

**Informal Sector: Seedbed of
industrial entrepreneurship**

Martin Patric

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**Kerala Research Programme on Local Level Development
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Informal Sector: Seedbed of Industrial Entrepreneurship

Martin Patric

1. Introduction

A large number of studies, which explain the success of industrial entrepreneurship in the formal sector (Berna, 1970; Jalal, 1991) are available. Only a few studies exist, however, on the successful entrepreneurship in the informal sector. In particular, studies which show the factors that account for success of entrepreneurs, who had their initial footing in informal sector, are minimal. The present study is an attempt to fill up this gap in the literature.

Statement of the problem

The conventional argument about informal sector (IFS) is that it is formed either by the formal sector (FS) workers or by unemployed people, particularly old aged group using their limited savings or little borrowings. Recently, this sector is romanticised by holding it up as a splendid example of entrepreneurial competition and free enterprise capitalism (De Soto, 1990). This is due to the fact that a large number of successful entrepreneurs in the formal sector had their humble beginning in the informal sector. Many important large enterprises in Japan started as subcontractors and later evolved into independent manufacturers (Watanabe, 1978). Britain kept a special interest with small firms during the 1980s because of the fact that a number of entrepreneurs, who started up small firms, grew up and perhaps became millionaires in the process (Burns Pail and Dewhurst, 1996). A fact that is often glossed over is that the IFS is the breeding ground of innovative activities and entrepreneurship.

Some interesting questions come up at this juncture. Why people become entrepreneurs? There are both push and pull factors. Dissatisfaction with career is a push factor; pull factors are a low labour income quote, and easy access to starting capital (Hofstede, 1980). The next issue is how do they succeed? They are successful in the sense that there is a scaling up from the IFS to formal sector. Their success is explained not merely with the help

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of vertical mobility in their occupation but with higher levels of earnings, scale of operations, and density of functions as well. A conducive business environment also accounts for the entrepreneurship and their success (Beveridge and Oberschall, 1978). There are largely economic-oriented explanations. What is missing here is the explanation related to and other non-economic factors. They are inherent in the culture of entrepreneurs. It is difficult to find studies, which recognise the role of culture together with the economic-oriented explanation. The present study is directed towards this end. It is designed on an inter-disciplinary line with the following objectives to derive a fruitful explanation for the emergence of successful entrepreneurs from IFS to FS.

Objectives of the study

1. To portray the profile of successful entrepreneurs who emerged from IFS;
2. To analyse the economic and non-economic factors behind their success by looking into the size of investment, cultural traits of the entrepreneurs, etc;
3. To analyse the business environment (policy and strategy) of entrepreneurs;
4. To analyse the differences in entrepreneurship across regions; and
5. To suggest some measures for the promotion of entrepreneurship.

Research design and methodology

In the present study entrepreneurs are the owners of the manufacturing units. Successful entrepreneurs are those who have scaled up from the informal sector to formal sector in terms of higher levels of earnings, scale of operation, and density of operation. No critical threshold has been fixed for it. The entrepreneurs who have scaled up out of some windfall gains have been excluded. The sustainability aspect, however, has been taken into account by placing the focus on the successful entrepreneurs, who have been in the FS for a minimum of five years.

Successful industrial entrepreneurs in the FS have been identified on the basis of discussions with the experts, Associations in the field, and Officers of District Industries Centre. Together with this, a further inquiry has also been done among the initially identified successful entrepreneurs to locate other successful entrepreneurs, who emerged from IFS. That is snowballing sampling technique has been employed to locate the respondents.

For the study 50 successful industrial entrepreneurs, 33 from Ernakulam and 17 from Palakkad districts have been selected as sample. Palakkad is an emerging industrial centre whereas Ernakulam is an established industrial centre in the State. On the basis of discussions with entrepreneurs it was possible to identify some unsuccessful entrepreneurs as well. They were classified into three categories viz. (1) failed, (2) struggling, and (3) stagnant. These categories referred to those who scaled up from informal sector to formal sector but failed; those who had moved to formal but struggling; and those who had started their career together with successful entrepreneurs but still remain in the IFS. For the study 25 such unsuccessful entrepreneurs were selected; 16 from Ernakulam and 9 from Palakkad. In Toto 75 entrepreneurs were interviewed for the study.

Since the study looks into factors that account for the success of entrepreneurship by focusing also on their business and other strategies, a content analysis of cases, popularly known as case survey method, has been employed. A pre-tested interview schedule has been used to collect data on investment and other economic aspects of entrepreneurship. As part of the cultural traits, data have been collected for four cultural orientations viz. relationships, environment, nature of humans, and activity. This is in line with the framework developed by Maznevski, et al (2002).

Scheme of presentation

Apart from the introductory part, the study is organised into other these sections. The second section deals with a framework of operational definition of informal sector adopted in the study. The third section provides the background profile of successful entrepreneurs. The factors accounting for entrepreneurship are the theme of the fourth section. The fifth section discusses the business environment of entrepreneurs. The sixth part looks into the differences in entrepreneurship across regions and communities. The promotion of entrepreneurship is the subject matter of the seventh section. The final section draws the conclusions and implications of the study.

2. Entrepreneurship and Informal Sector: The conceptual framework

Entrepreneurship: An interdisciplinary concept

Entrepreneur is the catalyst of the process of entrepreneurship, which is a behavioural characteristic related to perceiving and creating new economic opportunities. It is a process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they currently control. Peter Drucker (1985) has defined entrepreneurship as “always searching for change, responding to it and exploiting it as an opportunity”. Creativity and innovations are conditions inherent in the role of entrepreneurship

Entrepreneurship¹ has been studied in a variety of disciplines including economics, sociology, anthropology, psychology, management, and finance. Economists define entrepreneurship as a dependent variable by stating that it is influenced by favourable economic conditions (Kirchhoff, 1991). They see it in changes reported by organisations in terms of profits, prices, efficiency, etc. Sociologists and psychologists, on the other hand, explain entrepreneurship as an independent variable by saying it is endowed with social and psychological characteristics (Wilken, 1979; MacMillan and Katz, 1992). Wilken (1987) proposes three factors that influence the emergence of entrepreneurship. They are the economic factors like market incentives and availability of capital, non-economic factors like social mobility, ideology, and culture, etc and psychological factors like need-achievement, withdrawal status, etc.

At individual level, there is no doubt that motives of people play a major role and therefore early studies about the origins of the entrepreneur concentrated almost entirely on motivations and personal traits². It was described as ‘innovative drive’ (Schumpeter, 1934), ‘need for achievement’³ (McClelland, 1961), and ‘Locus of Control’⁴ (Rotter, 1971). People with certain personality traits are more likely to succeed as entrepreneurs than others. Social sciences can help to explain the causes of entrepreneurship (‘what?’); they have nothing to contribute to the understanding of entrepreneurial behaviour (‘how?’). For this, there should be a shift from ‘what entrepreneurs are’ to ‘what entrepreneurs do’. It invites an interdisciplinary approach.

Analysing cultural aspects together with the economic factors for the successful entrepreneurship⁵, the present study is directed towards that end. A culture is influenced by a host of social factors, including religion and education. In entrepreneurship research, there is a continuing debate of whether or not certain cultures produce more innovative and entrepreneurial behaviour than others.

Culture is related to the ways in which societies organise social behaviour and knowledge. To Hofstede (1980) culture is to a collectivity what personality is to an individual, that is “the interactive aggregate of common characteristics that influence a human group’s response to its environment.” He identified four dimensions of culture: *Power distance*, *Individualism*, *Uncertainty avoidance*, and *Masculinity*. Power distance refers to the management of

inequality between people. One might expect that entrepreneurs would tend to exhibit higher power distance values than career professionals in the same culture. Individualism refers to the relationship between individuals and collectives. Societies with low individualism scores will tend to have less occupational mobility and less press freedom. Uncertainty avoidance refers to stance toward the future. The higher the uncertainty avoidance index for a country, the larger the percentage of entrepreneurs. Masculinity refers to the allocation of roles between sexes.

The major problem of Hofstede's indices is that they apply to a macro economic situation. At the individual level a theory of culture has not yet been conceptualised. Maznevski, et al (2002), developed cultural orientations framework based on the anthropological work of Kluckhohn and Strodtbeck (1961) at the individual level of analysis. In their study culture is defined as the pattern of variations within a society, or, more specifically as the pattern of deep-level values and assumptions associated with societal effectiveness, shared by an interacting group of people. They developed four cultural orientations such as relationships, environment, nature of humans, and activity. Each orientation with two or three variations as listed below is considered in the study.

**Individualism, collectivism, and hierarchical* are the variations considered for relationships. It is echoed in Hofstede's individualism and power distance concepts. Through this, the possible answers for the broad question 'relationship' are given. Is our relationship to other human beings individualistic, collectivist or hierarchical?

**Subjugation, mastery, and harmony* are the variations under environment. It expresses our relationship to nature. Are we subjugated to nature, in harmony with nature, or do we have mastery over it?

**Activity* takes into account the variations like *doing, being, and thinking*. It answers the primary mode of activity.

**Finally good/evil and changeable/unchangeable* variations are considered under human nature. It gives the answers to the nature of human beings i.e., are they good, evil or neutral?

The specific meaning of each variation is given in Chart .1.

The cultural orientation framework focuses on how individuals believe the world should work and an individual's assumptions about how the world works. Cultural orientations will help us to understand individual motivations, and will illuminate many elements of individual behaviour alone and in social settings, within and across cultures. The three assumptions (Maznevski, et al, 2002) of the stated cultural orientations framework are: 'holders' of the preference for variations, presumption of all dimensions in all societies, and conceptually independent dimensions. The first assumption is that the cultural pattern is defined by patterns among individual's preferences. It will help develop descriptions of cultures and examine variance both within and between cultures. The second assumption is that all dimensions are presumed to be found in all societies, but each society is proposed to exhibit, at the aggregate level, a defining rank order of elements within each orientation. This allows analysing the dynamics within cultures. The third assumption is that the dimensions are proposed to be

conceptually independent, even within orientations. For example, in relationships – individual is independent from activity being. In short the cultural orientations framework will provide an understanding of social behaviour patterns, organised systems, and decision-making. Hence this framework is used in the present study.

