

CHAPTER 7

BARRIERS AND CONSTRAINTS: NONFARM ENTERPRISE

7.1 INTRODUCTION:

This chapter tries to summarise the various factors and issues which tend to dissuade people from taking up nonfarm enterprises or act as constraining factors for those who have somehow managed to initiate a nonfarm enterprise in the hill districts.

7.2 CONSTRAINTS THAT HINDER START-UP AND GROWTH OF NONFARM ENTERPRISES:

Respondents expressed with their degree of agreement to various constraining factors that stand in the way of nonfarm enterprises. However, their responses varied with location of villages as well as the category of activity they want to initiate or are already practising. After ranking the mean of their responses, two categories of inferences may be drawn- i) the mean of their level of agreement/disagreement¹ to the constraining factors, where responses and ii) a comparison of relative influence of these factors with respect to their location and category.

Table 7.1
Influence of various constraints on nonfarm enterprises

| Constraint Factors | Manufacturing | | | | Service | | | | Trading | | | |
|---------------------------------------|-------------------------------------------------------------|------|------|------|---------|------|------|------|---------|------|------|------|
| | Location of villages (Nearness/ Farness from Urban Centres) | | | | | | | | | | | |
| | Near | Rank | Far | Rank | Near | Rank | Far | Rank | Near | Rank | Far | Rank |
| Access to formal credit | 3.76 | 1 | 2.38 | 3 | 2.41 | 1 | 2.92 | 2 | 3.37 | 1 | 3.48 | 2 |
| Access to Electricity | 2.05 | 3 | 2.38 | 3 | 2.3 | 2 | 2.94 | 1 | 1.63 | 5 | 2.71 | 5 |
| Access to Labour | 1.1 | 9 | 1.09 | 7 | 1.38 | 4 | 2.77 | 4 | 1.68 | 4 | 1.26 | 8 |
| Access to Technology | 1.52 | 5 | 1.72 | 4 | 1.33 | 5 | 2.48 | 5 | 1.09 | 7 | 1.3 | 7 |
| Access to Market | 1.19 | 7 | 1.52 | 5 | 2.03 | 3 | 2.77 | 4 | 1.7 | 3 | 3.47 | 3 |
| Access to Water Supply | 1.87 | 4 | 1.51 | 6 | 1.16 | 9 | 1.31 | 7 | 1.09 | 7 | 1.17 | 9 |
| Telecommunications and postal service | 1.21 | 6 | 3.38 | 1 | 1.25 | 6 | 2.89 | 3 | 1.05 | 8 | 3.52 | 1 |
| Regulations and policies | 1.15 | 8 | 1.01 | 8 | 1.17 | 8 | 1.2 | 8 | 1.53 | 6 | 2.27 | 6 |
| Social Unrest | 2.42 | 2 | 3.14 | 2 | 1.21 | 7 | 1.89 | 6 | 2.45 | 2 | 2.78 | 4 |

Source: Field Survey

It is observed that in case of Manufacturing sector, in villages located near urban centres, access to formal credit was considered as a major problem and was considered most influential in taking up and running a nonfarm enterprise. 'Social Unrest' was also considered

¹ Responses to the level of agreement/disagreement were categorized into four categories, namely 1=Not a problem, 2=A minor problem, 3=somewhat a problem and 4=A major problem.

as an important constraint and ranked second. As both the districts are affected by separatist movements and the autonomous councils' political gizmo functions from the district headquarters, often 'bandhs' or 'strikes' are called by the separatist groups. This directly affects the functions of a manufacturing unit by disrupting its input supply, production and sale in areas near the district headquarters. Access to electricity', Access to water supply' and 'access to technology' were also considered as minor problems. It is already seen that villages located near urban centres are better endowed with these services. Whereas factors like 'access to labour', regulations and policies', 'access to market' and 'telecommunications and postal service' were not considered as constraints effecting nonfarm enterprises in the manufacturing sector. On the other hand, in case of villages located far from urban centres, 'telecommunications and postal service' was considered the most important problem for nonfarm enterprises, followed by 'social unrest'. As we have observed during the field surveys, mobile connectivity, which happens to be one of most important mode of communication, is non-existent in most of these villages. As regards manufacturing nonfarm enterprises, although 'bandhs' do not affect production of mostly home-based units, they do disrupt the supply as well as sales channel and hence, 'social unrest' is ranked as the second most important barrier for these units. While access to 'formal credit', 'electricity', 'technology', 'market' and 'water supply', ranked in sequence, were considered as problems, factors like 'labour' and 'regulations and policies' were not considered as such.

