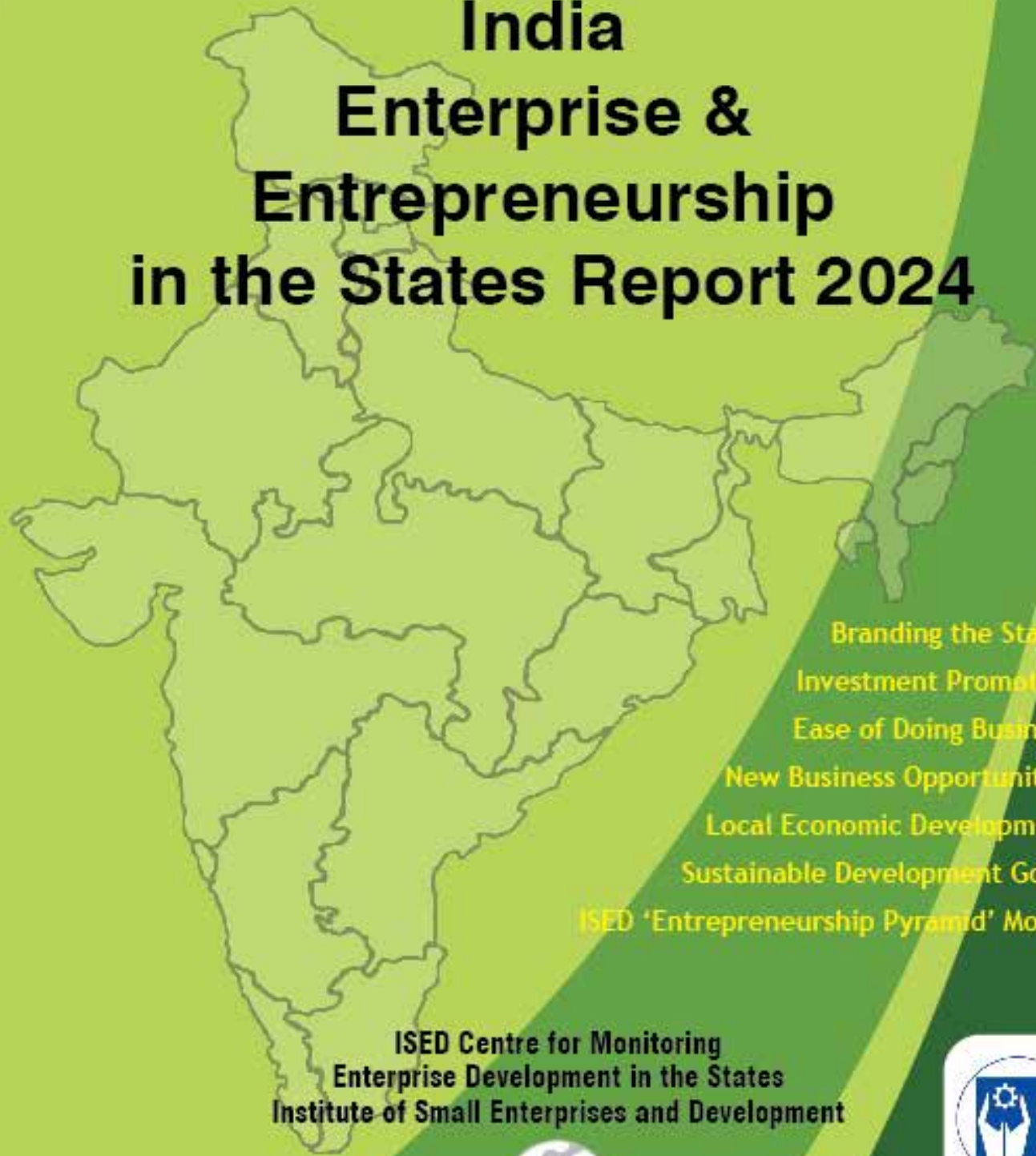


REDA

# India Enterprise & Entrepreneurship in the States Report 2024



Branding the States  
Investment Promotion  
Ease of Doing Business  
New Business Opportunities  
Local Economic Development  
Sustainable Development Goals  
ISED 'Entrepreneurship Pyramid' Model

ISED Centre for Monitoring  
Enterprise Development in the States  
Institute of Small Enterprises and Development



ISED SMALL ENTERPRISE OBSERVATORY



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**India**  
**Enterprise & Entrepreneurship**  
**in the States Report**  
**2024**