Chart 1 The specific meaning of cultural dimensions

| | |
|---------------------------------|---|
| Individualism | The primary responsibility of entrepreneur is to and for ourselves as individuals, and next for our immediate families |
| Collectivism | The primary responsibility of entrepreneur is to and for a larger extended group of people, such as an extended family or society |
| Hierarchical | Power and responsibility are naturally equally distributed throughout the society; those higher in the hierarchy have power over and responsibility for those lower |
| Mastery | Entrepreneurs should control, direct, and change the environment around us |
| Subjugation | Entrepreneurs should not try to change the basic direction of the broader environment around us, and we should allow ourselves to be influenced by a larger natural or supernatural element |
| Harmony | Entrepreneurs should strive to maintain a balance among the elements of the environment, including ourselves. |
| Doing | People should continually engage actively to accomplish tangible tasks |
| Thinking | People should consider all aspects of a situation carefully and rationally before taking action |
| Being | People should be spontaneous, and do everything in its own time. |
| Good/Evil | The basic nature of entrepreneurs is essentially good or evil |
| Changeable/ Unchangeable | The basic nature of human is changeable from Good to evil or vice versa, or not changeable |

What is missing again is the holistic approach to understand the phenomenon of entrepreneurship. For this, business policies and strategies together with the inter-disciplinarian aspects of economic factors and cultural traits need to be incorporated. Naturally, business environment (strategy and policy), together with economic and cultural (non-economic) factors, have also been given a room in the study.

Informal sector - Operational definition

As the study is on successful entrepreneurs, who scaled up from informal to formal manufacturing sector, an operational definition is adopted to identify whether the units commenced initially comes under IFS. We adopted the following two essential characteristics in this respect.

1. all manufacturing enterprises with less than 10 workers, and
2. all enterprises with an investment (in plant and machinery) of less than the ceiling (Rs 5 lakh) fixed for tiny enterprises.

The justification for selecting the number of workers as 10 is that the Factories Act (1948) proposes that the units with more than 10 workers, if power is used, may be treated as formal (registered) enterprises. We adopted the same criterion of 10 workers (since all the enterprises in the state use power for manufacturing) for demarcating informal (unregistered) enterprises.

We have considered the investment ceiling fixed for tiny units to identify the informal enterprises because tiny enterprises are always treated as part of the informal sector. This investment aspect of the definition largely fits under the 'tiny enterprises' of Industrial Policy of India (1980, 90). Presently, the enterprises with an investment of less than Rs 25 lakh (Policy Reforms 1997-98) are considered as IFS. But there arises another problem that the units selected in the study have been set up some years back and hence there is no justification in fixing the investment ceiling as Rs 25 lakh to identify the informal units. In fact, the investment ceiling for tiny units was one lakh, which was raised to Rs 2 lakh in 1980 (Industrial Policy, 1980), and it was again raised to Rs 5 lakh (Industrial Policy, 1990). For uniformity the investment ceiling is taken as Rs 5 lakh. But the initial investment of the units selected for the study was found to be below the ceiling prescribed for various time periods. Hence it may be stated that the respective investment ceiling fixed for different time periods was taken as investment criterion.

To sum up, informal enterprises are those with less than 10 workers and with an investment of less than Rs 1-5 lakh in plant and machinery. The reason for selecting a multiple criterion is for avoiding the element of formalism when a single criterion is used. For instance, if investment ceiling alone is applied there is the chance of including enterprises with more than 10 workers. On the contrary, if the number of workers alone is applied, there may be enterprises with less than 10 workers but an investment of more than the ceiling.

3. Successful Entrepreneurship in the Local Context

Based on the operational definition given in the previous section, the successful entrepreneurs have been identified. The scaling up of entrepreneurs from IFS to FS has been determined by considering such aspects as investment (leads to increase in earning), scale of operation, and density of functions.

Different levels of entrepreneurs

At the outset, the survey data revealed that there are different levels of entrepreneurs in terms of investment level, number of workers, and number of enterprises per entrepreneur. Hence they have been classified into three groups of low, medium, and high levels of entrepreneurs (different scale of operations). Table 3.1 gives a bird's eye view of these features.

Table 3.1 Different level of entrepreneurs by different characteristics

| Variables | Low(L) | Medium(M) | High(H) |
|-------------------------|-------------------|-------------------|----------|
| Investment (Rs) | > 5 lakh <1 crore | >1 crore< 3crores | >3 crore |
| No. of workers | 10-15 | 16-30 | >30 |
| No. of additional units | 1or2 | 2-4 | >4 |

Source: Survey data

The enterprises with investment up to Rs 1 crore (provided that the number of workers (NW) should be more than 10 but less than 15 and with a maximum of two additional units) are classified as low-level, those with investment between 1-3 crore (provided that NW and units range between 15-30 and 2-5 respectively) as medium-level, and those who with more than Rs 3 crore of investment (provided that the NW and units are more than 30 and four respectively) as high-level entrepreneurs.

Informal sector - seedbed

In order to see whether these entrepreneurs are from IFS, the initial level of investment and number of workers has been examined. It is found that the initial investment of the interviewed entrepreneurs ranges from Rs 100 to Rs 5 lakh. In the case of three high-level entrepreneurs the same were Rs 150, 500, and 2000 respectively. The arithmetic mean of initial and present levels of investment and number of workers are given in Table 3.2.

The arithmetic mean of initial investment is worked out as Rs 1,08,452. The average of initial investment among medium-level entrepreneurs is high because of the influence of those entrepreneurs with comparatively higher investment but reluctant to grow large. The average investment of 48 percent of medium-levels in the initial stage is worked out as Rs 3.12 lakh. However, the present investment is increased by many times. The arithmetic mean of current investment is calculated as Rs 15.97 crore. This had a multiple and accelerator impacts on income and investment respectively. This impact is visible in the matter of employment as well.

Table 3.2 Arithmetic mean of different variables by different levels of entrepreneurs

| Variables | Low | Medium | High | Combined |
|----------------------------|------------|------------|------------|-------------|
| Investment (in Rs.) | | | | |
| Initial | 64625 | 183969 | 92811 | 108452 |
| Present | 27.08 lakh | 2.88 crore | 74.6 crore | 15.97 crore |
| No. of Workers | | | | |
| Initial | 4.58 | 4.5 | 5.3 | 4.7 |
| Present | 28.08 | 71 | 1270 | 290 |
| No. of Units | | | | |
| Initial | 1 | 1 | 1 | 1 |
| Present | 1.91 | 3.05 | 5.6 | 3 |

Source: Survey data

number of workers in the initial stage also ranges from 0 to 7. The average of the initial number of workers is estimated as 4.7 while the current average number of workers is 297. As a result the increase in employment has made an impact on earning and investment positively (See economic factors).

The criterion to evaluate the density of functions and scale of operations is the number of additional units, which came into existence through expansion, diversification, and cross entry⁶. Many successful entrepreneurs, who started the activity with a single unit, invariably have more than one unit now. Some have even five or more units. The present average number of enterprises is estimated at three per entrepreneur (Table 3.2).

From the above discussion it may be deduced that informal sector is the seedbed of selected industrial entrepreneurs. Success of entrepreneurs could not be judged merely with the help of scaling up from informal to formal. Together with this the sustainability aspect should also be looked into.

Sustainability

Sustainability aspect of the enterprise is determined by the critical threshold, which is taken as five years. The entrepreneur of those units with five or more years in the formal manufacturing sector is considered so that sustainability aspect is well addressed. The data regarding the sustainability of entrepreneurship is shown in Table 3.3.

The average experience of entrepreneur in manufacturing sector is 20 years with 26.5, 22.5, and 15.6 years for high, medium, and low-levels respectively. Their average experience in the formal manufacturing sector is less than this as it includes their experience in the informal manufacturing sector. It must be emphasised at this juncture that all entrepreneurs have not entered in the informal manufacturing sector directly. Chart 3.2 shows the entry path of entrepreneurs.

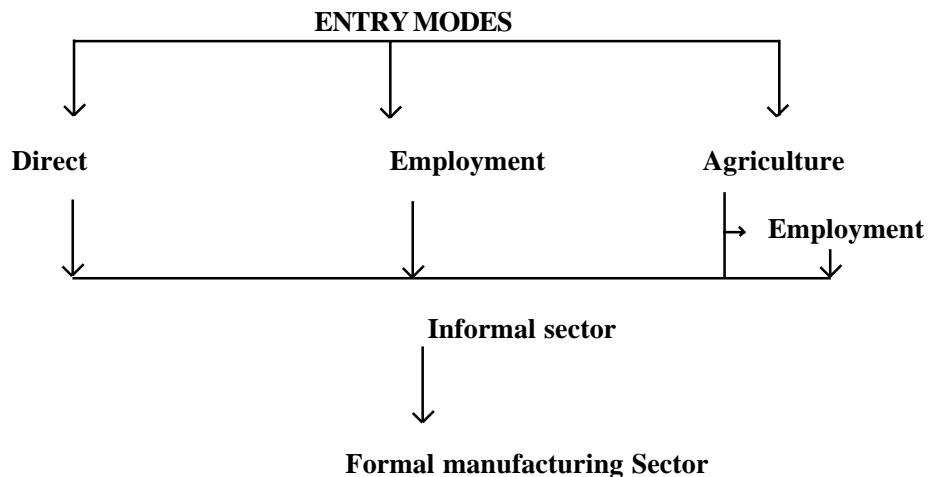
Entrepreneurs enter the informal manufacturing sector in different ways. While some prefer to enter it directly, others enter it through employment or agriculture or from agriculture to employment. Table 3.4 shows the distribution of entrepreneurs by their entry modes to the present sector.

Table 3.3 Distribution of entrepreneurs by experience

| No. of years as entrepreneur in manufacturing sector | No. of entrepreneurs |
|--|----------------------|
| 5-9 | 9 |
| 10-14 | 12 |
| 15-19 | 9 |
| 20-24 | 6 |
| 25-29 | 11 |
| 30-34 | 2 |
| 35-40 | 1 |
| Total | 50 |

Source: Survey data

Chart 2



Direct entry and entry through some employment to informal manufacturing constitute the largest component. 58 percent of successful entrepreneurs with an employment background had worked in the same field, particularly outside the State. It will be worthwhile to examine the (sub) sectors in which the successful entrepreneurs work presently and how many of them worked in the same field. Table 3.5 shows the distribution of entrepreneurs by their products.

Processed foods, electronic goods, electrical items, plastic-based goods, synthetic chemicals, rubber-based products, and bricks items are the areas in which respondents are operating. Processed food and plastic-based units are found more in Ernakulam than in Palakkad. Other items have almost equal proportion. Large proportion of entrepreneurs represents food products, engineering, and plastic goods. Among these, food industry is recognised as a successful industry in the State economy. There is, however, representation of almost all industries as far as successful entrepreneurs are concerned. The chemical industry is run by high and low-levels of entrepreneurs

but the representation of high-level entrepreneurs in the industry is a great relief because of its importance to the industrial development.

