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01

Entrepreneurship in Assam:  
Some Aspects of  
Entrepreneurial Resourcefulness  
in the State

*Evidences from a few Selected SSIs of Guwahati*

Omeo Kumar Das Institute of  
Social Change and Development  
Guwahati: Assam

Joydeep Baruah

**ENTREPRENEURSHIP IN ASSAM:  
SOME ASPECTS OF ENTREPRENEURIAL  
RESOURCEFULNESS IN THE STATE**

EVIDENCES FROM A FEW SELECTED SSI OF GUWAHATI

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*"The debate over the rise and decline of the British economy illustrates both the strengths and weakness of entrepreneurial theory – its relevance to performance and policy on the one hand and, the difficulty of placing it on a scientific footing on the other. Entrepreneurship is a fascinating subject because it is ultimately concerned with some of the most exciting, and disturbing, aspects of human behaviour, as manifested in business life. This fascination is likely to remain for some considerable period of time, because the questions raised by entrepreneurship are difficult one that can never be completely resolved."*

**- Mark Casson; 1990**

## Preface

The present paper is the result of a one-year project undertaken as a Junior Research Fellowship of the Omeo Kumar Das Institute of Social Change and Development, Guwahati during the period January-December 2002. Here I have tried to examine the issue of development with a focus on the growth and spread of entrepreneurship in the region. Though the study is essentially an empirical one, it however, tries to look into various contested aspects of 'theories of entrepreneurship development' with an aim to provide a better understanding of the subject. I take this opportunity to convey my gratitude to the Director of the Institute for giving me the privilege of conducting the research project in the Institute.

I feel myself to be fortunate and privileged enough for receiving the supervisory guidance from Professor Atul Goswami. Without his most able guidance and help the project could have been accomplished in time. I express my heart-felt sense of gratitude and sincere thanks to him.

I would also like to thank all the faculty members of the Institute: Dr. Indranee Dutta, Dr. Bhupen Sarma, Dr. Kalyan Das and Dr. Saswati Choudhury for their inspiring support and invaluable comments and suggestions during the entire period of project.

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I must also thank all my fellow friends-Mridu, Lipi, Nandana, Mayuri, Banashree, Ratna and Elizabeth with whom I shared both joys and sorrows alike.

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Joydeep Baruah

Guwahati  
20 October 2003

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## Chapter I INTRODUCTION

### 1. CONTEXTUALIZING THE ISSUE

#### 1.1 APPROACH TOWARDS DEVELOPMENT: A Paradigm Shift

Starting with 1960s, a vast majority of recent development theories and models exhibit a common tendency towards a general paradigm shift from their earlier counterparts [Promfet: 1997]. If the earlier faith in development through the accumulation of physical capital has waned, it has, of late, been replaced by a new creed of investment in human capital. The key issue, these days, before the development theorists and researchers is, therefore, how the abilities and skills of individuals are to be improved and their motivations and values are to be modified so as to accommodate the human factor itself as an endogenous variable in their theoretical formulations and models.

Within this changed broad perspective of the development theorists with respect to their theoretical formulations, entrepreneurship is one specific area where increased emphasis has been placed during the last couple of decades. As the prime mover in economic activities entrepreneur received attention from the beginnings of economics, but as Mark Casson has recently pointed out, he has never been integrated into 'modern economic theory' [Casson: 1991].

Obviously, in static classical-neoclassical framework of economic analysis where perfect competition used to be the basic analytical tool, with its assumption of full information and perfect knowledge on the part of the economic agents, it hardly offered any real scope for entrepreneurs and entrepreneurial functions. But in practice, in the face of market imperfections either in terms of information gap and asymmetry or in terms of numerous forms of externalities, together with in-built market dynamism producing a synergy of effects, the scope and role of entrepreneurs and entrepreneurial efforts become quite evident as well as significant [Bannock; Baxter; Davis: 1998].

The role and significance of entrepreneurs as well as entrepreneurial efforts have taken a radical stride in recent years, which are transforming the globe in ways yet to be fully comprehended. The world, right from Latin America to Asia and from Eastern Europe to Africa, under this changed environment is witnessing the rise of an alternative development mechanism- a 'bottom up revolution'-what the Peruvian economist Hernando de Soto calls 'The Other Path' (*El Otro Sendero*) – offering some new issues for the dispossessed which are being tried for possible redress through entrepreneurial efforts [Hawking: 1992].

It is against this backdrop of paradigm shift in development approach that the research into the issues of entrepreneurship and related topics become imperative and relevant so

as to formulate an effective and more meaningful development strategy in developing countries, particularly at regional levels.

## 2. TREND OF ENTREPRENEURIAL RESEARCH: A REVIEW

### 2.1 CONCEPTUALIZING ENTREPRENEURSHIP: The Debate, Dilemma and Dialogue

Over the years, considerable debate has accumulated around the connotation and usage of the terms 'entrepreneur' and 'entrepreneurship', more specifically during the post second World War period. This itself, on one hand, is indicative of higher recognition accorded, though rather belatedly, to the human factor in general and entrepreneurship in particular in the processes of production and on the other hand, more importantly, this further diffused these concepts in a manner which eventually made things hazy rather than crystallizing them.

The genesis of this confusion and intellectual misunderstandings can be traced back to the 16<sup>th</sup> century when the leaders of military expeditions were referred to as entrepreneurs [Tripathi: 1985]. In the 17<sup>th</sup> century the connotation of the term changed when architects and contractors of public works were considered as entrepreneurs. In 1755, Richard Cantillon, a French banker, accorded a definite technical meaning to the term entrepreneur which represented the dealers who 'buy the wares of the country ...., give for them a fixed price to sell them again wholesale and retail at an uncertain price' [Cantillon: 1755]. This connotation, however, was too inclusive as it enveloped virtually anyone engaged in economic activity; the only ones ousted were the Princes, landlords, and salaried workers. The French physiocrats accepted the Cantillonian meaning of the term except that the former, in conformity with their emphasis on land as the only productive factor, equated entrepreneurship with the cultivators [Hozelitz: 1951]. Regardless of their notion about the primary creator of the social product, all French writers of the 18<sup>th</sup> century emphasized certain elements-like assembling of relevant facilities, risk bearing capacity, and decision under uncertainty- which later become distinctive features of entrepreneur and entrepreneurship. Jean Baptiste Say while summing up half a century of theoretical evolution focused on judgment, perseverance and knowledge of world as well as of business as the most significant qualities of entrepreneurs [Say: 1805]. Later he reiterated his position by adding that entrepreneurs would unite and organize the other factors of production guided by a definite profit motive [Say: 1816].

By the beginning of the 19<sup>th</sup> century, thus, the term entrepreneur had assumed a definite meaning in France. Though differed on details, the French writers were more or less unequivocally agreed that essential requisite of an entrepreneur was the ability to take risk involved in assembling relevant facilities to translate a positive (can be interpreted as "profitable") idea into reality.

On the other part of the English Channel things were completely different. John Stuart Mill regretfully acknowledged that in the English schema of analysis, unlike the French one, scope for entrepreneurial effort was too limited to occupy a significant place in economic

theory [Mill: 1848]. The English theorists preoccupied with full employment and perfect competition just could not accommodate the idea of entrepreneurship in their schema of analysis for the simple reason that in a state of equilibrium there would be no room for either risk takers or of assemblers other than the capitalists.

History, therefore, suggests that the French writers did not anticipate the full ramifications of the term while their English counterparts considered it unworthy for adoption or to find an equivalent for obvious reason. Significantly enough the size of the business firms on both sides of the English Channel was still relatively small and most of them were managed by owner capitalists. Alfred Marshall anticipated, to some extent, some features of entrepreneurial function but could not appreciate the full implication of the concept and like many of his contemporaries he too, often, used the term with capitalist almost interchangeably [Boumol: 1978].

The situation across the Atlantic was significantly different. The economy in the United States was witnessing post civil war boom supported by frequent mergers and conglomerations bringing about revolutionary transformation in the structure of American business. The resultant effect of this transformation was that, by the beginning of the last quarter of the 19<sup>th</sup> century, small and medium sized firms were yielding place to big corporations. Economists increasingly felt that existing theories were grossly inadequate for explaining this transformation and Francis A Walker was, perhaps, the first major writer to articulate dissatisfaction with the existing theories [Tripathi: 1985]. In his 'Wages Question' (1876), Walker asserted that functions of entrepreneurs were distinct from those of the capitalist and profit, in any case, was not synonymous with the interest on the capital employed. Walker soon had got his own group of followers and supporters - Frederick B Hawley and John R Commons being the most important ones, who substantially supplemented and strengthened Walker's views. It was, however, John Bates Clark who conceived of a direct link between 'entrepreneurial profit' and 'successful introduction into economic process of technological, commercial or organizational improvements' [Dorfman: 1950].

Clark, thus in his analysis made a distinct reference to 'innovation' as an entrepreneurial behaviour. It was, of course, left to Austrian economist Joseph Schumpeter, to place this at the centre of entrepreneurial theory. He argued that neither interest nor profit could be feasible in static economic situations; infusing dynamism into economy is a prerequisite. The task is reserved for innovating businessmen who through introduction of 'new production function' set in motion a series of changes in the process of creating 'social product' [Schumpeter: 1934]. Schumpeterian new production function is a rather comprehensive term inclusive of a wide range of activities-creation of new product, development of new methods of production, opening of a new market, conquest of new source of raw materials and/or carrying out new organizational form in business. Nonetheless, Schumpeterian inclination towards innovation altogether provided a fresh orientation in theorizing entrepreneurship.

Schumpeterian schema of analysis had been refined and modified to a great extent by one of his close associates in Harvard, Arthur H Cole. Faced with the increasing number of mergers it was only imperative for him to look at the concept of entrepreneurship as a

collective behaviour rather than an individual one. He, therefore, instead of concentrating on the individual actors, equated entrepreneurship with some very significant managerial functions [Cole: 1959]. The logical extension of the Schumpeterian schema, as initiated by Cole, was very much in conformity with the original theory of Schumpeter-the only difference apparent was, perhaps, that of semantics or to some extent, of emphasis [Tripathi:1985].

The debate, dilemma and confusion over the issue of conceptualizing entrepreneurship continued even after the Schumpeter-Cole contribution. By the end of 1950s, however, a certain degree of consensus had emerged on the major elements of entrepreneurial functions and processes. But then, the concept of entrepreneurship by that time was slowly crossing the boarder of economics and gradually entered into many other related fields of social sciences like that of Sociology, History and Psychology; and as such economic as well as non economic factors were flowing into the theory of entrepreneurship which ultimately blurred the amount of consensus that began to appear at that point of time [Tripathi: 1985].

The German tradition of entrepreneurial research showed greater swing towards non economic factors that might had influences on the overall entrepreneurial behaviour. Gustav Schmoller in the last decade of the 19<sup>th</sup> century, for instance, had laid special emphasis on 'deeper insight into social context of enterprise' and Max Weber, a few years later, had tried to analyze the economic behaviour in the context of religious and cultural ethos [Weber: 1958]. But till very recently, the 'Mainstream' theory was dominated by material factors rather than social and cultural ones.

Psychologists took a completely different attitude of the issue linking entrepreneurship with the 'entrepreneurial personality'. This trend came to the forefront of the entrepreneurial literature after David McClelland put forward the theory of 'n-achievement'. He advocated, higher the person's achievement motivation or n-Ach, greater would be his entrepreneurial activities [McClelland: 1961]. He devised a quantitative formula to measure the n-Ach and showed with empirical evidences that n-Ach and entrepreneurial behaviour, indeed, were positively correlated. He suggested that national characteristics had some definite role to play in determining the level of n-Ach in a person. Later he supported this view by an empirical study conducted in Andhra Pradesh, India [Tripathi: 1985]. McClelland's greatest contribution was therefore, two folded; one, individuals' entrepreneurial capacity is measurable and two, individuals' n-Ach was not inborn but might be acquired. The last one had policy implications in the form of Entrepreneurship Development Programmes (EDPs). The greatest weakness of McClelland's n-Ach theory was that he himself was not very clear with as to what determined a person's n-Ach. The question was attempted for a possible answer by Evertte E Hagen who built up an extremely complex personality theory [Hagen: 1962]. The basic contention of Hagenian schema was that families which enjoyed substantial social standing, fall, according to him, into a 'retreatist' phase if they lose this status. This supposed to create an urge for achievement which McClelland was talking of. Hagen tried to support this contention through empirical evidences drawn from diverse industries and their histories but failed to put up any convincing arguments. The euphoria, thus, caused by his theory soon died away leaving the term entrepreneurship in no better position than before.

To sum up the debate we have the following observations:

1. A surfeit of different models and theories of entrepreneurship exist, each seeking to identify and explain the effects of a variety of attributes and personality traits upon new ventures. Common to these theories and models, however, is a deficit of their rigorous empirical testing.
2. Research into the question as to what determines an entrepreneur reflects both a strong bias for motivational concepts (needs, personality, interest, motives etc.) and frequent disenchantment with this line of research.
3. Despite growing interest in the subject, understanding of the construct remains still limited and ambiguous. This necessitates a construction of a working definition for the present study, which is provided at an appropriate place.

## 2.2 DETERMINANTS OF ENTREPRENEURIAL BEHAVIOUR: A Construct

The most of the recent discussions on the antecedents and the process of entrepreneurship are generated by and centered around the themes and the issues raised by the earlier exponents of the subject. The focal point of their approach to the subject was to theorize the entrepreneurship in a way that would facilitate the theoretical exposition of entrepreneurial behaviour as well as decision and, in the process, each of the earlier stalwarts in entrepreneurial theory ended up focussing different areas and aspects of the subject. As mentioned earlier, despite these differences in focus and emphasis, however, a degree of consensus had emerged on the fundamental attributes and qualities of an entrepreneur and also on the basic characteristics of an entrepreneurial decision. There was no disagreement whatsoever, for instance, that even though certain qualities such as drive, imagination, foresight, innovativeness and risk-bearing capacity in the face of uncertainty were some of the prerequisites for leadership in every walk of life, business rather than any other field, in general, happened to be the dominant field of most of the entrepreneurial activities. But it was observed that the existing theories and constructs were unable to provide any satisfactory theoretical explanation as to why an individual or a group of individuals prefers business as a career or why the choices of different individuals possessing the similar qualities differ considerably. Neither these theories nor constructs could explicate why only a few in the society react to the environment while majority of them remain indifferent.

It is now, more or less, generally agreed that the entrepreneurship consists in perceiving new opportunities for profit, marshalling and assembling financial and other resources necessary for exploiting the perceived opportunities and responding positively to changes in perceivable opportunities. Yet the individual entrepreneurs differ significantly in attitude and practice. The existing constructs are not sufficient enough to account for these sorts of interpersonal and intrapersonal variations in individual entrepreneurial behaviour and decision [Tripathi: 1985]. There is, till date no convincing theoretical basis for spatial variations in entrepreneurial manifestations either.

