

Chapter 1

Introduction

1.1. Background of the Study

The Aspirational Districts Programme was launched by the Government of India in January 2018 to quickly and effectively transform the most underdeveloped districts across the country. 112 Districts from across the country that are lagging in various Human Development Indices were identified and included in the Programme. The three main pillars of the programme are the 3Cs - Convergence (of Central & State Schemes), Collaboration (of Central and state level 'Prabhari' Officers & District Collectors), and Competition among districts through monthly delta ranking. Through various practices like 'JanBhagidari', the programme also aims to create a mass movement (Green & Porter, 2020). The ADP envisions that a renewed emphasis and targeted interventions in the most underdeveloped regions of India are essential for attaining inclusive and comprehensive growth.

With States as the main drivers, this programme focuses on the strengths of each district, identifying low-hanging areas for immediate improvement and measuring progress by ranking districts every month. The ranking is based on the incremental progress made across 49 Key Performance Indicators (KPIs) under 5 broad socio-economic themes: Health & Nutrition, Education, Agriculture & Water Resources, Financial Inclusion & Skill Development & Infrastructure. (Niti Aayog, 2018)

The ADP is also aimed at localising Sustainable Development Goals (SDGs), leading to the progress of the nation. The Programme involves a close collaboration of the concerned Ministries and various development partners to bring in development at a quick pace at the district level. At the same time, the participating units across the country are encouraged to develop and document replicable Best Practices.

By focusing on "what works" in advancing inclusive growth and development, ADP has the potential to serve as a model for India's future economic and social development strategy. For a country like India, the development process is closely linked to economic development. To steer forward the narrative of economic development, entrepreneurship development has been widely recognised as a key and

core driver. Indeed, it is one of the four key factors of production, including land, labour, capital and entrepreneurship. To increase the pace of entrepreneurship development, developing human capital is highly necessary. According to the OECD (2018), human capital is the knowledge, skills, competencies and other attributes that people possess, which can contribute to economic activity. In other term, it is the economic value of the attributes possessed by an individual. Such attributes can be developed by many factors, including education and training. The higher the human capital, the higher the success of entrepreneurship because of the right decision-making and risk-taking capacity of the entrepreneurs.

Entrepreneurship is the process of giving birth to a new enterprise, which involves innovation, risk-bearing and proper decision-making. It is also widely defined as the process of identifying opportunities in the marketplace, arranging resources required to exploit the opportunities for long-term gains. It subsumes the entire process that an entrepreneur undertakes to establish an enterprise. It is also defined as an important process by which new knowledge is converted into products and services (Babu & Ratnakumari, 2013).

The Economic development and growth of a country depend largely on entrepreneurship as it contributes to a country's production, employment and foreign exchange. Entrepreneurship has obtained a great deal of focus over the past years, considering the significant benefits realised by small and medium firms in the overall development of the national economy. Entrepreneurship is a multi-dimensional function defined differently by different academicians and authors. According to Schumpeter (1939), "Entrepreneurship is based on purposeful and systematic innovation. It includes not only the independent businessman but also company directors and managers who carry out innovative functions". An entrepreneur is the single most important player in the modern economy, and it has become the agent of change in society today. There is a high possibility of creating more entrepreneurs in rural and backward areas of the country through the successful implementation of backward area development programmes like ADP.

1.2. Relevance of the Study

To steer forward the economic development of the country, the Government of India has introduced several programmes and the ADP is one such programme. Of the 49 indicators under the themes/sectors of the ADP, certain points would impact and be of greater relevance to the Entrepreneurs. For instance, themes such as Financial Inclusion and Skill Development & Basic Infrastructure would have a direct and near-concurrent impact on the growth and development of entrepreneurship. Infrastructure development is a catalyst for entrepreneurship; Improving connectivity, market access, and logistics infrastructure can help local entrepreneurs reach larger markets. Other themes, such as Education, will have an enabling role in the longer term. Education can improve human capital. Likewise, the Health facilities available are bound to have a facilitatory impact. Hence, there is a need to conduct a study to identify these themes, investigate the awareness level regarding the programme and evaluate the impact on entrepreneurs.