Table 3.4 Entrepreneurs by their entry path to the informal manufacturing sector

| Path | No. of entrepreneurs | | | | Total |
|---|----------------------|----|----|----|-------|
| | L | M | H | U | |
| Direct entry | 2 | 3 | 1 | 11 | 17 |
| Through employment | 13 | 8 | 4 | 4 | 29 |
| Through agriculture | 5 | 1 | - | 3 | 9 |
| Through trade | 1 | 2 | 3 | 3 | 9 |
| Through agriculture first, then trade | 1 | 2 | 1 | 2 | 6 |
| Through agriculture first and then employment | 2 | - | 1 | 2 | 5 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data L- Low M-Medium H-High U-Unsuccessful

Table 3.5 Distribution of entrepreneurs by Products

| Industry | No. of entrepreneurs | | | | Total |
|---------------------------|----------------------|----|----|----|-------|
| | L | M | H | U | |
| Food products | 4 | 3 | 3 | 3 | 13 |
| Paints | 2 | 3 | - | 1 | 6 |
| Electrical& electronics | 1 | 1 | 1 | - | 3 |
| Steel | 1 | - | 1 | 2 | 4 |
| Plastic& plastic products | 2 | 2 | - | 8 | 12 |
| Rubber- based | 2 | 1 | 1 | 1 | 5 |
| Engineering Products | 3 | 4 | - | 4 | 11 |
| Chemicals | 2 | - | 3 | - | 5 |
| Readymade & vessels | 1 | - | 1 | 1 | 3 |
| Others | 6 | 2 | - | 5 | 13 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Unsuccessful entrepreneurs mainly represent plastic and plastic goods industries. It is noted that the unsuccessful ones belong to the late arrival category. The survey made clear that they entered mostly by the advice of authorities and bureaucrats concerned. Seeing the growth of first movers to this sector, the bureaucrats ask them to start their new venture in the same sector without understanding the potentiality of the market. This often happens in other fields also. The lack of technical knowledge also accounts for their failure.

In all sub-sectors, a good percentage (67 percent) of successful entrepreneurs had experience in the same sector, either in the form of employment or trading. Out of those with employment

background 30 percent had worked outside the State. In the case of unsuccessful entrepreneurs 44 percent entered directly and those with employment background, except one, has experience in divergent fields. The interesting point is that those with executive background in the public sector were found to be unsuccessful entrepreneurs. Their bureaucratic element might have acted as a contributory factor for the failure.

The above analysis throws light on the point that the entrepreneurs have entered in the formal manufacturing after utilising some years in informal manufacturing and other sectors. Naturally, the experience in formal manufacturing is less than the total experience as entrepreneur. The experience in the formal manufacturing is worked out as 14.5 years and made sure that all of them are active in the formal manufacturing sector for more than five years. On an average they took 5.3 years to move from informal to formal manufacturing sector.

Having seen that the first generation entrepreneurs, who scaled up from IFS to FS, are of different levels and they are sustaining for a number of years, it is worthwhile to examine the background profile of the entrepreneurs.

Background profile of the entrepreneurs

We considered the factors like religion and castes, marital status, nativity, age, level of education, and the occupational background for analysing the background profile of entrepreneurs. These factors may be classified into personal and family backgrounds or social and economic background. Age, marital status, nativity, age, and education show the personal background, whereas castes and occupational background represent the family background. Most of the variables help us to give the social background of entrepreneurs. As the occupational background gives a picture about the economic status of the family indirectly, it is taken into account to examine their economic background.

Religion/Castes

The survey data has shown (Table 1A) that 50 and 35 percent of successful entrepreneurs belong to Hindu and Christian religions respectively and the rest are Muslims. The caste-wise analysis gives the picture that Ezhava in Hindu and Catholics in Christian respectively are more dominant than others. In the Christian community, Syrian Catholics are a strong group in the manufacturing sector. Among the high-level entrepreneurs more than 50 percent belong to the Syrian Catholic. The share of Forward Caste is very weak in this sector. Moreover, their share in unsuccessful category is high; 80 percent of them belong to Nair community. It implies a low dynamism among the forward community.

Marital status and nativity

Marital status and nature of family are considered next. Interestingly, it is found that all except three have a nucleus family structure and all are married. Only one woman, a stagnant entrepreneur, is a divorcee. Nativity is taken as the third factor (Table 2A). It is reported that 50 percent of the entrepreneurs are from outside the district but not even a single respondent

from other States. Since migration could take place both within and outside, the type of migration noticed in the present context is ‘within migration’ (intra-regional migration). Further, migrated entrepreneurs have a bias towards the small and medium sectors. Pull factors⁷ have played a major role for migration. The migrated entrepreneurs of Ernakulam, in particular, have pointed out that they are attracted by the facilities like infrastructure and industrial zone in the district.

Age

It is observed that 65 percent of the entrepreneurs fall under the age group of 45-64 (Table 3A). Among these, the age group 45-54 has slight weightage over the latter category. The mean age of successful entrepreneurs by individual observations is 48 years with 59, 51, and 41 for high, medium, and low-levels of entrepreneurs respectively. It shows that the industry started a decade back or more are successful. To put it differently, they take a long period to become high-level entrepreneurs. This is evident from their average age at the time of commencement of their industrial activity, which is worked out as 24, 27, and 26 respectively. The medium level has the highest average, which throws light on the point that some peculiar entrepreneurs constitute this group. As already stated in the previous section, entrepreneurs who arrived late (through employment) with a high investment are occupying good position in this category.

Education

The level of education is another factor considered here and it is shown in Table 3.6.

Table 3.6 Entrepreneurs by level of education

| Level of Education | Number of Entrepreneurs | | | | Total |
|---------------------|-------------------------|----|----|----|-------|
| | L | M | H | U | |
| Below matriculation | 3 | 2 | 2 | 5 | 12 |
| Matriculation | 3 | 2 | 2 | 7 | 14 |
| Pre degree | 3 | 1 | 2 | 7 | 13 |
| Degree | 6 | 4 | 2 | 3 | 15 |
| PG | 1 | - | 1 | - | 2 |
| ITI | 1 | 2 | - | - | 3 |
| Diploma Eng | 4 | 2 | | 3 | 9 |
| Bsc Eng | 3 | 3 | 1 | - | 7 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Table 3.6 reveals that almost equal share of all categories of entrepreneurs belong to each level up to graduation. A good number of the graduate and diploma engineers have come up for entrepreneurship in the wake of a policy (a subsidised loan scheme for new entrepreneurs with technical background) announced by Kerala Financial Corporation (KFC) in 1971. It shows that appropriate ‘policy’ could accelerate the growth of industrial entrepreneurship.

There are 12 such entrepreneurs in the study. At the same time, the policy was not a bed of roses for many entrepreneurs who have miserably failed after availing of benefits. For instance, an entrepreneur with engineering background is now running his unit as small as in the initial stage after enjoying all benefits (like subsidy and tax exemptions). There are a number of entrepreneurs like this. But this particular entrepreneur has invested the profit he earned from manufacturing in trade sector and accumulated large amount of assets from it. In this sense, the entrepreneurs reaped the policy-induced benefits from the manufacturing sector and flourished in the trade. This is a case of reversing the normal practice of occupational shifts.

When the educational level and entry mode (discussed earlier) are linked together it is found that 84 and 63 percent of the graduate engineers and diploma engineers respectively made a direct entry to informal manufacturing. Those who are up to matriculation have entered through agriculture and trade, and the failure rate of this group is found high (Table 3.6). 72 percent of those who are with general education like commerce and science graduation and post graduation entered through employment. It gives the message that those without technical knowledge should not enter into the industry directly. When educational level and entry mode are linked with community we could not find any valuable inference.

The level of education of parents and siblings is also considered (Tables 4A, 5A, and 6A). Educational background of the parents is poor as majority of them are school dropouts, while that of the sibling has improved, though not tremendously. The spouses of the entrepreneurs have slightly better schooling than the latter but it is not remarkable. As far as children are concerned a commendable number of them (52 percent) are students but there are a good number of MBAs and professional degree holders (26 percent). In short, the entrepreneurs in general have not come from a good educational background but their children have attained sound schooling background.

Occupational background

The next factor considered is occupational background of the family. Table 3.7 lists the distribution of entrepreneurs by fathers' occupation.

Table 3.7 Entrepreneurs by fathers' occupation

| Occupation of father | No. of Entrepreneurs | | | | Total |
|----------------------|----------------------|----|----|----|-------|
| | L | M | H | U | |
| Agriculture | 5 | 5 | 5 | 6 | 21 |
| Ordinary labour | 4 | 2 | 1 | 5 | 12 |
| Govt/ Pvt.Employee | 7 | 4 | 3 | 9 | 23 |
| Trader | 4 | 3 | 1 | | 8 |
| Others | 4 | 2 | | 5 | 11 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Table 3.7 shows that more than 50 percent of the entrepreneurs came from occupational

background like agriculture and ordinary labour. Hence, there are occupational shifts among this category and they are of 'first generation entrepreneurs' in the manufacturing sector. Two other major observations from the Table are: 1. majority does not have an entrepreneurial background and 2. the highest incidence of struggle or failure was noted among the entrepreneurs with a family background of employment.

The above analysis makes it clear that the sample entrepreneurs come from an ordinary family and personal background. In terms of social background, it may be concluded that majority represent non-forward castes of Hindu, and Syrian Catholics. The occupational background also shows that they do not represent upper income group of the society. Even in the midst of this average background, not poor, they attained tremendous growth. What are the factors that explain entrepreneurship and their success? Do economic or non-economic factors contribute significantly for their growth? Next part of this report is an attempt to answer these questions.

4. Factors Accounting for Entrepreneurship

The entry path of the entrepreneur to manufacturing sector explores the facts that both push and pull factors account for the process of entrepreneurship. We are able to identify both push and pull factors in the study. Pull factors are concerned with the expectation to be better off as an entrepreneur. Push factors take into account the conflict between one's current and desired role in society. Majority of the entrepreneurs is pulled to the arena due to factors like starting own venture, high income, high economic status, and success stories of other entrepreneurs. The push factors are rampant poverty, unemployment, dissatisfaction with employment, low pay, strained relations with employer, and urge to involve in challenging activities (Table 4.1).

