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DEDICATION

I dedicate this dissertation to my wonderful family, particularly to my Parents. Their time, energy, and support were critical to the completion of my dissertation. I also thanks to all my class mates helped in this research project. I learned about the energy, motivation and enthusiasm that one can obtain from success of someone else. I expect to carry this lesson with me long after latest study has developed our consideration of incidental education. Particular thanks to my educational supervisor, [Dr____Name_____], for his/her guidance and commitment in the research.

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Writing this thesis has been very demanding, challenging and time-consuming, but also remarkable, informative and above all fun. Nevertheless, it feels great to have finally completed my master's thesis and I am now looking forward to a nice relaxing period for recovering. It has been both advantages and drawbacks with the limited amount of earlier research conducted within this area, even though I faced serious troubles but sometimes the advantages of this research luckily were in my favour and have made this research both challenging and interesting.

I would like to thank my supervisor -----, professor at -----University, who has been great in guiding me through this thesis, helping me through the difficulties I faced during the entire process and motivated me to work hard. Furthermore, I would like to thank all my friends, for their contributions by sharing their perceptions and opinions with me. Above all I would like to thank my family and teachers that provided me with valuable and constructive criticism.

DECLARATION

I [*type your full first names & surname here*], confirm that the following research and its complete content has been personal, unaided attempt and has not been published or submitted earlier. Additionally, it demonstrates my view and take on the subject and is does not represent the view of the University.

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Abstract

For a living, most of the rural people in developing countries are primarily dependent on agriculture. If the farmers, who have investible surplus generated from agriculture, are interested in non-farm entrepreneurship then rural economy can find an industrial route of development. With this consideration, the study has posed the research question as to what determines non-farm entrepreneurship among farmers and thus attempted to identify the factors that may influence farmer's non-farm entrepreneurship. So far as the investigation part of the study is concerned Bardhaman district of the state of West Bengal in India was selected because during 1980s and 1990s the state has experienced high agricultural growth compared to the previous decades, which implies that farmers might have been able to gather surplus generated from agricultural development and therefore it was considered interesting to study non-farm entrepreneurship of farmers of West Bengal.

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Micro Entrepreneurship in Rural INDIA

Chapter 1

1.1 Introduction

The rural economy of the so-called developing countries is currently the subject of much discussion. What is the typical condition of the rural poor in most of the developing countries? In an informal fashion of writing, Schumacher (1973) described that the work opportunities in villages of the developing countries are so restricted that the poor people cannot work their way out of misery. They are under-employed or totally unemployed, and when they do find occasional work their productivity is exceedingly low. Some of them have land, but often too little. Many have no land and no prospect of ever getting any. There is no hope for them in the rural areas and hence they drift into the big cities. The concentration of non-farm sectors in a few urban areas, and the wage gap between rural and urban areas result in a huge rural-urban migration and concentration of unemployed workers in urban areas (Todaro, 1980). Thus rural unemployment becomes urban unemployment. The growing number of unemployment in urban areas necessitates finding a way to create jobs outside agriculture and outside cities focusing on a growth process that would boost the demand for rural non-agricultural activities. Hence creating demand in rural areas for locally produced non-food goods and services becomes an important element in the process of economic development (Mellor, 1976; Bell and Hazell, 1980). Rapid agricultural growth may raise rural income and, consequently, the landowning class may create demand for non-food items. But the demand side alone has the limited scope to change the situation of the rural economy until and unless the increased demand is positively responded by the supply of rural non-farm goods and services, otherwise the increased demand may find route towards the urban industrial goods and services. Agricultural land-owning group has vital role to

play in rural industrialisation by investing the surplus, earned from agriculture, to diversified non-farm activities. From both scientific and policy point of view this is a subject of rural non-farm entrepreneurship. Further expansion of the existing low-productivity rural industrial units as well as low-quality goods will not simply help. The rural land-owning group's involvement in non-farm activities may have to incorporate a modern outlook since combating the modern, large-scale, urban industrial sector requires a steady shift of the rural land-owning group's affinity from traditional culture to modern or technical culture. Thus the modernisation of the traditional sector (often synonymous with agricultural sector or rural sector) may go hand in hand with rapid and wide rural industrialisation. Bringing about technological change through innovation in the rural non-agricultural sector is often held to be responsible for modernising the remote villages. In such a perspective, the main focus of this study is to ascertain the determinants of rural non-farm entrepreneurship among the farmers (Mwenda and Muuka, 2004).

1.2 Aim

Most of research has been done either microfinance or entrepreneurship separately. But in our opinion there is close relationship between these two fields. As social entrepreneurship is doing a lot for credit pool with social services, micro entrepreneurship can be found in micro enterprise. Our aim is to conduct research on the issue that how entrepreneurship and microfinance can work as a combined tool for poverty alleviation and empowerment of poor in rural India.

1.3 Purpose and research goals

This study is dedicated to micro enterprises in rural India. Two cases of micro enterprises have been studied thoroughly on the premises of entrepreneurship theory to explain the difference in success between one successful and one unsuccessful enterprise. The enterprise defined as successful is a petty shop owned by a lower caste woman and the enterprise defined as unsuccessful is a dairy middle man business owned by a lower caste man collecting and further distributing milk. The aspiration of this bachelor thesis is:

To determine whether or not difference in success can be explained by applying western entrepreneurship theories in an indigent and rural culture far away from where the theories originated.

- If so to find a more explicit, qualitative and holistic explanation to why each particular enterprise has become successful or not.
- To make a comparative analysis of the two cases to highlight their crucial differences with regard to the theoretical framework.

1.4 Research Question

How do micro entrepreneurship and microfinance serve as a combined tool to reduce poverty, empower people, and contribute to development in rural India?

We are to examine personal characteristics of the farmer, which influence on his willingness of non-farm entrepreneurship;

- We are to understand the influence of economic factors (including financial family support) of the farmer on his willingness to non-farm entrepreneurship;

1.5 Significance of the Study

Employment generation in rural areas is very important. Government's popular programmes, which do not have deep-rooted vision of development, cannot reap fruit of sustainable growth. Encouraging policies need to be adopted to channel local capital from agriculture to non-agriculture, given the fact that free labour is ready to be another factor of production. What is needed is to encourage non-farm entrepreneurship among the rural land-owning farmers, because this group constitutes the rural capitalists who can afford to invest into new (diversified) activities and generate employment for the rural poor. Thus, the issue of rural industrial entrepreneurship for the growth of rural non-farm activities and for generating employment provisions assumes special significance. Let us go into more detail.

1.6 Background

The Indian economy grew at an impressive rate in the last decade and demographic pressure also slowed. Yet, the incidence of unemployment towards the end of the 1990s was more than seven percent. The situation is especially disconcerting in the rural sector. Entrepreneurship in rural sector, which is associated mostly with agriculture, has stagnated during the 90s. Considering the increased pressure on land there exist limited scopes for increasing Entrepreneurship in different sectors so that Entrepreneurship in the non-farm sector becomes an important option. Studies also suggest that with the process of development, the share of non-farm income and micro entrepreneurship in the total income and micro entrepreneurship of the rural household's increases in the developing countries. A combination of farm and non-farm income at the household level provides resilience against adverse

situations in either of the sectors, though agriculture is known for more frequent adversity. There are also evidences to show that productivity and profitability in the non-farm sector is generally higher than in the farm sector; as are the average wages and working conditions that obtain in the non-farm sector. A greater reliance on the non-farm sector would therefore provide a demand-pull to rural economy and also ensure welfare for rural workers.

Chapter 2 Study Area

2.1 Introduction

Our study area is Bardhaman district of West Bengal state in India. India was and still remains to be a vast country. A general discussion on India as a whole cannot give a true picture of the country. In terms of geography, climate, people, culture, and so many other aspects, its different parts are of so diverse nature that a common overall assessment of a particular theme of the country may not provide a complete scene of the play that is happening across the regions or states of India. It may call for a disaggregative level analysis—at least a state wise analysis. But a state wise full analysis of the nation may form such a huge volume that it may take a shape of an epic. We restrict our discussions in the area of the state of West Bengal as well as Bardhaman district. Before doing so, we present a very brief background of European and Indian entrepreneurship in India before independence. The base of the Indian industry was not so strong since the country had been ruled by the foreign rulers for about two hundred years. “British paramount in India in 1900 was very much in evidence. The unchallenged political supremacy of the British favoured, among other things, the exercise of economic power by Europeans resident in India who derived special advantages from linguistic and racial identification with the rulers of India.... One important industry where government patronage was crucial and where Indians were rarely to be found was the engineering industry. Large government contracts for construction and engineering were rarely, if ever, given to Indian firms. Since engineering firms in a poor economy with little industry had to depend mainly on contracts placed by public authorities, there were practically no large Indian firms” (Bagchi, 1970).

The European firms did not bring capital from Europe to India. The inflow of foreign private capital into India was roughly zero. The European firms mostly gathered their capital

from their earnings in trade, industry, banking, and employment in the army or various government departments in India. Most of the big managing agency houses made their money in trade or as labour contractors. Before the First World War, many Indians from the professional classes had entered the field of industry but, according to Bagchi (1970), industry which was not backed by a large trading and financing organisation was not destined to succeed. Given such an industrial background during the British rule, India started its independent journey in 1947. As we have mentioned earlier, we will restrict our following discussions in West Bengal and then Bardhaman district, not on whole India.

2.2 Bengal in Retrospect

Boyce (1987: 3) wrote: “Early travellers to Bengal were struck by its great prosperity. Six centuries ago the Moroccan explorer Ibn Battuta, whose travels took him to Persia, China, Sumatra, and Timbuktu, reported: ‘this is a country of great extent, and one in which rice is extremely abundant. Indeed, I have seen no region of the earth where provisions are so plentiful’ (Yule, 1866: 457).” Bernier (1914: 439) also described Bengal’s handloom textiles, which then ranked among the world’s greatest industries: “There is in Bengal such a quantity of cotton and silks, that the kingdom may be called the common storehouse for those two kinds of merchandise, not of Hindustan or the Empire of the Great Mogol only, but of all the neighbouring kingdoms, and even of Europe.” In 1790 Lord Cornwallis, the Governor- General of Bengal appointed by the British East India Company, also paid tribute to the land’s fertility: “We have, by a train of the most fortunate events, obtained the dominion of one of the most fertile countries on the face of the globe, with a population of mild and industrious inhabitants,

perhaps equal to, if not exceeding in number, that of all the other British possessions put together” (Firminger, 1917: 542).