Attempts had been made to relate the variations in the individual entrepreneurial behaviour in respect of time, space and situations with the variations in childhood patterns

of behaviour and with the influences of different individuals during that period of life [Cocharan: 1964]. This approach of understanding adult human behaviour by reflecting upon the childhood behaviour was prominent in the writings of Eric Erickson (1954, 1958, 1969)<sup>1</sup>. The approach had been criticized on the ground that though childhood behaviour could have some definite implications in determining the adult behaviour and as such this might be useful as an insight, this alone could not be sufficient for comprehending full behavioural variations. This approach, according to the critics, was 'too simplistic to explain a too complex phenomenon'. McClelland (1961) tried to extend this approach by incorporating a *need* concept. He, in his theory of n-achievement (n-Ach), advocated quite strongly that entrepreneurial behaviour could possibly be best understood by three achievement motives – *need for achievement*, *need for affiliation* and *need for power*. The *first need* represented a desire to excel in a predefined objective; the *second* had the reference to humanistic relation of cooperation and mutuality while the *last one* embodied an urge of dominance and influence. The need to achieve, initially, was viewed as a stable personality feature rooted in the early and middle childhood [McClelland: 1961]. The problem with the n-Ach Theory was that if n-Ach could be developed only through child-rearing techniques, further scientific investigation into the subject came to a standstill. That is why perhaps, in a later refinement, McClelland tried to establish that these *needs* could be developed even in an adult age, contrary to his earlier emphasis on the childhood, and he tried for empirical evidences to support his view. The need approach soon proliferated with the coming of fresh theories based on *need concepts* which together produced a school of entrepreneurial study which argued motivation for achievement as the guiding force in determining the behavioural pattern of entrepreneurs. Two of such need theories that attempted to answer the variations in entrepreneurial behaviour with reference to need and motivation were Maslow's Theory of Hierarchy of Needs and Herzberg's Dual Factor Theory. In the Theory of Need Hierarchy, Maslow suggested that there is a hierarchy of needs and it follows a definite route- need for self actualization, need for esteem, social need, safety need and physiological need [Maslow:1943]. On the other hand Herzberg's theory tried to conceptualize the motivation as a resultant of two sets of factors (dual factor) – motivating factors and maintenance factors. He listed out seven *intrinsic* motivating factors as opportunity for achievement, responsibilities, recognition, promotion, creativity, work challenge and personal growth. As for the *extrinsic* maintenance factors he mentioned cooperative policies, supervision, salary, job security, working condition, employee benefits, job status and personal life. The one major weakness of the Dual Factor Theory was, perhaps, that it somehow synthesized the concepts of entrepreneur and manager which actually should not be the case. These two are distinct and hence must not be treated as interchangeable concepts in theory. The demarcation, though not possible in certain cases, had been suggested by Stevention et. al. (1989) with reference to six 'key dimensions'. These can be represented in a tabular form:

Table i  
Differences of Entrepreneur and Manager

Key dimensions	Entrepreneur	Manager
<b>Strategic orientation</b>	Driven by perception of opportunity	Driven by resources currently controlled
<b>Commitment to opportunity</b>	Revolutionary with short duration	Evolutionary of long duration
<b>Commitment of resources</b>	Multistage with minimal exposure at each stage	Single staged with complete commitment
<b>Control of resources</b>	Episodic or rented	Ownership or employment
<b>Management structure</b>	Flat with multiple informal networks	Formalized hierarchy
<b>Reward philosophy</b>	Value driven and performance based	Security driven and promotion oriented.

\*Adapted from Misra and Kumar (2000)

A close and careful observation reveals that the motivation approach of entrepreneurial understanding has two implicit yet distinctive specifications. One focuses on the individual and his/her environment, and the other concentrates on a more dynamic situation that tries to explicate why and how individual behaviour is shaped in a unique fashion. The first one, often called as the Content Theory embodies the essentials of the need approach. The second one, generally referred to as Process Theories, define motivation as a rational cognitive process occurring within the individuals. Two of the prominent process theories are Victor Vroom's Expectancy Theory and Adam's Equity Theory.

Vroom's Expectancy Model in its attempt to reason the process and dynamics of individuals motivation, posited that motivation was essentially a combined manifestation of three expectancy linkages: effort-performance expectancy, performance-reward expectancy and valence of reward. The effort-performance expectancy implied a subjective assessment that if one would try one would perform better. The performance-reward expectancy, similarly, referred to another subjective assessment that a better performance would eventually be rewarded. These two expectancies were supposed to generate a *sense* of motivation in individual but the *ultimate extent* of actual motivation, as Vroom postulated, relied upon the valence of reward which indicated the individual's valuation of the reward. The Model, thus, tried to provide a rational for motivation through an effort-performance-reward linkage influencing the thought pattern of the individuals, of course, with a certain amount of subjectivity involved [Luthan:1995]. Involved subjectivity and value judgment in the model was, in fact, considered logic for understanding interpersonal variations in behavioural pattern of individuals.

The Equity Theory, posited by Adam, went a step further. The model pointed out that motivation, if assumed to be depended upon the valence of reward, following the line of argument put forward by the Expectancy Model, there might well be a possibility of either under reward or over reward. This necessarily justifies some rationalization as to why some one was rewarded less than others or why some one was rewarded more than

<sup>1</sup> In his books "Childhood and Society (1954)", "Youngman Luthan (1958)" and "Gandhi's Truth (1969)" such emphasis is quite prominent.

others. The Equity operated at the point when it was neither a case of under reward nor of over reward. The restoration of equity, thus, acted as the basic drive for motivation in his model [Luthan: 1995].

In summing up, three basic characteristics of the motivation argument emerge from the discourse of entire motivation debate:

1. It concerns with what activates human behaviour.
2. It involves what directs this behaviour towards a pre-defined goal.
3. It also concerns how this behaviour is sustained once it is set in motion.

For a long period of time, till very recently, economists tended to see economic growth and development in terms of equations and idealized models of behaviour. Consequently, their theories missed out certain critical influence of human institutions, such as norms, values and morals- in other words-culture. The line of research which attempted to explain and understand differences in socio-cultural context came to the forefront with the writings of R H Tawney and Max Weber [Tawney: 1947; Weber: 1958]. Their analyses focused on why similar socio cultural values and economic opportunities evoke differential response from different individuals. Exposition of entrepreneurship with respect to diverse socio-cultural values had two distinct preoccupations: first, entrepreneurship as behavioural entity was viewed as a function of a complicated matrix of socio-cultural factors and second, modern entrepreneurs were suggestive of a peculiarly modern modes of cognition and behaviour that were considered fundamental to modern industrial society [Berger: 1992]. This line of research, though started rather belatedly, was caused by the dazzling rise of a number of societies in the Pacific Rim: namely Japan, South Korea, Taiwan, Hong Kong and Singapore. The renaissance began when, after exploring exhaustively the relative significance of all sorts of variables, many analyst had concluded that Japanese, Korean and Chinese cultures, in spite of their vast differences, appeared to be particularly well suited to those entrepreneurial activities that traditionally had led to capitalist industrialization [Berger: 1992].

The view that entrepreneurship, and for that matter any human behaviour, was embedded in culture and hence such dynamics was to be taken into account while understanding the rational of human behaviour – had a clear, though somewhat distant, reference to the theory of social embeddedness that dominated French mindset [Landa: 1992]. As a generic theory, it posited that the relevant agents were ultimately embedded in their society- phenomena were described at the social level and their impact on the individual behaviour was, then, considered [Jessop:1999].

There are three apparently contrasting but potentially complementary viewpoints that relate the social embeddedness with economic institutions. First, Polayni's pioneering historical analyses of the institudeness, general embeddedness and the dis and re-embedding of substantive economic activities [Polayni: 1957]; second, The French regulation approach to the embedded and socially regularized capitalist economy and third, systems theoretical accounts of the operational autonomy of modern economy, its material, social and temporal interdependence with other systems. As a pioneer in this field, Karl Polayni considered the economy, in its substantive sense, as an 'instituted process of interaction between man and his environment, which results in a continuous

supply of wants satisfying material means' [Polayni: 1957]. He stressed on both economic and non economic factors in 'instituting an economy'. He distinguished capitalist mode of production from the pre-capitalist one in that the capitalist production system lacked social embeddedness where as pre-capitalist mode of production was more or less firmly embedded in a wide variety of institutions like family, neighbourhood and community. The problem with Polayni was that he found it extremely difficult to disintegrate production from society and other activities of society.

The theory of social embeddedness somewhat shifted the orientation of entrepreneurial research from a unilateral-unidirectional plane to a multi-dimensional one that cut through the limited circumference of unidisciplinary response to an interdisciplinary broad spectrum. This initiated a fresh approach of theorizing entrepreneurship with an integrated outlook that accommodates a host of factors and variables –both economic and non-economic.

One such integrated approach was suggested by Dwijendra Tripathi. Tripathi's Model, known as Constellation of Forces, tried to conceive individual's entrepreneurial behaviour as a complex response towards his environment [Tripathi: 1985]. Environment, in the model, was viewed as interplay of a number of factors. The model had two related parts: entrepreneurial initiatives and constellation of forces determining the initiatives. Individual's entrepreneurial initiative comprised of four interdependent components: perception of opportunities, assembling relevant facilities and resources, creation of organization and consolidation. As for the forces governing these initiatives, the model enlisted five sets of factors: a) social and cultural values, religious influences; b) social-political structure and conditions; c) economic infrastructure and social overheads; d) national goals and policies; e) demonstration effects, contracts and reference groups. The model also suggested that any change in the constellation of forces would lead to change in the entrepreneurial continuum. The greatest advantage of this model was, perhaps, the flexibility and elasticity in the sense that the model could accommodate any number of variables which might be considered as vital and significant. The model, however, lacked necessary rigidity for rigorous empirical testing.

The infrastructure, which roughly covers the physical assets and basic installation and facilities, had also been viewed separately as the determinants of entrepreneurial behaviour. This was, for instance, tried in Singapore in the last part of 1990s [MengTan, Liang Tan, E. Young: 2000]. The model traced out four groups of 'support elements' and also tried to map the participation level in Singapore – Assistance with tasks, Physical and monetary resources, Information and Knowledge. The table ii represents the general framework of the infrastructural facilities, which could render services in the entrepreneurial ventures, note worthing the fact that each of these facilities is capable of delivering different services.

Table ii

### Institutional facilities of Entrepreneurial Infrastructure: General Framework

Tasks	Resources	Information	Knowledge
Business support organization	Banks	Associations	Association
Professional firm	Community-Based	Business support organization	Business support
Small Business Development Centres	Loan Funds	Chambers of commerce	organization
University Programmes	Government Loan Funds	Data banks	Chambers of commerce
	Incubators	Government agencies	Know-how
	Science Parks	Libraries	networks
	Venture Capital firms	Support networks	University programmes
	Venture capital network	University programmes	

\*Adapted from MengTan, Liang Tan, E. Young (2000)

The study, in its attempt to map the participation function of the entrepreneurs in Singapore considered various variables influencing participation decision in the entrepreneurial infrastructure. The summary of the decision map is given in the table iii. The table lists critical variables, which serve as independent variable in a proposed decision process, which influence a potential user's inclination to participate.

Table iii

### Proposed variables influencing the decision to participate in the Entrepreneurial infrastructure in Singapore (Revised)

Variable	Decision question	Values
X <sub>1</sub>	Does the company or individual recognize a need for assistance?	X <sub>1</sub> = Yes (Y) X <sub>1</sub> = No (N)
X <sub>2</sub>	Is the company or individual aware of the existence of resource facility?	X <sub>2</sub> = Yes (Y) X <sub>2</sub> = No (N)
X <sub>3</sub>	Is the business need urgent?	X <sub>3</sub> = Yes (Y) X <sub>3</sub> = No (N)
X <sub>4</sub>	Are the resources to assist potential users considered accessible?	X <sub>4</sub> = No (N) X <sub>4</sub> = Difficult (D)
X <sub>5</sub>	Is the resource or facility considered adequate in terms of capacity?	X <sub>4</sub> = Easy (E) X <sub>5</sub> = Yes (Y)
X <sub>6</sub>	Are the resources considered competent?	X <sub>5</sub> = No (N) X <sub>6</sub> = Yes (Y) X <sub>6</sub> = No (N)
	Results	Mapping Relations
R	Will participate	X1 X2 X3 X4 X5 X6 Y Y Y/N D/E Y -
	Participation likely	Y Y N E Y Y/N
	Will not participate	N/Y N/Y Y/N D N -

\*Adapted from MengTan, Liang Tan, E. Young (2000)

The study basically intended to explain, through a *mapping function*, why some discrete geographical areas produce greater degrees of economic activities in comparison to others. This might well be treated as an attempt in explaining spatial differences in economic endeavours of individuals. All and sundry of similar references were available in the works of Bruno et al (1982), Malliat (1995). Each of these analyses envisaged to theorize regional development within a specific territorial context. The general conclusion that followed from this was that in order for entrepreneurship to flourish within a specific area, conditions within the specific 'environment' had to be conducive for the birth and growth of new ventures. The notion of 'environment' in the model, no doubt, was used as an inclusive term embracing a wide range of factors and variables.

This, in a way, is just a re-assertion of the fact that one requires a comprehensive framework if he is to capture the full dynamics of the factors influencing the entrepreneurial behaviour of individuals. Towards the last part of the year 2000, such an integrated analytical framework has been suggested. The model is known as the 'Resourcefulness Model of Entrepreneurial Functions'.

### 3. ENTREPRENEURIAL RESOURCEFULNESS: A Proximal Framework

The model of entrepreneurial resourcefulness has been suggested by Sasi Misra and E Sendil Kumar [Misra & Kumar: 2000]. The model helps one to understand various aspects prompting an entrepreneur to identify opportunities and thereby regulate and direct his/her behaviour to make the best use of these opportunities. Misra and Kumar draws the notion of *resourcefulness* from Meichenbaum's cognitive behaviour therapy [Meichenbaum: 1977]. Meichenbaum used this term to refer to the ability to self regulate and direct one's behaviour to successfully cope with difficult, stressful and challenging situations. Misra and Kumar also point out three ideas that emerge from the original definition of resourcefulness; i.e.

- The idea of coping strategies which results in successful adaptation to environmental demands, which is complementary to one of the theoretical pillars entrepreneurial activity research- *the strategic adaptation perspective*.
- The idea that since all individuals differ in their learning and socialization experiences, there would be individual differences as well as within homogenous groups (such as managers or entrepreneurs) showing widely varying levels of *resourcefulness*.
- The central idea of self-regulation that rubricates the role of volition and its proximity to behaviour, and its applicability to various roles that an individual may take up in life (like manager, entrepreneur etc.).

