other hand, has been asserted by Prof. Bhabatosh Dutta, among other eminent economists. He, while giving a grim picture of unemployment ("the fact remains that out of 27.2 million registered unemployed in India . . . more than four million (or about one-sixth) are from West Bengal"), suggests (*The Telegraph*, Special issue, October 5, 1986) for the growth of this sector : "Given all this, the major hope for the state (West Bengal) lies in the development of small industries . . . assuming that the government of India will be more generous than in the past, in sanctioning large units, both in the public and in the private sectors, there will still remain a large field share the generation of employment and income will be essentially necessary. And this can be done only through the development of small units."

Thus, the importance will defined and largely understood, the steps taken by the government of India over-projected and much publicised, we should not remain satisfied and to the roots where the myriad problems are posing as a stumbling-block to the healthy growth of both the rural and urban industries in the small sector.

Secondly, though the introduction of advanced methods of production has definitely increased the earnings of some artisan classes and thereby created a process of economic development, yet as the process is unplanned, the benefit is being reaped by

a small group of rich and influential people. It would be, therefore, desirable to give this industry a planned direction so that the efficiency may be increased and the suffering of people whose occupation is affected, minimised. Would it not be worthwhile to consider whether some of them should be enabled to take up the higher technology themselves and reap the benefit of it instead of being elbowed out.

In the field of 'modern' small-scale sector since this is an 'easy entry sector,' people want to enter this sector of different reasons, apart from the pecuniary motive. They 'build' some sort of a shed to shelter the junk that is their plant and machinery. On the strength of this 'workshop' they qualify as 'small industry' and get assistance. Since they are 'ghosts' they are not manufacturers, they 'sell' this assistance (raw materials, price preference etc.), in one way or the other. Not being manufacturers themselves, the 'ghost' do not compete directly with other small manufacturers. But they may have got assistance in preference to other genuine small manufacturers. To the extent this assistance flows back via —'ghosts' or traders to the fold of genuine small manufacturers it would only be at a higher price, defeating the basic purpose of alleviating the hardship of the small industry sector The number of such 'ghosts' in the small industry sector . . . is not considerable, nor is their impact insignificant. So the government of India and state governments must be extremely careful before extending assistance to this sector, thereby putting a control on indiscriminate policy.

It is necessary, therefore, to draw a line of demarcation in order to reduce the number of 'ghost entrepreneurs' and the 'captive units' which are but shadow-units of the large-scale industries. It is often observed that with the apparent lack of official interest in developing ways of overcoming the obstacles to ancillary development and the natural reluctance of high industrialists to encourage independent supplying units, it is not unsurprising that the provisions made for ancillary units have been 'manipulated' and use by big capital to develop 'captive-units' which have been making use of the facilities extended by government to 'sub-contractors.' Thus, while the official cognizance of the progress of the ancillary programme is tied-up in the statistical cob-webs, the large units will surely

avoid registration of a unit which is ancillary to it. So, the programme for developing independent units will ultimately fail, providing enough room for large units to run captive units which are not registered as such.

Therefore, to give a proper definition to the small scale sector is finally based on a three-tier consideration :

- (i) Firstly, village and cottage industries (including Khadi, Coir, Handicrafts *et al*).
- (ii) Secondly, independent ancillary units for providing 'Linkages'
- (iii) Finally, 'modern' small-scale units and export-led units (meaning the 'Third Sector')

The need for demarcation deserves first and foremost attention because it is a vary vital point to be discussed and it has hitherto been neglected by the government of India. So, by demarcating the sector, the *purpose* of setting up a *economic viability* of the unit and giving the maximum social benefit to the poorest section simultaneously. Therefore, a broad framework should be designed to mark the areas for opening different types of industrial units. This should be based on a All-India zone-wise survey. For example, in a particular village, if the artisans are skilled enough to manufacture a particular product, thrust should be given to opening only that type of industry which could manufacture that particular item and the allied products on a large-scale by employing the local artisans, one thing should be kept in mind that while giving encouragement to such village and cottage units at the first level, the imposing shadow of the modern sector should not destroy the spirit of these rural units. At the same time, while thinking of the modern sectors (*i.e.* industrial estates and independent units) at the second and third level, the policy should be adopted in such a way as it could leave no room for the large-scale sector to encroach upon them. With this, the operational structure of the units at different levels (rural, fringe and urban) should also be included in the policy to be adopted so that the cropping-up of 'captive units' could completely be eliminated. If the organisational structure of the units are properly defined, framed and taken under the purview of the scrutiny committee of the sanctioning wing of the government the ominous shadow of the

'ghost units' could not loom large over the units that are playing a positive role to the economy.