Table 4.1 Reasons for accounts the entrepreneurship

| Reasons | No. of entrepreneurs | | | | Total |
|--|----------------------|-----------|-----------|-----------|-----------|
| | L | M | H | U | |
| Push factors | 11 | 6 | 4 | 9 | 30 |
| Poverty | 2 | 1 | 1 | 1 | 5 |
| Unemployment | 1 | - | 1 | 2 | 4 |
| Dissatisfaction with employment | 1 | 1 | 1 | 1 | 4 |
| Low pay | 2 | 1 | - | 1 | 4 |
| Strained relation with employer | 2 | - | - | 1 | 3 |
| To involve in challenging activity | 3 | 3 | 1 | 3 | 10 |
| Pull factors | 5 | 4 | 3 | 6 | 18 |
| To start own venture | 2 | 1 | 2 | 3 | 8 |
| High income | 2 | 2 | 1 | 1 | 6 |
| High status | 1 | - | - | 1 | 2 |
| Success stories of other entrepreneurs | - | 1 | - | 1 | 2 |
| Push and Pull factors | 8 | 6 | 3 | 10 | 27 |
| Low pay and to start own venture | 2 | 2 | 1 | 2 | 7 |
| Challenging activity and high income | 3 | 3 | 2 | 3 | 11 |
| Challenging and to start own venture | 3 | 1 | - | 5 | 9 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Table 4.1 shows that both push and pull factors account for the process of entrepreneurship. Pull factors alone account for the lowest number. Challenge and high income stands as the largest single reason for the process of entrepreneurship. But it is not a sizeable figure. When challenge is clubbed with high income and own venture it becomes an arguable number. In short, entrepreneurship is largely the result of the urge to involve in a *challenging activity*, *challenge and high income*, and *challenge and own venture*. As the challenging is common in these three factors it could be concluded that *the urge to involve in challenging activity* is the dominant (push) factor that accounts for entrepreneurship.

It is also fashionable to classify the push and pull factors into prime motivations, ambition, compelling factors, facilitating factors and opportunity factors. Prime motivation may be oneself or close friends and relatives or a godfather. Ambition refers to starting a venture, desire to earn more money, etc. Dissatisfaction with the job, unemployment, etc may be seen as compelling factors while previous experience in the same field and favourable govt policy constitute the classic example of facilitating factor. Opportunity factors represent contacts with market and accesses to trade information. Of all these factors prime motivation (65 percent) is the most important. It is found that the entrepreneur himself has taken the decision to enter in the field of entrepreneurship. In certain cases, the role of a godfather (a prominent figure like an established industrial entrepreneur) is prominent. Following this, ambition (25 percent) and facilitating factor (30 percent) are influencing entrepreneurship. Taking these three factors together it is found that they account for 95 percent of the determinants of entrepreneurship.

It is felt that push and pull factors may have some link with community. The Ezhava and Muslims communities (84 percent and 91 percent) referred to high income and high status as important factors for entrepreneurship. It means that the socially backward communities have entered entrepreneurship for pull factors. There are no other features noted in this context.

Success and economic factors

All the entrepreneurs have attained remarkable gain after their entry into the formal sector. This is reflected in the augmented level of investment, turnover, and earning. Considering the present level of investment as a proxy for the growth of the entrepreneurs, we ran regression equations to identify the variables, which influence the investment. Initially we ran regression function based on human capital theory, and taking education and experience as the two factors influencing the growth of entrepreneur. Human capital theory is not found valid in the present context. Then, we identified certain variables that could influence investment. We eliminated the variables that posed multi-collinearity problem, based on the correlation matrix. The following is the closed regression equation.

$$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + e$$

Where Y= Investment,

X₁= number of years of experience in manufacturing sector

X₂= number of workers

X₃= Number of units,

a, b₁,b₂,b₃ constants and e= error of estimate

The values of fitted regression equation are given in Table 4.2.

Table 4.2 Values of intercept and coefficients

| Value of Intercept | Regression Coefficients | | | R ² | F Value |
|--------------------|-------------------------|----------------|----------------|----------------|---------|
| | X ₁ | X ₂ | X ₃ | | |
| -11553 | 251.11 | 5.35 | 8014.41# | 0.678 | 32.26 |

Source: Computed from survey data; # Significant at 1 % level

The function is significant at 1 percent level. The variable experience and number of workers are not significant whereas number of units is significant at 1 percent. Hence non-human factor influences the growth of the entrepreneurs as number of additional units is more influential than the others on investment.

The equation fitted above does not fully explain the factors accounting for the success of entrepreneurship (R^2 being 0.678). The reason is that the growth of an entrepreneur is determined by non-economic factors also. Moreover, it does not explain the process of 'how' success has taken place. Non-economic factors will definitely be an aid to analyse the same. The ensuing section deals with the non-economic factors.

Non-economic factors

Non-economic factors are psychological, social, political factors, etc. As mentioned already, culture incorporates many aspects like psychological and societal characteristics of an individual beyond his personal values. Naturally, we depend on the cultural traits of entrepreneur. In this context, as already discussed one may follow slightly modified version of Maznevski, et al (2002), which is developed at international level. It proposes a limited set of questions, called 'cultural orientations'; each cultural orientation question has a limited set of possible answers, called 'variations' (or dimensions). A five-point Likert scale has been developed to various questions relating to cultural variables. They are *strongly disagree*, *somewhat disagree*, *neither disagree nor agree*, *somewhat agree*, and *strongly agree* with scores of 1, 2, 3, 4, and 5 respectively. Table 4.3 shows arithmetic mean and standard deviation of scores of successful entrepreneurs regarding cultural variables and their various orientations.

The arithmetic mean of scores for various dimensions (Table 4.3) makes it clear that relationship to other human beings, environment (relationship to nature), activity and human nature are better explained by collectivism, harmony, doing, and changeable respectively. It is expected that the relationship and environment of a successful entrepreneur should respectively be better explained by individualism and mastery. Since the scores of these two dimensions are found reasonably well, it does not lead to any controversy. Moreover, the mastery score of high-level entrepreneur is perfectly high, though their score for individualism is below the average level, which needs investigation. In short, *the successful entrepreneurs strive to maintain a balance among the elements of the environment, keep interest for a larger extended group of people, continually engage in activity to accomplish tangible tasks, and sustain the basic nature as changeable.*

Broadly, the cultural orientations of different levels of successful entrepreneurs are explained by same dimensions except for high-level ones' environment, which is explained by mastery with a perfect score. Hence high-levels are nearer to the average entrepreneur at the international level, except for individualism. Further break-up shows that the low and medium levels diverge in individualism, hierarchical and thinking (high score for medium levels) in the respective orientations. Medium and high levels diverge in individualism (high score for medium), hierarchical and harmony (high score for medium), and finally low and high levels diverge in hierarchical (high score for low), mastery, harmony (high score for low) and thinking. It indicates that successful entrepreneurs in Kerala context should be collectivist at all levels, more individualistic, and more hierarchical in the initial and successive levels. As far as environment

Table 4.3 Mean and Standard deviation of scores for various dimensions by successful entrepreneurs of different levels

| Orientations | Dimensions | Low Level entrepreneurs | Medium Level entrepreneurs | High level entrepreneurs | Total |
|---------------|---------------|-------------------------|----------------------------|--------------------------|-------|
| Relationships | Individualism | 2.923 | 3.733 | 2.44 | 3.08 |
| | Collectivism | 4.346 | 4.733 | 4.67 | 4.52 |
| | Hierarchical | 3.539 | 4.533 | 2.11 | 3.58 |
| Environment | Subjugation | 2.346 | 2.067 | 2.78 | 2.34 |
| | Mastery | 3.346 | 3.800 | 5.00 | 3.78 |
| | Harmony | 4.615 | 4.600 | 2.44 | 4.60 |
| Activity | Doing | 4.500 | 4.600 | 5.00 | 4.62 |
| | Being | 4.462 | 4.467 | 5.00 | 4.56 |
| | Thinking | 2.108 | 4.067 | 4.39 | 3.80 |
| Human Nature | Good/Evil | 4.00 | 4.20 | 4.33 | 4.12 |
| | Changeable | 4.423 | 5.00 | 5.00 | 4.70 |

Source: Survey data; Figures in parentheses show standard deviation

or the relation to nature is concerned, he is not influenced by a larger natural element at all levels but mastered and need not be harmonious in the final stage. For activity, they should be continually engaged in to accomplish tasks, spontaneous and do everything in time at all levels but at higher-levels they consider all aspects of a situation carefully and rationally before taking action. Human nature of these successful categories should be changeable one for all levels but a perfect one for high-levels. The push factor, the urge to involve in a challenging activity, has close link with the cultural trait, changeable.

The difference among various levels of entrepreneurs in terms of specific dimensions needs to be tested statistically. To find whether there is any statistical difference, discriminant analysis is used. For this, Wilks' Lambda based on discriminant function need to be analysed, results of such an exercise is shown in Tables 4.4 and 4.5.

Based on Tests of equality of covariance matrices and canonical correlation, given in Table 4.3, the function is significant at 1 percent level when the two functions together discriminate among the three groups. But when the first function is removed, the second function is significant at 10 percent level. The separate analysis made between low and medium, medium and high, and low and high levels establishes the same. But all dimensions are not significant as is evident from Table 4.2. Significant dimensions are clear cases of divergences. It is clear from the same Table that their cultures diverge for dimensions of *hierarchical, mastery, thinking, and changeable*. These dimensions are significant at 1 and 5 percent level. For all other dimensions there is a convergence among them. *They converge for low subjugation,*

Table 4.4 Significance of various dimensions among different levels of entrepreneurs

| Orientations | Wilks' Lambda | |
|---------------|---------------|------|
| Sig. | | |
| Individualism | .866 | .034 |
| Collectivism | .899 | .082 |
| Hierarchical | .641 | .000 |
| Subjugation | .960 | .383 |
| Mastery | .761 | .002 |
| Harmony | .998 | .954 |
| Doing | .956 | .343 |
| Being | .961 | .391 |
| Thinking | .624 | .000 |
| Good/Evil | .989 | .769 |
| Changeable | .714 | .000 |

Source: Survey data

Table 4.5 Box's Test of Equality of covariance matrices, canonical discriminant function, and Wilks' Lambda

| Function | Eigenvalue | Canonical correlation | Wilks' Lambda | Chi-square | Significance |
|----------|------------|-----------------------|-----------------------|------------|--------------|
| 1 | 3.206 | .873 | .139 (1 through 2) | 83.001 | .000 |
| 2 | .716 | .646 | .583 | 22.669 | .010 |
| Box's M | | | | | .000 |

Source: Computed from survey data

low individualism but moderate and high scores for others. That is they do not allow themselves to be influenced by a larger natural or supernatural element and are concerned about a larger extended group of people. International experience shows that average entrepreneurs converge for low subjugation, low hierarchy and low being (Maznevski, 2002). It invites the attention that entrepreneurs in Kerala have slightly different trait from others. For instance, the individualism score is expected to be high for a successful entrepreneur. It is high only for medium-level entrepreneurs in the study. The low score may partially be attributed to the limitation of methodology. However, the score for individualism below the expected level is a disturbing one.

Successful and unsuccessful entrepreneurs

It is worthwhile to compare the cultural traits of successful with the unsuccessful entrepreneurs so as to arrive at any valuable information. Table 4.6 shows data on various variables with respect to successful and unsuccessful entrepreneurs.