North-East India is industrially less developed as compared to other developed states of the country. The entire region still has high dependencies on agriculture & allied activities, and is a rural economy. It is a land of a multi-cultural society where agriculture continues to be the main source of income. The rural economy mainly depends on agricultural activities and forest products. The study area is a laggard in the field of entrepreneurial activities. The economy of the districts considered for the proposed study is agrarian-based. In these areas, entrepreneurial activities are driven by both push and pull factors. The entrepreneurial mindset is still developing in these areas (Teronpi & Chanu, 2019). Hence, entrepreneurship development is urgently needed, particularly in North-East India.

1.3 Statement of the Problems:

To alleviate poverty and ameliorate backwardness, the Government has been introducing as well as implementing several schemes and programmes since independence. One such unique programme, introduced in 2018, is the Aspirational Districts Programme. As mentioned, the ADP was introduced with the aim of fast-tracking development in the 112 most underdeveloped districts of the country. The

development was slated to be across all sectors with a special focus on the five sectors, including Education, Basic Infrastructure & Financial Inclusion. There is an idea to generate a sense of competition amongst the participating Districts and usher in development with the collaboration of all concerned stakeholders and Convergence of Schemes and funds. The ADP was introduced in the 14 most backward districts of North East India in 2018. Then, what is the extent of implementation of ADP in these districts? Micro, Small and Medium Enterprises are the backbone of India's rural economy. Those districts which were considered as Aspirational Districts are mainly covered by rural areas. How many entrepreneurial ventures in the MSME sector have been established in those districts after the implementation of the ADP? What types of MSME have also emerged in those districts? Are MSME-based entrepreneurs aware of the benefits of ADP? What type of benefits are received by the entrepreneurs after the implementation of the ADP?

While the government reports prove the model is highly successful, there is a felt need to measure the impact of the programme in the lives of the common man in keeping with the India Government's motto of "*Sabka Saath, Sabka Vikaas, Sabka Vishwas*". While India stands as the fifth-largest economy in the world, the next focal area needs to be on ways and means to address the uneven distribution of economic gains across regions and individuals. Despite significant investments in infrastructure and social services, India stands in the 102nd position among 149 countries in the 2019 Social Progress Index. Going forward, India's progress should not be measured simply by its achievement of a certain level of economic growth, but whether India can realise its extraordinary potential when growth is shared across the widest number of individuals and address India's most pressing social progress challenges. This requires the unlocking of inclusive economic growth, for which the Development of Entrepreneurship is key.

Thus, there is an urgent need to assess the impact of flagship programmes of the government, like India's ADP, on inclusive growth across individuals and regions with a special focus on economic development. For a region like North-East India, for all-round economic development, the development of entrepreneurial ventures is key. Against this backdrop, there is an urgent need to assess the impact that could be wrought through a flagship programme such as the ADP.

1.4 Rationality of the Study:

Districts covered under the ADP are economically underdeveloped and lagging in most Human Development Indices. Due to a lack of industrialisation, entrepreneurship is still at a nascent stage. While the *champions of change* dashboard of the ADP measures progress on certain relevant indicators such as disbursement of Mudra loans, access to Insurance coverage, access to the internet, etc., there have been limited studies on the impact of the ADP on entrepreneurs & developing entrepreneurship. So, it is highly desirable to undertake a comprehensive study on the impact of ADP with a special focus on the impact of the programme on Entrepreneurs. The present study is an attempt to unravel the impact of ADP in all 14 Aspirational Districts of North East India. This study is extremely relevant in the sense that it will give valuable feedback to policymakers on the efficacy of the programme and inputs for enhancing the impact further. Lack of documentation in this field/topic has been one of the biggest lacunae in resolving issues that plague the entrepreneurship growth in the region. So, this study aims to present an insight into the impact of ADP on Entrepreneurs of the Aspirational Districts of North-East India.

1.5. Research Questions:

A detailed review of the literature conducted for the study and the research gap is shown in Chapter 2. Based on the research gap, the following research questions are developed.

RQ1: To what extent, the ADP has been implemented in the study area?

RQ2: What is the state of entrepreneurship development in terms of MSME in the study area after the implementation of the ADP?

RQ3: What is the level of awareness of entrepreneurs in the study area regarding the ADP?

RQ4: Which types of benefits are perceived by the entrepreneurs of the study area after the implementation of the ADP?

RQ5: To what extent has APD impacted entrepreneurs in the study area?

1.6. Objectives:

Based on the above research questions, the following objectives are formulated.

- (i) To investigate the extent of implementation of ADP in the study area
- (ii) To examine the state of MSME-based entrepreneurship in the study area.
- (iii) To ascertain the awareness level of ADP among the entrepreneurs of the study area.
- (iv) To examine the Benefits received by the Entrepreneurs of the study area after the implementation of the ADP
- (v) To measure the impact of APD on entrepreneurs in the study area.