2.3 A Brief History of Bengali Entrepreneurship

Indeed, it was in and around Kolkata that the beginnings of the industrial age in India were seen. Kolkata has a tradition of establishment of industries older than in Mumbai (formerly known as Bombay). The jute industry, perhaps the oldest and largest in terms of generation of employment and export earnings in pre-independence years, was (and continues to be) located in a large number of small towns situated up to 60 kilometres north of Kolkata along the river Hooghly. Kolkata and its sister city Howrah were (and are) home also to a large steel fabricating industry manufacturing bridges, coaches, wagons and other equipments for the railways, mining equipment and machine tools besides repair of ships. But there is now a sense of dismay at the depths, to which Kolkata and Eastern India have fallen, compared to the growth and prosperity that have touched other regions of India since independence in 1947.

The British outstripped the French and the Dutch. A series of treaties between the British East India Company and the successive Nawabs of Bengal gradually transferred political powers and functions into the hands of the Company. From then onwards European monopoly in industrial activities prevailed in Bengal. It was early in the twentieth century when a movement started whose motive was to break the system of foreign monopoly capitalism and to enable the educated Bengalis to break out of the narrow confines of service and professions into the wider fields of commercial and industrial enterprise. The Bengali entrepreneurs did not succeed in their efforts, but the year of 1914 was provided something of a watershed in the realignment of

economic power on the Indian subcontinent. In the business world of Kolkata, one saw a remarkable breakthrough for Indian capital. In Kolkata, the investments of Indians rose by 1,609.04 per cent between 1914 and 1922. According to Gupta (1991), European businessmen felt intimidated by the disappearance of the favourable pre-war political climate and by the increasing transfer of power to Indians through constitutional reform. They quickly abandoned their long term policies of reinvesting profits earned in India and began to transfer them to England as quickly as possible.

Nath (2000) describes that the jute and steel fabrication industries as well as the tea gardens of Darjeeling and Assam were owned before independence by the Scots. Tea is one of the largest exports of India and Kolkata is the principal packaging and export centre. After independence, the Scots' place has been taken not by the Bengalis but mainly by the Marwaris. The able and affluent Bengali young men were and continue to be content with becoming executives, lawyers, physicians, scientists and other professionals. But with the exception of the Indian Iron and Steel Company, established by Biren Mukherjee, and some companies manufacturing pharmaceuticals and toiletries no large industrial enterprise was established by a Bengali.

2.4 Agriculture in West Bengal

In a book on agricultural growth in West Bengal and Bangladesh, Boyce (1987) documented the slow growth of agricultural output in West Bengal (and Bangladesh) between the 1950s and end of 1970s. According to his conclusions, the simple exponential growth rate of agricultural output in West Bengal over the period 1949-80 was 1.74 per cent, far below the rate

of population growth. Using a slightly different method, he estimated the rates of growth of aggregate agricultural output for the state as 1.42 per cent and 2.25 per cent for the sub periods 1949-64 and 1965-80 respectively. The scenario started changing from 1980s. Let us now turn into the agricultural growth debate of West Bengal.

2.5 The growth debate

The West Bengal agriculture started experiencing high growth since the early 1980s. Harriss (1992) observes that a quite dramatic spurt in agricultural production marks the end of 'agrarian impasse' of West Bengal. The reason he has marked to the remarkable output growth is the development of private shallow tube well irrigation. According to him, all this has taken place in the absence of any reform of the agrarian structure. He asserts that the development in agriculture is an outcome of some growth in suitable technology and the reverse situation of the previous kind of extremely unfavourable fertiliser-paddy price ratio. However, Harriss has received counterattack from Sanyal et al (1998) who found difficulty in agreeing with the attempt of playing down the role of institutional intervention through land reform measures in accelerating agricultural production in West Bengal in recent times. They held the land reform measures, initiated by the Left Front government, responsible the agricultural growth.

"Agriculture in West Bengal was, for the first time, poised for a change when the Left front rule was established in 1977. 'Operation Barga' assumed the dimension of a movement in the countryside within a few months of its launching in October 1978. Quick recordings of the names of bargadars and granting legal rights to cultivate land was a major incentive for the marginal and small peasants to raise production. Provisions were also made for institutional

credit and subsidies to the sharecroppers and assignees of the vested land to remove their dependency on landlords or money lenders.

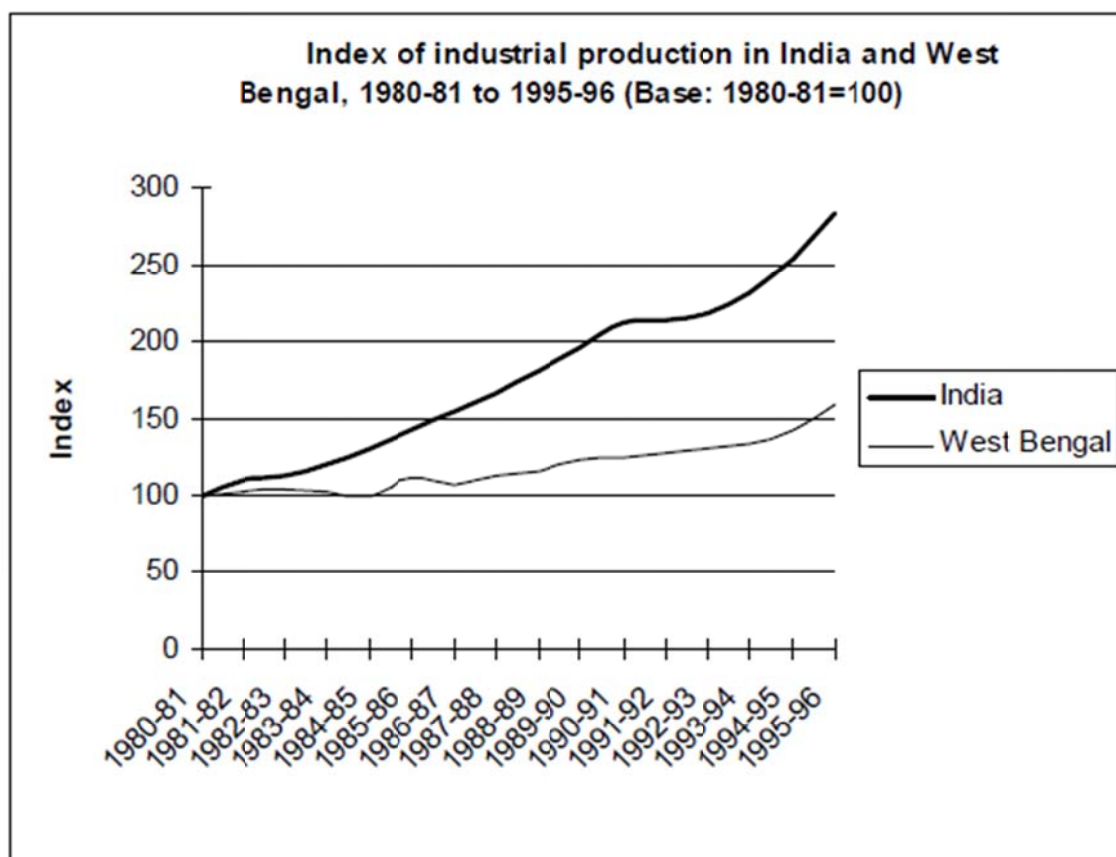
2.6 Industry in West Bengal

In the following, we mainly present a brief chronological history of industrial performance in West Bengal which was placed at top in British India and then gradually started lagging behind the other leading states. West Bengal was foremost among the Indian states at the time of India's independence, in terms of concentration of industrial capital in the field of organised manufacturing sector. Her share in all-India stock of capital in the manufacturing sector was 24.6 per cent in 1950. In 1993-94, the share had declined to just 8.8 per cent (Banerjee, 1998). The rate of decline, however, was not uniform.

Before independence, as Dasgupta (1998) reviewed, Bengal (including Bangladesh) became the leading industrialised state in the erstwhile British India. In 1921, Bengal accounted for 35.1 per cent of the total number of industrial workers in India. In 1939 (just prior to the Second World War), Bengal continued to be the major industrialised state in India accounting for 28.7 per cent of the total number of industrial workers in British India. In this regard, a comparative picture between Bengal and some other states is shown in Figure 2.1. In 1946, according to the first census of manufacturing industries in India (which covered all factories employing 20 or more workers using power) West Bengal continued to lead other states in terms of its share in total number of industrial workers in India, though in terms of value added in the manufacturing sector, West Bengal was second to Bombay (including Gujarat).

2.7 Urbanization and infrastructure in West Bengal

The city of Kolkata is the product of the colonial trade. The city did not come out through endogenous development of economic activities. The exogenous factors played crucial role in its emergence. We come to know from the review made by Giri (1998) that industrial growth, primarily based on export-oriented jute industry, took place around Kolkata because of the port facility, internal river transport network based on Ganges and the railway infrastructure. Another external factor which contributed to urbanisation and also urban concentration in West Bengal immediately before independence was huge refugee migration from the eastern part of Bengal (now Bangladesh). The historical perspective of urbanisation in West Bengal suggests that in the pre-independence era urbanisation process in West Bengal was determined largely by the exogenous factors rather than being a part of the endogenous development of the region.



After independence, the level of urbanisation in West Bengal was 23.88 per cent in 1951. Although the state had a level of urbanisation above the all-India average (17.29 per cent), it was fourth in rank, preceded by Maharashtra (28.75 per cent), Gujarat (28.23 per cent) and Tamil Nadu (24.35 per cent). However, Giri (1998) observes that West Bengal experienced a slower rate of urbanisation compared to all-India average in the post independence period. The gap between urbanisation level of West Bengal and all-India average sharply declined from 6.59 percentage points in 1951 to 1.67 percentage points in 1991.

2.8 Urban Centres and Small-Scale Industries in West Bengal

Of the total number of 45,954 small industrial units in the state of West Bengal, 8,877 units (19.32%) were found to be located in the metropolitan areas, 16,519 units (35.9%) in the urban areas and remaining 20,558 units (44.74%) in the rural areas. Considering the whole volume of the rural areas in the state, the percentage share of the small units located in the rural areas to the total number of small units in the state is not significantly higher than that located in the urban areas to the total number of small units in the state.