Table 4.6 indicates the fact that a general difference in all variables between two groups can be observed. Relationships, environment, activity, and human nature are explained by individualism, subjugation, and thinking and changeable respectively. Except for the last

Table 4.6 Comparison between Successful and Unsuccessful Entrepreneurs in terms of scores for various dimensions

| Variables | Orientations | Mean | | Standard deviation | |
|---------------|---------------|------|------|--------------------|------|
| | | S | U | S | U |
| Relationships | Individualism | 3.08 | 3.96 | 1.275 | .45 |
| | Collectivism | 4.52 | 3.12 | .5799 | 1.26 |
| | Hierarchical | 2.62 | 3.12 | .8545 | .83 |
| Environment | Subjugation | 2.34 | 4.04 | 1.205 | 1.05 |
| | Mastery | 3.78 | 3.40 | 1.250 | .96 |
| | Harmony | 4.60 | 2.60 | .495 | 1.22 |
| Activity | Doing | 4.62 | 2.40 | .878 | 1.22 |
| | Being | 4.56 | 3.56 | 1.05 | 1.47 |
| | Thinking | 3.80 | 3.64 | 1.48 | 1.18 |
| Human Nature | Good/ Evil | 4.12 | 2.84 | 1.27 | 1.65 |
| | Changeable | 4.70 | 3.92 | .54 | 1.07 |

Source: Computed from survey data

orientation, the dimensions that explain the cultural orientations are different between successful and unsuccessful entrepreneurs. Collectivism of unsuccessful is lesser than that of successful whereas individualism and hierarchy are greater for unsuccessful ones. From this we can infer that *unsuccessful entrepreneurs do not maintain a good relationship to other humans in general*. As far as environment is concerned, unsuccessful have scored lesser than successful ones in the case of harmony and mastery orientations but their score for subjugation is high, which means that *they allow themselves to be influenced by a larger natural or supernatural element*. In other words, they are not trying to change the basic direction of the broader environment around them. Doing and thinking are almost same for both successful and unsuccessful ones. The problem is, thinking score is not very high for both groups. It gives the idea that *unsuccessful ones are not continually engaged in activity, not careful in taking decisions and not doing everything in its own time*. In the case of human nature their score for two dimensions are not sufficiently high. It throws light on the aspect that *unsuccessful entrepreneurs are not much changeable*. In short, the cultural traits of two groups are different in terms of many dimensions.

To test the statistical significance of the divergent variations between successful and unsuccessful ones, the discriminant function is relied upon. The data are given in Table 4.8.

Table 4.8 shows that the function is significant at 1 percent level and hence there is significant difference between successful and unsuccessful entrepreneurs. But they are not significantly different in all dimensions. It is also made clear from Table 4.7 that the entrepreneurs diverge in cases of individualism, collectivism, subjugation, harmony, doing, being, good/evil and changeable.

Table 4.7 Test of Equality of Group Means of Dimensions

| Orientations | Wilks' Lambda | Sig. |
|---------------|---------------|------|
| Individualism | .868 | .001 |
| Collectivism | .628 | .000 |
| Hierarchical | .957 | .075 |
| Subjugation | .671 | .000 |
| Mastery | .976 | .186 |
| Harmony | .419 | .000 |
| Doing | .473 | .000 |
| Being | .865 | .001 |
| Thinking | .997 | .641 |
| Good/Evil | .841 | .000 |
| Changeable | .807 | .000 |

Source: computed from survey data

Table 4.8 Box's Test of Equality of covariance matrices, canonical discriminant function, and Wilks' Lambda

| Function | Eigenvalue | Canonical correlation | Wilks' Lambda | Chi-square | Significance |
|----------|------------|-----------------------|---------------|------------|--------------|
| 1 | 3.560 | .884 | .219 | 102.4 | .000 |
| Box's M | | | | | .000 |

Source: computed from survey data

Hierarchical, mastery, and thinking are the three orientations where successful and unsuccessful converge. It points out the fact that successful and unsuccessful diverge on most of the dimensions. Based on the divergence we may conclude that unsuccessful entrepreneur do not maintain a good relationship to other humans in general, allow themselves to be influenced by a larger natural or supernatural element, not continually engage in activity, not careful in taking decisions and not doing everything in its own time and are not much changeable. Hence attention should be paid to promote all the dimensions where they diverge, for which proper training is to be devised to create the cultural traits, which are lacking among them, so that success rate could be increased.

From the above it is clear that economic and non-economic factors are important for the success of entrepreneurs; but cultural factors play more important role than economic factors. Still, for a holistic approach we need to consider the business strategy adopted by the entrepreneurs. It would be worthwhile if we consider the policy of the government and related issues together with this. The business strategy and policy together constitute the business environment. The next section deals with the same.

5. Business Environment

The dynamics of entrepreneurship has been partly discussed in the previous section. It may be elaborated in terms of business environment. Business strategies and policies are two aspects, which come under the business environment. We will start with business strategy.

Business strategy

Business strategy constitutes investment, production, and marketing strategies. To begin with we will consider investment strategy.

Investment strategies

Investment strategy is mainly concerned with capacity expansion, product development and expenses on machinery. The capacity aspect falls under two heads: capacity expansion within and outside the local area. The survey data regarding capacity expansion (Tables 7A, 8A) make clear that more than 50 percent of the firms have substantial investment in the local area itself. The proportion of low-level entrepreneurs in capacity expansion is low and such entrepreneurs are reluctant to undertake huge expenditure. While medium-level entrepreneurs have made small investment both within and outside local area, the high-level entrepreneurs make large investment outside as well within the local area. It was the medium-level entrepreneurs who initiated investment outside the local area within the State. Palakkad-based entrepreneurs have special leaning towards it. The proximity to the neighbouring States may persuade them for this because they can avail of all benefits of it without entering there.

Another aspect of investment strategy is the amount spent for product development. Table 5.1 shows data regarding the amount spent on product development.

Table 5.1 Amount spent for product development

| Intensity | L | M | H | U |
|-------------------|----------|----------|----------|----------|
| Large amount | 1 | 4 | 10 | 6 |
| Small amount | 6 | 9 | - | 7 |
| Nil | 17 | 3 | - | 12 |
| Future intentions | 7 | 9 | 10 | 4 |

Source: Survey data; Small amount < Rs 5 lakh; Large amount > Rs 10 lakh.

It is seen that product development is not a major concern for low-level entrepreneurs. While medium-level entrepreneurs spent small amount for product development, high-level entrepreneurs spent large amount for it. It is found that the investment size determines mainly the size of operations. Both medium and high-levels have future intentions to invest for the same. Among the unsuccessful entrepreneurs majority have not spent any amount for product development. Coming to investment in machines, the survey data (Table 9A) show that investment in terms of better machines and equipment is a concern of high-level

of entrepreneurs. Fifty percent of medium and low-level entrepreneurs have shown interest to invest small amount for buying better machines and equipment. It has been reported that whenever they increased their investment for machineries or for new product they installed additional unit. This behaviour has some association with the public policy environment in the state also in the sense that they could enjoy the benefits offered by government for small firms by doing so.

Investment strategy and number of enterprises

It is found that there is a positive relation between size of investment and number of firms. The new firms are in the same field and in the field of cross entry. Many successful firms including small ones have two or more firms in the local area. Table 5.2 shows the average number of firms per entrepreneur.

Table 5.2 Distribution of entrepreneurs by the number of firms

| Number of Firms | Growth Strategy | | | Growth & Diversification | | | Cross Entry made units | | | Total |
|----------------------------|-----------------|---|---|--------------------------|---|---|------------------------|---|---|-------|
| | L | M | H | L | M | H | L | M | H | |
| No additional unit | 10 | - | - | - | - | - | - | - | - | 10 |
| 1 additional unit | 8 | 1 | - | 2 | 3 | - | - | - | - | 14 |
| 2 additional unit | 4 | 1 | - | - | 2 | - | - | - | - | 7 |
| 3 additional units | - | 2 | - | - | 5 | - | - | 3 | - | 7* |
| 4 additional units | - | - | - | - | 2 | 4 | - | 1 | 1 | 6* |
| 5 or more additional units | - | - | - | - | - | 6 | - | - | 6 | 6* |

Source: Survey data *Excluding cross entry units since it has already been included

It is seen that 70 percent of the successful units have more than one unit. Medium-level have more than two units. All high-level entrepreneurs have more than four units. Medium-level and high-level entrepreneurs go for new enterprises with the purpose of diversification and cross entry. The average age of entrepreneurs being less in the case of small ones, they may scale up to medium or high-levels in the years to come. Tax avoidance is another reason for spreading the investment in more than one enterprise i.e., to escape legally from the tax evils (high tax-GDP ratio) of the State. Further, potentiality of the machines installed initially may not be suitable to accommodate scaling up process. This necessitates the setting up of new units. Integration or linkage (backward and forward) also caused for the investment in the new enterprises. Many medium and high-level entrepreneurs expanded the manufacturing sphere for backward and forward integration. Additional units are also being set up with the purpose of avoiding labour problems. It is reported by entrepreneurs that establishment of new units by some high-level entrepreneurs before the 1980s was with the intention of overcoming labour problems. It, however, really restricts the 'economies of scale' in operations.

Except two, all the unsuccessful entrepreneurs started facing the struggle from their single unit itself. One of the two, who had two additional units, made a cross entry. No doubt the sustainability aspect of these entrepreneurs is affected by lack of diversification.

Production strategy

The most important aspect of an entrepreneur is production and marketing. Innovation and diversification are the two sub-strategies to be mentioned in this regard.

Innovation and diversification

Diversification is part and parcel of the business strategy of all successful firms. As noticed earlier in this section, there is diversification, which is largely attributed to innovation. It is the right strategy to establish identity in the market. Diversification and innovation have become easier through research and development. The success of paint and rubber-based units rely on diversification, which is due to their thrust on research and development. As mentioned earlier, low-level entrepreneurs spend meagre amount for product development. The medium and high-level entrepreneurs allocate more amount for product development. All the exporting units have R&D departments for this purpose.

A five-point Likert scale has been employed to record their responses on innovation. The choices variables are *very high*, *high*, *moderate*, *low*, *very low* with scores of 5, 4, 3, 2, and 1 respectively. Their responses are recorded in Table 5.3.

Table 5.3 Average scores of entrepreneurs towards product innovation

| Questions | L | M | H | Total |
|--|-----|-----|-----|-------|
| New product or new quality of existing product | 3.8 | 4 | 4.4 | 4.1 |
| New method of production or modified existing method | 3 | 3.5 | 4.2 | 3.8 |
| Total | 3.5 | 3.8 | 4.3 | 3.95 |

Source: Survey data

The average score of successful entrepreneurs for innovation is good. Successful firms diversified the products through innovation in different ways. Most of the successful entrepreneurs mainly make marginal modifications by adding new features to the product; thereby they could attain positioning in the market. It is found that positioning, reaching the market first, is a factor for success of an entrepreneur. It may be through adding features, adopting a new technology, entering into a new production line, etc.