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# India

## Enterprise & Entrepreneurship in the States Report 2024

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*Published for*

**ISED Small Enterprise Observatory**

**&**



**ISED Centre for Monitoring Enterprise Development in  
the States**



**Cochin**

**Institute of Small**

**Enterprises and Development**

**2024**

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### **India Enterprise & Entrepreneurship in the States Report Series**

The purpose of this Report Series is to document the findings of evidence-based studies in the area of 'Enterprise and Entrepreneurship'. Its compass and spotlight are on the regional experience, with focus on the States and districts of India. This pioneering initiative is meant to sensitize and catalyze development action at the sub-national level, by participating in and supporting such action by the State governments, financial institutions and other development actors. E&E Reports are expected to add value to the SDG localization initiatives of the State governments, and also as an important backgrounder for organization of 'Investor Meets'. This Project has been coordinated by the ISED Centre for Monitoring Enterprise Development in the States (ISED-CMEDS), jointly with the ISED Small Enterprise Observatory (ISED-SEO).

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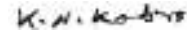
## Foreword

India's industrial structure is characterized by its significant spatial distribution, besides its differentiation in capital employed and technology- use. While this diversity is a unique advantage of the country, it is necessary to harness and nourish the inter-sectoral, inter-industry, and regional linkages. This necessitates an understanding and analysis of such inter-relationships in a continuous manner. 'Development reporting' is an important tool in this regard.

This Development Report, in the 'E&ER Series' of the Institute, draws upon the long experience of the Institute in policy and practice relating to 'Enterprise & Entrepreneurship' over the past three decades. With its unique analytical approach, it is expected to be a useful guide for policy analysts and practitioners, as also for agencies responsible for implementation of public programmes. The policy design and implementation bodies, such as Ministry of MSME, NITI Aayog, Reserve Bank of India, and the nodal Ministries and agencies of the States may find it immensely useful as a backgrounder. I do also hope that the State governments, based on its findings and leads, will initiate follow up enquiries that may nourish their programmes.

I thank the teams of the ISED-CMEDS and the ISED-SEO for all the pains they have taken to bring out the Report in its present form.

New Delhi  
March 29, 2024



Kamal Nayan Kabra,  
Chairman, ISED



## Preface

Beyond being a subject of regional development, 'Enterprise & Entrepreneurship' (E&E) today has a proud place in the UN Sustainable Development Goals. While the year 2024 is marked by the dilemma on incomes and opportunities, expectations on the role of wealth creators are on the rise. Besides its innovative knowledge content, this Report attempts to add value to the enterprise promotion initiatives in the States of India, by making it simple to the practitioners' understanding. It is also expected to be an important backgrounder for courses and research in Entrepreneurship.

This Report is the outcome of a coordinated work at the Institute of Small Enterprises and Development. The two Knowledge Centres, ISED Centre for Monitoring Enterprise Development in the States (ISED-CMEDS) and the ISED Small Enterprise Observatory (ISED-SEO), have joined together to set up this project, obviously with the support of an extended National Partnership Network. The outcome of an exercise in evidence based research, it makes an effective use of secondary data available from various official sources. Primary data on finance and development, along with peer level discussions, have added value to it. While the editorial team has taken the best efforts to ensure data reliability, inadvertent mistakes are expected. ISED would feel obliged to receive comments and criticisms.

The deliberations and guidance of the National Focus Group, as also the team work put in by the two Knowledge Centres of the Institute, have immensely helped to shape the Report into its present form. At the Desk, I would like to acknowledge and appreciate the support of J.M.I.Sait, K. Jayakumar and K.Jagannathan, and of the teams of the various Knowledge Centres. Akhil Menon has supported data processing and analysis. M.A.Johny has done a great job of type setting and copy editing, besides graphics support by Shine Job. Technical support of Vishnu Vardhanan, Fredy Kamal, Febin.J, Onkar Kulkarni and Vishal George, deserve special mention. The Institute wishes to thank the generous support and encouragement of Member Institutions of its National Partnership Network. The pains and efforts of all who have worked directly or indirectly with this project deserve a big salute.