West Bengal consists of 17 districts. The district of Kolkata, which is the capital of the state, is almost completely a metropolitan area. 99.78% units of this district were found to be located in the metropolitan area. Kolkata is surrounded by the three districts viz. Howrah, North 24- Parganas and South 24-Parganas and one can always expect strong metropolitan influence on these surrounding districts. In Howrah, 74.32% of the small scale units were found to be located in urban areas and 25.68% in the rural areas. This urban concentration of small enterprises is also seen in North and South 24-Parganas. The percentage share of the number of small units in the urban areas to the total number of small units in each of these two districts is higher than that of the number small units in the rural areas to the total number small units.

Small industrialisation is related with the degree of urbanisation. Not so many small industries have flourished in those districts of West Bengal which are less urbanised. In other words, there has been no significant rural industrialisation in the rural-led districts of West Bengal. The evidence on urbanisation indicates that much of the growth in factory production and employment is geographically concentrated in a small area of the state. For example, the Kolkata Urban Agglomeration alone accounted for 64.11 per cent and 63.64 per cent

respectively of the urban population in the state in 1971 and 1981. This means that, excluding this Kolkata agglomeration centre, the whole state holds only about 35% urbanisation which indicates a very poor rate to induce industrialisation in the state. The growth of small enterprises was inhibited by less urbanisation in the region.

2.9 Rural Industrialisation and the Role of Infrastructure in Rural Towns

In the state of West Bengal, underdeveloped areas are mainly called backward areas which are faced with very less urbanisation. The metropolitan district Kolkata is considered as non-backward area. So are the parts of three other districts surrounding Kolkata? Table 2.8 shows the distribution of units in backward and non-backward areas. It is remarkable here that the non-backward area in the state consisting of only the whole part of Kolkata district and some parts of other three surrounding districts together holds 42.83% share of the total number of small units in the state, whereas the huge backward area in the state holds only 57.17% share. This picture shows a clear urban concentration of small enterprises. The area of Greater Kolkata not only includes Kolkata district and parts of its three surrounding districts but also a substantial part of Hooghly district, which enjoys a quick metropolitan link with Kolkata.

Rural industrialisation requires investment on basic infrastructure throughout the state either to help grow rural towns in a geographically dispersed way or to provide rural towns with basic infrastructure facilities. Regardless of agro climate, the denser the infrastructure, rural town services and population, the greater the earnings from the rural non-farm sector (Reardon et al, 1998). In general, the quality and quantity of physical infrastructure (e.g. roads) and social infrastructure (e.g. schools) tend to be correlated with population density and the development of

rural towns. More developed infrastructure and denser population means lower transaction costs for market products (farm or non-farm) and a greater availability of inputs (electricity, water etc.) at a lower cost. Hence, infrastructure quality and quantity have often been identified as key determinants of non-farm business investments. Islam (1987) has also argued that both physical and social infrastructure play an important role in rural industrialisation.

2.10 Bardhaman's economy in retrospect: A glimpse

Bardhaman is a pre-dominantly agricultural district of West Bengal, although some parts of the district are industrially developed. In the early period of the (British) East India Company's rule Raja of Bardhaman was at the top of the landed society in the district and at the bottom was the cultivator of the soil. In between them there was a group of landed aristocrats who did neither enjoy the status of the Raja nor lived very ordinarily like the cultivators. Commercialisation of agriculture was introduced by the British and the system transformed from subsistence farming to cash crop production—mainly rice. The rich farmers profited from the new system as the prices of food crops rose. But the system did not favour the small farmers. "It forced the small peasant to mortgage his land to the money lenders or rich peasants and ultimately to sell it to the latter.

2.11 Recent Bardhaman: A glimpse

In the present section, we offer the brief and salient aspects of the economy of Bardhaman district in recent time. To start with, one can always observe that rice is the major

crop of West Bengal. During the 1980s and 1990s, rice production in the state increased rapidly. So far as rice production is concerned, Bardhaman is traced as an important district in the state. In Neil Webster's (1990: 47) version: "It is one of the main rice producing districts in the region and was the first district to be chosen for the intensive Agricultural Development Programme in the state, in 1962, and thereby became a forerunner in the green revolution."

Chapter 3 Literature review

3.1 Poverty in India (with special reference to rural poverty)

Before independence, the colonial government was primarily concerned with the maintenance of law and order, defence and tax collection and lacked an explicit development policy. Public investment decisions were governed more by profitability considerations than by any concern for long-run growth or equity. The period was marked by economic stagnation, particularly in the agricultural sector. The growth rate of agriculture was around 0.3 per cent per annum in the first half of twentieth century. Aggregate real output increased at a rate of less than two percent per annum during the period 1900-1950. In per capita terms, it was less than half a per cent. There was some growth in the large-scale manufacturing sector which was, however, nullified by the decline of traditional industries. Capital formation was only about six per cent of Net Domestic Product (Dev et al, 1994). At the time of independence in August 1947, India was faced with problems of rehabilitating the economy disturbed by the Second World War and partition of the country, and of achieving rapid economic growth to emancipate the millions of its population from poverty, hunger and malnutrition. The economy was predominantly agrarian, with large inequalities in the distribution of resource endowments among people and across geographical regions. Unemployment and underemployment was prevalent. And saving, capital formation, income levels and hence living standards were all very low (Dev et al, 1994). One should not be very much encouraged by the incidence of reduction in rural poverty in India for a particular short period of time because rural poverty in India is very dynamic in nature, which may fall in a span of few years and then again may go up in the subsequent years. Mellor and Desai (1985) have provided, primarily based on Ahluwalia's estimates of the incidence of rural

poverty in India for 1956/57 to 1977/78, an opportunity to understand the dynamic behaviour of the poverty variable.

3.2 Rural Poverty in West Bengal

In a review of several studies, Chatterji (1998) has observed a very high head count ratio (per cent), i.e. nearly 80 per cent, for 1973-74 in West Bengal.¹ This is, according to him, partly due to the prevalence of drought in that year. The year 1977-78 saw heavy rainfall and floods in many parts of the state and the head count ratio is found to be 76.85 per cent. In 1983, the rainfall was moderate to low. But, after 1983, West Bengal experienced consistently good rainfall. For the years 1973-74, 1977-78 and 1983 even the average standard of living fell below the poverty in rural areas and this again reached the poverty line level in 1986-87 in rural areas, when the head count ratio fell to 60.50 per cent. In 1988-89, the head count ratio became 53.10 per cent. For the signs of sharper decline of rural poverty in the state in the second half of 1980s, the productivity growth of West Bengal agriculture (discussed in Chapter 2) in that period is often seen to be responsible by the scholars. But, in a review of different studies, Rogaly et al (1995) concluded that, due to the effect of agricultural development in West Bengal in 1980s, while many gained increased employment and higher wages, relative poverty has increased and the quality of life of the poorest might have decreased. Besides, Beck (1994), in a case study in the three villages of West Bengal, observes that poverty rose in those villages during the late 1980s, even though he documents an increase in incomes of the poorest households. In his observation in those three villages, employment was available for only half the year at most, so the villagers had to resort to cuts in consumption and supplement their diet by wild foods. Beck

asked people, who were regularly hungry, some questions about the amount they ate and shortfalls of food.

3.3 Entrepreneurship

From the viewpoint of growth-oriented innovative companies, one of the best definitions of entrepreneurship is found in Ronstadt (1984): “Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources.”

3.4 Agriculture-Industry Linkage: The Classical Political Economy Framework

3.4.1 The Physiocrats and Adam Smith

The analysis of the linkages between agriculture and the rest of the economy dates back to Quesnay in 18th century France (Harriss, 1987; Bharadwaj, 1987; Eapen, 1999). Some members of the Physiocratic School laid great stress upon the agricultural sector which produced an economic surplus or net product (“prodcut net”) and so played a very significant role in economic development (Gide and Rist, 1915). To the Physiocrats, the agriculturists were seen to be the productive class. Hence, the first class, being the only productive class, must supply all that flow of wealth. But agricultural products alone do not suffice for the upkeep of Class I. Gide and Rist (1915) argue that Class I also requires manufactured goods, which it must get from the sterile class. On the other side, salaries obtained by the sterile class are employed in buying the necessaries of life and the raw material of industry.

3.4.2 Karl Marx

In dealing with the process of capitalist development, Karl Marx believed that the capitalist relations would ultimately engulf agriculture as well as industry with a concentration of property in land, the proletarianisation of peasants, large productivity gains of capitalist agriculture, displacement of working capital and labour previously engaged in small-holdings and artisan manufactures.

Marx (1954)³ viewed the capitalistic system of production as the destructive force of rural domestic industry. We quote him from *Capital* (Vol. 1): “Formerly divided among a number of small producers, who cultivated it themselves and with their families spun it in retail fashion, it is now concentrated in the hand of one capitalist, who sets others to spin and weave it for him” (Marx, 1954: 698). Hence, the process started supplying wage labour to industry. He added: “Formerly, the peasant family produced the means of subsistence and the raw materials, which they themselves, for the most part, consumed. These raw materials and means of subsistence have now become commodities; the large farmer sells them, he finds his market in manufacturers. Yarn, linen, coarse woollen stuffs—things whose raw materials had been within the reach of every peasant family, had been spun and woven by it for its own use—were now transformed into articles of manufacture, to which the country districts at once served for markets. The many scattered customers, whom stray artisans until now had found in the numerous small producers working on their own account, concentrate themselves now into one great market provided for by industrial capital. Thus hand in hand with the expropriation of the self-supporting peasants, with their separation from their means of production, goes the destruction of rural domestic industry, the process of separation between manufacture and agriculture. And only the destruction of rural domestic industry can give the internal market of a country that extension and consistence which the capitalist mode of production requires” (pp.

699-700). The thinning-out of the independent, self-supporting peasants brought about an increase in the number of industrial proletariat in the urban sector. In spite of the smaller number of the cultivators, the soil brought forth as much or more produce, after as before, because the revolution in the conditions of landed property was accompanied by improved methods of culture, greater co-operation, concentration of means of production and because not only were the agricultural wage-labourers put on the strain more intensely, but the field of production on which they worked for themselves, became more and more contracted. With the setting free of a part of the agricultural population, therefore, their former means of nourishment were also set free. The peasants, expropriated and cast adrift, must buy their value in the form of wages, from his new master, the industrial capitalist. Thus, formation of glut of agricultural produce was not possible. "That which holds good of the means of subsistence holds with the raw materials of industry dependent upon home agriculture" (pp. 697-698).