In a recent paper Misra, along with Kanungo, used the concept of *resourcefulness* for explaining the managerial skills and they concluded that managerial *competencies* could be viewed as a component of managerial resourcefulness [Misra & Kanungo: 1992].

In the model of entrepreneurial resourcefulness too, Misra and Sendil Kumar view entrepreneurial behaviour and decision as an outcome variable of a function comprising of *three competencies* - viz. Cognitive competencies, Affective competencies and

Action oriented competencies. The term 'competency', in the model, has been interpreted, in consistency with Meichenbaum, as 'the mental capabilities that aid in the successful coping /adaptation in the face of difficulties posed by the external environment' [Misra and Sendil Kumar: 2000]. However, there is no attempt to delineate the concept of competency from another overlapping concept 'skill'. Misra and Kanungo (1992), nevertheless, have distinctly treated these two concepts. The model spells out various components of the three different competencies that can be summarized in a tabular form:

Table iv  
**Components of Competencies**  
**(Model of Entrepreneurial Resourcefulness)**

**Cognitive competence**

1. Ability to analyse and make sense of large volumes of information
2. Ability to take risk
3. Innovativeness
4. Ability to perceive and make sense of equivocal realities
5. Tolerance for equivocality and uncertainty
6. High effort-outcome expectancy

**Affective competence**

1. Ability to control feelings of withdrawal and depression
2. Competitive desire to excel
3. Ability to persevere
4. High central life interest
5. Dissatisfaction with the status quo

**Action oriented competence**

1. Ability to take charge and lead employees
2. Ability to influence external agencies
3. Ability to find, marshal and control resources
4. Ability to establish strong networks.

*\*Adapted from Misra & Kumar (2000)*

The entrepreneurial resourcefulness, in the model has been interpreted as the ability to identify opportunities in the environment and regulate and direct behaviour to successfully cope with the task of *managing an organisation* to pursue the perceived opportunity; and the model concludes with the observation that 'entrepreneurial behaviour is a function of overall level of entrepreneurial resourcefulness [Misra and Kumar: 2000].

The model recognizes that entrepreneurship is a multi-variate function and that concentrating on the actions rather than on characteristics or dispositions more useful insights into the entrepreneurial manifestations can be obtained. It focuses on those aspects of entrepreneurial behaviour, which are most significant and at the same time it attempts to determine the generality with which these are found.

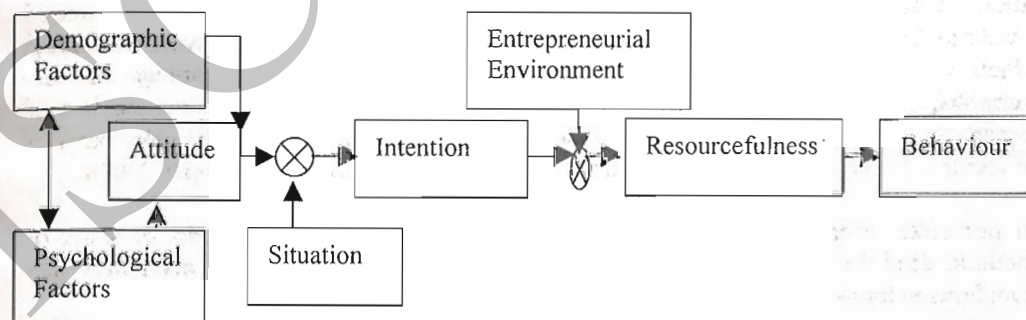
The model of entrepreneurial resourcefulness successfully incorporates a set of factors – background factors (including demographic and psychological ones), attitude, situation, intention, environment and behaviour. The background factors are assumed to be

temporally and situationally invariant. The working of the model is understood as a sequence of interactions:

- Background factors i.e. demographic and psychological ones and their interaction determine the attitude towards entrepreneurship.
- Attitude, in turn, influences intention; situation mediates the attitude-intention linkage.
- Entrepreneurial intention determines the level of entrepreneurial resourcefulness; entrepreneurial environment mediates this interaction.
- Entrepreneurial resourceful ultimately determines the entrepreneurial behaviour.

This can also be represented in a heuristic figure (figure 1).

Figure 1  
**A heuristic model of entrepreneurial behaviour**



*\*Adapted from Misra and Kumar (2000)*

⊗ Indicates mediated relationship.

The model exhibits a number of striking positive features:

1. The model is consistent with the view that the behaviour is a function of person-situation interaction. The focus on the person as the unit of analyses is not synonymous with the study of personality. The model relaxes the assumption that same set of psychological variables produce same behaviour in individuals and, hence, it is more realistic.
2. The model reflects a greater degree of proclivity towards a proximal conceptualization than a distal one. Distal models are more or less indirect. The approach of the model of resourcefulness is therefore, may be considered to be more direct in explaining entrepreneurial behaviour.
3. The model is grounded strongly in action rather than cognition. This makes a more practical sense and also opens up a possibility of empirical testing of the model.
4. The model shows a bias for strategic adaptation approach as suggested by Low and Macmillan (1988). The model, however, is not very much considerate of the other approach suggested by Low and Macmillan: population ecology perspective.

The obvious conclusion, which follows from the above discussion, is that the model of entrepreneurial resourcefulness can effectively be applied to explain the behavioural pattern of individuals in a spatial context. The model, at the same time, can also be used for answering the basic questions and issues pertaining to the determinants of entrepreneurship. The model also bears some significant policy implications that may follow from rigorous empirical testing of the model. It also contains some very useful elements of further theoretical extension by referring to the concept of 'network creation' [Ref: Table 3]. This extends and invariably links individual's entrepreneurial efforts to the idea of 'flexible production' and 'inter-firm coordination'.

### 3.1 A FEW COMMENTS ON FLEXIBLE SPECIALISATION : A Digression

The notion of flexible specialisation was introduced by Michael Piore and Charles Sabel [Sabel: 1982; Sabel and Piore: 1984]. Both of them attempted to explain why industrial economies like Britain, dominated by the method of Fordist mass production, de-skilled labour, hierarchical management and ruthless competition between clearly bounded profit-maximizing firms, were falling behind countries like Japan, Germany and Italy, which were adopting more flexible production methods, taking advantage of new technologies and more cooperative forms of social organization. Following the line of arguments by Piore and Sabel some other writers had tried to project flexible forms of production as a new industrial paradigm for the developing countries [Schmitz: 1989].

In particular, Piore and Sabel sought to explain the success of networks of small or medium sized firms in certain regions. These firms work closely together, even with their rival firms at times, in local networks producing a range of similar products.

Alfred Marshall, way back in the early 20<sup>th</sup> century tried to elaborate the advantages of 'industrial districts'. In recent times, the most striking examples of such new-styled industrial districts are found in north-central Italy, often referred to as Third Italy, especially in the *Emilia Romagna* region. The Emilian model of inter-firm coordination exhibits that the firms cluster in industrial districts, by and large naturally, often making similar or complementary products; entrepreneurs trust and help each other, both informally and through consortia for marketing, design, loan guarantee, etc. and encouraged by local government and regional governments. Thus they achieve economies of scale and the flexibility and information to compete in distant, fast changing and fragmented markets. The competition among firms is vigorous but limited by moral norms, enforced by public opinion within local communities.

The model is found to be successful in the case of small and medium sized firms. There are some definite regional variants of the original model also. Large German firms like Thyssen involve workers in quality control and innovation by decentralizing the decision making within the firm [Holmstrom: 1993]. In Japan, large firms do the same and they subcontract work to small firms bound to them in long run relationships of trust. Managers aim at 'driving fear out of the workplace rather than disciplining the workers'.

Various economists have examined the potential of flexible specialisation as a new paradigm for industrial development at various times. Carried away by the wonderful

success in Italy, a number of economists tend to favour this model as an alternative in developing countries while some others are still a bit skeptical about the direct applicability of the model. The Model is also closely examined in the Indian context as well. Possibility and feasibility have been examined in general by Mark Holmstrom [Holmstrom: 1993]. He points out some positive features and some negative ones for the success of the flexible specialisation as an alternative paradigm for industrial development in India. He sees the prevalent strong craft tradition, existence of potential industrial districts like in Bangalore, huge reservoir of skilled labour and growing unionism as positive factors for the success of the model of flexible specialisation. But at the same time he observes that limited and fragile relation of trusts, unhealthy political environment and vulnerable labour, loosely organized unions may come in the way of success as the major hindrances.

Some interesting results have been found in a study of operationalisation of flexible specialisation in Agra's footwear industries [Knorrington: 1996]. The study strongly recommends a 'professional collaboration' between the artisans and traders for a 'higher road growth path'<sup>2</sup>. Study also points out that at present, in most of the 'clusters' precisely this interaction is blocked due to the 'caste- based antagonism'.

In another discussion it was observed that Indian textile and garment sectors are already exhibiting some distinctive features of flexible specialisation but most importantly some key elements are still missing in these sectors because of which it can not be regarded as complete operation of the model [Das & Panayiotopoulos: 1996].

To conclude, flexible specialisation is, in fact, both a matter of economic advantage and political choice. The resourcefulness model, by incorporating the notion of 'network' shades light into the line of flexibility that may ultimately widen the perspective for understanding of the entrepreneurial environment with its greater ramifications.

## 4. INDIAN ENTREPRENEURSHIP: A Historical Continuity

The earliest reference, perhaps, to the Indian entrepreneurship can be found in the Rigveda where distinct indication is made to 'metal handicrafts' of India [Rao: 1969]. More specific references and evidences are available in the history of India during pre British period. Self sufficient village communities, where village artisans and craftsmen were loosely referred to as entrepreneurs, characterize this period. The Indian towns at that point of time were mostly religious and hence offered limited scope for entrepreneurial efforts. In the subsequent period of Indian history, handicrafts were transformed into an organized industrial activity. Later on, under the royal patronage, this turned into workshops and craftsmen were brought into an association pronounced as 'guild system'. The early evidences of flourishing Indian handicrafts were prominent in Banaras, Allahabad, Gaya, Puri and Mirzapur.

<sup>2</sup> 'High Road Growth Path' signifies as against 'Low Road Growth Path', a constructive competition among the rival firms marked by flexible specialization in case of small firms and 'offensive flexibility' coupled with 'Kalmarian management' in case of large firms.

The advent of the Britishers had some negative impact on these industries and their importance declined under the impact of the British discriminating policies, heavy duties and levies together with acute competition from the machine made products.

The British policy of abolition of the princely states which consequently resulted in huge amount of compensation to the provincial rulers and kings turned these local rulers into sorts of financial capitalists. This paved the way for the growth of capitalist enterprises that developed in subsequent times.

The early evidence of the growth of Indian entrepreneurship relates to the Parsis. The Parsis, with their good rapport with the British, initiated first Shipbuilding and then Vessels building ventures.

The real emergence of the manufacturing entrepreneurship in India can be noticed in the second half of the 19<sup>th</sup> century after a succession of a number of failed attempts [Spodek: 1969]. These were evident mainly in textile sector in Ahmedabad and Gujarat. History suggests that up to 1915, the Parsis, accounting for almost 43% of the total textile mills of that time, dominated the Indian textile sector. Next, they tried to enter the iron and steel industry with pioneering efforts of Jamshedji Tata.

There have been some studies as to the question why the Parsis succeeded in entrepreneurial efforts at the early part of the industrialization in India, which is suggestive of several factors. Along with others it was observed that the Parsis, being the minorities showed a better sense of mutual cooperation in business ventures, which was assumed to be the key of their success. Others found that their strong inclination towards Europeanism, flexibility and ability of quick adaptation were the main contributing factors for their success in business.

Evidently, in the first wave of manufacturing entrepreneurship, except the Parsis, all others hailed from non-commercial communities where as some of the commercial communities like Jains and Vaisyas of Ahmedabad and Boroda lagged behind. Two reasons are generally attributed to this development. First, the period witnessed a favourable business climate that induced even the non-business communities to enter in business and they responded positively as they perceived a quick and comparatively high return on their investment. Such examples are not rare. Christopher John Baker has cited the example of Gounders in this respect. The Gounders of Tamil Nadu were basically cultivators but they are now leading exporters of textiles contributing nearly 3 per cent of total exports of textiles in India [Baker: 1984]. Second, commercial communities could not respond to the changing environment, as they were somewhat conservatives so far as their production method was concerned. The second was also fostered by the sense of growing nationalism [Tripathi: 1971].

The second wave of industrialization started after the First World War. This phase was marked by the British policy of 'discriminating protection' but British failed to harness the protectionist policies to their interest. The Parsis in this phase made places for Marwaries and Gujraties and their dominance in the contemporary industrial scene gradually declined. In the 1930s emergence of the managing agency system substantially changed

the economic environment in India and the concepts of firms management and joint stock companies evolved. Till the time of independence, this was prevalent in India leaving some definite and permanent impact on the Indian economy.

The partition had also some distorted influence upon the country's process of industrialization. Because of the partition, the land, resources, workforce, establishments and transportation were shared between India and Pakistan, which affected diversification of industrial base in the country.

After independence, the Indian government adopted the balanced growth model for industrial development, which was reflected in the declaration of the first industrial policy of 1948. The role of the public sector was emphasized with a supportive role from the private sector. This aimed at diversifying entrepreneurship from the existing cities to other areas in order to spread and accelerate the tempo of industrialization. For the purpose, the small sector and medium sector were encouraged by various incentives either in the form of concessional finance or in terms liberal procedures as a result of which we have the following developments in the SSIs (Small Scale Industries) and MSIs (Medium Scale Industries) over this period (1948-2001):

1. SSIs are still a dominating force in Indian economy
2. SSIs are increasing in numbers but lacked entrepreneurship.
3. Within the SSIs, those which are family units were more successful
4. There was no sign of diversification of entrepreneurial base.

These features are reflected in the table v.

However, the question of entrepreneurship was not deliberately addressed till 1971. This was due to the plan priority adopted during 1951-1971. During this period, scarcity of the directly productive and social overhead capital was considered primary cause of underdevelopment. Maximum attention was, therefore, paid to accelerating the growth of physical capital. Aiming for high growth rate in the long run and disregarding its short run inflationary impact, the strategy for industrial development gave the highest priority to massive investment in basic and capital goods industries. With its commitment to establish a mixed economic system, the industrial policy envisaged the government to assume the role of entrepreneur in promoting these high priority, heavy-investment industries. And in India the government played a significant entrepreneurial role during this period.

