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## **Impact of Entrepreneurship on Economic Development in North-East India**

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### **Abstract:**

*Entrepreneurship plays a significant role in economic development. In Schumpeter model of economic development, entrepreneur is the important growth agent who innovates and provides breakthrough in a routine- stagnant economy. It is evident that north-eastern states are lagging behind in front of the main-stream states of India in terms of many parameters of economic development despite of having enormous stock of natural and diverse human resources. The north-eastern region is mostly depended on agriculture for livelihood. However, in the recent years, the service sector has been widening in terms of its share to State Domestic Product. The region, being encircled by international borders, can grow by international trade. The development policy like Look East and Act East Policy of the GOI has further increased the scope of trade relation with the South-Asian and South East Asian nations. However, in order to capitalise the gains from trade openness, it is imperative to prepare the region in terms of what to export. In this respect growth of entrepreneurship is very essential to make the north-eastern region as the hub of innovation, production, and export. In this context, the present study aims to explore the growth potentiality of north-east and role of entrepreneurship. Further, the study aims to search the factors responsible of entrepreneurship development with reference to the north-eastern region.*

**Keywords: Entrepreneurship, Economic Development, North-East India, Act East Policy, Self-employment**

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### **Introduction:**

Entrepreneurship is the process of designing, launching, and running a new business which is often initially a small business. It has been described as the capacity and willingness to develop, organize and manage a business venture along with any of its risk in order to make a profit. Entrepreneurship is the purposeful activities of an individuals or a group of associated individuals undertaken to initiate, maintain and aggrandize profit by production or distribution of economic goods and services. But India's North-East has always been neglected for decade till now; in terms of their economic prospect for growth, development of its people and above all the confidence to grow. For years together the region has been a witness to catastrophes of conflicts, natural and manmade calamities and militarization and despite the fact that the region is rich in natural sources, flora and fauna. The region has seen mass migration of people to other regions due to lack of basic amenities and investments. Suffering from ethnic violence for decades have been states like- Assam, Manipur, and Nagaland. This sustained violence has been a major hindrance till date for its people to begin entrepreneur ventures. At present, although the situation has undergone some changes due to the positive intent of Govt. of India as well as the

different state Govt. of this region, the entrepreneurship development has not reached the mark to significantly influence economic growth in the region. People of this region especially Assam are unable to involve themselves as strong entrepreneurs for the coming future. As a result, it has been observed that the growth of economic development of this region is slow.

The Act East Policy has tremendous role in transforming the North – east region into an economic corridor, which not only will create opportunities for infrastructure-led entrepreneurship development and but also will promote regional integration. Keeping with the tune of ACT East Policy, the various state governments are promoting various development schemes like establishment of institutional incubation centres to encourage local innovations. These initiatives are playing key role in empowering the entrepreneurs of this region especially the youths, women and rural populations at large.

The state of Assam among all the states of North East is leading the transformation in terms of infrastructure and industrial growth to promote regional commerce. Assam has witnessed a significant upliftment in promoting entrepreneurial ecosystem in the last few years, backed by the Govt. policies, establishment of Skill Development Centres, Incubation Centres, organising Start-up festivals etc. Consequently, the state could attract significant attention of the industrialists and investors to contribute in the economic development of the state, which offers a promising the entrepreneurs a sustainable future.

### **Significance of the study:**

There are many aspects that have to be concentrated to improve the economic condition of a region. But entrepreneurship is a part of it which has to be provoked to take the economic condition to the next level. Entrepreneurship reduces the unemployment problems in the country. Many job seekers get satisfied in their job opportunities given to them. When the entrepreneurs are motivated, there will be more job opportunities in the nation and many people will be engaged in the jobs provided by them and much creative idea can be implemented to improve the society in various aspects. Entrepreneurs help the nations export competitiveness higher when compared to the other nations market. Hence, entrepreneurs have the responsibility in the organization and also in the society. Entrepreneur has to take decision not only in favour of his organization but also for the society.

North-eastern states are lagging behind the other states of the mainstream of India in many parameters of economic development despite of having enormous stock of natural and diverse human resources. The north-eastern region is mostly depended on agriculture for livelihood. However, in the recent years, the service sector has been widening in terms of its share to State Domestic Product. The region being encircled by international borders, can grow by international trade. The development policy like Look East and Act East Policy of the GOI has further increased the scope of trade relation with the South-Asian and South East Asian nations. However, in order to capitalise the gains from trade openness, it is imperative to prepare the region in terms of what to export. In this respect growth of entrepreneurship is very essential to make the north-eastern region as the hub of innovation, production, and export. In this context, the present study aims to explore the growth potentiality of north-east and role of entrepreneurship. Further, the study aims to search the factors responsible for entrepreneurship development with reference to the north-eastern region.

### Objectives of the study:

1. To explore the relation between growth of entrepreneurship and economic growth.
2. To explore the growth potentials in the region and the role of entrepreneurship.
3. To explore the factors responsible for growth of entrepreneurship in the north-east.

### Method of Study:

To assess the Relation between Growth of Entrepreneurship and Economic Development, the following methods have been followed. Entrepreneurs play a significant role in economic development. In the Schumpeter theory of economic development, it is the entrepreneur who brings innovation and gives a breakthrough in the routine economy. The entrepreneurs give birth of new ideas based on which changes takes place and this stimulates the economic activities towards a new horizon. Entrepreneurs are often considered as growth agent. In order to explore the effect of entrepreneurship growth on economic development, a simple log-log regression model has been formulated as given below:

$$\log Y_t = \alpha + \beta \log ENT_t + \gamma D_1 + u_t$$

Where,  $Y_t$  = Growth in per-capita income

Ent = Growth in small scale enterprises

$D_1 = 1$  for north-east and otherwise 0.