Institute of Small Enterprises and Development  
Cochin  
March 29, 2024



P.M. Mathew  
Project Director & Editor

## Acronyms & Abbreviations

BDS	-	Business Development Services
CAGR	-	Compound Annual Growth Rate
CDR	-	Credit Deposit Ratio
CVI	-	Credit vibrancy Index
DIC	-	District Industries Centre
E&E	-	Enterprise& Entrepreneurship
EI	-	Entrepreneurship Effect
EI	-	Entrepreneurial Intention
EO	-	Entrepreneurial Orientation
EoDB	-	Ease of Doing Business
EPI	-	Export Preparedness Index
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
GEM	-	Global Entrepreneurship Monitor
GLL	-	Group Lead Location
IDRA	-	Industrial Development and Regulation Act 1951
IE	-	Investment Effect
IICA	-	Indian Institute of Corporate Affairs
IIP	-	Index of Industrial Production
ILO	-	International Labour Organisation
IMCP	-	India MSME Communication Programme
IMF	-	International Monetary Fund
ISED	-	Institute of Small Enterprises and Development
ISED-NPN	-	ISED National Partnership Network
ISED-SEO	-	ISED Small Enterprise Observatory
KPIs	-	Key Performance Indicators
LED	-	Local Economic Development
MSME	-	Micro, Small and Medium Enterprises
LFPR	-	Labour Force Participation Rate
LQ	-	Location Quotient
NPA	-	Non-Performing Assets
NRLM	-	National Rural Livelihood Mission
PLFS	-	Periodic Labour Force Survey
PMMY	-	Prime Ministers' Mudra Yojana
RBI	-	Reserve Bank of India
REDA	-	Regional Entrepreneurship Development Audit
SDG	-	Sustainable Development Goals
SHG	-	Self Help Group
SLBC	-	State Level Bankers' Committee
SLL	-	Single Lead Location
SSE	-	Social Solidarity Economy
TEA	-	The Early Age Enterprises
UNIDO	-	United Nations Industrial Development Organization
WB	-	World Bank
WPR	-	Worker Population Ratio

## Highlights

The year 2024 is epochal for India, as it has been marked by the dilemma relating to incomes and opportunities. The National Statistical Office has estimated that the growth in India's real GDP would be 7.3 per cent during the 2023–24 financial year—the highest among the major economies. While this is, obviously, a good sign, back on rails from the rigidities of the Covid-19 days, the creators of incomes and opportunities, viz. the entrepreneurs, have to take increasingly complex business decisions. Limited entrepreneurial options in a rapidly transforming market situation makes the survival of the smaller players increasingly difficult. In the search for new survival strategies, understanding of the world of 'enterprise' and 'entrepreneurship' (E&E) is critical today. Beyond being a Centre-State issue, India's industrial development needs to be understood and analysed in relation to its totality. This study takes it forward in relation to a search for a new conceptual and methodological approach.

Under the Constitution of India, 'enterprise development' is a State subject. Since the Economic Reforms programme of 1991, though the policy perspectives have remained broadly the same, strategies have changed significantly. Under the Indian federal system, the current scene in the States needs to be examined in relation to such changes. The new paradigm of co-creation and co-existence on design and implementation of programmes demand substantial homework at the subnational level. It needs to happen as a multi-stakeholder exercise.

Within the broad constituency of 'Industrial Ecology', this study situates the Enterprise and Entrepreneurship (E&E) ecosystem of the country in relation to the 'ISED Plus&Minus Framework' involving two adjacent development processes, ie., 'development contributors' and 'development deterrents'. Structured as triangles with mutually

reinforcing variables, they explain the dynamics of enterprise development. Hence, moving away from the 'deterrents', and entering into a path of 'contributors', is the challenge and opportunity of E&E development, both at the national level and in the States.

The aspiration and case for 'local economic development' is universal today. However, the objective setting in the States in India vary according to the historical context and the specific nature of the so called 'Entrepreneurial Framework Conditions (EFCs)'. The 'Global Entrepreneurship Monitor' summarises the EFCs under nine areas: a) entrepreneurial finance; b) government policy; c) government entrepreneurship programmes; d) entrepreneurship education; e) R&D transfer; f) commercial and legal infrastructure; g) market openness; h) physical infrastructure; and i) delivery system. From relatively of less significance about two decades ago, E&E has increasingly come to the limelight thanks to the efforts of the Government of India as also of the United Nations on 'SDG Localisation'. Hence, India's State level initiatives demand a fresh look, taking into account these national and global perspectives as well.