3.5 Rural Micro Entrepreneurship: Some Macro Trends

An effort has been made to understand the pattern of rural micro entrepreneurship at aggregate and disaggregate levels using the National Sample Survey (NSS) quinquennial data on micro entrepreneurship. Previous studies related to the micro entrepreneurship suggest that construction, trade, and transport have emerged as the engine of rural micro entrepreneurship growth; these industries together account for only 11 per cent of the rural workforce. Can these industries with such a small base sustain the growth of the rural micro entrepreneurship in a country such as India? How have women benefited in terms of micro entrepreneurship growth in the rural non-farm sector is another question that this section attempts to answer.

A detailed study by Uma Rani et al. (2004) lists reasons for particular trend of micro entrepreneurship and income in the manufacturing sector. The study found that in manufacturing activities undertaken in the organized and unorganized sectors during the years 1984-1999 the growth of micro entrepreneurship, value-addition and capital in the organized manufacturing sector has grown during 1984-95 and declined subsequently. The unorganized sector presents a different trend. Growth in this sector has peaked up during the 1984-90, flattened during the 1989-95 and surged ahead in subsequent years (1995-00) following the adoption of promotional policies towards unorganized segments of small-scale industries. This growth has been particularly high for the organic as compared to the inorganic manufacturing units. It is significant that organic manufacturing is mostly village resource-based and with favourable infrastructures for manufacturing in the rural sector, organic manufacturing industries can be attracted (Acharya, and Mitra, 2000).

Micro entrepreneurship growth in construction peaked during the 90s, though it was fairly high (1.75%) even in the 80s. In the urban sector, construction activity has peaked early (in the 80s) while in rural India a high growth was experienced during the 90s. The extension of basic infrastructure like roads in rural India might have encouraged Entrepreneurship growth in rural construction during the 90s. A state-wise analysis of data would throw light on the possible factors favouring the robust growth in construction activity. Certain economic policies might also have encouraged construction activities in the 90s.

Transport-storage-communication (TSC) and finance-insurance-real-estate-business (FIREB) services are the industrial categories where micro entrepreneurship increased in both the rural and urban sectors. Micro entrepreneurship in TSC appears to be more influenced by increased investment in infrastructure such as roads which are being prioritized in recent years.

Increased investment in infrastructure increases the quality of real estate and consequently, the income and Entrepreneurship in real estate. This in turn has spread effects on the growth of business services. Trade, hotels and restaurants (THR) are the other industrial categories where micro entrepreneurship growth was positive and significant in both the sectors, though the rate of growth was higher in the urban sector.

3.6 Rural micro entrepreneurship trends

The above discussion gives a comparative account of micro entrepreneurship for major industries at the aggregate level. Certain trends, which were evident at the aggregate level, may emerge robust with the help of state-level information. Studies present the share of different industries in rural micro entrepreneurship across states during the reference period (1983 and 1999-2000). Trade is another industry group, in which evidence of rural micro entrepreneurship increase is apparent for most of the states. The states of Andhra Pradesh, Orissa and Tamil Nadu were exceptions. The share of transport in rural micro entrepreneurship has increased for all the reference states. The creation of basic infrastructure like roads is obviously increasing in recent years in the rural sector; subsequently rural micro entrepreneurship in transport has also increased (Shah, 2004).

3.7 Quality of Rural micro entrepreneurship

The quality of micro entrepreneurship is as important as the quantity and in the rural sector disguised unemployment is probably the most important issue while discussing the quality of rural micro entrepreneurship. The research data presents a comparative account of usually employed persons and persons employed on the basis of current daily status (CDS) during a

year; the difference in the level of micro entrepreneurship reveals disguised unemployment in the rural sector (Chadha, 2001).

The quality of micro entrepreneurship is often influenced by enterprise type, for instance, an enterprise employing more than 20 workers is covered under the Factories Act, 1948 and this Act to some extent protects employee's interests (Hagen, 1962). It may be noted that the quality of micro entrepreneurship is better for salaried workers, and the proportion of salaried workers increases with the size of enterprises. Micro enterprise trends would generate more evidence about the pattern of rural micro entrepreneurship in the country. There can be different ways of classifying enterprises. On account of social security provisions for its workers, enterprises are of two types; one, organized sector enterprises which include factories that have better social security provisions; while the unorganized sector consists of smaller enterprise that are devoid of satisfactory social security provisions (Chadha, 2001).

3.8 Rural Diversification: Determinants and Implications

Rural diversification may be defined as the economic development of non-agricultural activities. At the micro-level this refers to a livelihood which has multiple, part-time components. In the previous section, the nature and pattern of rural micro entrepreneurship across states shows that rural diversification may be associated with a booming or recession economy or with accumulating or immiserating livelihood strategies. These trends, with typologies and implications for rural welfare would be clear from an analysis of disaggregate level data (Dreze, 2004).

The available studies explain positive or negative outcomes of rural diversification with pull and push factors. In the pull or development-led proposition for rural diversification there are again different strands of arguments. Mellor (1978) for instance, argues that technology-led growth in agriculture gives rise to several linkages, which lead to an expansion of micro entrepreneurship in the non-agriculture sector. Visaria et al. (1994) argue that development of urban centres give impetus to non-farm micro entrepreneurship in the adjoining rural areas because of low factor (land, labour) prices in the rural areas. These areas however, need to be integrated with the nearest rural town. In the development-led proposition for rural diversification, some researchers argue that infrastructure facilities and supportive institutions encourage rural non-farm micro entrepreneurship. In general, the urbanization and extension of infrastructure facilities in a region are highly correlated (Dutta, and Bhaiya, 2004). Several human resources related parameters like education and skill development of rural workers, credit availability for non-farm activities have also encouraged the process of rural diversification.

The second set of arguments explains the phenomenon of micro entrepreneurship diversification in rural India with distress-related indicators. Vaidyanathan (1986) found a positive association between the unemployment rate and the incidence level of rural non-agricultural micro entrepreneurship in states. He argues that in a situation where the labour absorptive capacity of agriculture becomes limited and the urban industrial sector is not able to accommodate the ever-growing labour force, the RNFS tend to act as a 'sponge' for the surplus labour. The RNFS thus acts like a residual sector in which rural workers concentrate on account of their distress conditions. This is popularly known as the push phenomenon or distress hypothesis which was subsequently, supported by several scholars (Government of India, 1994).

3.9 Agriculture, Rural Non-Farm micro entrepreneurship and Poverty

In India, the land-man ratio is decreasing, micro entrepreneurship elasticity in agriculture has not only declined but has reached almost zero. In this situation, the rural non-farm sector is generally perceived as the answer for tackling the twin problems of micro entrepreneurship and poverty in rural India. From this perspective, the determinant of micro entrepreneurship in the rural non-farm sector has been assessed. A review of contesting explanation/hypothesis in the detailed studies about the determinants of rural non-farm micro entrepreneurship growth is presented nicely in Unni (1997). Of all the hypotheses, one which is of particular interest for the present discussion is the agriculture-led growth of the non-farm sector proposed by Mellor (1978). He argues that rural diversification in India is the outcome of technology-induced growth in the agricultural sector (Dutta, and Bhaiya, 2004).

Mellor (1978) illustrates the presence of production and consumption linkages of agriculture with the non-farm sector. Researchers have also found a third important link between agriculture and the rural non-farm sector; Hossain (1988) termed it as the labour market interaction effect. Hossain (1988) argues that rising agricultural wages in rural areas in particular raises the opportunity cost of labour in non-farm activities. This induces a shift in the composition of non-farm activity from labour-intensive, low-return activities to more skilled high investment - high return activities. The rising agricultural productivity is thus instrumental in inducing a structural transformation of the rural non-farm economy.

This process of growth in the rural non-farm sector is evident from the state of Punjab where the dependence of labour on agriculture decreased substantially following technology-led growth in agriculture. Transformation of the non-farm sector in Punjab presents a similar example. Increased demand for agriculture labour has resulted in higher farm wages, which led

to a decline in low return household manufacturing and a parallel rise in high return modern small factories and service industries (NHHI). As this generally happened in towns with rural vicinity, it resulted in the urbanization and growth of the non-farm sector (Fisher, and Mahajan, 1998).

A comparison of changes in the above indicators (agriculture performance, labour productivity, real wage, non-farm micro entrepreneurship) with the incidence of rural poverty is needed in an assessment of the welfare implications of growth in rural micro entrepreneurship. The larger the decline in negative values the better is the rural poverty situation in the state during the reference period. Poverty at the aggregate level or at the level of the specific sector has declined for all the states during both the decades (1980s and 1990s). Though poverty estimates of 55th round is not strictly comparable with the poverty estimates of 50th round and 55th round; some of the states that show a relatively larger decline in rural poverty during 1990s are Himachal Pradesh (HP), Haryana, Karnataka, Kerala, Maharashtra; whereas, states showing a lower decline in rural poverty are Orissa, Madhya Pradesh, Andhra Pradesh and Assam.

The association of rural poverty with wage and labour productivity in agriculture is significant in alternate decades, the 80s and 90s, respectively. It is interesting to note that whenever the coefficients are significant, the sign (negative) is also on expected lines. Growth of real wages and labour productivity in agriculture had a positive influence on decline in rural poverty. Most astonishingly, the growth of non-farm micro entrepreneurship and decline in rural poverty was not associated; though a weak relationship is evident during the 80s. It is difficult to accept that growth of non-farm micro entrepreneurship is not associated with a decline of rural poverty during the 90s. It may be that 'growth' and 'decline' in respective parameters and poverty levels are not associated, though non-farm micro entrepreneurship and rural poverty is.

This may be true with some other estimates of the box as well. Nevertheless, a decline of rural poverty during the 90s has in fact initiated a whole range of issues in the debate on rural poverty estimates.

3.10 Rural Diversification: Some Micro-Evidences

The previous section shows that infrastructure and population density are the most important determinants of rural diversification. The kind of impetus these factors provide to rural diversification is not alike. The consequent impact of development- or distress- related rural diversification on the welfare of workers would also be different. These processes of rural diversification in the rural sector have been studied by means of household-level information as collected by researchers in the Agro-economic Research Centres (AERC) and coordinated by the present investigator. Selection of households involves multi-stage stratified random sampling. In the states, districts with either high and low concentrations of rural non-farm micro entrepreneurship are selected since the kind of rural diversification is supposed to be different in the extreme districts of a state. As urbanization encourages non-farm micro entrepreneurship growth in the surrounding rural areas, in each district two village clusters based on proximity to a rural town, are selected. In other words, the present study expects different kinds of rural diversification in villages near and away from a town. Finally, in a state there are four village clusters in two districts; and from each cluster 30 households are selected to study the process of rural diversification.