In case of service sector, in villages located near urban centres, we observe that in comparison to the other sectors respondents have given lesser importance to the role of barriers in their activities. However, when we tried to find the relative importance among the barriers it was reported that 'access to formal credit' was most influencing problem hindering nonfarm enterprises. Other factors considered as problems and ranked in sequence were access to 'electricity' and 'market'. Factors like access to 'labour', 'technology', 'telecommunications and postal service', 'social unrest', 'regulations and policies' and 'access to water supply' could be construed as very minor problems from the responses. In villages located far from urban centres, access to 'electricity', followed in sequence by access to 'formal credit', 'telecommunications and postal service', access to 'labour' and 'market' were major factors considered as problems influencing the start-up and running of nonfarm enterprises. While other factors such as 'social unrest' and access to 'water supply' were considered as constraints, respondents did not consider 'regulations and policies' as hindering nonfarm enterprises.

In case of trading sector, in villages located near urban centres, while 'access to formal credit' was reported as a important problem influencing nonfarm enterprises, other factors such as 'social unrest', access to 'market', 'labour', 'electricity', 'regulations and policies' were considered, in sequence, as minor problems. Factors such as, access to 'technology', 'water supply' and 'telecommunications and postal services', were considered as non-influential. In villages located far from urban centres, 'telecommunications and postal services' were considered the major influencing factor. Other important influencing constraints include access to 'formal credit', 'market', 'social unrest' and access to 'electricity'. While 'regulations and policies' were considered as minor problems hindering nonfarm enterprises, problems of 'labour' and 'water supply' were reported unimportant.

Government agencies have done very little for linkages with input suppliers of the nonfarm enterprises. Similar is the case of credit linkage with banks and linkage with buyers.

7.3 OBSERVATIONS FROM PRIMARY AND SECONDARY SOURCES WHICH MAY BE CONSIDERED AS BARRIERS FOR ADOPTION OR CONSTRAINTS FOR SUSTENANCE OF NONFARM ENTERPRISES:

During the course of study important revelations were made which directly affect adoption and continuance of nonfarm enterprises. This information was sourced either directly from the field survey or from secondary sources. Sometimes, secondary sources were accessed to confirm findings from primary investigation. The findings from this have been classified with respect to their relation to the livelihood assets of the SLA framework.

7.3.1 Human Capital:

The education level is very low, irrespective of farness or nearness to urban centres, as the average number of years of schooling of household heads is about 2-3 years. Therefore, most of these respondents are fit for basic skills only. Sparse educational institutes, coupled with labour intensive occupations in rough geographical terrain have led to late entry of children to schools and high rate of drop-outs.

Majority of the worker population are engaged in highly labour intensive and less productive jhum cultivation. This leads to shortage of labour to be engaged in nonfarm enterprises. Thus, even if there are skilled resources in the form of weavers and bamboo craft artisans in both the districts, these resources could not be profitably exploited because of their primary engagement in jhum cultivation. So there is a need to reform land use pattern by

diversifying into permanent horticultural production, productivity enhancing agricultural practices which will yield more income with the engagement of less labour.

Unlike in villages located near urban centres, majority of the womenfolk in villages located far from urban centres are preoccupied with household services such as fetching water, pounding rice, collection of firewood and jhum related work and this leaves very little time for them to fully engage in entrepreneurial activities such as production of handloom products. Therefore, in order to promote entrepreneurs it is important to address root issues which hinder their entrepreneurial activities.

The number of training programmes organised for nonfarm enterprises are either very low or have failed to reach out to the interior areas of the districts. It is observed that there is wide variety of skill based enterprises which have thrived in villages located near urban centres because of local demand. However, only 3.5% of them have received skill based trainings from any type of agencies. The situation is much bad in the villages located far from urban centres. This shows a lag in proper targeting, content and delivery of these training programmes by the various agencies.

In case of weavers and handicraft artisans, in most cases, it is observed that their products are limited to traditional dresses or articles. For example, in case of handicraft, apart from bamboo mat making, other handicraft products such as baskets, trays, etc. are produced for local markets only. However, in spite of intricate designs which consume considerable time and labour, these products fail to fetch much income as they can be only sold within their respective districts. There is a huge potential for upgrading this skill base by providing them training on diversified products which have a wider acceptance in the national and international market.

Health and hygiene practices, often overlooked, are fundamental determinants of the quality of human resource. Better health and hygiene conditions have a direct impact on the performance of nonfarm enterprises. The overall health and hygiene situation of the population in both the districts is pathetic, particularly in villages located far from urban centres. The fact that the incidence of serious illness is high in villages located far from urban centres pose a serious threat when we consider up-scaling and commercial production of marketable products in these areas. Consumption of water without treatment and prevalence of open defecation are issues to be addressed at the earliest to control the prevalence of water borne diseases during summer season as have been reported during field study. Further, maintenance of hygiene is a compulsory precursor to setting up of any food processing unit for value addition of agri-horti produces in the hill districts.

