Prospects and Challenges in Business and Economic Growth in Assam

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Prospects and Challenges in Business and Economic Growth in Assam

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Foreword

I, on behalf of West Guwahati Commerce College fraternity, convey my warm wishes to all the members of the Editorial Board constituted for making the dream of publishing a book on some of the very vital economic issues and economic perspectives of Assam and the authors for incorporating their ideas and vision into the book entitled ***Prospects and Challenges in Business and Economic Growth in Assam.*** It is a need of the hour to give maximum effort to focus on economic issues and perspectives so far as the changing dynamics of India and more particularly that of Assam is concerned. I am very much optimistic that this book will surely contribute a little to the understanding of all the vital issues and perspectives entrenched in the economic landscape of the state. I am very much thankful to Mrs. Sanchita Choudhury, Dr. Prateeksha Barman and Mrs. Tripti Haloi for taking the responsibility of editing a book. I offer my sincere gratitude to Dr. Jyotish Goswami, the hon'ble President of the Governing Body for his sincere support to this project. I again appreciate the authors who have made their valuable contributions without which the book would not have come to light. I hope that the book will be appreciated by the academia as well as general readers and pave the way for further research activity.

July, 2025

—Dr. Dipen Bezbaruah
Principal, West Guwahati Commerce College,
Pandav Nagar, Boripara, Maligaon, Ghy-12

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Preface

Assam is the gateway to the North East India and so is well placed to serve the needs and markets of this part of the country. Morover, Assam is endowed with vast natural resources so it creates ample opportunities to develop various sectors of the Economy. In recent times Assam's Economy is showing signs of prospects and improvement due to keen Govt. interest which has paved the way for a host of new industries and upgradation of many existing industries, prominent of which is the semiconductor industry being set up in Jagiroad, under Morigaon district. Besides, several industrial growth centers, integrated infrastructure development projects, industrial parks have already been established in almost all the districts of the state. Assam has emerged as the third fastest growing state in India in 2025 achieving an impressive 7.94 % GDP growth rate. This growth the state's remarkable economic transformation, driven by pro-investor policies and sustained investments in infrastructure, institutions, and individuals.

Assam is well-known for tea, rice and various fruits. Improving agricultural practices and introducing modern technology can enhance productivity and can create scope for development of agro-based industries. Encouraging small and medium enterprises (SMEs) and attracting larger industries can create jobs and boost the economy. Efficient use of abundant natural resources, including oil and gas, sustainable extraction and management can provide significant revenue. Investing in education and skill development can prepare the workforce for various industries, enhancing employability. Various Government policies and programs aimed at promoting entrepreneurship and investment can promote economic growth. With proper planning and strategies, Assam can achieve significant economic development in the coming years.

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The twenty-two blind peer-reviewed research papers/articles published in ***Prospects and Challenges in Business and Economic Growth in Assam*** mainly focuses on various aspects associated with the scope for business and economic development in Assam and most importantly diverse contexts and perspective embedded therein. The research papers/articles are empirical, analytical and explorative and have the potentiality to open a new door for further discussion and study. The contributors of the research papers/articles, through their deep insights into the topics have generated much needed distinctiveness to this volume. We hope that this book will provide sufficient referential value for those who have genuine interest in the economic and business environment of Assam.

—Editorial Board

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Contents

Foreword *v*

Preface *vii*

1. Strained Stability: Financial Fragility among Urban Middle Class Households in Guwahati 1
—Anuradha Bhuyan & Dr. Pankaj Kumar Sharma

2. Assessing The Feasibility of Establishing A Semiconductor Fabrication Unit in Assam: Infrastructure, Policy, and Investment Landscape 17
—Arpana Chowdhury & Shamim Sultana

3. Entrepreneurship Education Research: A Scientometric Approach Insights from LIS Perspective 30
—Barasha Sarma & Ikumani Rabha