3.10.1 Policy Options

As discussed earlier, rural non-farm micro entrepreneurship includes several heterogeneous non-farm activities that have different demand and supply conditions in their input and output markets; the policies therefore have to be industry- (within the broad RNFS) specific. In the present discussion, government policies related to rural micro entrepreneurship are essentially industrial policies with a significant bearing on the intensity and productivity of labour in the rural sector. Since micro entrepreneurship and output in an industry are highly correlated, it is difficult to separate industrial development policies from those policies that are targeted towards micro entrepreneurship generation in an industry.

3.10.2 Agriculture

Government strategies about agriculture in the planned growth of the nation have approved through minimum three different stages. The first shift in strategy was clear in the mid-60s with the enhanced value presented to self-sufficiency; the second line of demarcation marked the opening up of trade in the early 90s. It is really difficult to separate out micro entrepreneurship-related policy in agriculture from the sectoral policy. Any government policy, which increases cropped area and crop productivity, would increase micro entrepreneurship and wages, respectively in agriculture (Ahluwalia, 1978).

3.10.3 Rural Manufacturing

The rural sector has a definite advantage over its urban counterpart in manufacturing certain groups of commodities. The first set of products, those which utilize local resources and

are semi-processed. These are not very scale intensive, while examples in this category include honey and organic foods. The second set of products also based on local resources, is highly processed, and is not scale neutral. In this category, technologies that are capital intensive in nature often play a significant role. Agro-processing and ancillary units near urban centres are examples in this category. The third set of products consists of unmanufactured or semi-manufactured items. These are also labour-intensive and examples in this category are traditional crafts by rural artisans. The Government of India has created specific institutions for the promotion of these industries, among which specific mention may be made of the Khadi and Village Industries Commission (KVIC). Certain government schemes specifically targeted towards encouraging rural manufacturing include the reservation for small-scale industry (SSI) and cluster programme (Gopalappa, 2004).

3.10.4 Other Sectors

Agriculture and rural manufacturing bear the onus of micro entrepreneurship growth in the rural sector, several other industries like construction, trade, transport and business services have emerged as important in recent years. Micro entrepreneurship growth in these industries depends on factors, such as infrastructure, per capita income, population density. Again a host of government policies influence these factors. Micro entrepreneurship declined in utilities and community services; these industries fall largely under the public domain and since government is reducing its staff strength, micro entrepreneurship under these categories has also declined. Demand for these services has however not declined, and has in fact increased with the pressure of population and shrinkage of common resources. There is enormous potential for private

participation in the delivery of utilities and community services and thereby increasing rural micro entrepreneurship in the country (Basant, and Kumar, 1998).

3.11 Infrastructure and Environment for micro entrepreneurship

Certain government policies, though basic for the growth of industry, are not industry-specific; these transgress across industries / sectors. Examples under this category include credit and infrastructure-related policies (Basant, and Kumar, 1998). Traditionally, the state is perceived as the provider of infrastructure and public institutions as the creator of rural technology. This perception is however changing with the emergence of new institutional alternatives. The sustenance of such institutions also requires government support, which may be in the form of suitable legislative environment. Another set of government policies increases the capabilities of workers by providing better education and health facilities. Still another set of government policies for the social security of the workers attempt to protect vulnerable workers from contingencies such as, illness, accident, untimely death of bread-winner, old age and unemployment.

3.12 Emergence of Innovative Micro Credit Institutions

In the primary stage numerous state or donor sponsored DFIs proved thriving in aiding country persons to start and beneficially sustain country micro enterprises. It was likely on the part of DFIs through developing a couple of procedures to be careful of the difficulties confronted through the prescribed economic organisations under the categories- get access to, screening and incentive (Bertaux, and Crable, 2007). In esteem to get access to difficulties, two

procedures were developed to assure that the poor were focused. The first was to provide very little borrowings that the poor simply would be involved in borrowing. The second was to permit borrowings only on the cornerstone of a smallest allowance of assets and/or income. This set about was performed through a number of DFIs, most especially the Grameen Bank. As far as screening was worried, three procedures were developed to consider the borrowers' borrowing worthiness. The most widespread was to loan to constituents of a group who were together and severally responsible for the repayment of borrowings made to every constituent of the group. Screening was helped by self chosen groups. This assured that only persons who remainder of the group took to be borrowing worthy were permitted in. These groups have been euphemistically called 'solidarity groups'. This was by far the widespread set about, whereas it did not inevitably attest to its efficiency. Charging market concern rates and getting feature quotations were the other two assortment devices routinely engaged by DFIs. May be the utmost discovery in supplying economic services to the country poor came with esteem to the kind in which the DFI assured repayment (Harriss, 1992). Most of the DFIs reconsidered through Hulme et al overseen their purchasers so intensively that the Grameen Bank was admonished for portraying paternalistically. In supplement to close management of borrowers, some banks even suggested inducements in the pattern of rebates to borrowers who repaid borrowings frequently and loaned larger allowances of borrowings to them for repaying their borrowings timely.

3.13 Problems Associated with Micro Credits in Developing Countries

Credit is one of the numerous infrastructural desires of a micro entrepreneur (Saptharishi, 2007). To reply to a promise demand for a good or service, a country micro entrepreneur needs

one or more of the following: transport, communications, power, irrigation, storage amenities etc. Infrastructural desires may be less significant for some non-agricultural country entrepreneurial undertakings for example cycle fixing, tailoring, etc but they are very significant for agriculture which being one of the most important country micro enterprises in evolving economies. No allowance of accessible borrowing could induce an Indian subsistence grower to cultivate land for money plantings, if for example, there is no location to shop plantings or there is no trading administration to market the plantings or there is no way of getting the plantings to the market location (Saleth, 1999). Besides, market in evolving nations is highly unstable and imperfect. Small ranchers cannot desire to modify from important crop to money crop and become entrepreneurs, even if money plantings could supply considerably higher earnings in the nonattendance a good transport scheme and promise customers.

Literacy, numeracy and prescribed learning grades in most of the evolving nations are exceedingly low. Non-numerate persons find adversities to begin enterprises by themselves as it is exceedingly tough for them to hold pathway of the flow of earnings in their businesses. Those entrepreneurs who are numerate but not literate can often proceed some way in evolving their enterprises, but their businesses are harshly restricted. For demonstration, they manage not have get access to data from the publish newspapers and will not go in into in writing contracts. They normally have to proceed on believe and will not effortlessly enlist with the State and prescribed personal part who commonly work with in writing articles (Saptharishi, 2007).

About 57% of India's more than a billion populations make a living from agriculture and allied activities. The prime problem of the rural microenterprises including agriculture and allied activities is non-availability of timely and adequate credit at reasonable and affordable rates of

interest. The expansion of bank branches and the overall higher order credit growth in the banking system have not supported the desired expansion of agricultural credit and credit to small-scale industries sector. On an all India basis, 41% of the population does not go to banks at all and the bank coverage in rural areas is 39% against 60% in urban areas (Sen, 2003). With the disappointing result of the formal banking system in financial inclusion in rural areas, India has now started relying on an innovative model of informal credit delivery mechanism, popularly known as micro-finance. 'Micro-finance' and 'micro-credit' are often used interchangeably though the former has a broader connotation and refers to the provision of loans and other financial services inclusive of micro-credit viz., micro-savings and micro-insurance. Micro-finance is increasingly advocated by country planners to ensure credit access to small and marginal farmers and rural entrepreneurs with a view to increasing income and alleviating poverty. After the success of Grameen Bank group contributing towards reviving rural enterprise through micro-finance in Bangladesh, the GOI is promoting this lending approach as trouble-free and an effective tool for rural enterprise financing (Ghosh, Datta and Sinha, 2004).

3.14 Urban Centres and Small-Scale Industries in West Bengal

Of the total number of 45,954 small industrial units in the state of West Bengal, 8,877 units (19.32%) were found to be located in the metropolitan areas, 16,519 units (35.9%) in the urban areas and remaining 20,558 units (44.74%) in the rural areas. Considering the whole volume of the rural areas in the state, the percentage share of the small units located in the rural areas to the total number of small units in the state is not significantly higher than that located in the urban areas to the total number of small units in the state. Small industrialisation is related with the degree of urbanisation. Not so many small industries have flourished in those districts of

West Bengal which are less urbanised. In other words, there has been no significant rural industrialisation in the rural-led districts of West Bengal. The evidence on urbanisation indicates that much of the growth in factory production and employment is geographically concentrated in a small area of the state. For example, the Kolkata Urban Agglomeration alone accounted for 64.11 per cent and 63.64 per cent respectively of the urban population in the state in 1971 and 1981. This means that, excluding this Kolkata agglomeration centre, the whole state holds only about 35% urbanisation which indicates a very poor rate to induce industrialisation in the state. The growth of small enterprises was inhibited by less urbanisation in the region.

Chapter 4 Methodology and Research design

4.1 Data Collection

Jan Tinbergen (1965), the renowned Dutch economist, makes us clearly understand the need of operational development policy oriented research: “It is the requirement that research undertaken in direct or indirect support of development policies should be as ‘operational’ as possible. In a general way we may say that there are two types designing scientific activity. One type is directed at satisfying our curiosity and the other at reaching certain aims of policy. As a rule scientific activity starts in the first way. When it is discovered that scientific knowledge can be used to further certain concrete aims part of the activity takes the second form. Of course there is no fundamental difference between the two aims; upon closer thought, both in some way are forms of reaching higher levels of satisfaction. The differences are that the first type of scientific activity satisfies a few people very intensively and large parts of the community only in a weak way; while the second type of scientific activity is directed at the satisfaction of more pressing needs of large sections of society and undertaken in a more systematic way.”