1.7. Operational Definition:

- (a) Entrepreneur: the one who owns and manages an enterprise/s with or without innovative ideas.
- (b) Micro Entrepreneur: the one who owns and manages micro-enterprises; the enterprises may be service-based or manufacturing-based enterprises.
- (c) Micro Enterprise: an enterprise which has investment in plant and machinery/equipment is not more than Rs. 1 crore and an annual turnover is not more than Rs. 5 crores.
- (d) ADP (Aspirational Districts Programme): Government of India's flagship programme, which was introduced in 2018, aims to quickly and effectively transform the most underdeveloped districts across the country.
- (e) Infrastructure: Both physical and digital systems that support entrepreneurship, such as transportation, communication, banking, technology, etc.
- (f) Human capital: The sum of knowledge, skills and health that people accumulate throughout their lives, enabling them to realise their potential as productive members of society (The World Bank 2018).

1.8: Theoretical Background of the Study

The theoretical framework underlining the relevance of the presence study is drawn from two theories; they are: (a) human capital theory and (b) the theory of entrepreneurship ecosystem.

(a) Human Capital Theory:

The theory, which was developed by economists like Gary Becker (1964) and Theodore Schultz (1961) during the 1960s, considers human capital as a physical means of production. The theory assumes that people's abilities, perspectives, and experiences as assets that can increase economic value and production. According to this theory, a different level of education and training contributes to a different level of wages and salaries; the more knowledge, skill, and ability, the more likely to get a better job (Blair, 2012). Similar to investments in physical capital (like machinery or infrastructure), according to this theory, education and training are investments in human capital, and it is done with an expectation of future returns in the form of higher earnings and productivity. The theory argues that skilled workers are more productive, which benefits both individuals and organisations. Here, skills include both hard skills (technical abilities) and soft skills (communication, leadership). The main assumption of human capital theory is shown in Table 1.1.

Table 1.1 Main Assumptions of Human Capital Theory

S No	Assumption	Description	Main contributor
1	Education and Training are Investments	Investment is done with an expectation of future returns in the form of higher earnings and productivity.	Becker (1993a,1964.b)
2	Skills are transferable	Skills acquired through education and training are transferable across different jobs and industries.	Becker (1993)
3	Productivity – a function of Skills and Knowledge	An individual's productivity is directly related to their skills, knowledge, and competencies acquired through education and training.	Schultz (1961)
4	Skilled workers are more productive.	A skilled person gives benefits to both individuals and organisations since they are more productive than others.	Becker (1993), Blair (2012).
5	The higher the education and skills, the higher the return.	Higher levels of education and skills lead to higher income and better employment opportunities.	Blair (2012). Schultz (1961)