4. The Prospects of Assam's Semiconductor Industry 41
—Chiranjib Bordoloye

5. A Study on The Impact of E-Learning on The Aacademic Performance of Undergraduate Students in Select Institutes Under Gauhati University 51
—Debalina Datta

6. Prospects of Entrepreneurship in Handloom and Textile Industry: A Case Study on Fabric Plus 61
—Dipraj Kachari & Dr. Harjyoti Kalita

SAMPLE

7. Liveraging Indian Knowledge Systems in Green Finance: A Pathway to Sustainable Development Goals through Commercial Banking Initiatives in Kamrup (Metro) District, Assam 82
—Dipak Jain

8. Assam Semi-conductor Plant: A Game Changer for Assam's Economy 96
—Dr. Iva Devi

9. A Study on Role of The Upanishads in Modern Leadership and Management 107
—Dr. Subrata Bhowmick

10. Self Help Groups in Assam and Their Role in Empowering Women 120
—Dr. Namita Sarma

11. "Green Finance"- An Effective tool to Sustainable Development 129
—Dr. Tandraleem Kashyap

12. Developing Opportunities and Future of Semiconductor Performance in Assam 140
—Dr. Ekta Chakravarty, Mr. Gargee Sankar Mitra & Ms. Jayantika Goswami

13. Self Help Group (SHG) and Its Role in Village Economy of Assam 149
—Dr. Jonali Nath

14. Revitalising Assam's Economy: The Impact of Self Help Groups in Local Growth 155
—Jigyasa Thakuria & Priyanka Sharma

15. Scenario of Industrial Growth in MSMEs 171
—Maya Datta

16. The Semiconductor Surge in Assam: An In-Depth Study of Tata's Industrial Expansion 184
—Mayur Pratim Baruah

ABST SAMPLE

17. Green Finance: Catalyzing Sustainable Economic Development in Assam 196
—Mridunil Munin Kashyap

18. Industrial Growth in MSMEs in Assam 215
—Nidarshana Garg

19. A Longitudinal Study of Tata Power's Green Transition: A Commitment to Sustainability 230
—Devika Agarwal & Pallab Kumar Das

20. Traditional Assamese Cuisine and Its Availability and Marketing 243
—Pankaj Kumar Baro

21. A Brief Study on Management Information System Practices of Educational Institutions with Special Reference to The Colleges of Guwahati Under Kamrup Metropolitian 248
—Ranjit Das

22. Entrepreneur Engage in Food Processing Industry with Special Reference to Assam and Its Challenges and Opportunities 261
—Mr. Sujit Nandi

List of Contributors *271*

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1

Strained Stability: Financial Fragility among Urban Middle Class Households in Guwahati

Anuradha Bhuyan
Dr. Pankaj Kumar Sharma

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Abstract

This study explores the financial fragility of urban middle-class households in Guwahati, Assam, focusing on their saving behaviour, investment patterns, and responses to financial stress. In the context of rising inflation, wage stagnation, and growing consumer debt, India's middle class is experiencing increasing financial vulnerability. Employing a descriptive and analytical research design, data were collected from households across four stratified zones in Guwahati using a structured questionnaire. The analysis identified three key dimensions of financial behavior: saving and investment behaviour, financial discipline, and financial stress awareness. These dimensions were found to be internally consistent and theoretically sound. Cluster analysis further segmented households into distinct behavioural profiles, including financially resilient planners, vulnerable and undisciplined households, and cautious savers lacking long-term planning. The results revealed that financial stress is more prevalent among lower-income groups, while middle-income segments show mixed investment behaviours. The study underscores the complexity

and diversity of financial fragility and calls for targeted financial literacy interventions, tailored financial products, and inclusive policy measures. The findings contribute to a deeper understanding of household-level economic resilience and offer actionable insights for policymakers and financial service providers.

Keywords: Financial Fragility, Middle-Class Households, Saving Behavior, Financial Stress, Guwahati.