Keeping the theoretical considerations (or theoretical model) in mind, the researcher is to formulate the interviews which usually require very careful attention because a silly mistake in this work may lead the whole study towards a wrong direction or may make the study incomplete. In the present study, as we have said in chapter 1, we are to identify the determinants of non-farm entrepreneurship among farmers. Data collection has been based on two types of interviews. In the first type of interview, we focused on the farmers who had been diversifying into non-farm manufacturing sector. In the second type of interview, we focused on farmers who had been retaining farming only. The first category includes both the firm- and farm-level data-collection from a sample of heads of farm households who are also engaged in non-farm manufacturing business. And the second category includes mainly the farm-level data-collection,

including some non-farm related perceptions, from a sample of heads of farm households who are not engaged in non-farm manufacturing business.

4.2 Secondary data

Although the core of the present work is dependent on primary data, the study, like any other research work, uses some secondary data for better understanding of the study area. The secondary information we used include historical background of entrepreneurship in the study area, agricultural as well as industrial performance of West Bengal and of Bardhaman district, urbanisation and the condition of rural infrastructure in the study area etc. Various publications and reports were reviewed.

4.3 Primary data: sampling procedure

We have already given the rationale in chapter 2 as to why we have selected Bardhaman district as our study area. So, selection of the district involves no sampling; the district is chosen purposely. Sampling played an important role in next part of the operational work. Sampling involved three stages:

1. Selection of the administrative blocks in Bardhaman district;
2. Selection of the panchayats (cluster of some villages) in the blocks;
3. Selection of the households.

The important considerations in selecting the administrative blocks were to avoid the region of the district where the heavy industries are located and to concentrate in the region

where the farmers are found in number. If we broadly divide the district into two parts, then we find that the western part (Durgapur-Asansol area) of the district is dominated by the heavy industry sector, whereas the eastern part can be regarded as the agricultural area. Consequently, our survey has been based on the eastern part of the district, i.e. the blocks have been randomly selected from the eastern part of the district.

4.4 The structure of the Interviews

As we said earlier that we have visited two kinds of farmer for interviews—the farmer engaged in farming and non-farm manufacturing activities and the farmer not engaged in non-farm manufacturing activity. We constructed two interviews for the purpose— one interview was for the first kind of farmer (interview 1) and the other was for the second kind of farmer (interview 2). The purposes of both the interviews were same, i.e. identification of the determinants of non-farm entrepreneurship among the farmers. The two interviews differed only regarding one issue: we deleted the questions relating to non-farm industrial unit from the interview which was meant for the farmers who were not engaged in non-farm activities. The most common reoccurring concepts in the entrepreneurship literature reviewed were chosen as factors of success.

4.5 Theoretical framework summary

In reality, the three types of factors are not as distinctly separated as in this model and there are indeed complex relations both within and between different types of factors. However as this model , like any model, is a simplification of reality, no deeper consideration is made of exactly how these factors interact but merely how each factor contribute directly to the level of

success. The factors can contribute in many different ways and to find out how, the theoretical framework was incorporated in the PRA to investigate the two cases in depth.

4.6 Enterprise 1, Unsuccessful

Enterprise: Dairy middle man collecting and redistributing milk, referred to as dairy men/man.

The entrepreneur: 43 year old male

Home village: Bardhaman, West Bengal.

Family: Wife and two children.

Religion: Hindu

Cast: Schedule Caste

Previous Occupation: Farmer and carpenter

Family occupation: His wife is involved in local politics. His ancestors were carpenters.

Education: 10 years of school education plus specialised formal and informal education within carpentry.

Past average monthly income: Varied from 4000 INR in the beginning to running the company at a loss. (1 INR = 0.14 SEK)

4.7 Dairy industry overview

The dairy industry consists of three main actors, the farmer, the dairy man and the collection unit also known as the dairy factory. Dairy men that are also farmers owning cattle are

here referred to dairy men as well. The collection unit gathers milk in bulk from the dairy man twice per day, once in the morning and once in the evening. This is done through collecting the 40 litre milk vessels at the dairy man's home with a truck taking the milk to a factory to process the raw milk into dairy products, packing it and sending it to the supermarket. The collection unit measures the quantity and quality of the milk provided by the dairy man and pays him accordingly. Payment is according to a schedule approximately once per every two weeks where the dairy man receives money and a specification paper where the price, quantity and quality are summed up. Every day he has to fill up his quota of 100 litres minimum.

The farmers bring their milk to the dairy man twice per day and the dairy man notes the quantity and quality of the milk from each farmer (Bhalla, and Singh, 1997). This is noted down in a book that every milk farmer keeps. There is a certain minimum quality required and the amount of fat and lactose is measured before it is poured in to the larger vessel hence mixing different qualities of milk. The quality check also assures that the farmer is not cheating the dairy man by adding water to increase the quantity. Though if the farmer adds water, sugar and salt it can cheat the meter. If the milk from the same cow suddenly changes quality and the dairy man suspects cheating he may double check the quality from the cow itself. If the dairy man is cheated this will be discovered by the collection unit using more sophisticated measurement tools and he will be paid less. The prices are uniformly set by the dairy factories with no intervention from the dairy men. Prices of milk per litter usually vary between 13 - 17 INR per litter depending on quality, supply and demand. The farmers are paid a flat rate one rupee less per litter according to market regulations which means that the quality of their individually delivered milk does not affect their income significantly. The minimum quality of milk accepted by the collection unit is worth 15 INR and therefore the farmers will get 14 INR at the lowest. If

the quality of their milk is below this point, the milk is usually rejected by the dairy man. All farmers are paid when the dairy man receives the specification of the accumulated milk.

The demand market consists of the amount and size of collection units. Collection units try to build loyalty through giving loans at low interest at 2% flat rate annually which the dairy man repays in milk. There are little incentives for the dairy man to change collection unit since his profit per litre will anyhow be one rupee. Bonus and timely payments are factors that might differ. The supply is related to the amount of cows and quality and quantity of milk produced by the cow. The climate and season the diet of the cow since most cows eat what is available in its environment. Drought affects the quality and quantity of the available feed which affects the quality and quantity of the milk. This can be avoided to purchasing feed for the cows but this is an extra cost that few farmers are able or willing to take.

4.8 Chronological review of the micro enterprise

The entrepreneur comes from an old tradition of carpentry and farming. When he was young his father taught him the basics of carpentry and he has ever since finishing his education supported himself through farming and carpentry. He started with a piece of land acquired through a government programme for the benefit of the schedule caste. He invested in two cows through a loan from a money lender and was eventually able to pay off the debt through selling the milk to a dairy man. One day the opportunity was given to him to become a dairy man himself. It was given by the dairy factory i.e. the collection unit who offered a loan to purchase the equipment required to become a dairy man. With the support of family and friends he decided to agree to the proposition however he did not engage full time but kept his agriculture on the side. He used his land as collateral to the 100 000 INR loan which was to be repaid in

milk. The procedure was standardised in the form of a package presented by the dairy factory. According to himself little or no planning regarding strategies, long term vision, risks and viability were taken into consideration before agreeing. The ambition with the enterprise was to pay off the loan, pay for the education of his children and the marriage of his sister. Family is very important to him and he is the oldest brother in a family of three brothers and two sisters. At the time of his sister's marriage he was the wealthiest in his family so he was expected and he insisted in paying a large part of the wedding. In the first five years the aspirations were fulfilled. The enterprise grew fast in the beginning and stabilised around 30 suppliers. There were no other dairy men in the neighbourhood and farmers would have to travel many kilometres with their milk in order to deliver to someone else. The average income was 4000 INR per month, which then was considered to be a very good wage in this context. However none of the surplus was reinvested in the micro enterprise and there were no aspirations of further expansion due to other priorities by the entrepreneur. Instead of reinvesting the profit most of it was spent on his children and his extended family.

After five years, competition between dairy men became more and fiercer while the amount of farmers and cattle did not increase enough to supply the increasing number of dairy men. More dairy middle man enterprises were started on the behalf of the collection units. Two ways of tackling this was to provide the suppliers with loans to purchase food for their cows to increase production quantity and quality or to establish new suppliers through providing families without livestock with a loan to purchase a cow. In return the farmer would have to repay the debt with interest through supplying milk. Both the initiative and the loans initially came from the collection units who offered the dairy men a flat rate loan of 2% which was passed on to the farmers with the same amount of interest. This was a way for the dairy factories to increase the

amount of resources available. It was also a way for the collection units and dairy men to establish loyalty, as the dairy men has to be loyal to the collection unit and the farmers has to be loyal to the dairy man in order to pay off their debt. Eventually it became harder for the micro enterprise to fill up the daily quota. Farmers made use of the competition through becoming more disloyal and cheating with the milk quality, threatening to switch to another dairy man if he was unwilling to pay them. Some of the other newly established micro enterprises owned more land and cattle and could without relying too much on suppliers fill their quotas to the collection unit. Since the micro enterprise did not have enough land or cattle to fill its own quota, and was not in a position of taking more loans, it became dependent on the loyalty of the farmers. In order to keep the suppliers he tolerated occasional loss to be able to deliver milk to pay off the loans. This kept him running his business at more or less loss for several years until most of his loan was paid back. During this time he occasionally received financial support from his family. He finally decided to quit being a dairy man and taking up his family tradition of being a carpenter to pay off the remaining loan. (Interview and PRA, Entrepreneur 1, 22-08-09 - 27-08-09)

4.9 Enterprise 2, Successful

Enterprise: Petty shop

The entrepreneur: 36 year old woman

Home village: Yalagonda village, Kolar district, Karnataka state, south India.

Family: Single mother with two children

Religion: Hindu

Cast: Schedule Caste

Previous Occupation: House wife

Family occupation: Agriculture

Education: Three years of education. Due to her mother passing away at an early age she had to drop off school and taking care of her siblings and the household.

Present average monthly income: 6000 INR (1 INR = 0.14 SEK)

Past average monthly income: 1500 INR

4.9.1 Petty shop industry overview

In each village there is one or a few smaller shops providing the villagers with groceries bought from whole sale markets in nearby cities. They are usually family run businesses which farmers have as a part time side income. However this micro enterprise is the entrepreneur's full time employment and the concept has been broadened compared to regular petty shops to also include larger varieties of groceries and products as well as cooked food. In this regard the micro enterprise is unique. Only enterprises in the nearby cities can compete with her business but then the villagers would have to travel 25 km to get there which is not something the average villager does very often.