Outsourcing strategy

As a part of business strategy, some medium and a limited number of high-levels entrepreneurs successfully adopt outsourcing as a production strategy. A high-level entrepreneur overcame labour problems and reduced cost of production through outsourcing.

Marketing strategy

All successful entrepreneurs have depended on the new market and marketing strategy (Table

10A). Under marketing strategy, selling strategy is important. Low-level entrepreneurs normally follow a direct selling strategy whereas medium type club direct selling together with some agency and publicity works. Apart from these strategies, high-level group adopts advertisement strategy so as to boost their sales. An entrepreneur, shifting from IFS to FS, has to practise all these selling strategies. That is, direct selling is the “mantra” of success in the initial phase and advertisement becomes the key strategy after attaining matured growth. Many successful entrepreneurs capitalise good relations with their clients and utilising it for the benefit of the firm. The success of the paint manufacturers is related to the focus given to the retailers in the interior region (rural). It is found that some unsuccessful entrepreneurs adopted untimely advertisement as a strategy for selling the product.

Right pricing strategy is another determinant for the success of a firm. Generally a competitive pricing is helpful for the success of the firm. Sometimes a going rate will be the right step, price skimming may be appropriate on other occasions. A new product with great potential market, as for instance the product for cleaning the seafood, should follow price skimming as the right strategy. Whenever there are a lot of competitors, like painting products, a competitive pricing may be appropriate. Table 5.4 shows the distribution of entrepreneurs over different pricing techniques.

Table 5.4 Pricing strategy and distribution of entrepreneurs

| Pricing techniques | L | M | H | U |
|---------------------------|----------|----------|----------|----------|
| Cost plus | 8 | 9 | 10 | 17 |
| Going rate | 14 | 6 | - | 7 |
| Price skimming | 1 | 1 | - | 1 |
| Price by leader | 1 | - | - | - |

Source: Survey data

It is clear from Table 5.4 that all high-level units follow cost plus pricing. Low and medium-levels follow both going rate and cost plus. Unsuccessful entrepreneurs have mainly depended on cost plus pricing and it is found in many cases that they had gone for this strategy at an early stage. Instead of adopting going rate they made mistake by opting for cost plus and skimming policies. In fact, the low-levels follow going rate but the price fixed by them will be 10 to 40 percent lesser than their price.

To sum up, right business strategy plays a decisive role for the success of an entrepreneur. In the production front, investment in different areas and in different units for diversification and cross entry is the essential factor for the success of entrepreneurs. Outsourcing and fruitful integration (both backward and forward) are helpful to step up the ladder of success. The former strategy enables the entrepreneurs to overcome cost and labour-related issues. In the marketing front, the suitable selling strategy is to adopt direct selling in the initial stage and advertisement in the later stage. Pricing strategy demands cost plus or going rate (as determined by leading manufacturer) for success. In short, appropriate business strategy at right time will definitely help the entrepreneur to be successful. Successful entrepreneurs have better skill in marketing together with manufacturing than others.

Business policy

Government policy and regulations, the problems of entrepreneurs, and the attitude of labourers are the factors taken into account under business policy. It was evident from the survey data (Table 11A, 12 A) that most of the entrepreneurs welcomed government regulation as necessary. Most of them, however, opined that when the government regulates them by way of taxes and other weapons, it should also protect them by following suitable policies. Unsuccessful entrepreneurs in general expressed just the opposite view.

Entrepreneurs, in general, expressed doubt on the prevalence of a supportive policy environment. They are of the opinion that no government is interested in their growth. Many have pointed out that the government shows no sympathy towards them... They face a lot of hurdles from the bureaucracy (Table 5.5).

Table 5.5 Response to great obstacles

| Nature of entrepreneurs | Tax regulation and high taxes | Inadequate infrastructure | Labour problems | Starting new business & operations | Attitude of bureaucrats |
|----------------------------|-------------------------------|---------------------------|-----------------|------------------------------------|-------------------------|
| Low level | 22 | 5 | 7 | 13 | 23 |
| Medium level | 14 | 5 | 3 | 7 | 12 |
| High level | 5 | 1 | 4 | 3 | 4 |
| Unsuccessful entrepreneurs | 17 | 2 | 19 | 16 | 22 |

Source: Survey data

Majority are concerned about the attitude of the bureaucrats as evident from Table 5.5. A good percentage of entrepreneurs have pointed out that bureaucrats in general have a negative approach towards them. Most entrepreneurs criticised tax regulations and high rate of tax. Except a few, they pointed out the cascading effect of sales tax and hence they support the introduction of Value Added Tax (VAT). Entrepreneurs of both low-level and medium-level, who belong to small-scale sector, expressed strong opposition to the tax regulation and high taxes. To them, VAT may put them in trouble as they are now insulated by the tax exemption and subsidy. Small-scale sector survives because of this and policy environment. Any provision to sabotage the existing environment has to be weeded out. In general the manufacturing entrepreneurs pointed out that the traders object to VAT as it does not help them to conduct illegal trade.

Table 5.5 further reveals that labour problem is not a major headache to many. A good number of entrepreneurs have opined that the labour militancy has come down in the State. Only a few of the successful entrepreneurs have reported that the labour problem is an issue. Those who pointed out the issue of labour militancy clarified that it emerged from the exogenous elements of labour force, mainly from head load workers or from the splinter group leadership of labour organisations. Having made an attempt to analyse the successful entrepreneurship with a holistic approach, we turn our analysis to see any regional difference in terms of the aspects discussed above.

6. Regional Dynamism

In the study two areas are considered: Ernakulam and Palakkad districts. Table 6.1 shows the distribution of entrepreneurs by regions.

Entrepreneurs in Palakkad and Ernakulam exhibit some similar and dissimilar features. The salient feature of these two places is that industrial estates could be seen in both places. Another common point is that the migrants constitute a good proportion of entrepreneurs in both places. But this proportion is high in Palakkad as compared to Ernakulam. The third point is that unsuccessful rate is almost same in both places. Dissimilarity is seen in the case of successful rate of entrepreneurs as is made clear from Table 6.1. Ernakulam has large number of successful entrepreneurs than Palakkad. The reason is obvious; it is an established and old industrial centre. Then the first question is that: Is the difference in successful rate across regions a significant one? If so, what are the factors that account for this? Whether cultural factors play a major role in this respect?

Table 6.1 Distribution of entrepreneurs by region

| Region | No. of Entrepreneurs | | | | Total |
|-----------|----------------------|----|----|----|-------|
| | L | M | H | U | |
| Ernakulam | 14 | 10 | 9 | 16 | 49 |
| Palakkad | 10 | 6 | 1 | 9 | 26 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

In terms of background profile, community-wise difference has been noticed first. In both Ernakulam and Palakkad, Ezhava community plays a very important role (24 percent and 25 percent respectively) and a good number of them are constituted by young generation (27 and 30 percent). Migrants in the two districts are mainly constituted by entrepreneurs from Ezhava and Syrian Catholic communities (60 and 85 percent respectively). An almost equal proportion of them entered the field through trade, employment, and direct entry.

For other factors, we could not find a major difference between the entrepreneurs in two regions. Same is the case with the economic factors too. As regards the cultural factors, the mean scores of successful and unsuccessful entrepreneurs in the two regions are given in Table 6.2.

The mean scores in Table 6.2 represent all the entrepreneurs i.e., both successful and unsuccessful. It shows that relationship, environment and human nature are better explained by the same dimensions in both Ernakulam and Palakkad as for successful entrepreneurs in general. For activity, 'being' explains it better than 'doing' as for successful entrepreneurs. The scores for successful entrepreneurs given in brackets makes it clear that successful entrepreneurs in Ernakulam present the general explanation but for Palakkad, the activity is explained by 'being' with a marginal difference.

Table 6.2 Mean and SD of scores for various dimensions by successful entrepreneurs in two regions

| Variables | Orientations | Ernakulam | | Palakkad | |
|---------------|---------------|-------------|------|--------------|------|
| | | Mean | SD | Mean | SD |
| Relationships | Individualism | 3.49(3.24) | 1.12 | 3.16(2.76) | 1.19 |
| | Collectivism | 4.08(4.58) | 1.20 | 4.00(4.40) | 0.85 |
| | Hierarchical | 3.84(2.90) | 1.30 | 3.62 (2.08) | 1.30 |
| Environment | Subjugation | 2.96 (2.26) | 1.34 | 2.8 (2.50) | 1.55 |
| | Mastery | 3.73 (3.84) | 1.08 | 3.5 (3.67) | 1.33 |
| | Harmony | 3.92(4.42) | 1.16 | 3.96 (4.95) | 1.48 |
| Activity | Doing | 4.02(4.71) | 1.38 | 3.62(4.45) | 1.58 |
| | Being | 4.45 (4.51) | 1.04 | 3.81 (4.66) | 1.60 |
| | Thinking | 3.71 (3.95) | 1.41 | 3.81(3.50) | 1.36 |
| Human Nature | Good/ Evil | 3.78 (4.10) | 1.53 | 3.54(4.15) | 1.5 |
| | Changeable | 4.60 (4.92) | 0.76 | 34.15 (4.27) | 0.93 |

Source: Computed from survey data; *Figures in the brackets show the score of successful entrepreneurs*

To see whether the difference is significant we depended on discriminant analysis and it is found that there is no statistical difference (canonical correlation=0.252 and sig=0.322) between them on any dimensions except subjugation. It leads to the conclusion that whatever convergence and divergence have been noticed between successful and unsuccessful entrepreneurs, they are applicable to entrepreneurs irrespective of regions.

Regional dynamism in terms of strategy and environment

There is only slender difference between the entrepreneurs in the two areas in the case of production strategy. As far as investment strategies are concerned the entrepreneurs in Palakkad invest outside the local area but within Kerala itself. Innovation and diversification are almost similar in these two areas. But in the case of outsourcing entrepreneurs in Ernakulam are a few yards ahead of their counterparts in Palakkad. Marketing strategy of entrepreneurs in Ernakulam and Palakkad is also found almost similar. They adopt similar selling strategies like direct selling, advertisement, canvass orders through sale force, publicity etc. But entrepreneurs in Ernakulam largely promote direct selling through own vehicles. The reason is that food-processing industries are less in Palakkad as compared to Ernakulam. Modern industries occupy a role in Palakkad and hence the selling strategy does not depend heavily on direct selling.