Source: compiled by the researcher

Application of Human Capital Theory to the Aspirational District Programme

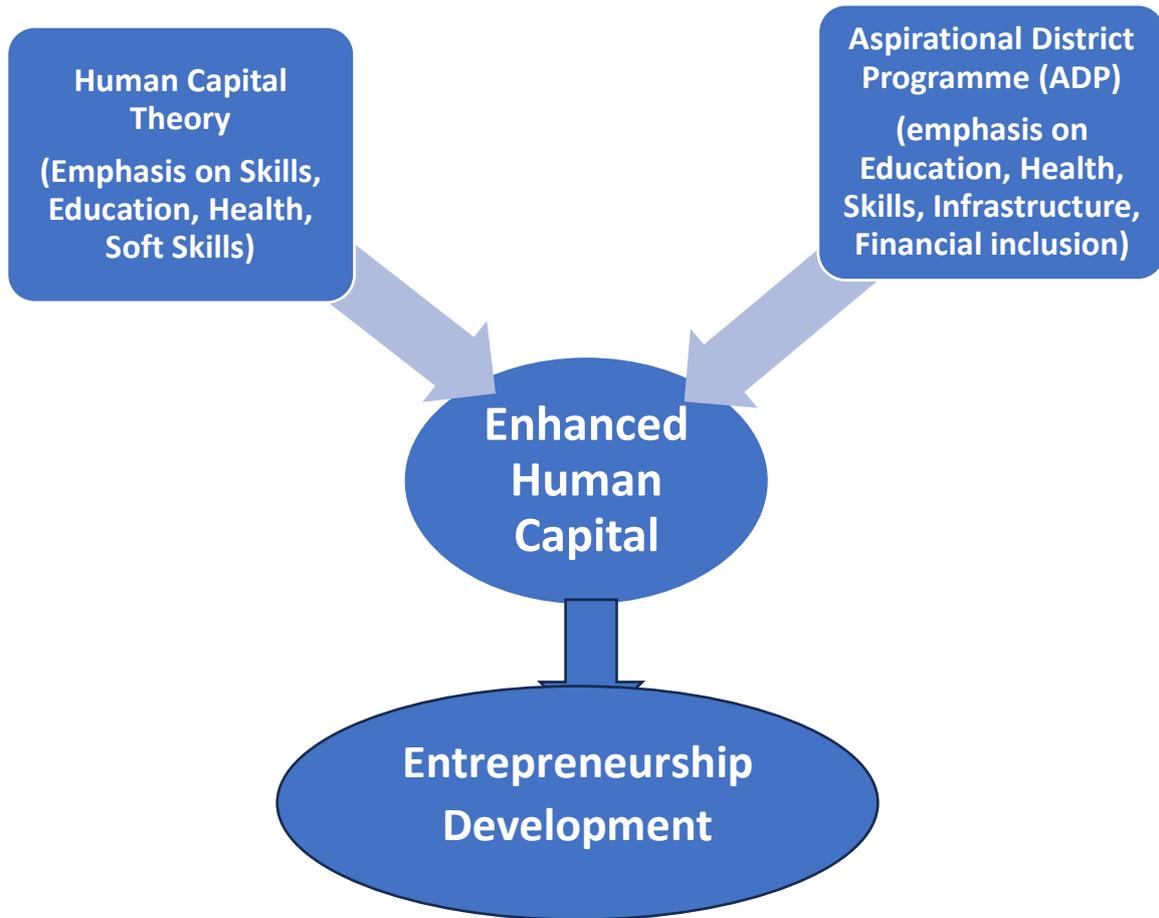
The ADP places a strong emphasis on empowering people to create a workforce that is essential for entrepreneurship development. As mentioned, the ADP was implemented in the most underdeveloped districts of the country; these districts lack entrepreneurial activities; these districts also have the problems of unemployment, poverty, financial exclusion, lack of infrastructural development, etc. The ADP encourages the creation of skilled human resources who can then turn towards entrepreneurial ventures to solve local problems, create jobs, and generate wealth. Human capital theory offers a framework for comprehending how enhancing education and training might result in the growth of entrepreneurship. The framework is presented in the form of diagrammes (Diag 1.1 and 1.2). Table 1.1 also shows how enhancing human capital helps an entrepreneur and increases productivity. An entrepreneur must possess problem-solving and critical thinking capacity so that s/he can resolve many issues encountered within and outside the organisation. Having leadership qualities, an entrepreneur can lead the enterprise in a new direction, making the enterprise successful and even stand firmly during the time of crisis.

Table 1.1: Results of Enhancing the human capital of an individual

Enhanced Human Capital	
Increase Cognitive Skills 	:Increase problem-solving capacity and develop critical thinking
Increase Non-Cognitive Skills 	:Increase leadership, adaptability, and resilience
Improve health 	reduce absenteeism, and increase the firm's productivity