4.9.2 Chronological review of the micro enterprise

At the age of 8 her mother passed away. Then she had to drop off school and take care of her two younger siblings, cooking and cleaning every day. She comes from a family of farmers

and her father worked in the fields while she took care of the home. As a young teenager, she got married became a house wife and got two children of her own but just a few years after, about 15 years ago her husband left her and she had to give up being a house wife in order to support her children. Since she had medical problems having to go through three surgeries she was advised against doing physical labour. Therefore she could not be a wage worker in the field which would be the obvious choice for a woman in her position. During a ten day festival held once every year she took the opportunity of making her own snacks at her home, going around selling these at the festival to earn some extra money. This was financed through a money lender lending her 500 INR from which she bought the ingredients required. It exceeded her expectations, she paid off the debt and she made a decision to continue selling snacks after the festival was over through walking around nearby villages. After doing to for a few months she eventually decided to set up a small stand outside her home. At this time she expanded the micro enterprise through also selling coffee and tea. Ingredients were bought from a whole sale market in a town 25 km from her home and snacks was made in her private kitchen. At this time the daily profit was below 50 INR per day.

Throughout her years she experienced many problems related to her being a lower caste woman with no husband. She belongs to the schedule caste, more specifically the sub-caste Dobi which traditionally is a lower caste with the tradition of washing clothes. This has affected her micro enterprise in two ways. One is that both women and men from the highest caste traditionally avoid any interaction with people from the schedule castes due to their views on purity related Hinduism. Therefore one entire market segment disappears. She also experienced many problems with men, particularly from higher castes than herself demanding credit through eating and drinking promising to pay later which they not always did. Since she does not have a

husband she was not in the position to deny them credit, but when she did anyway some men got their revenge through burning down the grass roof of her stall during night time. This occurred several times causing her extra work and becoming discouraged. Ever since the beginning the profit from the enterprise has continuously been reinvested after covering essential needs and the education of her children (Handy, and Shree, 2002). Loans have been taken from money lenders for expansion and there has never been problems paying it back. Careful consideration and budgeting is always made before taking loans. The micro enterprise has expanded through adding retail products, producing more and different varieties of snacks and sweets, also serving breakfast, lunch and afternoon tea. Seven years ago the micro enterprise moved into a small concrete building which is rented for 500 INR per month. In the shop there is a small gas stove and cooking vessels so that she can produce her products in her shop and selling them at the same time. At the moment her business include: snacks, cookies, sweets, tea, coffee, soda, nuts, spices, alcohol, cigarettes, payphone, serving breakfast, lunch & afternoon tea. The next step in the micro enterprise expansion is investing in better kitchen ware and more tables and chairs to increase the breakfast, lunch and afternoon tea capacity. This will be made as usual through reinvestment of profit and borrowing from a money lender. Since a couple of years back she is also cooperating and sharing the rent with a neighbouring store selling petrol and mending vehicles. This generates more customers for both of them.

The micro enterprise has a fairly stable income based on regular customers and people passing through the village. The daily profit is about 200 INR per day which can be compared with 80 INR that a female wage worker gets from working a whole day in the field. The problems regarding men demanding credit is still present. She estimates that 25% of the people she gives credit never pays back, but at least she does not have any problem with infestation

anymore. The loss due to unpaid credit is calculated into the total amount of costs together with raw material, transportation, gas, rent and all other expenses in the micro enterprise. After calculating the expenses she will add merely 2-3 % to the price of her products as supplement charge.

During her years she has been independent with no help from self help groups, any institution or organisation other than the private money lenders which she usually pays 15% interest to. Beside independence the business has also given her security, status and pride, overcoming the hardships of being an unmarried schedule caste woman. Her future plan is to continue expanding and her dream is one day to open a small restaurant in a nearby town with the help of her children. (Interview, PRA, Entrepreneur 2, 22-08-09 - 27-08-09)

Chapter 5 Analysis

5.1 Internal factors

5.1.1 Enterprise 1, Unsuccessful

There is a noticeable difference between the enterprises' characteristics and practices. Enterprise 1 showed few of the characteristics of successful entrepreneurship and some of the characteristics of unsuccessful entrepreneurship. Prior to engagement the entrepreneur had little knowledge and experience of the industry and he took little effort to acquire such information. The micro enterprise acted on short term, did no future planning and was narrow minded regarding competition. A major flaw was not to consider reinvestment or expansion of the micro enterprise. Through reinvesting he could have supported his suppliers, bought cattle of his own or made changes in the production process to create competitive advantages. The only goals and visions were those of supporting the family and education of his children. Due to initial lack of competition and risk-diversification he anyway managed to have initial success and a successful transition into the carpentry business. The decision and timing for engaging in the business was perfect, making it possible to earn a good profit for years, though this cannot be considered being a product of good knowledge and decision making of the enterprise. The enterprise was not initiated through being self-mobilising, self-driven and self-employing during but merely through embarking on a prepared offer from the collection unit. Little or no research was made, virtually making it an unprepared and impulsive decision when agreeing to the opportunity. The micro enterprise did not show any signs of innovation after engaging in a prepared package and not doing anything to develop that concept with regard to service or production process.

However the enterprise was lucky and the start up and growth stage turned out to be more fruitful than he had expected due to lack of competition in an imperfect market with shortage of entrepreneurs. The only practice indicating successful entrepreneurship during the establishment

is the reaction or alertness upon opportunities. Many people were given the same opportunity, but few reacted upon it. The decision to react, however successful it initially turned out, was made with carelessness and uncalculated risk. The micro enterprise had not set up any visions or goals to achieve. The entrepreneur did not show motivation and eagerness to progress but instead satisfaction with the unexpected initial success. This led to stagnation and competitors easily caught up with him since the investment regarding 24 time, effort and capital required to exceed the established market advantages of the enterprise was relatively low.

5.1.2 Enterprise 2, Successful

This enterprise showed more of the characteristics of successful entrepreneurship. Throughout the process the entrepreneur has been self-driven and proactive always having business expansion in mind through reinvestment and creation of market advantages. She showed examples of social values motivation, innovation and visions. Private circumstances were a strong motivation factor leading up to the establishment of her business. She did not have any intentions of planning, researching or using any strategies but her initial ten day try-out at the festival can be seen as an informal research, discovering the opportunity and convincing her to establish her business. When expanding her business through adding products and changing the production process she listens to her customers and her cooperation partner before making decisions. Lacking much formal education she made use of one of her speciality skills, cooking, which she had been doing since the age of eight when her mother passed away. She has a genuine interest in food and is always in the process of learning more skills and recipes from family and friends. With business progressing well she also discovered the social advantages of running a relatively successful business through financial independence, security, status and

pride. With this her initial extrinsic motivation turned into intrinsic motivation containing social values and achievement which according to theory are characteristics of a successful entrepreneur.

5.2 Context specific factors

5.2.1 Enterprise 1, Unsuccessful

A large part of the profit earned in the beginning was spent on his sister's wedding. In India the wedding of a family member is very important and hundreds of guests attend a wedding party that can go on for days, obviously requiring a large amount of money. It is expected that family provides this money and since he was the only one with a considerable amount of income he invested the most part of the money required. From an entrepreneurial point of view this money should instead have been reinvested in the business to expand and create competitive advantages but in this case the family and cultural values interfered. ²⁵ Due to belonging to the lower caste he was granted with the land used as collateral for initial capital investment. Without this he would not have been able to take the initial loan and therefore not engage in this business.

5.2.2 Enterprise 2, Successful

India is a very hierarchical and patriarchal society especially in the rural areas and by being a single lower caste woman she is at the bottom of their social scale. The context specific factors have strongly shaped the entrepreneurship in limiting, negative and positive ways through finding a unique niche. It makes a good example of what Drucker refers to as to find innovation in the unexpected. By having a strong mindset instead of being discouraged, she managed to turn the setbacks into a successful micro enterprise which in many ways shows the virtues of good

entrepreneurship. She learned cooking from a very early age due to her mother's death and since she also had to drop out of school this has become pretty much her only special skill. By being left by her husband and not being in physical shape for working in the fields she was forced to come up with a way to support her children. These unlucky circumstances have limited and shaped her business idea to incorporate a full time petty shop business using her special skills of cooking which has become a pretty unique niche. It has helped her from competition since women under the most common circumstances would be house wives or agricultural wage workers whereas entrepreneurial men would not consider cooking as their source of income. Her caste belonging have had a negative impact on her business since highest castes will not interact with her at all and upper castes particularly men take advantage of her, not repaying credit hence generating profit loss. By having no husband she is also more vulnerable to men which generally considers themselves being able to behave as they please with single women. Her experience with infestation is an example of this.

5.3 External factors

5.3.1 Enterprise 1, Unsuccessful

The intricate, regulated and monopolistic market situation of a dairy man has been a major external factor contributing to a complex system of dependence and lack of success. Enterprise 1 has had a tougher market situation with an increasing competition which enterprise 2 has not. Enterprise 1 cannot make use of arbitrage among the collection units and farmers since the profit is fixed to one rupee per litre. The profit depends merely on quantity and minimum quality. With the prices out of the picture it makes competition harder especially when the dairy man is dependent on his suppliers.

The farmers have no way of competing with price since the prices are fixed by the collection unit. The only way of making use of increased competition between their customers i.e. the dairy men is through selling low quality milk (through manipulation or not) threatening to withdraw their loyalty if the dairy man do not accept the milk. This leads to a negative spiral of cheating and low quality milk and driven by lack of incentives for a farmer to increase the quality through better feed for the cows. In comparison to the industry of enterprise 2 the profitability was low, cost of inputs fixed and relatively high, the capital investments required also high, the industry concentration low at the time of market entry but the concentration eventually grew much larger when the venture showed profitable but did not set up any barriers. The micro enterprise also had a short term focus, not establishing any market advantages or barriers to prevent inevitable competition.

During the best of times the profit was 4000 INR per month. By this time the enterprise had achieved market dominance in the region and the market was saturated. To increase profit, more cows were needed to produce milk. No investment or effort to improve skill, technology, marketing, service or other was made in order to achieve this. It was not until the enterprise faced fierce competition risking dropping below the daily milk quota that it reacted upon this and tried to increase the amount of suppliers through incentives from the collection unit. By this time the competitors had already caught up and surpassed him through having their own market advantages. It shows that the initial success of the enterprise merely relied on the absence of competitors. The most successful competitors owned livestock of their own making them less dependent on suppliers who had become more and more disloyal in times of fierce competition. Other ways of establishing loyalty could have been done through feed programme or other supplier benefits trying to create extra value and make suppliers dependent when price was not a

competing factor. If farmers in the region did not have enough incentives or capital to buy more cows the micro enterprise would have to expand geographically. This could have been done through creating extra value for his suppliers through for instance collecting the milk himself with the help of a vehicle. The micro enterprise could also have decreased the customer dependency through investing in more cattle of its own. If the micro enterprise had had a strategy and plan for the future all this would have been made proactively and then market newcomers would have had a much harder time to establish. When no longer possessing any means of competition the enterprise made an exit and the entrepreneur fully switched to carpentry to pay off the last debt. Since he had diversified his risk through engaging in carpentry and agriculture at the same time he was able to do a relatively smooth transition into making carpentry his primary source of income.