Leveraging public investments on account of programme priming, efforts through the public promotional agencies, on the one hand, and the financial system on the other, is the key developmental challenge and opportunity today. It has to happen at two levels; (1) nourishing entrepreneurship resources; and (2) stepping up investments with a focus on regional spread and linkage effects. With these imperatives in mind, this study attempts a careful analysis of the 'Entrepreneurship Effect' and the 'Investment Effect'.

Programme priming depends upon the strength of the three primer variables: 1) Number of cooperatives; 2) Number of NGOs; and 3) Legislative ratio. The 'real sector' effect on E&E development has been analysed with respect to the concentration of E&E among different spatial settings, among and within the States. 'Credit vibrancy, a unique indicator,

is used to analyse the internal dynamics of 'Credit impulse'. Credit vibrancy, as measure of the contribution of the financial system, is presented by the Credit Vibrancy Index, constructed out of three variables: 1) National Rural Livelihoods Mission; 2) Prime Ministers' Mudra Yojana; and 3) MSME. The promotional actors, including the various ministries and agencies, contribute significantly to entrepreneurship numbers. However, the question as to how they contribute to market linkages, is more significant.

The underlying principle of the growth of an enterprise system is the concept of 'entrepreneurial atomism'. Following the GEM methodology, entrepreneurial performance is analysed in relation to TEA Rate, which shows an increasing trend in most States. At the same time, it raises doubts on the euphoria around the growth numbers. Not only supply of entrepreneurship, its quality also is equally important. EI and EO, the two key indices, shape the quality of entrepreneurship. While focusing on these qualitative aspects, this study emphasises on the role of the relevant stakes and stakeholders.

The discussion spanning five chapters and detailed states report leads the study to some indications on a strategic approach for the E&E constituency in the country. It cuts across the traditional administrative

distinctions of understanding enterprises, and leads us to a new approach, as outlined by the 'ISED Entrepreneurship Pyramid'. While the pyramid draws its dimension from a mutually reinforcing relationship, the three internal segments of entrepreneurship, i.e. Schumpeterian, Main Street, and SSE, are expected to share in terms of linkages, and to grow vertically. The actual state of such progression has to come out through a meticulous analysis of enterprise demography.

The indication that comes out from macro data and its analysis has been summarised in terms of the macro estimates of the two components of the Development Effect: The Investment Effect model predicts Organizational index as a significant predictor of investment effect. The Entrepreneurship Effect model also indicates, Organizational index as a significant predictor of entrepreneurship effect, suggesting that, as organizational index increases, entrepreneurship effect tends to increase.

Following the broad findings, as above, this study points at the following policy imperatives:

1. Entrepreneurship Resource mapping
2. Enterprise demography monitoring system.
3. Entrepreneurship Budgeting.
4. Manufacturing & services resources strategy.
5. 'Smart manufacture' and 'value added services'-an integrated approach.
6. India First; SMEs First, as the motto; and
7. "India abroad", as an outward orientation strategy.

# 1

## Work Participation, Enterprise and Entrepreneurship in India

### 1.0. Introduction

The population of the world, as of 2024, is 8.1 billion, and about 70 per cent of them are working. 'Work' means an activity that a person engages in regularly to earn a livelihood. Work, again, involves labour power exchanged in the market, or is imputed in self-production. How many jobs are there in the world? There is a staggering figure of about 5 billion. This number is expected to rise as younger people enter into the labour market. Lou Adler(2007) has authored a thought-provoking piece delineating four distinct categories of occupations: thinkers, builders, improvers, and producers. In a nutshell, the economist considers two broad categories, viz., wage employment and self-employment. While the world of work is always in a mode of transition, involving new opportunities, on the one hand, and the loss of some of the existing opportunities, the prime movers of such a change are, the spirit of entrepreneurship, on the one hand, and the state of the enterprise, its structure, and linkages, on the other. Hence, the evolving kaleidoscope of enterprise and entrepreneurship is crucial for understanding the totality, viz., the world of work, and the changes there-in having implications for lives and livelihoods. According to the latest report of the Global Entrepreneurship Monitor (GEM, 2024), there is a global shift of enterprise and entrepreneurship to the East from the West. Four out of the five countries in the GEM rankings, are in the Middle East or Asia, wherein, India stands at the second place. This major development marks a significant change in the world of work in India,

necessitating a close look into its dynamics, with focus on 'Enterprise and Entrepreneurship (E&E)'. This study is an attempt in that direction.