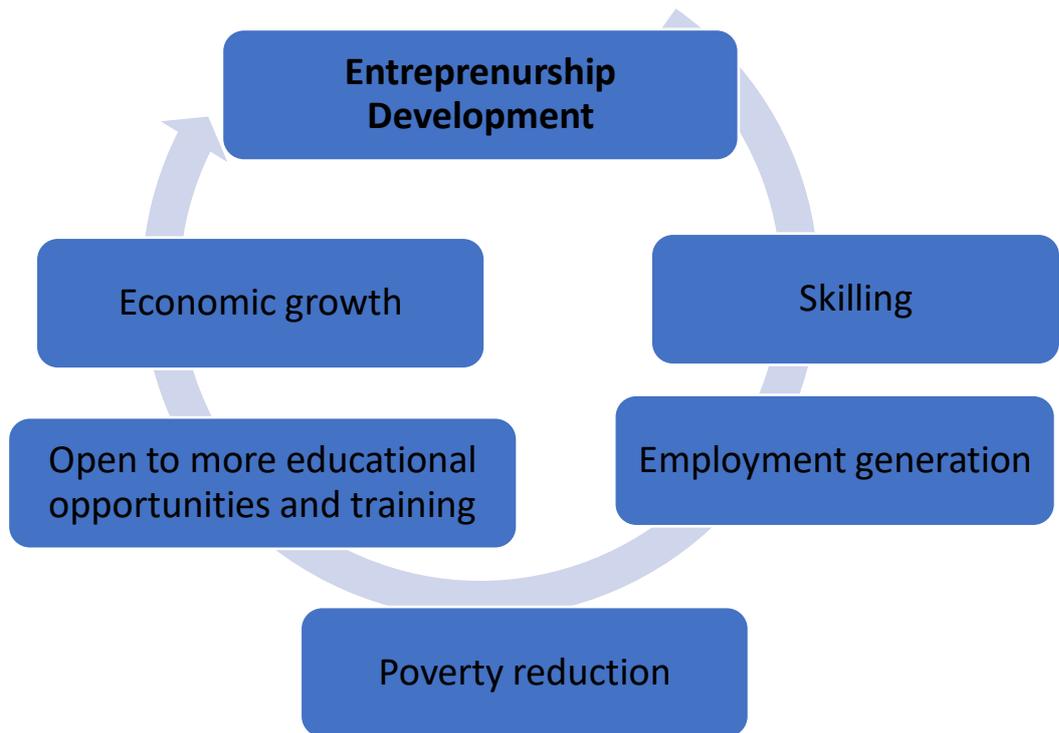
Source: developed by the researcher

Diag. 1.1: Enhancing human capital and entrepreneurship development from the lens of Human Capital Theory



Source: developed by the researcher

Diag. 1.2: Cycle of benefits of entrepreneurship development from the lens of ADP and Human Capital Theory



Source: developed by the researcher

(b) Entrepreneurship Ecosystem Theory:

Some of the most influential contributors to this theory include Daniel Isenberg, David B. Audretsch, Per Davidsson, and Arjen Stam. They provided valuable frameworks and models for global understanding and improving entrepreneurial ecosystems. They have emphasised the role of policy, finance, human capital, culture, and institutions in supporting entrepreneurship.

The main assumption of the theory is that various elements work together to create a conducive environment for entrepreneurship. According to this theory, entrepreneurship does not happen in isolation; rather, it is influenced by a dynamic and interconnected system that includes individuals, institutions, culture, policies, and resources. According to Stem (2015), entrepreneurial ecosystems comprise several interrelated elements, including individuals, organisations, and institutions, and the interplay of these components produces synergies that influence entrepreneurs' success. Isenberg (2010), one of the pioneers of this theory, argues that the commonly used concept in the 'one-size-fits-all' approach does not work for fostering entrepreneurship, as the local environment greatly affects outcomes. According to Isenberg's assumption,

the opportunities and challenges that entrepreneurs encounter are shaped by the resources, policies, and cultural norms of a community, region or area; because of these contextual influences, an ecosystem in one region or area differs greatly from another.

Emphasising the institutions and policies, Acs & Szerb (2010) argue that the pace of entrepreneurial development depends on a supportive environment, which includes a supportive institutional framework and policy assistance; and the institutional framework plays an important role in determining the availability of resources such as market access and financial capital. Socio-cultural factors are also highly responsible for entrepreneurship development in a country. According to Davidsson and Honig (2003), social capital and cultural norms play a major role in fostering entrepreneurship, affecting the likelihood of success or failure in business ventures. Here, they link social capital to the networks and relationships, and cultural norms to the attitudes towards failure. The assumption here is that entrepreneurial activities are mainly encouraged in those cultures that value taking risks, being creative, and seeing failure as a learning opportunity.

Table: 1.3. Main Assumptions of the Entrepreneurial Ecosystem Theory:

S.No	Assumption	Description	Main Contributor
1	Entrepreneurship is Context-Dependent	Entrepreneurship is heavily influenced by the context in which it occurs.	Isenberg (2010).
2	All elements of the entrepreneurial ecosystem are interconnected	Changes in one component can impact other components	Stem (2015)
3	Entrepreneurship is a collective and collaborative process	Collaboration among various groups is fundamental to the development of new ventures.	Autio & Thomas (2014).
4	The entrepreneurial ecosystem	A well-functioning entrepreneurial ecosystem	Isenberg (2010).