Introduction

Capital formation is essential for economic progress, and higher savings directly lead to increased production and productivity (Singh, 2020). In particular, the pattern of saving and investment amongst the Indian households, reflects how capital is accumulated and directed towards productive activities. Financial intermediaries mobilize surplus funds from the public and channel them into sectors that require capital, such as industry and infrastructure. This process supports job creation, boosts per capita income, and ultimately contributes to the growth of a country's GDP (Kumar, 2021).

The demographic and economic force of the Indian middle-class family (Earning between Rs. 5 Lakh to Rs.30 Lakh annually in household terms) are believed to be the key driver of economic growth. They are rising at an exorbitant rate which is predicted to double the figure by 2047 depicting a very positive picture from the economist's point of view wherein they are set to change the financial landscape of the country. Business Standard,PRICE (2024)

Recent studies also reveal that India's middle class has cut down on its budget and extravagant costs due to escalation in the prices of goods impacting their expenditure outlay. (Economic Times.2024) There is a tremendous drop in the rate of savings amongst the Indian households.Asubstantial rise in household debt basically the consumer debt playing a major role in eradicating the saving habit amongst the masses. This in turn spawned major concerns amongst the economists regarding debt repayment and financial fragility of the Indian households. BBC (2024). The level of financial insecurity has been found to be very high amongst the Indian households.Business Standard ((2022).

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Financial Fragility is the distress state of mind which negatively affects the well being of human mankind. (Baker, Goyal, Kumar, Gupta) (2023). It has been recognised as a vital cause of concern in the present society especially amongst the middle-class households. Saurabh Mukherjee, founder of Marcellus Investment Managers identifies three pressing issues that are reshaping the financial landscape of the India's middle-class society. The stagnant wages, automation-driven job losses and an impeding economic slowdown are posing as the major threats in the financial well-being of the middle-class households. (India Today) (2025) Navigating unexpected events and economic challenges

The financial fragility has been defined as the ability to cope with the emergency expenses. (Andrea Hasler and AnnamariaLusardi ,2019) Itis the withstanding of individual's vulnerability to crisis. It is crucial for the society as it is highly and positively correlated with the economic growth, employment and development of a nation. Financial fragility can spur economic uncertainty.It is an important issue in the well being of individuals and has a sensitivity to extreme changes in the financial situation. Financial fragility, widely occurring at the household microeconomic level, can affect the macroeconomics of a country. (Ramli,Nyirop,Sun and Awang,2022)

Recent data published has revealed that Assam recorded the second highest rate of inflation of 5.1% which is above the upper risk tolerance limit of the Reserve Bank of India.(G.Plus August,2024). Similarly, another leading print media of the nation has revealed that the state of Assam has not been spared from the inflationary spiral, with the inflation index climbing to 196.9 in September from 187.8 a year earlier. (India Today, NE, October,2024) Thus,it is clear from the above stated facts that inflationary pressure has a negative impact on the economic stability and wellbeing of its people. Earlier studies during the Covidhave also gave an insight as to how the households of Guwahati has been constantly forced to cut down on all its immaterial expenses to make the both ends meet. (MukutDas, December,2022)

In Kamrup District of Assam, the middle-class households of Guwahati arebearing the pressure of rising prices of the goods and maintaining a balanced life.So,it is vital to understand the differences in

the financial behaviour and the level of financial security and wellbeing amongst the middle-class households. The saving and investment patterns may vary due to economic, social, and infrastructural differences. Therefore, analyzing these patterns becomes the first objective of this study.

Finally, financial stress, exacerbated by inflation and economic uncertainty, affects decision-making and mental health. Studies show that urban residents often experience higher levels of financial stress compared to rural residents, due to lifestyle demands and cost of living (Gupta, 2023). Therefore, this study also aims to study the financial stress levels amongst the urban middle-class households.