### 2.0. Constituency Spotlight: A Methodological Note

The sub discipline of 'Industrial Ecology' [1] discusses the principles of growth of the enterprise system in relation to a process of organic growth. Organic growth is the growth of a firm, under a natural ecosystem, and it is achieved by increasing output and enhancing sales internally. It stands in contrast to inorganic growth which is growth related to activities outside a business's own operations, such as mergers and acquisitions.

With its spotlight on 'Enterprise & Entrepreneurship' (E&E), the methodology of this study is significantly focused. The basic premises of a discussion on the E&E constituency need to be the principle of 'entrepreneurial atomism'. This principle is based on the global experience that most firms take birth as a tiny unit. Since such units are numerically large, they require an ecosystem appropriate to the context for their sustenance and growth. While such micros and their sustenance are conditioned by the web of forward and backward linkages, wherein the role of the large businesses is instrumental, the "push-pull effect" may vary from country to country, and across regions within a country. Where a 'growth engine' role of large businesses is deficient, the government often come forward with its promotional role. In India, such contrasting experience is visible among states. While Gujarat and Maharashtra are examples

for the former category of States, Kerala and West Bengal demonstrate a State-led model of enterprise and entrepreneurship development. Since the thrust of this study is the dynamics of enterprise and entrepreneurship, our discussion is constrained to be limited to the experience with the enterprises falling under the official definition of micro, small and medium enterprises (MSMEs) and the so-called “start-ups”.

In the discussions on ‘good governance’, the importance of evidence-informed (or research-based) practices has been increasingly recognised. The purpose of this Report series (E&E series) at the ISED is to demystify the concepts of Enterprise and Entrepreneurship in an operationally meaningful setting. It is meant as a supportive tool for understanding and analysing enterprise development and entrepreneurship promotion at the State level. It also attempts to add value to the enterprise promotion initiatives in India, in a comparative setting, both vertically and horizontally. Evidence-based studies are enquiries that are often undertaken based on major sources: 1) the best research available in the field; 2) secondary data available from various official sources; 3) peer level discussions; and 4) knowledge resources available from various other sources. In the case of this study, the resources available with the ISED Small Enterprise Observatory is an important source of information and knowledge that add value to the study.

### **3.0. Structural Changes in the Indian Economy**

Since the 1980s, the Indian economy has experienced substantial growth. A structural diversification of the economy has taken place, drawing millions of workers out of agriculture into other occupations, locally as also outside. This also corresponds to a formalisation of the economy, thereby raising the proportion of salaried or regular wage workers. The share of casual workers has fallen, but casualization of work, as a macro-economic phenomenon, has been on the rise. The manufacturing sector has not experienced significant growth in its contribution to GDP or employment, while the construction and informal services sectors have emerged as the

primary sources of job creation. This phenomenon raises questions on the prospects of ‘decent jobs’ in the labour market. Moreover, the connection between economic growth and the availability of high-quality employment remains tenuous.

A characteristic feature of the Indian economy in recent times has been the faster pace of structural changes. After stagnating since the 1980s, the share of workers with regular wage or salaried work started increasing in 2004, going from 18% to 25% for men and 10% to 25% for women. Between 2004 and 2017, around 3 million regular-wage jobs were created annually. Between 2017 and 2019, this jumped to 5 million per year. Since 2019, the pace of regular wage job creation has stowed down due to the growth decline and the pandemic, Covid19.

### **4.0 Concept of Full Employment: Limits and Opportunities**

Macroeconomic theory claims that achieving full employment frequently leads to an inflationary phase. The relationship between inflation and unemployment is a significant aspect of both Monetarist and Keynesian theories. Full employment refers to a state when there is an absence of cyclical or deficient-demand unemployment. Full employment does not imply the complete elimination of all unemployment, as other types of unemployment, including structural and frictional, may still exist. The contemporary theoretical approach is a comprehensive one. Full employment represents the maximum utilisation of both skilled and unskilled workers available in an economy at a specific point in time. True full employment is an ideal (and probably unachievable) situation where individuals who possess the willingness and ability to work may easily secure employment, resulting in a complete absence of unemployment. The theory of income and employment is an aggregative theory which lumps all markets for final goods and services into a single product market, all financial markets into a single money market, and all markets for labour services into a single labour market.

The latest PLFS data bought on by the Ministry of Statistics and Programme Implementation, as in October 2023, indicates an increasing trend in the