5.3.2 Enterprise 2, Successful

Though there were many circumstances limiting her choice she managed to do the best out of the situation and managed to find her own niche. The concept in itself is not new or innovative, but in this socio-economic rural context she can definitely be considered an innovative pioneer. There were no other similar businesses when she started 15 years ago and still today there is no one competing in the exact same business in the nearby villages.

Competition is of course present in larger cities but villagers rarely leave their village especially not for only buying smaller amount of groceries or food. It is impossible to know what would have happened if her business was also challenged with competition but finding a niche where competition is low, in this case due to cultural factors is also a sign of good entrepreneurship. She has not only found a good niche but she has also created barriers through competitive

advantages which the first enterprise had not. She has created barriers through engaging full time in her venture and has a broader range of products also including cooked food. Over the years she has also invested gradually in kitchen wear, real estate and furniture creating a higher threshold for anyone who wants to compete with her.

5.4 Analysis

The successful enterprise conducted some however informal research before establishment and often consulted the shop neighbour and customers when making addition and changes to the products or production process. The unsuccessful enterprise did not make decisions based on analytical assessment or research but mostly relied on the suggestions of the collection unit which possessed useful knowledge but also has an agenda of their own. The successful enterprise made use of the speciality skill of the entrepreneur i.e. cooking where she possesses a genuine interest and continuously tries to acquire more skills. The unsuccessful enterprise did not make use of the entrepreneur's speciality skills and the entrepreneur made no efforts in acquiring any more knowledge than was required from the collection unit. The successful enterprise has had continuous development, expansion and refinement of both products and production process. The unsuccessful enterprise did not make any changes to the initial concept as presented by the collection unit. The successful enterprise has continuously strived towards progress through reinvesting much of its profit leading to growth and market advantages. This is one of the most important differences between the enterprises where the unsuccessful enterprise did not take the opportunity to reinvest and expand. The successful entrepreneur being a woman has affected her business negatively because of men from upper castes not bothering about repaying credit but it has also affected her enterprise in a positive way

together with other factors and circumstances that have created her unique niche. The sex of the unsuccessful entrepreneur has not had any particular impact.

Chapter 6 Conclusion

The research has provided description of the agricultural and industrial background of the study area. In agriculture, West Bengal experienced a slow growth between 1950s and end of 1970s. Since early 1980s the state agriculture started experiencing high growth. Although there is much debate with regard to the methods of measuring actual growth rate and reasons for higher growth, there is a consensus among scholars that since early 1980s West Bengal agriculture has experienced higher output growth than what it has witnessed in the first three decades of the post-independence period. In industry, Bengal was the leading state in British India. After independence, the industrial performance of West Bengal was also good. The share of income earned from registered industry in West Bengal to that of India started going down after 1963 – initially at slow pace, but afterwards rapidly.

Most of the explanatory data of this study do not involve direct policy implications. Still there is scope of government intervention which may be required to make the farmers less risk averse by creating facilities and influencing the culture. The government policy makers should think of launching some incentive measures with regard to the promotion of small-scale industries in the rural areas in order to attract the unmarried young farmers into the field of manufacturing business. For example, the government may think of building industrial estates in the rural and remote areas for the young generation. In the industrial estate, the young farmer may be offered free space and other free infrastructural facilities at the initial stage, say, for a 2-year period. Publicity is also needed to attract the young unmarried generation. The approach of publicity should be in such a way that it emphasizes the theme that self employment is much better than employment in public and wage jobs and that the degree of self dignity in self employment is higher than that in other employment. Publicity programme should focus on the

fact that in self employment financial gain is possible whereas wage employment provides limited salary to the employee.

Most part of the rural areas of the developing countries is suffering from acute poverty. Rural policy oriented development research needs to be substantially undertaken by the future researchers. The data we have taken up in our study may be applied to the same kind of work based on other geographical regions to examine any interesting difference in the results. Several of the operational definitions of the data could be improved upon by using a set of questions. For instance, we have measured innovativeness of a farmer by asking a question: if you start a business, would that be one that is being run by the others, or would it be one which is new/innovative? Future researchers could think of improving such operational definitions.

Moreover, the cultural and sociological factors that may affect economic situation have not been fully explored yet. To what extent and under what conditions is development related with the cultural factors? Answer to this question has not been intensively sought yet. Since the cultural issues differ from region to region, intensive studies are recommended to be undertaken based on various parts of the globe. In our study, the cultural factors covered a part only. Broader thoughts with regard to cultural issues may be recommended in further rural development oriented research.

The overall conclusion is that the successful enterprise has not only had most of the virtues of successful entrepreneurship but also the environmental conditions to succeed. However the environmental conditions are more a product of lucky coincidences than careful planning and conscious choices. Some of the context specific factors worked against the success but at the same time she wouldn't have been in the same place today without them. The

unsuccessful enterprise did lack most of the virtues of successful entrepreneurship but the environmental conditions also worked against success as soon as competition started to grow. The venture was only viable when the industry concentration was low and it became increasingly demanding when the more complex regulated and monopolistic market grew denser. Only some of the context specific factors worked towards success.

The present study argues that growth in agriculture and manufacturing is important for a broad-based growth of development-induced diversification in the country. Strategies to increase rural non-farm micro entrepreneurship growth therefore lay greater stress on these sectors; though other sectors and issues related to non-farm micro entrepreneurship in the country are discussed as well. The discussion is more to do with institutional alternatives; and a review of public institutions performances suggest sufficient scope for improvement by making them more accountable. Stakeholder's participation in the management of these institutions and a levy of user's charges for availing of the services of public institutions are some suggestions to make these institutions more accountable.

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Interview resources

Director Rao of the Grama Vikas organisation 20-08-09

IGA Manager 21-08-09

Successful enterprise, entrepreneur 1, 22-08-09 - 27-08-09

Unsuccessful enterprise, entrepreneur 2, 22-08-09 - 27-08-09

Appendix 1 - Interview guide

Note that the interviews made were semi structured and included many follow-up questions not included here and that interviewing is just one part of PRA. Therefore not all information acquired comes from the interviews or these specific interview questions. The interviews were made as a complement after a detailed introduction and discussion of the industry and the enterprise as presented by the entrepreneur him/herself. These questions worked as a support for the interviewer when asking questions and they were not asked in the exact form and order that they were written down.

Internal factors

How many years of education do you have?

Did you have any previous formal education related to your business?

Did you have any previous informal education related to your business?

Did you have any previous education or experience, formal or informal related to managing a business?

Have you acquired any education, formal or informal during the process of running this business?

What previous working experience do you have?

Did you have any previous knowledge of the industry before engaging in this business?
(Related to competition, suppliers, customers, general market situation, profitability, costs, legal requirements etc)

Did you make any kind of research on the industry or the process of running your own business prior to starting your own business?

Have you made any effort to keep updated on the present market situation in the industry during the time you have been running this business?

How did you choose the time to start up a business, why did you establish it when you did?

Did you have any connections within this industry prior to engaging in this business?

Did you have any other connections that have been useful throughout the process or running this business?

Why did you establish your business?

Except for the establishment itself, what other important decisions has been made that have affected the outcome of your business?

How have these decisions been made?

How do you know that you are making the right decisions?

Do you ever do any kind of research, asking other people or in any other way acquire knowledge before making decisions?

Are you continuously learning new things within your job?

Are there any decisions that you regret, anything you could have done better if you could redo it?

What major problems have you encountered? How have you solved them?

How did you get the idea of starting your own business?

What made you think it was a good idea?

Did you do any kind of prior research before actually deciding to proceed?

Why was it done at this time?

Had other people done the same before you or were you the first one?

Were there followers?

In what way is your business different from your competitors? (With regard to products, production process, organisation etc)

What are the things that you do in your business that you do better than your competitors?

What do you believe are the most important reasons why your business is successful/not successful?

Have you thought about changing the way you perform your work or adding of products/services?

What is your plan for the future for developing your business?

Do you have any goal with your business? What are your visions and dreams?

What actions have been taken in order to fulfil this goal?

What is the next step in developing your business?

Have you considered engaging in any other business?

How has running this business changed your life (financially, status, self-fulfilment, family effects?)

Are you satisfied with your achievement and business?

Do you enjoy your work?

What motivates you? What are the main purposes that you are trying to fulfil?

What are the reasons for having your own business?

Has it been harder or easier than you thought running your own business?

Have you ever considered giving up your business?

Do you make any plans for the future? What do these plans consist of?

Context specific factors

What caste do you belong to?

Have you received any positive or negative treatment because of your?

Have you had any business advantage or disadvantage because of this?

Has this had any effect on your selection of business?

Has it in any way affected your education, financial support, moral support or opportunities to accomplish what you want?

Has it in any way affected your relations to your suppliers, customers or competitors?

Has this in any other way affected your business?

(Same questions with regard to sex and religion)

What was your ancestor's occupation?

Has this in any way affected the selection of business?

Have your family and relatives supported your business, financially, morally or in any other way?

Have your family in any other way affected the business when it comes to decision making, use of profit etc?

External factors

Explain the market situation with regard to competitors. (How many, past, present, growth, size)

Explain the market situation with regard to suppliers. (How many, past, present, growth, size etc)

Explain the market situation with regard to customers. (how many, past, present, growth, size)

What financial resources were required to start up the business?

How were these resources acquired?

What financial resources are required for running the everyday operations of the business?

What was the initial profit and how has the profitability developed?

Where you aware of the market situation at the time when you started your business?

Have you made any efforts in preventing competition?

Have you in any way developed your business with regard to products or the process of creating these products?

Do you reinvest in your business? How much, how often and for what purpose?

How have you used the profit of your business?

Have you made any efforts in establishing competitive advantages or preventing competitors of imitating your business?

What have you done to expand your business?

Have you cooperated with anyone?

Have you in any way tried to market your business?