Thus a healthy 'complimentary atmosphere' should be encouraged among all the productive sectors (*i.e.* rural sector, fringe sector, big sector and modern small sector) of the industry could give rise to a sense of 'right' competition, minus the detrimental effects of dualism of the domestic economy. 'The most serious consequences of the new-style fiscal and monetary policies are to be found in the aggravation of the economic dualism between the modern industrial sector and the traditional sector'—observed H. Myint (1973) and has, therefore, aptly suggested for two main types of policies. Firstly, the official rates of interest in the organised sector of their credit markets should be raised high enough to reflect their existing shortage of capital funds. Secondly, a more integrated domestic market can be created only by giving free access on *equal terms* both to the modern and the traditional sectors.

Suggestions should be given for some other measures also. Apart from many problems the small units as a whole face, some structural, technical and managerial problems are also present. Under structural problems, there are three main points that are to be dealt seriously while taking a progressive policy—paucity of equality raw-materials (particularly for the electronic manufacturers who often require imported components), poor marketing assistance and financial irregularities. These problems, however can be solved by streamlining different agencies, particularly at the state level like State Small Industries Corporations, State Financial Corporations etc. through which these problems are actually created.

Secondly, regarding technical problems which are mainly two—lock of Research and Development (R & D) and the using of obsolete tools – government should create a body through which R & D facilities can be made available to the entrepreneurs, thereby training them to using modern equipment and making them available simultaneously. Regarding the third point *i.e.* human relations problems like group rivalry, manifestation of vested interests, managerial chaos etc. some workshops should be organised from time to time to infuse progressive outlook, professionalism and the essence of entrepreneurship into them. The problems mentioned about relating to human relations are

but an outcome of the merchant like mentality of the Indian businessman (which we have mentioned earlier), whose number, though receding with the changing winds blowing is still substantial.

A Mathematical Model

Since the formalisation of the economic analysis is marked with the quantitative approaches made, here we have tried with a new tool vastly used in science and engineering. It is called maximum Entropy Model (MEM). The concept of 'entropy' is introduced here to provide a quantitative measure of uncertainty. When an experiment is performed and we know the actual outcome, the uncertainty is removed. As such the information provided by the experiment can be regarded as equal to the amount of uncertainty removed by it. Thus a measure of *entropy* can also be regarded as the measure of information provided by the realisation of a probability distribution.

(a) *Introduction* : Let C_1, C_2, \dots, C_n be the incomes of n individuals in a population living in rural areas and let

$C = \sum_{i=1}^n C_i b_i$ the total income of the rural population. Let

$P_i = C_i/c$ be the share of the i th individual in the total

income so that $P_i > 0$ and $\sum_{i=1}^n P_i = 1$ and (P_1, P_2, \dots, P_n) can

be regarded as a probability distribution with 'entropy' (the concept of 'entropy' is to provide a quantitative measure of the uncertainty in every probability-distribution, started first by Jaynes (1957), developed further by Renyi (1961) and others. The concept of 'entropy' introduced here to provide a quantitative measure of the uncertainty)

$$S = -\sum_{i=1}^n P_i \ln P_i = \sum_{i=1}^n \frac{C_i}{C} \ln \frac{C_i}{C} \dots \dots (i);$$

the entropy is maximum when

$$P_1 = P_2 = \dots P_n = \frac{1}{n} \text{ or } C_1 = C_2 \dots C_n = \frac{C}{n} \dots \dots (ii);$$

i.e. When the incomes are all equal and the maximum value of S is $1n n$. Thus S can be regarded as a measure of income inequality and

$$H = 1n n - s = 1n + \sum_{i=1}^n P_i \ln P_i = \sum_{i=1}^n P_i \ln P_i \quad \dots (iii);$$

Can be regarded as a measure of income inequality \times in the sense that greater the value of H, the greater is the income inequality.