Background and Rationale of the Study

The financial behavior of middle-class households is inherently diverse, shaped by socio-economic conditions, cultural influences, and access to formal financial systems (Hasler&Lusardi, 2019; Chattopadhyay, 2020). In the Kamrup District of Assam—particularly in Guwahati, the largest urban hub in Northeast India—this diversity is especially pronounced. As the city continues to urbanize and attract a growing segment of middle-income households, there emerges a need to examine how these families manage their finances in terms of saving, investment, and coping with financial stress. These behaviours are not only reflective of income levels but also indicative of varying levels of financial literacy, institutional access, and socio-cultural expectations (Rahman et al., 2021; Goyal, Sharma, & Mehta, 2019).

Guwahati's urban households often enjoy better access to banking services, digital financial platforms, and diverse income streams. However, this access does not always translate into financial security. Many households continue to exhibit fragmented investment behavior and lack structured financial planning, which may exacerbate their vulnerability during economic uncertainties (Gupta, 2023). The tension between increasing consumer aspirations and stagnant income growth, compounded by inflationary pressures, has heightened financial fragility even among relatively stable income groups (Mukut Das, 2022; India Today NE, 2024).

The rationale for this study stems from the urgent need to analyze

the saving and investment behavior, financial literacy, and stress levels of Guwahati's middle-class households. These elements are crucial for understanding household-level economic decision-making and its implications for broader economic development (Singh, 2020; Kumar, 2021). Moreover, financial fragility is not merely an economic issue—it also affects psychological well-being and decision-making capacity (Robinson & Smith, 2024). Financial stress has been linked to increased anxiety, reduced productivity, and diminished quality of life, particularly in urban environments with high living costs and social comparison pressures (Lusardi& Mitchell, 2014; Sharma & Roy, 2022).

By identifying financial behavior patterns across different demographic and income subgroups, this study aims to inform policies and practices that can enhance financial inclusion, improve access to suitable financial instruments, and promote behavioural change. The findings are expected to assist policymakers, financial service providers, and development agencies in designing customized interventions that address both structural and behavioural barriers to financial security. In doing so, the study contributes to building economically resilient households and fostering inclusive, sustainable development in Assam.

Literature Review

Financial fragility, defined as the inability to withstand financial shocks, has emerged as a pressing concern among middle-class households globally and in India. Hasler and Lusardi (2019) identified family size, debt levels, and financial literacy as key predictors of fragility, while Rahman et al. (2021) emphasized the role of financial behavior and stress on well-being among lower-income groups. In India, Kavya and Yadav (2024) reported a shift from saving to borrowing, driven by easy access to EMIs, contributing to long-term economic stress. Baker et al. (2023) connected financial vulnerability to reduced consumer well-being, and Gupta (2023) linked financial stress with adverse mental health outcomes in urban settings. Mukherjee (2025) highlighted structural causes such as automation and wage stagnation affecting the Indian middle class.

Savings behavior, central to capital formation, varies widely across regions. Singh (2020) and Kumar (2021) argued that consistent

saving practices are essential for economic growth, while Manda and Misra (2020) found that urban households engage in more diversified investment strategies. Behavioural aspects, as discussed by Chattopadhyay (2020), significantly influence these patterns. The role of financial institutions is also critical; Jain (2020) noted their capacity to mitigate financial stress through tailored savings products, and Singh and Soni (2023) emphasized the role of digital banking in encouraging savings. Kapoor (2021) similarly observed a link between digital literacy and increased formal financial engagement.

Financial literacy emerges as a pivotal factor in shaping financial resilience. Goyal, Sharma, and Mehta (2019) identified it as a determinant of investment behavior, a view supported by Arora and Singh (2021), who noted that financial education enhances banking engagement. Lusardi and Mitchell (2014) warned that low financial literacy increases susceptibility to debt traps. The role of technology is dual-edged; while Nair and Iyer (2022) highlighted its role in improving financial knowledge, Sharma and Roy (2022) cautioned against a digital divide affecting financial confidence. Bhattacharya (2022) observed a rise in financial learning interest during the COVID-19 pandemic.