One of the most prominent expertises of the tribal population was the preparation of country wine. However, because of the ban on its production, villagers have to do the production secretly. There is a huge demand of the liquor among the tribal society and in spite of it being an illegal trade, the business is thriving. The government of India may think of revisiting this ban. Lifting the ban would result in increased excise duty collection by the government. Fermented food and beverages can play an important role contributing to the livelihoods of rural and peri-urban dwellers alike, through enhanced food security, and income generation via a valuable small-scale enterprise option (Marshall & Mejia, 2011).

7.3.2 Natural Capital:

Non-availability of permanent *patta* is hindering flow of bank finance for enterprise promotion in Karbi Anglong and Dima Hasao. The Autonomous District Councils, in consultation with the State Government, may arrange to allot permanent *patta* to the farmers and also provide valid marketable title deed in other areas too (NABARD, 2017).

Currently, the normal practice of land allocation for *jhum* cultivation by the village headmen is the family size and potential labour a household can engage for it. Because of their large geographical expanse and a sparse population, land for *jhum* cultivation is still abundantly available. A family with higher number of members is allotted larger plot as compared to the ones with smaller families. Households are bound to engage all possible human resources in their *jhum* fields to feed their families throughout the year. Therefore, measures to improve productivity are to be promoted in the hill areas.

From the study it is observed that there is comparatively higher dependence on natural resources as source of livelihood in villages located far from urban centres. Also, it is seen that among primarily occupied nonfarm entrepreneurs 16% had shifted from natural-resource based livelihoods, in such villages. Therefore, promotion of nonfarm enterprises has a direct bearing on decreased dependency on natural resources and thus ensures better environmental sustainability.

It is also seen that there is no controlled extraction of NTFPs (Non-Timber Forest Produces) in the hill districts. This has led to extinction of various flora and fauna species. Controlled extraction of marketable produces like honey, cinnamon, herbs and vegetables etc. has the potential of initiating nonfarm enterprises, involved in packaging and trading of these produces.

Because of its abundant natural resources, although there is huge potential in both the districts to promote tourism based nonfarm enterprises, there is very little initiative from the

autonomous councils in the regards. Social unrest, which often involves violent outbreak, act as a dampener for any initiative in this sector.

7.3.3 Social Capital:

‘Social Unrest’ was reported as the second most constraining factor for nonfarm enterprises in manufacturing and trading sector. As suggested earlier, such unrest reflects dissatisfied citizens and failure of Autonomous Councils to deliver their responsibilities. Bhuyan (1984) remarkably concludes his study on the working on Karbi Anglong District Council that administration of the council is not satisfactory, primarily because of the influence of politics. Even recent studies confirm such interference for e.g. political interference in selection of entrepreneurs for training programmes under government sponsored schemes (Kanoi, 2011).

A lack of participation, lack of need-based approach, lack of monitoring and evaluation after interventions, has resulted in unsustainable investments by Council (Kumaran, 2003). Hence, there lies a gap between the grassroots population of the districts and the Autonomous Council Members. Although, the traditional institutions in both the districts wield considerable authority in the village affairs, their influence has been gradually declining.

The status of women in the tribal society pose a serious threat to promotion of women-oriented activities such as weaving, silk rearing. This is because they get very little time off from their household preoccupation as earlier stated. As found, there is clear indication of male dominance in the society. Therefore, any intervention involving women should address these issues also.

Migration of educated youth to nearby urban centres for better livelihoods is a common feature in all villages. Such youth should be targeted, given special incentives and supported with access to finance, market and infrastructure for promoting nonfarm enterprises in their respective villages.

There is a psychological barrier between tribes. Within their own tribe they have high trust level and helping attitude. But in case of dealing with another tribe, mistrust creeps in. With improved facilitation and increased cross-transactions involving entrepreneurial activities between tribes, such attitudinal behaviour may be got ridden off.

7.3.4 Financial Capital:

Access to finance was considered the most important constraint for nonfarm enterprises across three of the sectors viz. manufacturing, service and trading. Among the surveyed households, 70-90% was BPL category households. This implies that in order to support growth of nonfarm enterprises, access to finance is one of the most essential requirements. From the case studies, it is observed that NERCORMP's microfinance interventions have led to a number of nonfarm enterprises in the project districts.

In case of villages located near urban centres, 33% of households stated they did not have bank accounts. The situation is much graver for households located far from urban centres. In their case, 69% households did not have any bank accounts. Among those having accounts, 94% were 'no-frill' accounts, opened mostly (75%) for receiving payments under government schemes. This reveals the fact that a vast majority of households remain financially excluded. In absence of formal banking services, it is difficult for nonfarm enterprises to thrive in the long run; not only for availing credit, but also for streamlining transactions with stakeholders.