Data for income and small enterprises have been collected from the data bank of RBI. We have tested the properties of data set for example normality test, BOX-Cox test for functional form, and heteroskedasticity test.

### Result:

The Result of the simple regression model is highlighted in table 1.

**Table 1:** Result of Regression (log-log model)  
Dependent Variable:  $\log Y_t$

Variable	Co-efficients	Standard Error	T statistic
ENT	1.29	0.1067	12.09*
NED	0.42	0.458	0.91
Constant	3.203	0.247	12.935*

It appears from the table-1 that the coefficient of ENT is highly significant and positive. This implied that for an increase in one percent in small and medium scale enterprises (number of units), there is 1.29 percent growth in income. However, the dummy variable included for the north-east region has no separate significant effect on growth. This indicates that there is no extra advantage of entrepreneurship development in north-east region to influence growth. But, in view of Act East policy of Govt. of India, the north-eastern region is supposed to get extra advantage as the region is the gateway of the south Asian and South East Asian nations. There is an opportunity for the entrepreneurs to utilise the resources of the north-east India to produce exportable items. This is more likely to change economic scenario of the region.

### Discussion:

#### Development Implication of Entrepreneurship in the North-east India:

There is a famous hypothesis known as resource curse hypothesis. This states that the countries which mostly exports raw materials and natural resources and imports finished

goods belong to the categories of underdeveloped nations. It appears from the import-export statistics that in many fields, the north-eastern region exports mostly raw materials for example, orange, zinger, litchi, coal etc. to Bangladesh and other countries while we import litchi drinks and many others finished products from them. Recently, India is having trade deficit with Bangladesh. Hence, in this respect, the entrepreneurship has a lot of job to do. There is an urgent need for developing ideas and techniques to start up entrepreneurship in diverse fields in targeting enough surplus for exports.

At present the horticulture is recognized as an important sector for potential diversification and value addition in agriculture. The north east region is one of the richest reservoirs of genetic variability and diversity of different crops *i.e.* various kinds of fruits, different vegetables, spices, ornamental plants and also medicinal and aromatic plants. The diversity for horticultural crops of this region has mainly been managed by local farmers, often women. Considerable diversity exists among the regional horticultural species including variation in plant type, morphological and physiological characteristics, reactions to diseases and pests, adaptability and distribution. Apart from the nutritional value, many regional horticultural crops are used for medicinal purposes and income generating source in the rural areas. The region offers scope for cultivation of a wide variety of horticultural crops such as fruits, vegetables, flowers, tuber and rhizomatous crops and spices because of its diversities in topography, altitude and climatic conditions. A range of fruit crops varying from highly temperate types like walnut, apple, etc., to subtropical as well as tropical fruits are coming up well in this region. Similarly, wide and diverse types of vegetables including indigenous ones are cultivated in the region. Despite of these favourable factors and the scope for cultivation of horticultural crops, the development of horticulture has not picked up momentum as desired. The proposed paper is targeted to examine the existing position of horticulture in NER with a view to ascertain its growth potential by evaluating problems and prospects with a primary objective of suggesting lines of development in future.

### **Suggestions:**

The Northeast has been unable to fully integrate and make profit from the many regional and sub-regional efforts established by neighbouring nations. To take advantage of cross-border trade initiatives, regional industries must develop goods that can be exported to neighbouring countries. Processing industries must be established in order to produce high-quality goods that can be sold on international markets at reasonable prices. The backbone of the Indian economy could be described as rural enterprise. The importance of businesses in India's industrial economy is being recognised, and plans and policies are being developed accordingly. The implementation, on the other hand, is expected to be quick. It has long been recognised that this sector has one of the highest employment potentials, with the potential to generate more jobs and revenue for the nation's development. In this regard, all interested parties should take the necessary steps to ensure its overall development. It is very critical to safeguard and promote North East India's entrepreneurial spirit.

### **Recommendations:**

In order to develop entrepreneurship in North East India, certain recommendations has been made:

- ❖ Special attention should be paid to infrastructure that is sustainably maintained as well as the reduction of energy, transportation, and communication costs while enhancing the dependability of these services.
- ❖ Developing public-private partnerships and drawing foreign direct investment (FDI) into basic infrastructure.
- ❖ The government should urge banks to publish and distribute brochures and booklets in local languages regarding the financial and non-financial help available at each bank and district industries centre (DIC) to potential and current enterprises.
- ❖ Banking services should be accessible to entrepreneurs and small businesses.
- ❖ At the district level, a special cell for microenterprise development should be formed.
- ❖ Youth motivational programmes at the gramme panchayat and educational institution levels to boost interest in entrepreneurship as a career option.
- ❖ The government and financial institutions should launch a public awareness campaign to encourage women to start businesses.
- ❖ The administration should concentrate on strengthening its soft power in the region. The loan application process should be made easy, and the time it takes to sanction and disburse the loan should be reduced.

### **Conclusion:**

There are ample opportunities in small business in north eastern region and such opportunities will transform Assam in coming future. For such transformation to happen there needs to be support both at the Governmental and social level. For the Government, it is important to realize that the goal of small business owners will be to remain self-employed. Such people may not need financial assistance but they will need proper marketing and legal assistance in order to sustain themselves. Practical and cost-effective programs need to be developed to address their needs because self-employed people will represent an important segment in economic revitalization. Entrepreneurship development is the key factor to fight against unemployment, poverty and to prepare them for globalization in order to achieve economic progress of north east India.

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