(b) *The reducing measure* : One way of reducing income inequality is through doses of welfare measures and proper planning system like ensured employment, education, shelter, medical facilities, development of linkages between urban and rural sectors, growth of entrepreneurship, the application of HRM etc. Let $C_i f(C_i)$ be the changed condition of a person after getting the benefits of the doses of welfare measures, whose income is C_i so that his income after these measures is

$$C_i - C_i f(C_i) \text{ when } 0 \leq f(C_i) \leq 1 \text{ and}$$

the new value of H is given by

$$H' = 1n n + \sum_{i=1}^n \frac{C_i - C_i f(C_i)}{\sum_{i=1}^n C_i - \sum_{i=1}^n C_i f(C_i)} \ln \frac{C_i - C_i f(C_i)}{\sum_{i=1}^n C_i - \sum_{i=1}^n C_i f(C_i)} \quad \dots (iv);$$

For the case of a continuous income distribution, let Z be the income of any individual and let m be the average income of all individuals, then the corresponding measure of inequality is (Theil : 1967) given by

$$H = \int_0^{\infty} \left[\frac{Z}{m} \ln \frac{Z}{m} \right] \Psi(z) dz = E \left[\frac{Z}{E(z)} \ln \frac{Z}{E(z)} \right] \quad \dots (v);$$

So, that income inequality is measured by the expected value of the product of relative income and the logarithm of the relative income where relative income is the ratio of the income to its expected value. Here is the density function for the probability distribution of income in the

population. After doses of welfare measure and unproved planning process, the measure of inequality is given by

$$H' = \int_0^{\infty} \left[\frac{z - zf(z)}{E - [z - zf(z)]} \ln \frac{z - zf(z)}{E [z - zf(z)]} \right] \Psi(z) dz \quad \dots (vi)$$

If $f(z)$ is an increasing function of z , then $H' < H$ which means reduction in inequalities.

Since we want to minimize income inequality, we want to maximize entropy subject to constraints like the political will of the state and the degree of peoples' participation in all the programmes as envisaged.

Towards New Meadows

This mathematical solution apart, tasks of social transformation are not possible without the people gaining control over economic and social institutions, particularly in the context of unequal distribution of assets, both in the rural and urban areas. It will be necessary to build into the economic programmes the conditions for facilitating the emergence and exercise of the group-power of the people at the grass-root level and also for influencing various policies at the national level. Only then, the following formulation leading to increase in nation income, prosperity and development will follow both in short and long-term perspectives. The formulation is based on the simplistic method of economics.

An increase in the rate accumulation is based upon the rise in labour productivity resulting from the technical progress during the transitional period T . When Labour-Output ratio is maintained at its initial level K_0 the increase in the national income relative to consumption after n years is raised in the proportion $(1 + \alpha)^n$.

Now, if we increase the labour productivity in different plants upto the level of k , the national income will be increased in relation to consumption in proportion $(1 + \alpha)^n (1 + p)$, where p is the proportional increase in productivity in the new plants resulting from the raising of Labour-Output ratio from K_0 to k .

Let us denote by i_0 the rate of productive accumulation in the initial position. By π_n the rate of accumulation is

developed n years later with the labour-output ratio remaining unchanged at the level k_0 ; and by $\pi'n$ the rate of accumulation is denoted n year later, but on the assumption that the stock of equipments has been 'recast' in order to match its proportion with the labour force to k , we then have

$$i_0 < \pi n < \pi'n$$

The respective rates of growth of national income will be as follows

$$r_0 = \frac{I}{K_0} i_0 - \frac{m_0}{K_0} (a - K) \quad \dots \text{(i)}$$

$$r_n = \frac{I}{K_0} \pi n - \frac{m_0}{K_0} (a_n - u) \quad \dots \text{(ii)}$$

$$r'_n = \frac{I}{K} \pi' n - \frac{m}{K} (a'_n - u) \quad \dots \text{(iii)}$$

where

r_0 = rate of growth;