	supports every stage of an entrepreneurial venture	supports not only the creation of entrepreneurship but also growth and sustainability.	
5	Favorable entrepreneurship-oriented policy and a positive institutional environment are required for entrepreneurship development.	An enabling environment, including policy support and institutions, is vital for the entrepreneurial ecosystem.	Acs & Szerb (2010).
6	Availability of resources is essential for both the creation and scaling of entrepreneurial ventures.	Entrepreneurs require access to various resources, including finance & capital, human resources, infrastructure, and social networks, to succeed.	Bruton, <i>et al.</i> (2008)
7	Socio-cultural norms of a society significantly influence entrepreneurial activity.	Cultures that value risk-taking, innovation, and viewing failure as a learning experience tend to foster more entrepreneurial activity.	Davidsson & Honig (2003)

Source: compiled by the researcher

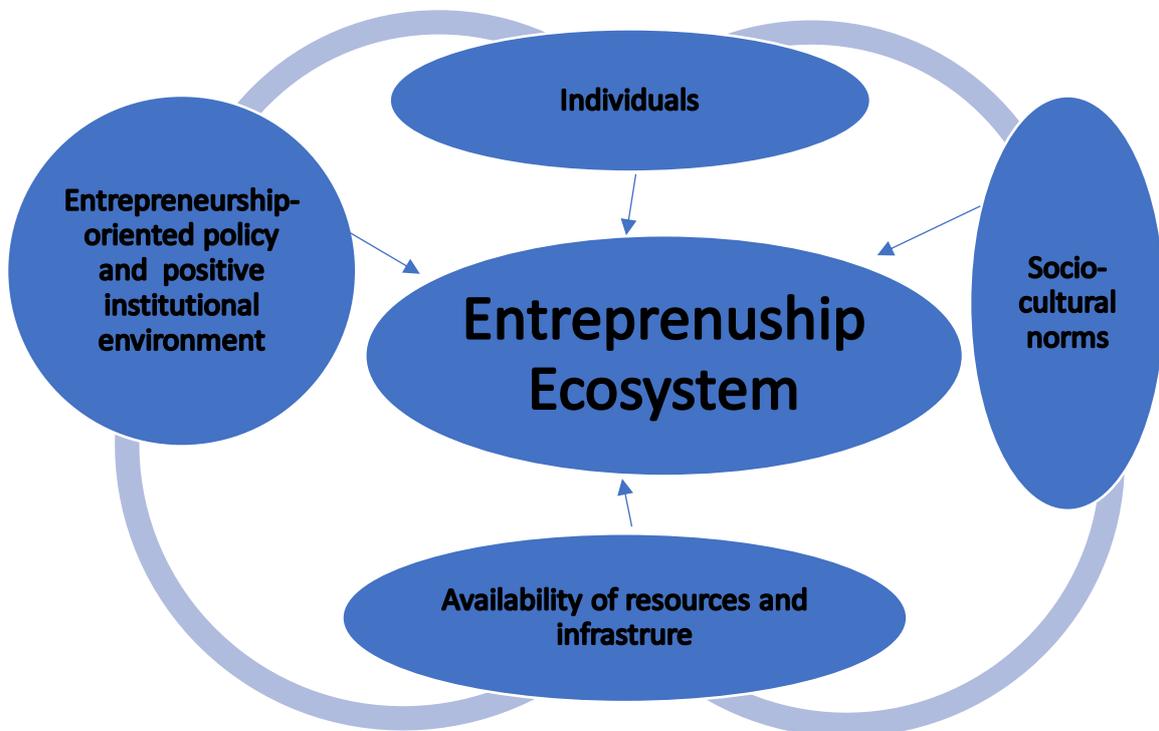
Application of Entrepreneurship Ecosystem Theory to the Aspirational District Programme

The Aspirational District Programme (ADP), is a government initiative focused on uplifting economically backward districts. The programme will help to create an entrepreneurship ecosystem in the aspirational districts through:

- (a) Developing a local entrepreneurial culture that can help to transform local economies.

- (b) Building supportive networks such as incubators, accelerators, and mentoring programs will be able to encourage the local youths to become entrepreneurs.
- (c) Policy interventions such as simplifying the registration process, offering tax incentives, and creating access to markets will contribute to fostering a more robust entrepreneurship ecosystem.