Business environment as determined by the attitude towards government policy, government regulation, and big hurdles they have almost uniform experience irrespective of regional differences. The labour relation is found different in two circumstances. The successful entrepreneurs in Ernakulam tackled the labour militancy by employing different tactics. While

one entrepreneur adopted outsourcing as a strategy to cope with such a situation, another one overcame the situation by lay off and similar techniques in Ernakulam. The entrepreneurs in general relied on certain kind of casual labourers as a survival strategy. Their recruitment is made either directly or through agencies so that labour union is totally eliminated in the factory premises. This is especially relevant in the case of Palakkad.

Since there are no marked differences in entrepreneurship across regions, the strategy should be a general one for promoting entrepreneurship in the State. Then the question is what kind of strategy has to be devised? What are the ingredients to be included in this? With this purpose, the measures for the promotion of entrepreneurship have been incorporated in the study, which will be discussed in the next section.

7. Promotion of Entrepreneurship

The promotion of entrepreneurship is a major element of enquiry in this study. On the basis of intense discussions carried out with the entrepreneurs, office-bearers of Industrialists Associations, and other experts the following measures are suggested for the promotion of entrepreneurship.

Initial years' growth - Evolving an economic formula

The success of an entrepreneur in the initial phase depends on the solid base laid in the initial period. In this period utmost care is given to evolve a formula for growth. The main component is the technical composition whereby the commodity could be produced with good quality, moderate price, and reasonable profit. The take-off period may be fixed as five to six years for most of the units.

Positioning

It is found that positioning is a major factor for success. Positioning is the opportunity to reach the market first. Normally this is achieved when the manufacturer is the prime mover. It may also be achieved by innovation and diversification so that the customers feel that it is a new product and thereby positioned. This is the secret of many successful entrepreneurs, particularly in the later stages of growth.

Steps to retain comparative advantage

Entrepreneurs who enjoy a comparative advantage in the production line are most successful. Rubber products and plastics are clear examples of this type. It appeared from the survey that there was a price advantage for the manufacturers of rubber products but that was limited by import duty. Plastic goods also enjoyed cost and price advantage in the earlier period but gradually other States gave a lot of concessions for their entrepreneurs and as a result their manufacturers could easily enter the market in Kerala. It is therefore argued that the Government should take steps to retain the comparative advantages enjoyed by the manufacturers.

Working capital and financial indiscipline

The lack of adequate working capital is a hurdle for the success of a unit. Many firms could not maintain a steady working capital as they divert fund for other purposes. The problem is crucial for sole proprietorship. It is found from the survey that certain paint and engineering product manufacturers are the victims of these problems. Private limited companies manipulate this to a large extent. It is found that private limited companies are more successful than others. In the study some units in engineering products, rubber products, and paints practised this. It checks fund diversion and is able to keep adequate working capital.

Quality and local development

The quality of a product plays a crucial role in the success of a firm. Those who do not compromise

much with quality of the products are found to be successful in the long run though they struggle in the short period. It is true that failed entrepreneurs compromised with quality in the short period. The advantage of maintaining quality is that they could establish good relations with customers. In turn, there would be permanent customers for their product. Those who give importance to regional development are also found very successful. It is found that the entrepreneurs who employ people from local area, particularly from the same community, are successful. One high-level entrepreneur, not only recruits people from local area but adopted wonderful remunerative package so that the welfare of the family is taken care of. He never faced a threat of strike or lost a single day due to it.

Government policy

The entrepreneurs criticised government policy vehemently. In fact, there is evidence regarding the success of entrepreneurs due to the new policy initiatives. The scheme for technocrats introduced by KFC helped a number of engineers. The failure cases are due to the absence of follow-up and monitoring. Hence a sustainable policy is essential for the promotion of entrepreneurship. In this context, it must be emphasised that the government can initiate a discriminatory policy based on the size of firms. Low-level entrepreneurs cannot be equated with high-level entrepreneurs. There should be a discriminate policy to address the problems faced by the low-level entrepreneurs so that their growth and new entrepreneurship could be promoted. The Provident Fund contribution and ESI contribution is same irrespective of the size of the enterprises and hence it poses great threat to the survival of the enterprises.

Adequate knowledge

All round knowledge in purchase, sale, administration, etc., are prerequisite for the success of a small firm. For large firms adequate knowledge is essential for adopting scientific management. Technical knowledge is inevitable for all levels of entrepreneurs, especially at high-level. Proficiency in manufacturing and marketing, especially for low-level entrepreneurs, is found to be the factors for success.

Timely modernisation and pseudo-professionalism

In the initial years there should not be much modernisation. We have the failure experience where high modernisation was introduced in the early years and where we witnessed a kind of pseudo-professionalism in the sense that unnecessary reforms were introduced in the initial stage itself. Reforms should be after stabilising the market.

Mindset of entrepreneurs

The mindsets of entrepreneurs are for benefits like subsidy, margin money, etc declared by the government. A high-level successful entrepreneur in the sample has not so far availed of any kind of such benefits. Likewise there are many successful entrepreneurs who never enjoyed such benefits. This lesson should be made available to the newcomers.

Integration

A firm should utilise both backward and forward integration so that it could grow much better. It should start new ventures reaping the benefits of at least either of these integrations. Certain successful units entered into the backward and forward integration so that high growth is assured. Units in steel, food processing, and rubber successfully adopt this.

All the measures are not necessary conditions for the success of entrepreneurs. Depending upon the situation, some of the above measures will be inevitable for their success. It may be interesting for anyone that the entrepreneur with suitable cultural traits will adopt these measures without any advice. In order to understand this we should analyse the interaction between various factors. The conclusion part deals with that.

8. Conclusion

The first generation industrial entrepreneurs, who had initial footing in the IFS, with an ordinary family and personal background, are exhibiting a number of features. The socio-economic background shows that majority, with an average educational background, represents non-forward castes of Hindu, and Catholics. The occupational background also shows that they do not represent upper class of the society and there are occupational shifts, as their family had no entrepreneurial background.

Their entry to the industrial sector is influenced by push factors and pull factors. It is largely accounted for the urge to involve in a *challenging activity* coupled with the reasons like *high income* and *to start own venture*. While the push factor, and the urge to involve in challenging activity has the greatest influence on entrepreneurship, pull factors account for entrepreneurship among the socially backward communities. Disaggregate-level analysis shows that prime motivation is the single largest component and hence, the entrepreneur himself has taken the decision to start the unit. Ambition and facilitating factor have also stood as key factors for entrepreneurship.

The successful entrepreneurs have attained growth enormously by improving their level of investment and earning. Taking investment as a proxy for growth it is found that human capital theory, explained by education and the number of years of experience, is not much valid in the present context. But the number of workers and the number of units influences it. Hence non-human factors are found to be more influential than others on the growth of entrepreneurs. They also improved their scale and density of operation by setting up new units for diversification and cross entry.

Based on the discriminant analysis of cultural traits, there are three main inferences. Firstly, the cultural traits of successful entrepreneurs in general are slightly different. The successful entrepreneurs strive to maintain a balance among the elements of the environment, keep interest for a larger extended group of people, continually engage in activity to accomplish tangible tasks and sustain the basic nature as changeable. *They converge for low subjugation, low individualism but moderate and high scores for others* as against the international experience of convergence for low subjugation, low hierarchy and low being. Low individualism score of Kerala entrepreneur is really a disturbing factor. Likewise the moderate score for 'hierarchical' and 'being' invites special redressal.

Secondly, there is difference among different levels of entrepreneurs in respect of cultural traits. For them it is found that *cultures diverge for dimensions of hierarchical, mastery, thinking and changeable*. Normally it is expected that the individualism score will be high for successful entrepreneurs. But in the present study it is low, except the medium-level entrepreneurs, who have a high score in individualism. The medium-levels are also characterised by some other features. The average of initial investment among medium-level entrepreneurs is high because of the influence of some entrepreneurs with comparatively higher investment but reluctant to grow large.

Thirdly, successful versus unsuccessful entrepreneurs converge for *hierarchical, mastery, changeable and thinking*. The moderate score for hierarchical and its convergence between successful and unsuccessful, inadequate thinking etc again establishes the point that entrepreneurs in general have a slightly different cultural trait in Kerala. However, the dimensions, where the entrepreneurs diverge, explain the reasons for unsuccessful character. A clear difference has been noticed for subjugation, harmony, doing and good/evil. *It shows that unsuccessful entrepreneurs are not maintaining a balanced approach among the elements of business environment, not continuously engage in accomplishing tasks, and finally not trying to change the basic direction of broader environment for good.*

Sector-wise analysis shows that large proportion of successful entrepreneurs is in food products, engineering and plastic goods, whereas unsuccessful entrepreneurs mainly represent plastic and plastic goods industries. The new entrepreneurs are asked by the bureaucrats to enter those areas where existing entrepreneurs are successful. The advice is often given without looking into the potentiality of the market. Naturally, those without any technical knowledge become entrepreneurs and gradually unsuccessful. At the same time, it is found that those entrepreneurs with experience in the same field are most successful. It is further established that those with executive background in the public sector (particularly with experience in the divergent field) are found to be unsuccessful. It emphasises the point that technical knowledge is a prerequisite for success. The bureaucratic element might have also contributed to the failure of the latter. Further, those entrepreneurs with a family background of employment are also not much successful. The divergence noticed in the case of cultural traits of 'doing' and 'changeable' substantiates this.

It may be interestingly found that the economic factors are reflected in the cultural traits. It is seen that experience of the entrepreneur in the manufacturing sector, number of workers, and number of units are influencing the growth of entrepreneur to a greater extent. The high score for 'mastery' substantiates the importance of the first variable. The high score for 'doing' and 'being' substantiates the prominence of other two variables. Likewise, the push factor, the urge to involve in a challenging activity, has close link with the cultural trait, changeable.

The business environment, incorporated to have a holistic approach, constituted by business strategy and policy, may also be linked with the cultural traits. Among the business strategies, special mention may be made about marketing strategy. The successful firms employed direct selling in the initial phase and after attaining high level of growth they relied on advertisement as a strategy. It is found that those entrepreneurs, especially low-level ones, who have marketing and manufacturing skills, are more successful than others. It again gives the message that those without technical knowledge should not enter the industry directly. A valuable point at this juncture is that the strategies should not be for short-term gains but for long-term gains. In this respect, the quality of the product accords top priority. It is true that failed entrepreneurs compromised with quality for short-term gains and hence they could not withstand in the long run. The advantage of maintaining quality is that they could establish good relation with customers and thereby maintains permanent customers in the market.

Another important aspect of business environment is the Government policy. Entrepreneurs pointed out the absence of a supportive policy in the State. Together with this, environment at micro level should be stressed. For, the relation with workers, understanding among the partners, capacity to execute things, etc were seen as reasons for success of entrepreneurs. Labour relation is the major factor influencing environment, which was not quite fair in most situations till recently. But a healthy relation is visible nowadays. A fair and firm relation between workers and employers is suitable in our context.