m_0 = labour-out-put ratio;

a = Co-efficient which is called 'a parameter of depreciation';

u = Co-efficient represents the effect of improvements in national income; and

I = Investment

A policy package can only be as good as its implementation. Unless the policy cannot be converted into a chain of actions with the help of the countrymen, hitherto 'a sleeping leviathan', very little can be expected in the area of economic growth. This would call for immense changes in the work culture of the people which must become conducive to high performance standards, quality consciousness, sense of equitable distribution, bereft of cravings for 'quick-bucks' and corruptions, and, above all, on time completion of projects and programmes—from areas of poverty alleviation to dam construction, from area of space to the areas of rural health and sanitation. These values should be absorbed in the work culture of the Indian work force in order to drive out the 'snailsyndrome' to emerge as one of the leading 'Asian Tigers.'

Focussing on the north-east India, it is observed that barring Assam, most of the states are latecomers to the process of development as they were created subsequent to the first decade of planning. Nagaland was created in 1963, Manipur, Meghalaya and Tripura in 1972 while Arunachal Pradesh and Mizoram in 1987. In the hill states, majority of the population is tribal, ranging from around 70 per cent, in Arunachal to 94 per cent in Mizoram. In the hill areas population density is very low, infrastructure very weak and production technology is primitive. From the following table (Table 25.1) the important inferences can be made like the growth of per capita Net National Product (NNP), and the growth in regional imbalances in alarmingly higher than national per capita income growth. Imbalances has been rising despite the treatment of the N.E. states as special category states for plan finance, launching of the subsidy schemes like capital and transport subsidy, concessional finance etc.

Table 25.1
Per Capita Income and Regional Imbalances in NER
(Year 1990-91)

<i>States</i>	<i>Per Capita Income</i>	<i>Regional Imbalances</i>
Assam	9.97	11.68
Manipur	10.11	11.57
Meghalaya	10.12	10.97
Tripura	8.89	14.86
All India	10.36	—

In order to change the economic scenario, it is imperative to promote local entrepreneurship. Industrial entrepreneurship is a new experience in this zone, except perhaps in Assam. In 1961, there was practically no registered small industry in this region. Handicrafts and handlooms, however, were a traditional of the people. The emerging trend still continues to be traditional enterprises and within manageable limits. But the exposure of EDP? participants through industrial visits to various states is gradually eroding this tradition. Entrepreneurial enthusiasm can be aroused provided entrepreneurs can be made aware of the facilities and incentives offered by different governments to

them of development of industries in this region. ED programmes are, therefore, conducted by various institutes from time to time to guide, aware and motivate the prospective entrepreneurs. From 1985 to 1992 NISIET organised 63 EDPs where 1518 persons participated. Which is although very small in number, yet encouraging (Table 25.2).

Table 25.2

State-wise Number of Programmes Organised : Participants Trained; Number of Units Set-up (1985-1992)

<i>State</i>	<i>No. of Programmes</i>	<i>No. of Participants</i>	<i>No. of Units</i>
Assam	31	758	188
Arunachal Pradesh	4	99	16
Manipur	8	191	33
Mizoram	1	25	15
Meghalaya	7	155	25
Nagaland	6	145	33
Tripura	6	144	37
	63	1518	347

There are various problems that share in the face in the process of entrepreneurship development in the region. We classify the problems broadly into two categories :

- (a) General problems, and
- (b) Specific problems.

The general problems occur in all the states of NE region. They are : lack of comprehensive programme for entrepreneurship development, absence of collaborative efforts by a member of organisations, lack of information regarding industrial potentiality, absence of suitable organizational climate in the promotional agencies, lack of infrastructure, particularly transport and communication, callousness on the part of bankers to finance small business.

Some of the specific problems are : lack of programmes for women entrepreneurs (whole potential is very high in

Manipur, lack of emphasis on the establishment of industrial complexes and ancillarisation (particularly in Assam and Tripura), lack of openness to outside investments in Meghalaya, Mizoram, Nagaland and Arunachal Pradesh.