Table v  
Growth of Small Scale Industries (SSIs)

Year	No of Units (In Lakh)	Production (Rs Crore)		Employment (In lakh nos.)	Export (Rs Crore) (At current prices)
		(At current prices)	(At 1990-91 prices)		
1991-92	20.82	178699	160156	129.80	13883

	(6.9)	(15.0)	(3.1)	(3.6)	(43.7)
1992-93	22.46	209300	169125	134.06	17785
	(7.9)	(17.1)	(5.6)	(3.3)	(28.1)
1993-94	23.81	241648	181133	139.38	25307
	(6.0)	(15.5)	(7.1)	(4.0)	(42.3)
1994-95	25.71	293990	199427	146.56	29068
	(8.0)	(21.7)	(10.1)	(5.2)	(14.9)
1995-96	27.24	356213	222162	152.61	36470
	(6.0)	(21.2)	(11.4)	(4.1)	(25.5)
1996-97	28.57	412636	247311	160.00	39249
	(4.9)	(15.8)	(11.3)	(4.8)	(7.6)
1997-98	30.14	465171	268159	167.20	43946
	(5.5)	(12.7)	(8.4)	(4.5)	(12.0)
1998-99	31.21	527515	288807	171.58	48979
	(3.6)	(13.4)	(7.7)	(2.6)	(11.5)
1999-00	32.25	578470	312576	178.50	53975 E
(P)	(3.3)	(9.7)	(8.2)	(4.0)	(10.2)

*\*Source: Economic Survey of India 2000-2001. P: Provisional; E: Estimated  
Figures in the brackets indicate the increase over the previous year*

Faced with heavy budgetary deficits and limitations of its managerial resources the government, however, had to turn to well tested entrepreneurial capability, managerial expertise and vast financial resources of the 'big business houses' to meet the capacity targets of the five year plans. This, in fact, paved the way for the growth of big business houses in Indian economy. The important point, however, is that while the 'political' objective of assigning high priority to the basic and capital goods industries was to make the country economically 'self-reliant' to support the foreign policy objective of 'non-alignment'; in reality, the public sector as a whole and big business houses in particular had failed to provide the Schumpeterian 'innovative' entrepreneurship by choosing the soft option of importing proven risk-free foreign technology through technical collaboration agreements [Oza:1988].

In this scheme of priorities of industrial development envisaged in the first four five year plans, as Oza observes, the small scale and cottage industries were to play a residual, secondary role. These industries were to be encouraged in the low technology, labour-intensive areas in which the big business houses would not want to enter on account of low profitability. And they were expected to attain the objectives that the large-scale industries could not achieve, namely, employment generation, reduction of regional disparities and supply of cheap consumption goods for the low income groups. Further, considering the low initial capital requirement of the small-scale industries, Indian planners did not appropriate substantial allocation to this sector either in the first four five year plans. It was believed that whatever finance was necessary for this sector to grow could be provided by the state level institutions like State Financial Corporations (SFCs) and State Industrial Investment Corporations (SIICs).

The strategy for development of human resources was also dominated by the man power requirements of the large firms during the first two decades of planning. Heavy investment was made on establishments producing highly skilled labour and technocrats, which were to be absorbed in the big business houses. No serious attempts were seen towards development of human resources required to promote the small and cottage industries. These were assumed to require only rudimentary skilled or semi skilled or unskilled labour and hence the policy makers, till 1970, did not accord much importance to supply competent and highly motivated entrepreneurs to launch small scale industries.

In India, the programmes for developing entrepreneurship have, therefore, evolved not as an integral part of the development approach but as a result of the 'felt-needs' of the financial institutions set up to encourage and assist the promotion of small enterprises through soft loans accompanied by capital subsidies [Oza: 1988]. Within a few years of launching these programmes, the financial institutions felt that there were not too many 'takers' of these schemes. This was, incidentally, a period of McClelland's research in Kakinada (1964), experimenting the hypotheses that entrepreneurship is dependent upon the 'motivation' and that entrepreneurs are not born but may be created through planned efforts. Faced with the inputs from the 'motivation-achievement experimentation' and a sense of 'defeatism', if not 'fatalism', due to the 'lukewarm' response for the financial schemes, the policy authors thought of systematic and planned entrepreneurial development programmes now popularly known as EDPs.

The first systematic attempt towards entrepreneurship development was from Gujarat Industrial Investment Corporation (GIIC) in 1970. Gujarat's EDP was meant for new and selected entrepreneurs who had latent entrepreneurial potential. It laid emphasis on a) setting up a small venture, b) managing it successfully, and c) making profits out of it. The initial programmes were oriented towards business knowledge and skills but later on the behavioural inputs were also combined together to increase the level of effectiveness of these programmes. With a mixed bag of success the Gujarat example was followed by some other states as well like Andhra Pradesh, Karnataka, Maharashtra, Tamil Nadu etc. Gradually, this has turned into a wide spread industrial campaign across the country. In the North-East, Assam pioneered the movement.

## 5. THE CASE OF ASSAM: Dismal Present, Glorious Past

Assam joined the movement of EDP way back in 1973. Like the rest of the country, in Assam too, entrepreneurship development programmes were initiated with the twin objectives of:

- Accelerating the rate of industrialization in the state, and
- Solving the problem of educated unemployment

In the most of the cases, a stylized EDP consists of three related components: stimulatory, supportive and sustaining with an emphasis on the 'training'. Importantly these were either repeated or replicated, with minor variations, which might not fit to particular regional

settings. This can be attributed as one of the several reasons of the low success rates of these EDPs.

In 1973 the government of Assam adopted the integrated model of entrepreneurship development evolved by National Institute of Small Industry Extension Training (NISIET) for effective promotion of entrepreneurship, particularly among the educated unemployed youths of the state. On the basis of this model, the government of Assam decided to set up local level agency in each district, popularly known as Entrepreneurial Motivation Training Centre (EMTC) to develop entrepreneurship in the state. Initially the government has set up six EMTCs at Mangoldoi, Silchar, Diphu, Dhemaji, Jorhat and Kokrajhar. In 1979 three more centres were set up at Tinsukia, Nalbari and Nagaon. The various aspects of the functioning and success of these EMTCs have been elaborately discussed by Niru Hazarika and Nandeswar Yein [Hazarika and Yein: 2000]. Subsequently, other promotional agencies were also involved in the process and the EDP movement further proliferated in the state.

But various studies reveal that the EDPs are not producing desired results in this part of the country. The evaluation, for instance, made by Mali & Deka (1987), using a general programme evaluation index (GPEI) shows that during the period of seventh five year plan (1985-1990), National Institute of Small Industry Extension Training (NISIT) had conducted 51 EDPs with a total number of 1225 participants. The average success rate for the North Eastern region was found to be mere 37.22 per cent. The participants were mostly from urban areas (62.50%) with formal education up to graduate level (56.22%).

In the same period North Eastern Institute and Technical Consultancy Organization (NEITCO) found a 27% success rate for their EDPs and observed that highest success in the entrepreneurial efforts were in the textiles followed by food products and wood based industries. The study points out quite interestingly that motivation was seen highest among school dropouts and among women participants.

The North East Council (NEC) conducted another evaluation study for the various EDPs initiated by the council with support from NISIT, NEITCO and NECON (North Eastern Consultancy Organization). The study shows that the average success rate for the EDPs for the period 1985-1990 was found to be 20.88 per cent only. The year wise success rate of the NEC sponsored EDPs for the NER is given in table vi.

During the period 1990-1996 the overall picture remained almost same, of course with minor improvements. Mali and Dutta (2000) show that during this period altogether 212 EDPs were conducted with 5375 participants by various agencies viz. NISIT, NEITCO, NECON, NSIC and IIE. The success rate for the entire North East was found to be 25.2 per cent while that of Assam was 30.5 per cent. The study also exhibits that in most cases trainees of these EDPs ended up in opening casual shops of grocery and stationery.

Table vi  
Year Wise Success Rates of NEC sponsored EDPs (NER)  
(In percentage)

Year	Agency			Total
	NEITCO	NISIET	NECON	
1985-86	30.82	39.36	--	33.63
1986-87	29.87	13.30	--	23.98
1987-88	44.73	16.60	--	35.99
1988-89	19.91	10.21	11.43	15.44
1989-90	NA	4.66	0.90	1.36
1985-90	27.95	15.35	4.17	20.88

\*Source: A K Jogi (1999)

The failure of these EDPs are most commonly attributed to the following factors by the evaluators:

1. Scarcity of capital in the region
2. Effect of visible failures of SSIs
3. High starting cost of the project
4. Cost-ineffective finance in the region

Dismal picture of the EDPs in Assam is also partly responsible for the pathetic industrial progress in the state. Whatever be the reason put forwarded by the policy evaluators, one tends to be a bit skeptical about the 'entrepreneurial culture' of the people in the state. This amount of skepticism forces one to review the entire discourse of this failure from the historical perspective.

The history suggests that Assam had come to the forefront of the industrial map of India in the second half of the 19<sup>th</sup> century with the starting of an experimental tea garden by the British government at Jaipur in Lakhimpur district in 1833. Subsequently, extraction of coal from Makum coal field in 1881, opening of the Dibru-Sadiya railways in 1882, drilling of mineral oil from 1886 onwards near Margherita, erection of an experimental refinery in 1893 and starting of some 14 Saw mills up to 1901 producing tea boxes and scantlings marked the beginning of modern industrial era in the history of Assam [Baishya: 1989].

Like the rest of the country, Assam also had a glorious past in traditional manufacturing and craftsmanship. From the very beginning, importance of the village cottage industries was felt in at least two respects- generating secondary income and additional employment. In Assam, references are found as to early attempts of various fabrications like cotton, muga, silk and endi. Production of gold and jewelry were also there. Smelting iron was

another occupation. Other metal works included copper, brass and bell metal wares of various sizes, shapes and designs. Brick and tile making were also prominent. Minor role of handicrafts like sital pati, cane stools, baskets and rain hats (*japi*) etc was also realized. Among others, production of salt and agro-based processing units were important [Baishya :1989].

It is, thus evident that people of this part of the country show a reasonable amount of historical inclination towards entrepreneurial activities and small businesses. Analyses will show that the people of Assam, and the region, in fact, exhibit several positive traits which form a solid ground for entrepreneurship to grow and flourish. The strengths of the region can be observed in the following respects:

- It is now an established fact that the region has a vast and highly potential resource base for entrepreneurship and industry to grow, flourish and sustain.
- The region has a highly potential domestic and foreign market. A vast majority of the daily consumption goods are imported to the region, which can be produced domestically. The region also has a high potential for border trades as it is close to several south east Asian countries.
- The rural setting of the socio-economic structure of the region is also an added advantage. This setting is favourable for mutual cooperation, trusts and network. This provides the basis for flexible system of production to operate spontaneously in the region.
- The region has a huge reservoir of surplus labour. This leads to internal as well as external migration. This creates the problem of migration-urbanization-social security in the informal sector. The problem has been tried for possible redress with alternative policy for employment creation within rural setting itself. The entrepreneurship and small scale industries can be viewed within this context as an alternative policy approach towards these issues.
- The strong tradition of craftsmanship is another positive aspect. This injects the necessary motivation for entrepreneurship and industrialization.
- The last but not least, the lack of opportunity has now turned to a positive feature rather than a negative one. As because there is no alternative available the only way out is that one must try for something new if he is to survive. This provides the basic drive for entrepreneurship to develop.

However, inadequate infrastructure together with the modus operandi of the administrative and political functioning of the state are still obstructing the growth of entrepreneurship and the process of industrialization in the state.

## 6. THE PROBLEM, HYPOTHESES AND OBJECTIVES OF THE STUDY.

### 6.1 PROBLEM

This is, thus, clear enough from the foregoing discussion that despite having sufficient potential, Assam is failing continuously to provide a good amount of entrepreneurs and entrepreneurial efforts. This is one reason, perhaps, for which Assam is not witnessing a steady and sustained process of industrialization. The small scale industries are not growing at the desired pace. Observably, there have been some serious lacunas in overall approach of industrialization in general and entrepreneurship creation in particular. This is identified as our research problem.

### 6.2 HYPOTHESES

From this we can formulate the following research hypotheses:

- The level and degree of entrepreneurship in Assam is determined by the prevalent state of *entrepreneurial resourcefulness* in the state. Expectedly, there is a positive correlation between the entrepreneurship and entrepreneurial resourcefulness.
- Assam is exhibiting a low degree of entrepreneurial efforts which is consequent upon the low level of resourcefulness in the state.
- The variables determining the entrepreneurial resourcefulness, though same for all regions, some become relatively more significant within a specific regional context. In the case of Assam also, there are some variables and/or factors of resourcefulness having greater influence over the others in determining the overall entrepreneurial behaviour of the people of the state.
- The present efforts aiming at creating and increasing the total supply of entrepreneurship in the state are unable to identify and incorporate these variables /factors for which they are not yielding the desired results.
- If the state is to see a better spread, both horizontally and vertically, of entrepreneurial manifestations, any strategy towards this direction should effectively incorporate and manipulate these significant variables.

### 6.3 OBJECTIVES

Keeping these working research hypotheses in mind the objectives of the present research study have been fixed as below:

- I. The study intends to assess the present status of 'entrepreneurial resourcefulness' in the state by way of generalization on the basis of sample study.
- II. The study will try to identify the significant and most dominant set of variables and factors determining the level of entrepreneurial resourcefulness in the state.
- III. To examine the nature of correlation among various determinants and entrepreneurial behaviour of individuals.

- IV. To examine the general possibility of flexibility within spatial context. It will also try to see if there is any proclivity towards natural and spontaneous networking and flexibility and to observe its possible consequence if such proclivities are found
- V. To raise and suggest alternative policy issues and prescriptions when and wherever necessary.

## 7. RESEARCH METHODOLOGY

### 7.1 AREA UNDER THE STUDY:

The study covers the area of Greater Guwahati. It envisages to cover both the northern and southern banks of the river Brahmaputra. In the southern bank, it intends to cover the area from Pandu to Basistha in the North-South direction and from Bonda to Borjhar in the East-West direction. In the northern bank of the Brahmaputra, it covers the area Uttar Guwahati to Amingaon.

### 7.2 THE POPULATION AND THE SAMPLING UNITS OF THE STUDY

The study proposes to select a few entrepreneurs from the area specified for eliciting their responses keeping in mind the objectives of the study. For the purpose, the industrial directory of the north eastern region published by the All Assam Small Scale Industries Association is taken as the population list for sampling. The firms listed in the directory are considered as the sampling units of the proposed study.

### 7.3 THE SAMPLE AND SAMPLING TECHNIQUES

All together 1857 firms located in greater Guwahati are listed in the directory out of which 50 were selected at random using the Tippett's four figure random number table for direct interview. Three of the listed firms were found to be nonexistent and therefore only 47 firms could be interviewed. The sample, thus, constitutes about 2.5 percent of the population. A planned schedule was canvassed to the owners of the selected firms to obtain the required responses.