Diag. 1.3: Elements of the entrepreneurship ecosystem that can be affected by ADP and related to Human Capital Theory



Source: developed by the researcher

1.9 Scope of the Study:

Out of the 112 districts that were considered under the ADP, 14 were from North East India. Out of them, 7 were from Assam and one each from the remaining seven states of the region. The present study covers all fourteen aspirational districts of North East India. While many theories are found in the literature that have some

connection with the present study, for example, Institutional theory, Ecological Systems Theory, Social capital theory, etc, the present study considers two theories (the theory of human capital and the theory of entrepreneurship ecosystem) for the theoretical framework. Though all the MSMEs are considered to check the growth of MSMEs in the aspirational districts after the implementation of ADP, to measure the impact of ADP on entrepreneurs, the study concentrates on micro-enterprise-based entrepreneurs. The present study examines the impact of Aspirational Development Programmes (ADP) on entrepreneurs in the North Eastern Region of India. It focuses on how these programmes influence local entrepreneurs through skill development and institutional support. The study also considers entrepreneurs who have started their enterprises on or before 31st December 2023. The study adopts descriptive and empirical research designs and considers a sample of 373 respondents across 14 districts of North East India.

1.10. Outline of the study

The present study is interwoven into seven chapters; they are as follows.

Chapter 1: Introduction: This is an introductory chapter and will include a brief introduction of the ADP, aspects that impact entrepreneurs, research questions, the study's objective, conceptual and theoretical framework, limitations of the study, scope of the research, and organisation of the study.

Chapter 2: Review of Literature: The second chapter has two parts. 1st part presents the review of the literature for each aspect of the Research work and the gap in the literature, and 2nd part presents the research methodology. This part discusses in detail the Research Design, Population, Sample Size Distribution, Data and Data collection design, Analysis and Interpretation, Chapter Planning and demographic profile of the Respondents.

Chapter 3: Extent of Implementation of the Aspirational Districts Programme: This Chapter presents in detail the Aspirational Districts Programme, including all the sectors. It elucidates the extent of implementation of the Aspirational Districts Programme in the study area.

Chapter 4: State of MSME-based Entrepreneurship in Aspirational Districts of North East India: This chapter presents the findings related share of each group of

enterprises in the total number of MSMEs in the study area, differences in the share of manufacturing and service enterprises, ownership of enterprises in terms of different social categories, number of employment generated by the MSMEs as well as the volume of employment generated by different types of enterprises in the study area and differences in the growth of MSMEs amongst the Aspirational Districts.

Chapter 5: Awareness of ADP among the Entrepreneurs: The fifth chapter elucidates the levels of awareness of ADP among the entrepreneurs in the study area.

Chapter 6: Impact of ADP on Entrepreneurs of Aspirational Districts of North-East India: This chapter presents the benefits received by entrepreneurs in the study area after the implementation of the ADP and the changes brought to the entrepreneurs because of the ADP.

Chapter 7: Conclusion & Policy Recommendation: This chapter, which is the last chapter of the present study, presents the conclusions and policy recommendations for enhancing the impact of the Programme on the development of entrepreneurs and entrepreneurial development. The future direction of the research, which is arrived at based on the study, is presented in the concluding part of the study.

1.11. Chapter Conclusion

In this chapter, the background of the present study, its relevance, and statement of the problems are presented. The Aspirational Development Programme is identified as a key policy instrument to enhance the skills of individuals who are in the economically backwards areas of India and provide institutional support for aspiring entrepreneurs. By focusing on marginalised and underserved areas, ADP aims to foster inclusive growth and entrepreneurial dynamism, transforming local economies and livelihoods.

The chapter also outlined the theoretical foundations for the study, drawing on Human Capital Theory and the Theory of Entrepreneurship Ecosystem to provide a comprehensive framework for analysis. These theories offer valuable insights into how individual attributes and different factors, including institutional environments, influence entrepreneurial activities in the study area. Additionally, the chapter presented the scope and objectives of the study, emphasising an in-depth analysis of the impact of ADP on

various aspects of entrepreneurship, including access to finance, skill development and institutional support.

To conclude, the chapter has shown the foundation for researching the interaction between ADP and entrepreneurship. Identifying major issues and theoretical prospects creates a strong basis for investigating how the government's flagship programmes, like ADP, can promote entrepreneurship and contribute to the broader socio-economic development in the North-Eastern part of India. A review of literature will be presented in the next chapter, and the unexplored areas of research which can be conducted will also be presented. Details of the research methodology which is applied in the present study will also be presented. Subsequent chapters will explore empirical results to assess the effects of ADP.

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