Although statistics reveal that the loan recovery from advances in the nonfarm sector is much better than that of farm sector, low CD ratio of banks reflect that entrepreneurs in the nonfarm sector have not been sufficiently encouraged.

'Friends and relatives', followed by 'moneylenders' are the key sources of credit for productive as well as un-productive activities. Although the presence of SHGs is observed in the villages, limited access to banks might have led to very low corpus. This limited access might have led to avoidance of high individual contribution because of the risks of maintaining high cash in hand. Or it might have hindered credit support through bank linkage. Therefore, average loan size from SHGs was about only Rs 3500/- in villages located near urban centres and Rs500/- in villages far from urban centres. These directly impact proliferation of nonfarm enterprises.

Moreover, agricultural income is found to be the main source of finance for initiating nonfarm enterprise. Therefore, it is therefore important to take a holistic approach to enhance agricultural income through higher productivity. Ancillary to agriculture, nonfarm enterprises involving supply inputs for agriculture, such as seed or fertiliser selling unit, units selling or repairing agricultural implements and machineries like power-tillers etc. Likewise, nonfarm

units for value addition of agricultural products can be promoted in cohesion with support for increased agricultural productivity.

NABARD's Annual Report 2015-16 stated that the major chunk of refinance has been in the nonfarm sector. However, if we consider the region-wise disbursement of long term refinance we see that share of north eastern states is only about 1% of the total amount, where regions comprising southern states have received 49.20% of the total amount (NABARD, 2016). Therefore, it is obvious that there has to be targeted intervention in the nonfarm sector in the region.

7.3.5 Physical Capital:

Lack of access to electricity, water supply, technology, telecommunication services and market are the key constraints in manufacturing nonfarm enterprises. Very low number of electrified villages in both the districts taken together poses a serious hindrance to promotion of nonfarm enterprises because of limitations of mechanisation of such units.

The study has revealed that both the districts have very poor road connectivity and this leads to poor transportations services. Because of these physical hindrances, majority of products from nonfarm enterprises are sold in the villages itself or at nearby haats, at the most. Only in villages located near urban centres, there is a relatively better scope of selling nonfarm produces in urban centres. Better transportation facilities will enable to lessen the number of market intermediaries which will ensure better income to the producers.

In spite of the fact that there is considerable production of perishable agri-horti products such as pineapple, jackfruit etc. there are no cold storage units in the two districts. As a result, farmers have to sell their produces at throw-away prices. Here, in addition to setting up of cold storage units in the region, there is scope for promoting nonfarm enterprises which involve processing of these produces into diversified products. It is also observed that other market infrastructures for grading, sorting and storage of agri-horti produces so as to ensure value addition of commodities within the districts are not available currently.

7.4 CONCLUSION:

There is a varying degree of influence of various factors that hinder nonfarm enterprise promotion in the hill districts. While 'access to formal credit' and 'social unrest' were reported as the most important factors in villages located near urban centres, 'Access to telecommunication and postal services' and 'access to electricity', 'access to formal credit'

and ‘social unrest’ were reported as more important in case of villages located far from urban centres. This is because of the differences in service availability in the current scenario and also difference in the nature of activities currently practised. From the primary and secondary investigations, barriers and constraints pertaining to each of the livelihood capitals has been analysed and discussed. Low education, high drop-out, late entry to school forbids the options of promoting nonfarm enterprises which require higher education. On the other hand, presence of skilled handloom and handicraft artisans provide scope for promotion of enterprises in this sector. There is need for proper targeting of trainees for skill based trainings by various agencies as earlier selections were politically influenced and missed the actual target group. It is also important to improve the health and hygiene scenario in the hill districts which directly affect performance as well as pose threat to promotion of enterprises requiring maintenance of hygiene standards. Bank finance for nonfarm enterprises has also been affected by the fact that land ownership documents are very rare. There is also scope for promoting nonfarm enterprises based on NTFPs which will ensure a controlled dependence on forest resources. Barriers in the form of social issues such as unrest, corruption, inefficiency of autonomous councils, drudgery of women, migration of educated youth and psychological barriers define the status of social capital in the hill districts. These have a direct influence on uptake of nonfarm enterprises. Similarly, poor status of financial services stands as a prime obstacle in nonfarm enterprise promotion. Finally, poor road connectivity, limited mobile telecom connectivity and market supporting infrastructures such as ‘cold storage’ facilities etc. needs immediate focus so that a business enabling environment is created for nonfarm enterprises in the region.

Reference:

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