### 7.4 WORKING DEFINITIONS OF KEY TERMS

For the practical convenience of carrying out the present study following working definitions were formulated regarding some key terms:

1. **Entrepreneurs:** The individuals having own small scale manufacturing or trading enterprises.
2. **Non-entrepreneurs:** The individuals engaged in activities other than own small scale manufacturing or trading enterprises

3. **Entrepreneurial resourcefulness:** The ability to identify opportunities in the environment and to direct and regulate behaviour to successfully cope with the task of managing an organisation to pursue the perceived opportunity.
4. **Entrepreneurship:** Activities and behaviour of entrepreneurs
5. **Competence:** Ability of adoption and adaptation for successful coping with the ever changing environment.

## 7.5 CHOICE OF VARIABLES

The study identifies the entrepreneurial behaviour of individuals as a dependent variable and it is supposed to be a multi-variable function where a set of explanatory variables are sought to be explained in order to obtain the effects of these variables on the dependent variable. Some of the explanatory variables like the demographic profiles of an individual can be obtained directly while some others, for instance, the variables which are of psychological in nature, are assessed using a set of most suitable proxy variables.

## 7.6 DATA BASE AND METHOD OF DATA COLLECTION

The present study is conducted with the help of primary field data, which are collected by direct personal interview during the months of September and October this year. For the purpose a well-structured questionnaire was used. Apart from the structured questionnaire data are also collected through personal interaction with the respondents. Data from various secondary sources are also used substantially to supplement the primary set of data whenever and wherever necessary.

**Prologue**

As it is seen in the earlier chapter, in the theoretical economic literature four main approaches to understand entrepreneurship can be identified. The first focuses on the factor distribution of income. It seeks to identify a factor for which profit<sup>3</sup> is the reward. The second emphasizes the market process. This is a dynamic approach, which emerges as a critique to the static Walrasian concept of stylized perfect competition. Thirdly there is the heroic Schumpeterian vision of entrepreneur as an innovator whose 'creative destruction' regulates growth and fluctuations in the economy. The final approach concerns the relation between the entrepreneur and the firm.

However, a number of empirical studies reflect the theoretical confusion that prevails over the possible relation between the firm and the entrepreneur. Entrepreneurship, it was suggested, is a general phenomenon, reflected in the superior decision making abilities of certain individuals- in particular his motivation and his perception of the environment. The empirical literature, nevertheless, takes a very narrow view of the field where such abilities are revealed. It concentrates mainly on 'market entry through innovation effected by new small owner-manager firms'. The Small-Scale firms, thus, occupy a central place in the theory of new firm formation, dissolution and growth. As in the existing literature, the small firms are often identified with entrepreneurship, therefore, these become extremely significant in the discussion of individual's entrepreneurial behaviour.

In this chapter three aspects of these 'entrepreneurial firms' are focused. First it will try to provide a general profile of the sample firms visited. Second section attempts to present an industrial profile of these firms. The last part of the chapter is devoted to motivational and psychological characteristics of the owner-managers of these firms. The chapter ends with an epilogue, which sums up the discussion.

**1. GENERAL PROFILE OF THE SAMPLE****1.1 Categorization**

The 47 manufacturing and trading units, which were interviewed, cover a well-diversified area of entrepreneurial activities. The units were classified under NIC (National Industrial Classification) 1987 to standardize the distribution of the sample units. On three-digit codification these 47 units are distributed over 23 distinct categories which shows the extent of diversification. However, in five categories, four firms were interviewed (205, 289, 313, 316 and 342). Next concentration followed in two categories (265 and 305) covering three firms each. Category 204, 228 and 281 have two firms each; while rest of

<sup>3</sup> Profit being defined as the surplus which remains once the wages, rents, interests have been paid. In static competitive economy, with free entry and exit and no economies of scale, competition between the producers maintains long run profit at level zero. This negates the role of entrepreneur in the model.

the categories are having only one firm each. The distribution of the sample firms according to their industrial classification is given in the table 1.

Table 1

**Distribution of the firms by their industrial classification (As per NIC 1987)**

Sl no	CODE	Description	No of units	Percentage to total
1	202	Canning and preservation of fruits/vegetables	1	2.13
2	204	Grain milling	2	4.26
3	205	Manufacture of bakery products	4	8.51
4	219	Manufacture of food products n. e. c.	1	2.13
5	224	Manufacture of soft drinks and syrups	2	4.26
6	265	Manufacture of textile garments/accessories	3	6.38
7	270	Sawing and planing of wood	1	2.13
8	281	Manufacture of paper boxes and containers	2	4.26
9	282	Manufacture of paper made articles	1	2.13
10	288	Book binding on account of others	1	2.13
11	289	Printing and other allied activities n. e. c.	4	8.51
12	292	Manufacture of wearing apparel of leather	1	2.13
13	300	Manufacture of industrial chemicals	1	2.13
14	301	Manufacture of fertilizers/ pesticides	1	2.13
15	304	Manufacture of drugs, medicines etc	1	2.13
16	305	Manufacture of cosmetics and toilet preparations, washing materials	3	6.38
17	313	Manufacture of plastic products	4	8.51
18	316	Manufacture of residue petroleum products	4	8.51
19	342	Manufacture of furniture and fixtures of metal	4	8.51
20	361	Manufacture of insulated wires, cables etc	3	6.38
21	373	Manufacture of motor vehicle, coach work	1	2.13
22	380	Manufacture of medical/ surgical equipment	1	2.13
23	974	Repair of motor vehicles/ motor cycles	1	2.13
Total			47	100.00

\*Source field study

**1.2 Demographic and Social profile**

There were queries regarding various basic demographic and social characteristics of the owners of the sample firms, which were supposed to be important in explaining entrepreneurial behaviour of those individuals. Out of the 47 respondents only 4 (8.51 percent) were found to be female entrepreneurs (engaged in categories 202, 219 and 289) as against 43 male counterparts (91.49 percent). This result is in concordance with the overall situation of women entrepreneurs in the country and the state as a whole. This was revealed in several other studies time and again. The NSS 53<sup>rd</sup> round survey of Small

Industry Sector conducted in 1997<sup>4</sup>, for example, estimated that in rural Assam female household enterprises constituted 2.8 percent of the total household enterprises while it was only 3.5 percent in the case of urban household enterprises. Similar conclusion is also available in other studies as well [Mali: 2000]. When evaluating the performance of Rural Industries Programme (RIP) in the district of Nagaon, initiated as a part of Area approach towards creating entrepreneurship, it was observed that out of 76 entrepreneurs who have set up enterprises under the programme of RIP only 15 are female entrepreneurs constituting about 19 percent of the total sample while rest are males. The reasons offered as an explanation to this pattern of low women participation rate in the entrepreneurial activities include both ignorance and social system. For the present firm level data it is once again appeared to be valid. The age specific sex distribution of the sample respondents (table 2) reveals some interesting features.

Table 2

**Age specific sex distribution of the respondent entrepreneurs**

Sl no	Age group	No of respondents		
		Male	Female	Total
1	Less than 18	--	--	--
2	18 – 30	12 (25.53)	1 (2.13)	13 (27.66)
3	30 – 45	22 (46.81)	2 (4.25)	24 (51.06)
4	45 – 60	9 (19.15)	1 (2.13)	10 (21.28)
5	60 and above	--	--	--
Total		43 (91.49)	4 (8.51)	47 (100.00)

\*Source: filed study

Figures in the brackets indicate percentage to total

Various studies are available which treat age as an important explanatory variable in understanding entrepreneurial manifestations. Conventional theory suggests that younger the age greater is the risk taking possibility. However, there are others who suspect such an association. Nevertheless, Panda (2000), for instance, has tried to analyze how individual background and choice characteristics of the entrepreneurs are associated with entrepreneurial success taking particularly the case of Hotel Industry in Nagaland. His study posits a positive association between the age (above industry average) and the entrepreneurial success. He estimated the coefficient of association to be 0.44. The growth of entrepreneurial efforts in the state as a whole, when viewed along with the pattern of vertical as well as horizontal expansion of the Small Sector Units in the state, it is observed that average industry age is near thirty years (going by the trend, it is possible to assume the late seventies as the origin in the time scale). This provides an important insight as to age distribution of the sample entrepreneurs. It is seen from the table 2 that no of respondents in the age group 30 – 45 accounts more than half (51.06 percent) of the total respondent entrepreneurs. The reason for this more or less symmetrical distribution of

<sup>4</sup> This is stated in 'A Note on Small Trading Units in India and Their Basic Characteristics:1997' in Sarvekshana vol. XXIII; no: 4 ; issue no 83 published by the Ministry of Statistics and Programme Implementation ;Govt. of India.

ages in the sample is self-explanatory. Most of these firms were started in mid and late eighties as self-employment ventures, partly encouraged by government policies and initiatives and partly compelled by depressive internal labour and employment market. The 'achievers' who succeeded in setting up of own enterprises at that time were mostly fresh graduates in their late twenties. Most of these 'achievers' are now established entrepreneurs in their late thirties and early forties giving a high age concentration in that particular age group. The low frequency in the age group 45 – 60 could also be understood in a similar line of reasoning. The 18 – 30 age group however, does need some explanation. It was revealed during the course of interaction with the respondents that setting up of SSIs as self-employment ventures have gradually been replaced by preference for employment search in young generation. This change in the attitude has acted as a barrier to entry in to the industry. The nineties as they observe, happens to be a period of extreme uncertainties, with lots of internal and external risks involved, where willingness to take any further risks gets increasingly limited. This has resulted in a 'slowing down tendency'<sup>5</sup> in the sector, which is reflected in the age distribution.

The perspective as revealed by the respondents directs attention to the problem of occupational choice between self-employment and ordinary employment and, to a lesser extent between self-employment, unemployment and early retirement [Casson: 1990]. The stylized way to analyze this problem of choice is through The Cantillon-Knight theory that self employment is inherently more risky in the sense that the self employed person is contractually committed to uncertainty bearing while the employee is not. There are also arguments favouring the view that the small firms are more susceptible to cyclical influences [Acs & Audretsch: 1989]. These risks involved in setting up of self employment ventures are often viewed as 'barriers to entry'. One has to over come these barriers for choosing self employment ventures over employment.

Going by the distribution of marital status of the entrepreneurs (table 3) it was found that 78.73 percent of the total respondents are currently married. Two out of total four female entrepreneurs are divorcee and separated. One was found to be never married in her late thirties. For females personal distress seems to act as a basic motivating and driving force in looking for self-employment avenues. These firms were, as it was understood, created out of personal compulsion rather than anything else.

Table 3

**Distribution of the respondents by their marital status**

Sl no	Marital status	No of respondents		
		Male	Female	Total
1	Never married	7 (14.89)	1 (2.13)	8 (17.02)
2	Currently married	36 (76.60)	1 (2.13)	37 (78.73)

<sup>5</sup> For example in 1991 total no of small-scale units registered was 2517 which went up to 2855 in 1992 recording a 13.43 percent growth over the previous year. By contrast, in 1993, the no has gone down to 2310 giving a negative growth of 19.08 percent over the previous year. The negative trend almost dominated throughout the nineties and during 1991-99 the overall growth rate is estimated to be a negative 0.17 percent.

3	Divorced	--	--	--
4	Divorced and separated	--	2 (4.25)	2 (4.25)
Total		43 (91.49)	4 (8.51)	47 (100.00)

\*Source: filed study

Figures in the brackets indicate percentage to total

Looking at the pattern of distribution of enterprises by the social group of the owners (table 4) it could be observed that major section (40.42 percent) of the units is owned by general category while Other Backward Classes (OBC) owns the next major share (34.05 percent). Scheduled Caste (SC) and Scheduled Tribe (ST) appeared to be far behind as far as the entrepreneurial activities are concerned. Among all, ST group accounts for only 6.38 percent of the total sample while the figure stood at 19.15 percent for SC.

The pattern revealed by the sample is not different from overall situation in the State and the Country as a whole. The same pattern is available in a number of similar studies conducted at various points of time. The NSS 53<sup>rd</sup> round survey of small sector units<sup>6</sup>, for instance reveal that in case of Assam, out of total household enterprises covered by the study, 64.5 percent is in the hands of general category. SC owns 15.4 percent of the total units, the share of ST being 9.4 percent. The only difference is the share of the OBC, which is found to be just marginally higher than ST – 10.8 percent. But looking at the national figure we have the same pattern. The respective shares of general, OBC, SC and ST are 60.2, 21.4, 10.7, 1.6 percents only respectively.

Table 4

**Distribution of the respondents according to their social group**

Sl no	Social group	No of respondents		
		Male	Female	Total
1	SC	9 (19.15)	--	9 (19.15)
2	ST	3 (6.38)	--	3 (6.38)
3	OBC	14 (29.79)	2 (4.26)	16 (34.05)
4	General	17 (36.17)	2 (4.26)	19 (40.42)
Total		43 (91.49)	4 (8.51)	47 (100.00)

\*Source: filed study

Figures in the brackets indicate percentage to total

There is not much systematic literature available for studying relative backwardness of SC and ST in terms of entrepreneurial abilities and efforts. There are however, a few discrete studies, which attempt to provide an answer to the issue. As it is known that tribal societies are basically agrarian in nature and they have a weak collateral positions as their ancestors were not in 'business'. Next thing that is being pointed out is the mobility of the tribes. Migration in case of tribes is still limited to a particular extent. Preference for white colour jobs is very prominent among the tribes, particularly among the educated lots. The section, which is in the entrepreneurial activities, too has a high tendency of withdrawal

<sup>6</sup> As in note 1.

given a secured job [Prasain: 2000]. These, taken together, form the basis of low participation rate among the tribals in entrepreneurial activities.

The distribution of the respondents by their religion (table 5) reveals that the entrepreneurs interviewed were mostly Hindus (59.57 percent) followed by Muslims (17.02 percent), Sikh (12.77 percent) and others, which include Jains (Marowaries, 10.64 percent). One interesting aspect of the distribution is that a few category of industry showed a greater concentration of single religion in several cases. For instance Muslims are more dominant in categories 288 and 289, Sikhs are more in category 270 and 974 and Jains are concentrated in categories 265 and 204. This relative concentration of religion in particular categories are found to family affairs in most of the cases.