It also observed that there is a lack of awareness among educated youths about entrepreneurial opportunities. The socio-psychological attitude towards industrialisation has also been hindering entrepreneurial development. Entrepreneurs need a package of services at different stages like :

- (i) Stimulatory,
- (ii) Support, and
- (iii) Sustaining,

which are applied in an environment conducive to entrepreneurial growth. This entrepreneurial environment can be shown through Chart 25.1.

Chart 25.1
Entrepreneurial Environment

<i>Political</i>	<i>Economic</i>	<i>Social</i>	<i>Technological</i>	<i>Cultural</i>
1. Political atmosphere	1. Economic policies	1. Consumers	1. Competition and risk	1. Aspirations
2. Quality of leadership	2. Labour	2. Labour	2. Efficiency	2. Values
	3. Trade	3. Opinions	3. Productivity	
	4. Incentives	4. Motives	4. Profitability	
	5. Subsidies			

Entrepreneurs need a package of services as suggested at different stages like stimulatory, support and sustaining stage. These services are to be provided by different organisations and institutions in a co-ordination among all the organisations and institutions involved in entrepreneurship development in the region to ensure better impact of the programmes.

The whole efforts to promote and develop entrepreneurship primarily consist of three groups of activities—Stimulatory, Support and Sustaining activities. All these activities are to be performed in a balanced manner to have a desired impact on development of entrepreneurship. It was, however, found that

all the activities were not performed in the region in a balanced way. Support activities were over emphasised in some states while Stimulatory and Sustaining activities were neglected. NISIET study team identified a number of general causes (causes applicable to all states) and specific causes (applicable to certain states) that were hindering the entrepreneurship development. Some of the general causes identified are lack of comprehensive programmes for development of entrepreneurship lack of collaborative efforts by different organisations, absence of information relating to industrial potential, market, raw materials, etc. lack of appreciation of potential industries based on local skills, unhelpful organisational climate, inadequate infrastructural facilities, particularly power and communication, lack of publicity about Entrepreneurial opportunities, marketing difficulties, lack of inter-state collaborative efforts, unwillingness of Banks and finance small enterprises, etc.

There are also specific factors hindering entrepreneurship development like taxation policy, lack of emphasis of establishment of industrial complexes and development of ancillary industries in Assam, restriction to outside entrepreneurs to set up industries in Nagaland, Meghalaya, Arunachal Pradesh and Mizoram, absence of programme for development of women entrepreneurs in Manipur, lack of experience of industrial development in Arunachal Pradesh.

The situation that existed a decade ago has changed considerably. The Taxation Policy of the government of Assam has been made much more favourable. The emphasis has also been given on development of industrial complexes and ancillary industries. The ASEB has already taken action to develop and promote 35 prospective entrepreneurs. The information base for potential industries, particularly for Assam has widened due to concerted action taken by the government. Besides NEITCO there are private consultants, at least in Assam, recognised by the government, who are helping in the preparation of project reports for prospective entrepreneurs. Another consultancy organisation *viz.* NECON has been set up at Imphal recently. NEITCO has set up its branches in Meghalaya and Nagaland. The attitude of the Bankers has also changed to some extent. The flow of institutional finance to small-scale industries has been now reasonably prompt, thanks

to the sub-committee set up for monitoring the case of NISIET, NEITCO trained entrepreneurs under the Chairmanship of the General Manager, Industrial Development Bank of India, North-Eastern Regional Office. The regular and constant follow-up work for the trained entrepreneurs have had their impact on promotional, developmental and financial organisations.

There is now a favourable climate for entrepreneurship development in the region. All the state governments of the region have given emphasis on entrepreneurship development. Plan have been drawn up. Publicity campaign have been taken up. Assam has planned for 150 Publicity Campaign during the current financial year. Manipur has drawn up a massive plan for entrepreneurship development.

In spite of considerable changes that have occurred during the last one decade or so there are some problems which still exist. For instance, the socio-psychological attitude of the people in Hill states is yet to be favourably inclined for development of entrepreneurship. There is restrictions to outside entrepreneurs to set up industrial units in all the Hill states, apart from the problems of inner-line permit in Arunachal Pradesh, Nagaland and Mizoram. The infrastructural support required for industrial development has yet to come in a big way. State governments are following the policy of providing infrastructural support in the shape of the land, factory sheds, etc. But there is unusual delay in getting such kind of support. This has resulted in delaying the process of implementation of project by many of the trained entrepreneurs.