Demographic factors further influence financial choices. Sharma and Kumar (2021) found income variability to be more impactful than geography in driving financial stress. Studies by Menon (2020) and Mishra (2019) confirmed urban preferences for digital investment tools, particularly among younger users. Das (2021) and Ramesh and Patel (2018) highlighted that perceived benefits of banking and institutional trust also shape investment preferences.

The psychological dimension of financial behavior is increasingly relevant. Robinson and Smith (2024) demonstrated that financial anxiety diminishes life quality, especially in urban contexts, while Gupta (2023) noted that lifestyle-related pressures intensify financial stress. Sharma and Roy (2022) pointed to the stress induced by rapid digital transitions, and Reddy and Thomas (2022) observed that cultural norms can compound stress, especially among middle-class women.

Macroeconomic challenges such as inflation and pandemics exacerbate financial instability. Reports from G Plus (2024) and India

Today NE (2024) noted inflation in Assam surpassing RBI's tolerance, pressuring household budgets. Mukut Das (2022) documented how Guwahati households reduced discretionary spending during the COVID-19 crisis. Tiwari and Sen (2021) and Manda and Misra (2020) warned that inflation encourages short-term investments, limiting long-term financial planning.

Lastly, the role of financial intermediaries remains fundamental. Kumar (2021) emphasized their importance in channelling savings into productive sectors, while Gupta and Mehta (2023) and Nair and Iyer (2022) noted the role of urban financial schemes and digital banking in enhancing inclusion. Sharma and Roy (2022) advocated for informed financial advisors to reduce stress, and Arora and Singh (2021) underscored the value of proximity and accessibility in improving financial behavior.

Research Gap

Despite growing interest in household financial behaviour, significant gaps remain in the literature, particularly within the Indian context. Much of the existing research on financial fragility has been conducted in developed nations, leaving a dearth of studies that address the socio-economic nuances of middle-class households in emerging economies like India. This limits our understanding of how cultural, institutional, and regional factors influence financial well-being in a country where the middle class is considered a key driver of economic growth. Moreover, financial stress is often narrowly examined through the lens of income volatility and rising living costs, overlooking deeper psychosocial dimensions such as lack of social support systems, coping mechanisms, and mental health consequences. There is also insufficient demographic disaggregation in existing studies, making it difficult to understand how variables like age, gender, educational attainment, and employment type shape savings behavior and financial vulnerability. Addressing these gaps is essential to develop targeted financial inclusion policies and mental health interventions that are grounded in the lived realities of urban middle-class households in regions like Kamrup, Assam.

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Objectives of the study:

a) To examine the saving and investment patterns among middle-income households in Guwahati, with a focus on understanding their financial priorities, decision-making behavior, and access to formal financial instruments.

b) To analyze the levels of financial stress experienced by middle-income households in Guwahati in response to economic contingencies, inflationary pressures, and unforeseen financial emergencies.

Research Methodology:

The present study adopts a descriptive and analytical research design to investigate the saving and investment patterns as well as financial stress levels among urban middle-class households in Guwahati, Assam. The target population comprised households with an annual income ranging from Rs. 5 lakhs to Rs. 30 lakhs, classified as middle-income according to national standards (PRICE, 2024). To ensure broad socio-economic representation, Guwahati was divided into four primary zones—North, South, East, and West—and a multistage stratified random sampling technique was employed to select a representative sample of 400 respondents across these zones and income subgroups. Primary data were collected over a three-month period, from November, 2024 to February, 2025, through both online and offline surveys administered to the selected households.

The sample size of 400 households was determined using Cochran's formula for sample size estimation, which is widely applied in social science research to achieve statistically valid results at a 95% confidence level and a 5% margin of error (Cochran, 1977). This approach aligns with previous studies on household financial behaviour in urban India (e.g., Rahman et al., 2021; Gupta, 2023), ensuring both the reliability and generalizability of the findings within the target population.

Primary data were collected through a structured questionnaire, administered both online and offline, which included demographic details and a series of Likert-scale items designed to measure financial