Table 5

**The religion wise distribution of the respondents.**

Sl. No	Religion	No of respondents	Percentage to total
1	Hindu	28	59.57
2	Muslims	8	17.02
3	Sikh	6	12.77
4	Christian	--	--
5	Others #	5	10.64
Total		47	100.00

\*Source: filed study

# Others include Jains

Migration, in both forms- internal as well as external, in most of the entrepreneurial literature is considered as a positive factor in developing entrepreneurship. The earlier theories of migration look in to the problem from a pure economic perspective. Difference in expected income forms the basis of these theories [Todaro: 1971]. The theories suggest that migrants attempt to maximize the expected utility function and decision to migrate is viewed as an optimizing behaviour. There are other studies as well, which talk of 'invisible infrastructure' [Casson: 1990] of a particular locality. They argue that the small firms are attracted to such localities through selective immigration of enterprising people from more depressed areas. There are also important historical precedents from the time of first industrial revolution. Some others have alleged on the contrary, for instance Myrdal that selective migration coupled with economies of agglomeration generates widening regional disparities through a process of cumulative causation.

The distribution of sample entrepreneurs by place of their birth (table 6) exhibits that only 19.15 percent of the respondents are from Guwahati rest are outsiders. Out of them 55.32 have migrated from different parts of the state while 21.28 percent are from outside the state. As for the reasons of migration, discussion is attempted in the third section in greater details.

Table 6  
Distribution of respondents by place of their birth

SI no	Place of birth	No of respondents		
		Male	Female	Total
1	Guwahati	8 (17.02)	1 (2.13)	9 (19.15)
2	In Assam but not in Guwahati	23 (48.94)	3 (6.38)	26 (55.32)
3	In north east but not in Assam	2 (4.25)	--	2 (4.25)
4	Outside Assam	10 (21.28)	--	10 (21.28)
Total		43 (91.49)	4 (8.51)	47 (100.00)

\*Source field data

Figures in the brackets indicate percentage to total

A look in to the educational attainments of the sample respondents (table 7) indicates certain important points. It is seen that more than half (51.06 percent) of the total respondents are in the 'below graduate and above higher secondary' level followed by 25.53 percent in the above graduate level. Only a marginal section (just 6.38 percent) is found to be highly qualified (above PG). There are three technical graduates (BE) in the sample.

While interpreting the pattern of educational attainment in the sample one must take in to account the type of industries to which these firms belong. A careful observation of the table 1 will reveal that the industries, to which these firms belong, by and large are of non-technical nature. These are also mostly labour intensive. These firms do not demand highly skilled technocrats but require semi-skilled flexible labour. This provides an explanation to the pattern that is observed in the sample.

There are arguments, especially from the sociologists, favouring the fact that persons who are 'misfits' to conventional social group have greater drive for entrepreneurship. In certain cases, indeed a person may be an 'outcast' - or at least feel himself to have become one. Hence search for respectability, through entrepreneurial success, may be an attempt to regain a social position which the entrepreneur believes he has lost [Casson: 1990]. In a slightly different context, Brenner has in fact suggested that entrepreneurial risk-taking may be an attempt to regain a lost position by people of a social group which have suffered unanticipated decline.

Table 7  
Educational attainments of the respondents

SI no	Level of attainment	No of respondents		
		Male	Female	Total
1	Illiterate	--	--	--
2	Primary	--	--	--
3	High school but not HSSLC	3 (6.38)	--	3 (6.38)
4	HSLC but not HS	3 (6.38)	1 (2.13)	4 (8.51)
5	HS but not graduate	21 (44.68)	3 (6.38)	24 (51.06)
6	Graduate but not PG	12 (25.54)	--	12 (25.54)

7	PG and above	4 (8.51)	--	4 (8.51)
8	Others	--	--	--
Total		43 (91.49)	4 (8.51)	47 (100.00)

\* Source field data

Figures in the brackets indicate percentage to total

Looking at the industry types to which the sample firms belong and looking at the educational attainment pattern of the respondents a possible link can be derived. Most of the entrepreneurs are undergraduates and hence are 'misfits' to the conventional job markets, which require minimum graduation as basic entry level qualification. The onset depression in the job market witnessed over the last decade is an added disadvantage. The 'misfits' as defined above therefore opt for or in other words forced to opt for self employment ventures which are labour intensive and non technical (hence demanding flexible, semi-skilled labour) in nature.

In understanding the nature (high labour intensity, low capital intensity) of these firms, family back ground of the respondents (table 8) and the size of their family (table 9) can provide some useful insights. It is seen that 38.30 percent of the total respondents are from business and trade background while the most of the respondents (42.55 percent) are from service background. This suggests that most of the entrepreneurs belong to middle class with a definite income limit. These respondents thus face financial constraints and can not afford to establish a capital intensive entrepreneurial firms but choose labour intensive fields.

Table 8  
Family background of the entrepreneurs interviewed

SI no	Activity of the father/mother	No of respondents	Percentage to total
1	Agriculture	6	12.77
2	Business and trade	18	38.30
3	Services	20	42.55
4	Others	3	6.38
Total		47	100.00

\*Source: Field survey

The distribution of the respondents according to their family size (table 9) shows that 42.55 percent of the total respondents belong to (4 - 6) class followed by 36.17 percent in (6 - 10) class. The rest (21.28 percent) are in the class (less than 4). The family size structure reflects typical middle class behaviour as mentioned earlier.

**Distribution of the respondents by their family size**

<i>Sl no</i>	<i>Family size</i>	No of respondents	<i>Percentage to total</i>
1	Less than 4	10	21.28
2	4 – 6	20	42.55
3	6 – 10	17	36.17
4	More than 10	--	--
Total		47	100.00

*\*Source: Filed survey*

The general demographic and social profile of the sample provides some very striking input for assessing and analyzing the background factors determining the entrepreneurial resourcefulness in the sample. This is attempted in the last section of the chapter. Another important part of the analysis relies heavily on the industrial profile of the sample firms, which is presented in the following section.

## 2. INDUSTRIAL PROFILE OF THE SAMPLE

The industrial profiles of the firms, which take resource of the variables and factors mostly economic in nature, can offer useful information regarding the behaviour of the entrepreneurs. In the sample studied the ownership pattern of the firms (table 10), for instance, shows that most of these firms (61.70) are proprietary firms. 14 out of 47 (29.79 percent) are partnership-firms and the rest 4 (8.51 percent) firms are family managed. One of the most important and highly criticized aspects of the existing entrepreneurial literature is assumption that there is only one entrepreneur per firm. This view is apparent in a surfeit of literature where the operation of the firm is seen merely as an extension of the personality of the founder. This tradition defines an "entrepreneurial firm" as a firm in which a single owner-manager seems to be in absolute control.

Table 10  
**Distribution of sample firms by their ownership pattern**

<i>Sl no</i>	<i>Ownership Category</i>	No of firms	<i>Percentage to total</i>
1	Proprietary	29	61.70
2	Family managed	4	8.51
3	Partnership	14	29.79
4	Joint stock	--	--
Total		47	100.00

*\*Source: field data*

Postulating a single entrepreneur per firm creates an artificial problem, namely deciding who exactly is the entrepreneur. The answer is fairly simple in the case of owner-manager, but it is not so in the case of firms where there is a dichotomy between ownership and management control. To see the problem we may look at the distribution of the sample

even some of the proprietary firms do have salaried managers. A total of 17 out of 47 firms (36.17 percent) reported to have salaried managers. However, most of the firms having salaried managers are found to be partnership firms.

Table 11  
**Distribution of the firms by their managing authority**

<i>Sl no</i>	<i>Managing authority</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Self	24	51.06
2	Spouse	2	4.26
3	Relatives	4	8.51
4	Salaried managers	17	36.17
5	Others	--	--
Total		47	100.00

*\*Source: Field data*

The problem can partly be solved by taking the stance as advocated by Frank Knight. Knight argues that the 'uncertainty bearing' is the true entrepreneurial function and this is effected by the owner of the firm who receives the 'residual income'. According to knight, responsibility for the financial consequences, can never, in an efficient system be separated from the responsibility of taking the decision. Barring the case of owner-manager, in other cases therefore, the true picture of the entrepreneurial function is not very easy to identify. Kaldor (1934) has tried to address this issue in a slightly different way. He observes that if the overall strategy of the firm is to be consistent with each of the individual ones, then 'all these (individual strategies) must pass through a single brain'. But the theoretical confusion remains even after that. As Charles Babbage has observed some hundred and fifty years back (1832) that a division of labour 'in thought' can be effected in decision making, so that different aspects of the decision can be delegated to different people. If each of these people has genuine discretion then their decision can influence the ultimate strategy of the firm in a substantial way. Thus the delegation of decision from bottom to top can be repeated within the organization, as the 'chief' resolves his own problems in to some sub problems which are delegated progressively further down the hierarchy. Of course, the chief reconciles and synthesizes the delegate's decisions and has a significant role, nevertheless, entrepreneurial decision making is still an activity which can, in principle, permeate the whole organization.

To over come such theoretical confusions which sometimes become too misleading to conclude anything reasonably, for all practical reasons a direct question was asked to the respondents as to who takes the ultimate decision in matters relating to business and management. The responses was 'the owner' in almost all the cases (about 98 percent). Therefore, putting aside the theories, entrepreneurs, at least in the case of the present sample, can be equated with the 'owners' rather than the 'managers'.

The size of the firm is another dominant topic in the theoretical literature, which is linked to a number of important aspects of firm formation and growth. The possible relation

between efficiency and the firm size is also explored. In terms of cost and production function analysis the concept of 'optimum firm' is very common. An optimum firm is defined as a firm operating in that scale at which in existing conditions of technique and organizing capacity it has the lowest average cost of production per unit of the output, when all those costs which must be covered in the long run are included.

The optimality is seen here in terms of technical efficiency rather than economic efficiency. It further presumes output level as size-variable. The firm when conceived as a technical unit producing a homogeneous product this sort of simple cost-output framework of analysis may be useful. In the case of a multi-product firm, however, it may be difficult to identify a single product, which defines the size of that firm. This requires a search for alternative measurements of size of the firm. Two stylized ways to determine the size of a firm are size of initial capital invested (original value of plant and machinery) and the size of the employment.

The distribution of the sample firms by the size of their initial investment (table 12) reflects that 40.43 percent of the firms had initial investment from 50 thousand to 1 lakh rupees. 29.78 percent of the firms had initial investment of rupees 1 to 5 lakh. No firm was found to have an initial investment beyond rupees 25 lakh. Going by the standard definition given by the Govt. of India ministry of industries (as per 1999 announcement) the firms interviewed can be recognized as ancillary units<sup>7</sup>.

Table 12

**Distribution of sample firms by their size of initial investment**

<i>SI no</i>	<i>Size of investment (Rs.)</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Less than 50000	9	19.15
2	50000 to 1 lakh	19	40.43
3	1 lakh to 5 lakh	14	29.78
4	5 to 10 lakh	4	8.51
5	10 to 25 lakh	1	2.13
6	More than 25 lakh	--	--
Total		47	100.00

\* Source: Field data

The size of working capital<sup>8</sup> per annum (table 13) resultantly, for these firms is found to be mostly within 50 lakh out of which highest is recorded in between 1 to 10 lakh (40.43

<sup>7</sup> 3An ancillary unit is the unit as per 1999 announcement where initial investment is up to Rs 25 lakh. There is a requirement for these units to supply at least 50 percent of the production/services to other undertakings. This is not seen in most of the cases in the sample.

<sup>8</sup> The Annual Survey of Industries 1997 defines the working capital as the sum total of physical capital, cash deposits in hand and at the bank and the net balance amount receivable over amounts payable at the end of the accounting year.

percent). This is followed by 10 to 15 lakh (34.04 percent) and below 1 lakh (25.53 percent).

Table 13

**Distribution of the firms by the size of their working capital (per annum)**

<i>SI no</i>	<i>Size per annum</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Below 1 lakh	12	25.53
2	1 lakh to 10 lakh	19	40.43
3	10 to 15 lakh	16	34.04
4	50 lakh to 1 crore	--	--
5	More than 1 crore	--	--
Total		47	100.00

\*Source: Field data

The 'smallness' of the firms is also revealed by the size of their employment (Table 14). Till 1960 government of India had an employment criterion to define the small scale units along with the investment criterion. It was given that a firm to be identified as a small scale unit should have less than 50 workers<sup>9</sup> per day (with the use of power) or less than 100 workers per day (without the use of power). Though this worker criterion was dropped in 1960 nonetheless this may provide some insights in to the size effect of the firms anyway.

Table 14

**Distribution of the firms by their employment size**

<i>SI No</i>	<i>No of employees</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Less than 10	18	38.30
2	10 to 25	20	42.55
3	25 to 100	9	19.15
4	More than 100	--	--
Total		47	100.00

\*Source: Field data

This size factor is important in the analysis in the sense that it has links with other firm attributes. Dominance of the proprietary pattern of ownership of the sample firm for instance is linked with the size of the firms. But more importantly this factor is linked with the financial characteristics of the firms. The size and ownership patterns have direct

<sup>9</sup> The Annual Survey of Industries 1997 distinguishes the worker from the employee. Workers are defined to include all persons employed directly or through any agency whether for wages or not, and any manufacturing process or in cleaning any part of the machinery or premises used for manufacturing process or in any other kind of work identical to or connected with the process or the subject of the process. Whereas employees include all workers defined as above and persons receiving wages and holding clerical, supervisory or managerial position or engaged in administration of the office.

bearing upon the financial position of the firm. The size of a large firm measured in terms of value of its assets normally enables it to obtain long term finances and other credits at more favourable terms than a smaller firm. Apart from this, the actual administrative cost of raising funds (per unit of money raised) falls with the size of the issue, just as the average fixed cost declines with the level of output. The financial market tends to view the size of the firm as an indicator of the credibility. This is suggested by the loan profiles of the sample firm as well.

A look in to the distribution of the sample firms by their loan liabilities (table 15) reveals that 65.96 percent of the total firms are currently having loan liabilities. 23.40 firms had earlier loan liabilities and 10.64 percent of the firms never had any loan liabilities.

Table 15

**Distribution of the firms by their present positions regarding loan liabilities**

Firms currently having loan liabilities	Firms earlier having but currently not having loan liabilities	Firms never having loan liabilities
31 (65.96)	11 (23.40)	5 (10.64)

\*Source: Field Data; Figures in the brackets indicate percentage to total.

As far as the sources of loan are concerned it was observed that 21.43 percent of the firms are self-financed. 40.48 percent of the firms are found to be family financed. Only 38.09 percent of the firms have taken loans/credits from financial institutions (table 16). When asked about the reason for not going to the financial institutions, it was revealed that the lack of asset security of the firms and policy and red-tapism of the financial institutions made the firms indifferent towards institutional finances. The ones who had institutional loans are found to be mostly soft-finance beneficiaries.