There is delay even in sanction of loan by Banks and financial institutions. Approach of different Bank personnel differs in the appraisal of loan applications. There are instances when Bank Managers refused to sanction loan simply because similar units for which loan has been asked for have failed earlier. In one instance, the Bank Manager even misguided an entrepreneur instead of helping him. As a result the entrepreneur had to waste more than one year time for nothing. Happily such instances are going down due to constant follow-up and monitoring done for the NISIET and NEITCO trained entrepreneurs.

Power is still a severe constraint. If power can be given

much of the problems for development of entrepreneurship can be solved.

There is also long time gap between a person completes training and set up his unit. In some case the delay is extremely unusual. Except in one case of a lady entrepreneur who could put up her unit within two months from the day of completion of training, we have not been in a position to find in other EDP participants who could set up his unit within a period of six months. The delay occurs right from the stage of provisional registration itself. During the period of training the participants are exposed how to prepare schemes project reports and help them to select their projects. Preparation of project reports depends on, among other receipt of quotations for machinery suppliers. Quotations usually takes long time. We wanted to probe into the matter and found that machinery suppliers also have a point. They do not want to give quotations unless they expects to get at least one firm order out of 10 quotations given.

Once the scheme is submitted to the District Industries Centre, complete in all details, there is no difficulty in getting provisional registration. The other stage of the implementation of the project can follow right from that stage only.

The state governments of the region has realised the importance of entrepreneurship development for industrial development. Special measures have been taken to see that entrepreneurship development becomes a reality. Every state government now feels that there should be some Entrepreneurship Development Centres for imparting training to prospective entrepreneurs. Manipur government has gone a step ahead by preparing feasibility report through EDII and making a decision for setting up such a Centre. The IDBI has also taken a decision to set up Entrepreneurship Development-Cum-Training Centres in six states of the region. Assam also feels the necessity of having an Entrepreneurship Development Institute. However no government of the region has carefully analysed the availability of existing infrastructure for taking up of the task of entrepreneurship development. Assam has some amount of infrastructure in the shape of EMTCs. The need of the hour, we feel is not for going for another Institute exclusively for entrepreneurship development but for strengthening the existing infrastructure. EMTCs did wonderful work at least

during the early stage of its work. These centres, if revitalised, can still do wonders.

In advocating for revitalisation of EMTCs we have in our mind the constant follow-up and monitoring which can only be done efficiently and effectively by local levels agencies like EMTCs. A training institute either at the state capital or in other convenient places in the state will neither have resources nor will be capable of effective follow-up and monitoring activities.

The success of EDP will depend ultimately in collaborative efforts. In these efforts the role of the state government is much more important. The governments should not only support the existing training institutes but should involve themselves at different stages for developing entrepreneurship in their respective states. If this is done we hope that Entrepreneurship Development will be possible and the region will not remain industrially backward for years to come.

There is a good project for development of entrepreneurship and thereby the human resources by way of training and motivating in the region. In 1977, there were only 5,250 registered small units in the region, of which 55 per cent units were located in Assam, Nagaland, Mizoram and Arunachal Pradesh together accounted for less than 8 per cent of the industrial units. Now in 1991, there were 37,201 permanent registered units in the N.E. region, of these 12,217 units were located in Assam, followed by Tripura (4,629).

In Arunachal Pradesh and Mizoram entrepreneurship started only after 1971. About 60 per cent of the entrepreneurs in the North-East region comes from business community, 20.3 per cent from artisan families, 17 per cent from the farming families and only 3.9 per cent from the service holders. But in Mizoram 92.1 per cent and in Arunachal Pradesh 65 per cent entrepreneurs come from farming families.

There is now a growing awareness among the unemployed youths about entrepreneurial opportunities, particularly in Assam, Manipur and Tripura.

In other states of the N.E. region is a slow but gradual awareness of such opportunities. All these go to suggest the entrepreneurship development can be taken up in a concerted manner.

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