Table 16

**Distribution of the firms according to their loan sources**

Sl no	Sources of loans	No of firms	Percentage to total
1	Self	9	21.43
2	Family/relatives/friends	17	40.48
3	Financial institutions	16	38.09
4	Private money lenders	--	--
5	Others	--	--
Total		42	100.00

\*Source: Field data

Studies are there, which relate both size and ownership with risk element involved in entrepreneurship. In economic literature Knight has the distinction to distinguish between risk and uncertainty. Risk, according to Knight, relates to recurrent situations in which, by repeating observation, it is possible to estimate the relative frequencies with which different outcomes would occur. He further argues that the overall risk involved, can be reduced by pooling risks together, which are negatively correlated. Knight preferred to see

the evolution of the joint stock companies in these terms (i. e. as a process of risk aversion).

This theoretical framework helps to relate risk and ownership pattern of firms. Proprietary is obviously more risky than partnership. Because in partnership there is a possibility of pooling risks as there will be more than one owner. Negative (hence risky) traits in one individual is or can be balanced by the positive (hence less risky) qualities of the other. The Joint Stock Companies are thus least risky out of all. So far as the size of the firm is concerned economists tend to view small firms more risky than the large firms. Going by this line of reasoning and considering the pattern of ownership and size distribution of the sample firms we observe a reasonably high degree of risk taking capacity within the sample entrepreneurs. Casual and normal tendency of relative risk aversion by way of insurance provisions, however, is also seen in the sample (table 17).

Table 17

**Distribution of firms according to their insurance status**

Sl no	Insurance status	No of firms	Percentage to total
1	With insurance	43	91.49
2	Without insurance	4	8.51
Total		47	100.00

\*Source: Field data

Innovation is another key issue in entrepreneurial research. The emphasis on innovation means that Schumpeterian issue concerning the relation between the firm size, R & D (Research and Development) expenditure and innovation come very much to the fore.

In a Schumpeterian approach firms that have been able to introduce successful innovations can command a stream of quasi-rents for a consistent period of time. When a part of these quasi-rents is invested to up to date the technological leadership with high levels of R & D expenditures, innovative firms have higher chances to remain on the technological frontier and consequently generate further successful innovations. In such a view innovative firms have significant advantages over the other firms in terms of lower liquidity constraints. Financial resources for risky investments like R & D in fact can be provided internally. Firms that cannot exhibit a record of successful innovations on the opposite have no extra profits internally generated to fund R & D activities and no reputation to reduce likelihood of specific credit rationing by the financial market. Localized innovation, hence, in Schumpeterian approach is mainly an outcome of the positive feed back between successful innovations and market imperfections in the allocation of financial resources [Antonelli: 1995].

Though it is tempting to believe that the small firms are more innovative than the large firms, high technology innovation through huge R & D expenditure is not always possible for a small firm as the small firm often faces the financial constraints. The chances of internal funding again are quite limited, as the initiation is not there. This seems to be

valid in the case of present sample also as none of the firms reported to have an R & D component in its total expenditure. The most of the firms, however, expressed that R & D could have led to higher profitability but at the same time it was revealed that this was not possible for small sized firms like theirs. Out of 47, 42 firms expressed (89.36 percent) a positive attitude while the rest 5 remains indifferent. None of the firm expressed a negative attitude to R & D expenditure.

A few empirical models are there which interestingly formalize the idea that high technical innovation may lead to increased concentration [Dasgupta: 1986]. However, the view that industries facing greater technological and innovative activities tend to be more concentrated has been severely contested. In the absence of R & D expenditure one can take another aspect of firm functioning- industrial diversification to access the extent of innovation within the firm.

Industrial diversification is a well-known feature in many countries and there are indications that the tendency towards diversification has been ever increasing. According to Sutton (1973) and Grant (1974) managerial motivation is the key element behind diversification. They have identified that reasons for such managerial motivations can be the low and/or falling growth rates of the existing products. In this case organization will try to find new and fast growing product lines. Alternatively diversification may take place with a view to reducing market risk. To have an idea of the extent of diversification (used as a proxy for innovation), a look at the distribution of the sample firms according to their number of products and service lines may be useful (table 18).

Table 18

**Distribution of the sample firms according to their number of product and services**

<i>Sl no</i>	<i>No of products/services</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Single	36	76.60
2	2 to 4	9	19.15
3	4 to 6	2	4.25
4	6 to 10	--	--
5	10 and above	--	--
Total		47	100.00

\*Source: Field Data

It is seen from the distribution that most of the firms (76.60 percent) in the sample are single product firms showing a very limited extent of diversification. Only 11 firms (19.15 percent) are found to be multi product firms. This is indicative of low innovativeness of the sample entrepreneurs.

In an institutionalist approach, however innovation (through localization of the technological change at the firm level) is thought to be an outcome of the role of learning within the organization. Here a firm is viewed not only as a device of exploiting information but for gathering it too. Information can be used to test alternative hypotheses

concerning the state of environment, prior to submitting the hypotheses to the ultimate test of whether they provide profitable strategies in the market. The capacity of the firm to generate a feedback loop by monitoring the consequences of managerial decisions makes it possible to institutionalize the learning process. Good internal communications within the firm allow it to function as an open learning system, whereby the public good properties of information are exploited to allow employees to draw their own inferences from the information collected by the firm. This way firm evolves in to a social unit, where decisions are delegated through an intellectual divisions of labour. Information fed back from the environment is disseminated widely as an internal public good. Free access to this information allows everyone to take entrepreneurial decisions effectively, when and wherever it is required. This aspect of the entrepreneurial process yet to receive the attention of the policy makers.

The marketing and advertisement behaviours were also examined with the objective of deriving useful information regarding the genuine entrepreneurial behaviour of the respondents. Marketing of the products remains a major problem for the most of the small-scale industries. A firm can employ several alternative marketing strategies, which include undertaking business visits, using various business services, depending on the marketing agencies etc. In the sample it was observed that 48.94 percent of the total firms relies on the direct marketing. 27.66 percent depends on the business services while 23.40 percent firm use marketing agencies to promote their products (table 19). The dependency on the direct marketing is consequent up on the lack of effective marketing services in the region. The existing marketing services, though have increased in last couple of years, have not been able to influence the domestic firms to a sufficient extent.

Table 19

**Distribution of the firms by their marketing strategies**

<i>Sl no</i>	<i>Marketing strategy</i>	<i>No of firms</i>	<i>Percentage to total</i>
1	Direct marketing	23	48.94
2	Depend on business services	13	27.66
3	Depend on marketing agencies	11	23.40
Total		47	100.00

\*Source: Field data

Since the most of the sample firms rely only on the direct marketing therefore the their advertisement behaviour was decided to examine. It is believed that advertisement is much more common and relevant in the monopolistic and oligopolistic markets. This is more prominent in the case of relatively large firms, which in its attempt to capture a large share of the market create an artificial barrier of entry in to the market so as to eliminate the immediate rivals. In the sample only 5 (10.64 percent) of the firms reported to have a well-marked advertisement budget which is revised annually. But most of the firms (89.36 percent) do not have a definite advertisement budget. It was further inquired about the size of the budget. Out of these 5 firms 4 have a budget less than one lakh. The other has more than one lakh.

The last important industrial aspect of these firms sought to analyze was the labour/worker recruitment procedure of the firm. This is essential for supplementing the results already obtained. A glance at the distribution of the sample firms by their worker recruitment procedure (table 20) reveals that most of the firms depends on informal recruitment procedures (74.47 percent) while only 25.53 percent reported to have employed formal procedures. This is in a way is evident from the foregoing discussions. Looking at the industry structure, firm size and extent of entrepreneurial efforts this sort of flexible system of worker recruitment is not surprising.

Table 20  
Distribution of firms by their worker recruitment procedures

Sl no	Recruitment procedure	No of firms	Percentage to total
1	By formal interview	12	25.53
2	By informal advertisement	15	31.92
3	By word of mouth	12	25.53
4	Through middlemen	5	10.64
5	Others	3	6.38
Total		47	100.00

\*Source: field data

System of labour recruitment as described above in the context of the given sample firms is illustrative of high degrees of flexibility. Labour market flexibility implies three kinds of flexibility: wage flexibility, employment flexibility and job flexibility. Wage flexibility refers to short-run variability of wage rate. In an economy with zero inflation, the relevant wage rate would be the money wage rate. In most economies, however, inflation is endemic. Therefore it is flexibility of product wage rate that matters. Employment flexibility refers to the relative ease with which labour can be hired and fired. Job flexibility on the other hand refers to the ease with which labour can be transferred from one occupation to another within a firm or enterprise [Ghose: 1995].

Since in our case the workers are by and large semi skilled job flexibility is always there. The other two types of flexibility are inherent in the recruitment procedure itself. Hence the labour recruitment procedure is suggestive of a highly flexible labour market.

One byproduct of this of flexibility, as Brusco has pointed out in his seminal work on Emilian model of third Italy industrialization, is the proliferation of 'black labour' which is characterized by underpayment, lack of welfare facilities, absence of supplementary benefits which altogether bring some other issues of concern.

The industrial profiles of the firms as recorded above no doubt illustrate some of the most interesting and determining factors and issues of entrepreneurship. But the problem with this kind of analysis is that this does not really explain certain issues, which are fundamental to the entrepreneurship. It tends to take the existence of the firm as self evident and then explains the role of the entrepreneur in terms of the need to manage the

firm in a particular way. A possible and useful alternative could be to look at the issue of the entrepreneurship as primary concept and explain the creation of the firm as a deliberate and rational response to a problem encountered by the entrepreneur. This will require analysis of the psychological aspects of the entrepreneur, which is attempted in the following section.

### 3. PSYCHOLOGICAL PROFILE

The view that the entrepreneurship precedes firm formation assumes entrepreneurship as quality not as action. When considered, such view becomes quite subjective and hence it becomes extremely complex to handle empirically. We can use certain value-based questions to elicit responses, which approximate the qualities often referred to in such literatures.

The reasons for selecting the present activity in the case of the sample are found to be mostly non-economic in nature. Previous related experience is found to be most common reason for selecting the present activity in the sample. About 40.43 percent of the respondents gave this as their reason for entering the present activity. This however can be invaluable in developing entrepreneurial skills. Self employed people with previous experience of their industry perform, on average, better than do outsiders [Casson: 1990]. Among the other reasons ease of entry is found to be very prominent in the case of sample firms (table 21).

Table 21  
Distribution of the sample entrepreneurs by their reasons for selecting present activity

Sl no	Reasons	No of respondents	Percentage to total
1	Easy to enter	12	25.53
2	Higher profit prospect	7	14.90
3	Previous related experience	19	40.43
4	Less competitive	--	--
5	Availability of low cost technology	--	--
6	Demonstration effect	1	2.13
7	Cheap labour	3	6.38
8	Others	5	10.63
Total		47	100.00

\*Source: Field data

As mentioned in the first section, migration or more appropriately selective immigration is positively associated with the entrepreneurial efforts. But reason for migration is equally important in deciding whether migration is entrepreneurship related or not. Looking at the response pattern of the respondents of the sample as to the question why the present location is being selected one, can get the impression that non-economic rather than

economic factors are more instrumental in the decision to migrate and hence can to be viewed as purely entrepreneurial behaviour [Table 22]. Another important point that emerges from the responses is that there is hardly any inter-firm network where a cluster of homogenous firms form the basis of firm formation and growth.

Table 22

**Distribution of the firms by their reasons for selecting the present location**

SI no	Reasons	No of respondents	Percentage to total
1	Advice of family members/friends	10	21.28
2	Availability of land	12	25.53
3	Nearness to resources	9	19.15
4	Advantage of home town	4	8.51
5	Existence of similar units near by	5	10.64
6	Transportation advantage	7	14.89
7	Others	--	--
Total		47	100.00

\*Source: field data

Motivation as viewed in most of the entrepreneurial research is one of the most significant variables in developing the entrepreneurship. 44.68 percent entrepreneurs are found to be self-motivated (table 23). Almost same percent of the entrepreneurs is found to be motivated by the family members and friends. It is important to note that Government agencies have failed to motivate any of the sample entrepreneurs. Similar is the case with the other promotional agencies. This raises questions regarding the efficacy of such agencies. This needs a through review of the existing policy framework, which will be attempted in the subsequent chapter.

Table 23

**Distribution of the respondents by their prime motivators**

SI no	Motivators	No of respondents	Percentage to total
1	Self	21	44.68
2	Family members	11	23.40
3	Friends/ Relatives	10	21.28
4	Govt. agencies	--	--
5	Other promotional agencies	5	10.64
Total		47	100.00

\*Source: Field data

Goal orientation aspect of the respondents (table 24) reveals that more than half (53.19 percent) of the respondents view achieving success as their goal. Making money and attaining high status in the society are other two goals as responded by the entrepreneurs. The sample shows a high success orientation on the whole.

Table 24

**Relative ranking of the goals by the sample firms**

SI no	Goal	No of firms	Percentage	Rank
1	Achieving success	25	53.19	1
2	Attaining high status	3	6.38	3
3	Making money	19	40.43	2
4	Serve the nation	--	--	4

\*Source: Field data

It is however important to know the perception of the firms regarding success as most of the firms shows success orientation. The respondents observe urge to excel as the basic requisite for achieving success in the enterprises (48.94 percent). Sense of market is also been emphasized (19.15 percent). Several firms see the family backing to be very important (23.40 percent). Interestingly formal training has not been seen as an important factor for firm's success.

Table 25

**Distribution of the firms by their preference for requisites for success**

SI no	Requisites for success	No of firms	Percentage	Rank
1	Urge to excel	23	48.94	1
2	Market knowledge	9	19.15	3
3	Family backing	11	23.40	2
4	Abundant resources	3	6.38	4
5	Formal training	1	2.13	5

\*Source: Field data

The sense of withdrawal (table 26), which is one of the factors determining entrepreneurial resourcefulness as posited in the resourcefulness model, is found to be very limited in the sample. This shows high entrepreneurial inclination in the sample firms.

Table 26

**Distribution of the respondents by their sense of withdrawal**

SI no	Frequency of feeling of withdrawal	No of respondents	Percentage
1	Always	--	--
2	Often	2	4.26
3	Occasionally	17	36.17
4	Never	28	59.57
Total		47	100.00

\*Source: Field data

The low level of sense of withdrawal can be linked with the level of diversification of the firms. This theoretical link has been confirmed by Hilke and Nelson (1988). They argue

that under reasonable conditions large diversified firms that are about to enter an industry may be more likely to exit in the face of lower returns or higher risks (predation) than are small non diversified firms. In a predatory pricing a firm reduces its price to drive out rivals and frighten potential entrants of risk. When rivals disappear, the firm will increase the price. From an entrant's viewpoint predation will lower expected profit since the existing firms' aggression may signal competitive disadvantage which may reduce expected revenues. Therefore a large diversified firm may be more likely to exit than a less diversified firm under the reasonable assumption that large diversified firms face lower marginal costs in moving resources to other sectors and/or markets not affected by predation. The link between sense of withdrawal and extent of diversification seems to be valid even in the present sample.

### Epilogue

The sample, thus reflect in general, a reasonable level of entrepreneurial resourcefulness as postulated by the model of entrepreneurial resourcefulness. The sample exhibits a high degree of entrepreneurial orientation so far as motivation, ability to take risk, market sense and competitive desire to excel are concerned. However level and extent of innovation within the sample firms are not significant. The sample also shows a favourable entrepreneurial inclination in terms of low sense of withdrawal and ability to persevere. On the whole the sample makes a good case for the success of entrepreneurship in the region.

It was observed, however, that due to inherent limitations of the small firms there are certain problems of developing entrepreneurship within these firms. Size of the firm is seen to be a major handicap in the growth of entrepreneurship in small firm ventures. Nevertheless going by the sample experience it can be suggested that entrepreneurial resourcefulness in the region is fairly reasonable and hence entrepreneurship has a good potential for growth provided proper policy is designed and implemented.

## Chapter III PRESENT POLICY AND INCENTIVES : HOW FAR AND HOW MUCH - A SURVEY AND A CRITIQUE

Entrepreneurship Development Programmes (EDP) in India has been conceived, designed and initiated as a part of 'loose' financial deliberation and requirement rather than a concrete development approach which sought to achieve certain macro objectives such as employment generation, particularly among the educated youths and rapid industrialization. There are Central, State, Regional and even District level organizations engaged in providing training and other support services for promotion and development of entrepreneurship in the country.

In the North East, Assam started a novel experiment on entrepreneurship development in 1973 by setting up District level agencies called as Entrepreneurial Motivation Training Centres (EMTCs). The responsibilities of these EMTCs were to identify, select and train the prospective entrepreneurs and to provide them with all necessary support services to start and run their enterprises.

The EMTCs were formed based on the guidelines of the integrated model of entrepreneurship development evolved by the Small Industry Training Extension Institute (SIET), Hyderabad (now National Institute of Small Industry Extension Training -NISIET). This integrated model had the following five main components: a) Local organization to initiate and support potential entrepreneurs till the break-even stage, b) Interdisciplinary approach, c) Strong information support, d) Training as an important intervention for entrepreneurial development, monitoring and evaluation e) Institutional financing.

EMTCs were initially under the state planning board but after a comprehensive evaluation of the performance of these EMTCs, established in 1973, in 1979 the programme has been transferred from the state planning board to the Department of Industries. At present there are nine EMTCs in the state. A recent study conducted by the IIE (Indian Institute of Entrepreneurship) reveals that during the period 1973-1997 more than 30,000 persons were trained in these nine EMTCs. Though the seriousness with which the programme is being implemented in recent years is not up to the expectations, the efforts put in by the EMTCs certainly deserve complements from every one concerned. This experiment carried out in Assam has proved the effectiveness of pre-training, training and post-training mechanism at the field level covering a few districts, with one EMTC as the overall coordinator of the programme for the region consisting of a few districts. During the early seventies these EMTCs were the only institute of these kind directly involved in training and developing entrepreneurship in Assam.

In other states of the North East, other than support institutions for stimulating industrialization, there was no mechanism for organizing entrepreneurship development efforts. The impact of EMTCs has established their special contribution for promoting

entrepreneurship if a comprehensive and wide-ranging mechanism is evolved for the purpose in every state/region.

The government of Assam also took the initiative of setting up of a regional centre of the SIET at Guwahati offering land free of any charges. The regional centre, which was set up in 1979 at Guwahati, is now a full-fledged National Institute known as the Indian Institute of Entrepreneurship (IIE) under the Ministry of Industry, Government of India.

There are now other organizations as well, besides the EMTCs and the IIE, who are directly or indirectly involved in the process of developing entrepreneurship in the North East. Among them are the NEITCO, NECON, NSIC, SISI, NPC etc. Apart from these organizations several other voluntary organizations, academic institutions, commercial banks are engaged in the promotion and development of entrepreneurship in the region.

The existing policy of developing entrepreneurship as initiated and experimented by these promotional agencies devotes a substantial emphasis on *training*. These training include skill development, financial accounting methods, personality development and market analysis. The other significant component of these programmes is the post training support services offered to the trainees including the finance and marketing services. The women entrepreneurs are encouraged at every stage. There are efforts to successfully reconcile the role of the NGOs in these training programmes.

In 1973, North Eastern Industrial and Technical Consultancy Organization (NEITO) was started at Guwahati by the development financial institutions and banks. The entrepreneurship development training has been one of its functions. North eastern Consultancy Organization (NECON) was started in 1987 with its headquarter at Imphal. Later on, the headquarter was shifted to Agartala. The NECON operates in Manipur, Nagaland, Mizoram and Tripura as a consultancy organization. It has been trying to develop entrepreneurship as well. After the coming of the NECON, the NEITCO activity was confined to three states – Assam, Meghalaya and Arunachal Pradesh.

Small Industrial Development Organization (SIDO) headed by Development Commissioner of Small Scale Industries with its network of small industries service institute has been conducting a variety of entrepreneurship development programmes and innovating new approaches over the years. National Small Industries Corporation (NSIC) is also engaged in enterprise building programmes and ED awareness programmes in different regions.

The NEC has taken keen interest in HDR in the region. It recognized the crucial role of entrepreneurship development in the growth of industrial development in the region. In 1976, NEC sponsored a study on entrepreneurial and managerial needs of the NE region to the SIET Institute, Hyderabad. The study was completed in 1978. The study among the other things, analysed existing and potential entrepreneurship development and suggested action strategies for entrepreneurship development for each state. Three directions of support for training programmes have been for creating awareness about ED, EDPs of 6 to 8 weeks duration and certain programmes for existing entrepreneurs. However, new entrepreneurs creation programmes were given greater weights.

Over the years a number of institutions have evinced interest in EDPs. But the major roles continue to be of SIET-NISIET-IIE, NEITCO and NECON. These three institutes have the specific responsibility of carrying out the EDPs. The NEC has been playing the role of the major sponsor for these programmes. Two other agencies are now playing a prominent role in sponsoring these programmes. These are IDBI (Industrial Development Bank of India) and SIDBI (Small Industrial Development Bank of India). Starting with the 1973 NEC was instrumental in funding the programmes in the first few phases. During 1985-1994, IDBI has taken up the responsibility. And 1994 onwards SIDBI has taken over the responsibility of sponsoring. In the recent years, some more agencies are generating interest in EDPs. For example Council for Advancement of People's Action and Rural Technologies (CAPART) under the Union Ministry of Rural Areas and Employment, for involving voluntary organizations in ED efforts in training or in other stages of activity, Union Department of Science and Technology (DST) with focus on promoting science and technology background persons and NABARD for promoting entrepreneurship among women and for all types of candidates in rural and semi urban areas. In the context of rural development programmes, Union Ministry of Rural Areas and Employment can also consider extending support. What is needed is creation of sizeable impact among candidates / groups of prospective entrepreneurs by organizing comprehensive intervention strategies with training as only one part, and pre-training and post training efforts being given considerable importance at the district level [Nagaya: 2000]. Spreading the activity widely at the district level and sub-district level extensively is crucial for generating entrepreneurship on a massive scale for promoting income-generating enterprises.

There have been several changes in the approaches towards developing entrepreneurship. The IIE has tried the area approach in recent years, which is called the Rural Industries Programme (RIP). It was experimented first in Nagaon district of Assam from November 1996 with the sponsorship of SIDBI. The IIE envisaged the implementation of this experiment in two phases. In the first phase, the effort is to identify the viable projects, select prospective entrepreneurs and organize motivational training at different places in the district and train about 130 prospective entrepreneurs. In the second phase, it will try to devise specific follow up activities for the promotion and development of tiny and small entrepreneurs in the preparation of the project reports, up gradation of skills and to assist them in securing finance from banks and financial institutions and to follow up, guide and monitor their progress.

It is reported that the RIP has been able generate considerable interest entrepreneurial activities among youths in the district. Among the 254 prospective entrepreneurs enrolled and trained, 137 selected projects and prepared project reports, 104 applied for loans, and eventually 76 units have been established during the period November 1996-September, 1998. The success rate of enterprises set up out of persons trained is found to be 29.9 percent. 41 percent of the total trained persons has applied for loans, 69 percent has prepared project reports. 35 persons set up enterprises with bank loans and 41 on their own.

In the beginning, the response of banks was one of indifference. This has resulted in considerable delay in appraisal of loan proposals, sanction and disbursement of loans.

There has been some change in this regard in the recent months. This is partly due to contrast follow up and monitoring done by the RIP office, and partly due to efforts made to involve banks in the experiment at various stages.

Centrally sponsored Growth Centres Scheme has been in operation from 1988. Largely Central and State governments have promoting this programme, as it has been found to be difficult institutional financing and market borrowings. Assam has three centres identified under this programme. Though the scheme has been considerably modified to cater to the specific needs of the individual states of the North East, progress recorded till date is still very small, in view of the difficulties experienced in different centres identified so far. The Integrated Infrastructure Development Schemes (IID) with technological back up services for the benefit small, tiny and rural enterprises in identified location is being pursued by the North Eastern states with support of the centre. The scheme has been in operation from 1992. For the North Eastern region, the financing pattern has been modified as 4:1 between Government of India and SIDBI compared to 2:3 in the other parts of the country. However, SIDBI's contribution is loan whereas Government of India's assistance is grant.

As part of the package announced by the Centre for the North East, including Sikkim, centrally sponsored growth centres, IIDCs and other special purpose industrial estates and industrial areas promoted by the concerned state level institution will become totally tax free zones for setting up industries for the next ten years and industrial units will also receive investment subsidy for plant and machinery to the extent of 15 percent of the cost subject to a ceiling of Rs. 30 lakh. Central subsidy scheme for the NE region, including Sikkim, has been extended up to March 2007, and the amount will here after be disbursed through the North East Development Finance Corporation (NEDFi). NEDFi is expected to replace the SIDBI for all practical purposes and will act as a refinancing institution for primary lending institutions, apart from direct financing for certain purposes.

Other facilities of the package include-

- Exemption in sales tax and municipal tax
- Interest subsidy of three percent on working capital loans provided for a period of ten years after the commencement of production
- Setting up of dedicated branches of commercial banks and NEDFi to process application for term loans and working capital.

As an incentive for self employment the PMRY is proposed to be expanded in scope to cover areas of horticulture, piggery, poultry, fishing, small tea gardens etc so as to cover all economically viable activities. The programme would have a family income ceiling of Rs 40,000 per annum, for each beneficiary along with his/her spouse and upper age limit will be relaxed up to 40 years. Projects costing up to Rs.2 lakh in other than business sector will be eligible for assistance. No collateral will be insisted for projects costing up to Rs 1 lakh. Group financing up to 5 lakh will be eligible. The scheme will have a subsidy component of 15 percent with an upper ceiling of Rs 15 thousand. The PMRY would continue to have an Entrepreneurship Training Component as per the existing rate.

The package also proposes to have a comprehensive insurance scheme for industrial units in the North East which will be designed in consultation with the General Insurance Corporation of India Limited and cent percent premium for a period of 10 years will be subsidized by the Central Government. A one time grant of Rs 20 crore will also be provided to the NEDFi by the Central Government through the NEC to fund techno-economic studies for industries and infrastructure best suited for the region. The package further proposes to explore the market potentials for the export products of the region in the neighbouring countries.

On the whole the review indicates four distinct approaches of the existing policies. First is the direct approach towards entrepreneurship creation where institutional intervention (at various levels) is seen in three areas training, support and follow-up. The Second relates to various incentives and schemes of the government particularly for self-employment, taxation and subsidy measures and other measures. The third is the financial assistance to the prospective entrepreneurs through various financial institutions. The last is the regulation and legislation favouring new firm formation and entrepreneurship creation.

It is, thus, observed that the existing policies suffer from the following four major drawbacks:

1. These measures are rather mechanical in nature. The policies are too simplistic and there is a natural tendency for reducing the scope to mere intervening actions. These are based on the assumption that the entire NorthEast is homogeneous.
2. The policies are replicated in most of the cases. The Training and support services are replicated from earlier models, which have been successfully experimented in some other parts of the country.
3. The policies, in most of the cases, are not monitored effectively. Scope for self realization is rather limited and this result in lack of appropriate follow-up measures.
4. These are only one-sector models. Entrepreneurship by its very nature is multi-faceted phenomenon and therefore needs multi-sector planning.

These broad issues are to be addressed for designing any effective policy for entrepreneurship development in the region.

Entrepreneurship, in the economic literature, assumes substantial importance because of its wide-ranging appeal. The development and growth of industrialization is often viewed along with the development and growth of entrepreneurial efforts. The development theorists find it difficult to explain differences in the performance of national economies purely in terms of differential endowments of conventional factors of production. It is therefore, suggested that differences in indigenous entrepreneurship explain the residual variation. There is, however, a danger when entrepreneurship is introduced merely as a non-specific catch all for the non-quantifiable factors involved.

Looking at the industrial pattern of the North East as a whole, and that of Assam in particular, one might have the temptation to believe that the region lack entrepreneurship. Having such a pre-conceived idea may lead to serious faults so far as the policy formulation is concerned.

The study, on the contrary, indicates that the level and extent of entrepreneurship as revealed by the entrepreneurial resourcefulness in the sample are fairly reasonable and hence there is a great possibility of development and growth of entrepreneurial activities. It is important to note that failure of entrepreneurial efforts not necessarily suggest lack of entrepreneurial qualities of individuals. The failure may be due to X-inefficiency within the organization and high transaction costs in the conventional markets. Another significant factor may be the level of 'social capital', which includes trust and mutual cooperation among the group. The industrial decline in the nineties as revealed in the study is resultant upon deteriorating social capital rather than reduced level of resourcefulness. A social group with an outward looking leadership that promotes high moral values within the group is most likely to sustain in entrepreneurial efforts. The resourcefulness model fudges these broad factors and as such found to be not very reliable.

The policy issues that emerge from the analysis show that neither impersonal markets mediated by various intervention mechanisms and formal contracts, nor rigid systems of supervision and control can provide a supporting environment for entrepreneurship to grow and develop. As such government policies, particularly special incentives and interventions to promote the small firm start-ups are unlikely to stimulate entrepreneurship to any significant extent. The study suggests that improvement in basic education (both moral and scientific), coupled with wide ranging fiscal reforms along with the conventional and modified (i. e. incorporating broader issues as pointed out in the study) intervention mechanisms are likely to be more effective than single special small firm start-up policies.

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