It will be useful to link the cultural traits with business strategy they adopted. The steady score in 'harmony' and 'human nature' substantiates the importance given by them to the quality of the product. Likewise successful entrepreneur strategies are in line with moderate 'thinking' and 'harmony'. High 'individualism', high 'hierarchy' and high 'harmony' of medium-level entrepreneurs point to their strategies of diversification and starting up of additional units. The good score of high-level entrepreneurs in 'mastery' is clear evidence for their strategies like advertisement, modernisation, and cross entry. Since the strategies and economic factors are reflected in the cultural traits, it could be concluded that attempts should be made to remove deficiencies relating to cultural traits of entrepreneurs for the promotion of entrepreneurship.

It has been well documented that regions play decisive role in the dynamism of entrepreneurs. As regards the regional difference, a good number of successful entrepreneurs in Palakkad belong to migrant group as compared to Ernakulam. But there is no significant difference in the case of cultural traits between the entrepreneurs in Palakkad and Ernakulam.

Certain suggestions from experts for the promotion of entrepreneurship include evolving an economic formula in the initial years of growth, positioning in the market, maintaining adequate working capital, financial discipline, adequate technical and other knowledge, sustaining comparative advantage, need for change in the mindset of entrepreneurs, etc.

Future research issues

Certain research issues come up for future study. Firstly, the finding that those with executive background in the public sector are found to be unsuccessful entrepreneurs needs detailed investigation. Secondly, the entry of new entrepreneurs is an area for further enquiry. To what extent bureaucrats spoil them due to untimely advice given to them, particularly about the market without knowing its potentiality. Thirdly, intensive research should be carried out to promote the entrepreneurship by developing the methodology of cultural traits. Finally, research for developing a composite index, incorporating economic and non-economic factor together with business strategy, for the measurement of successful entrepreneurship should be properly recognised.

Implications

The study touches upon the economic and non-economic factors for the successful entrepreneurship. It has reached the conclusion that though economic factors account for the successful entrepreneurship it does not explain the process of 'how'. Cultural traits, the

non-economic factor, explain this. It explains the reasons for entrepreneurship in general and the reasons for unsuccessful in particular. As a result, it invites the attention of authorities to this neglected area i.e. the cultural traits, which is of utmost importance. The finding that the cultures of our entrepreneurs is slightly different in general, is slightly different across various levels, and are different between successful and unsuccessful invite the attention of policy makers. Hence, no doubt, proper training should be imparted to the entrepreneurs to rectify the differences for their promotion – training to overcome the issues relating to cultural traits of the successful entrepreneurs in general, then unsuccessful entrepreneurs, and finally different levels of entrepreneurs. A three-pronged strategy will definitely help to promote entrepreneurship in the State.

A lot of policy initiatives are a solution to the promotion of entrepreneurship. Linking the business strategy and economic factors with cultural traits, policy initiative should be directed towards removing deficiencies identified by cultural traits. It should address the issues generating from different levels of entrepreneurs, particularly low-level entrepreneurs. A Nodal Agency for guidance of the latter is essential for their growth. Many entrepreneurs, as an obstacle for their growth, cite the absence of a discriminatory policy based on size of the firm (different levels). The Provident Fund contribution and ESI contribution is same irrespective of the size of the enterprises and hence it poses great threat to the survival of enterprises.

The study being about successful entrepreneurs from the informal sector, it demands, at the outset, that informal sector should not be neglected. Proper care of that sector will be the first step to boost industrial entrepreneurship in Kerala. Second, the policy should address the cultural traits and take steps to set up suitable agencies for the promotion of entrepreneurship in Kerala. By this measure, entrepreneurship and thereby local development will be fostered in the State.

Notes:

1. A detailed review of leading entrepreneurship theories has been briefed under four major perspectives by Cuevas(1994).They are the French tradition, the Modern Austrian tradition, the German-Austrian tradition, and the Chicago tradition. They are associated with Cantillon (1755), Kirzner (1973), Schumpeter (1934), and Knight (1921) respectively. The French tradition suggests that entrepreneurs operate within a set of economic markets and bear uncertainty; thereby take actions to make a profit (loss). The Modern Austrian tradition suggests that an entrepreneur is alert to profitable opportunities for exchanges to occur. The German-Austrian tradition is concerned with the economic development, instability, and change rather than adjustments and equilibrium. They view the entrepreneur as an innovator and bring about change through innovation. The Chicago tradition argues that entrepreneurs may be prepared to take risks in an uncertain world. Entrepreneur should be regarded as a calculated risk-taker.

2. Cooper (1981) provides the most comprehensive and useful explanation for the various factors, which may contribute to the entrepreneur's decision. He classified them into Antecedent influences, the Incubator organisations and environmental factors. The entrepreneur, including the many aspects of his background, which affect his motivations, his perceptions, and his skills and knowledge, belongs to the first group. The organisation for which the entrepreneur had previously been working, whose characteristics influence the location and the nature of new firms, as well as the likelihood of spin-offs belongs to the second group. Various environmental factors external to the individual and his organisation, which make the climate more or less favourable to the starting of a new firm falls under the third category. It gives another insight that entrepreneurs were made rather than born, that lifetime experiences were just as important as genetic influences.

3. 'N-Achievement' means the need for achievement. The concept is introduced by McClelland (1961). It purports to show differences in willingness and ability between individuals to achieve. Likewise there may be 'N-Affiliation' and 'N-Power'.

4. Perceived internal locus of control is defined as the personal belief that one has influence over outcomes through abilities, effort or skills; whereas external locus of control is the belief that external forces control outcomes.

5. As regards the successful entrepreneurship, there are again various explanations. The successful entrepreneur needs a rare combination of qualities and experiences. They are moral qualities, judgment, perseverance, knowledge of the world as well as of business and experience (Say, 1803). Marshall identified a number of factors for the successful entrepreneurship. Intelligence, general ability together with favourable family background, education, and innate ability are the main factors of success. Schumpeter assigned a high role to leadership for their success. Self-confidence, venturesomeness, foresight, power of control, intellectual capacity, etc are the factors for ability to deal with uncertainty that account for their success (Knight, 1921). Good luck has been identified as the reason for

being successful. Creativeness and leadership to exploit profit opportunities are the reasons identified by Kirzner (1973).

6. Cross entry is a term used by Bains, in his Limit pricing theory. When a manufacturer enters into a different field, not as part of diversification, it is called cross entry.

7. The technical jargons used for explaining migration are push and pull factors. The important push factors are rampant poverty, scanty housing, low level of living, unemployment in the villages etc. The major pull factors are the 'Gold Rush Fever' (the difference in the expected urban and rural real income), better transport and schooling facilities in cities, etc.

Appendix

Table 1A Entrepreneurs by religion & caste

| Religion | Castes | No. of Entrepreneurs | | | | Total |
|-----------|---------------|----------------------|----|----|----|-------|
| | | L | M | H | U | |
| Hindu | Forward | 4 | 2 | 1 | 10 | 17 |
| | Backward | 8 | 5 | 1 | 8 | 22 |
| Christian | Catholics | 7 | 4 | 6 | 4 | 21 |
| | Non-Catholics | 2 | 1 | - | - | 3 |
| Muslims | | 4 | 3 | 2 | 3 | 12 |
| Total | | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Table 2A Entrepreneurs by place of origin

| Place of Origin | Number of Entrepreneurs | | | | Total |
|------------------------|-------------------------|----|----|----|-------|
| | L | M | H | U | |
| Local area | 17 | 11 | 8 | 23 | 59 |
| Outside the local area | 7 | 5 | 2 | 2 | 16 |
| Total | 24 | 16 | 10 | 25 | 75 |

Source: Survey data

Table 3A Entrepreneurs by Age

| Age of entrepreneur | Number of Entrepreneurs | | | | Total |
|---------------------|-------------------------|----|---|----|-------|
| | L | M | H | U | |
| 25-34 | 2 | - | — | - | 2 |
| 35-44 | 6 | 4 | - | 4 | 14 |
| 45-54 | 9 | 3 | 5 | 8 | 25 |
| 55-64 | 8 | 6 | 1 | 6 | 21 |
| 65-76 | 1 | 2 | 3 | 7 | 13 |
| Total | 26 | 15 | 9 | 25 | 75 |

Source: Survey data

Table 4A Entrepreneurs' Parents by level of education

| Level of Education | Father | Mother |
|---------------------------|---------------|---------------|
| Illiterates | 11 | 19 |
| Primary | 24 | 31 |
| High school | 15 | 15 |
| Matriculation | 14 | 8 |
| Pre degree | 3 | 1 |
| Degree | 3 | 1 |
| PG | - | - |
| ITI | 3 | - |
| Professional | 2 | - |
| Total | 75 | 75 |

Source: Survey data

Table 5A Entrepreneurs' siblings' by level of education

| Level of Education | No. of Siblings | | | | | | Total |
|---------------------------|------------------------|------------|------------|------------|------------|------------|--------------|
| | 1-2 | 2-3 | 3-4 | 4-5 | 5-6 | 6-7 | |
| Illiterates | 2 | 2 | 3 | 3 | 2 | 4 | 16 |
| Below matriculation | 13 | 7 | 11 | 6 | 3 | 5 | 45 |
| Matriculation | 18 | 15 | 10 | 20 | 15 | 8 | 86 |
| Pre degree | 10 | 8 | 8 | 5 | 4 | 4 | 39 |
| Degree | 18 | 11 | 12 | 9 | 10 | 8 | 68 |
| PG | 3 | 3 | 5 | 4 | 2 | 1 | 18 |
| ITI | 9 | 3 | 1 | - | 1 | 1 | 15 |
| Diploma Eng | 7 | 6 | 2 | 2 | 2 | 2 | 21 |
| Bsc Eng | 2 | 2 | - | 1 | - | 1 | 6 |
| Total | 82 | 57 | 52 | 50 | 39 | 34 | 315 |

Source: Survey data

Table 6A Entrepreneurs' spouse by level of education

| Level of Education | No. |
|---------------------|-----|
| Illiterates | 2 |
| Below matriculation | 12 |
| Matriculation | 18 |
| Pre degree | 12 |
| Degree | 15 |
| PG | 9 |
| ITI | 1 |
| Diploma Eng | 3 |
| Bsc Eng | - |
| others | 3 |
| Total | 75 |

Source: survey data

Table 7A Amount spent for capacity expansion in the local area

| Intensity | L | M | H | U |
|-------------------|----|---|----|---|
| Large amount | 10 | 9 | 10 | 7 |
| Small amount | 7 | 7 | - | 9 |
| Nil | 7 | - | - | 9 |
| Future Intentions | 6 | 8 | 10 | 2 |

Source: Survey data; Small amount < Rs 5 lakh; Large amount > Rs 10 lakh

Table 8A Amount spent for capacity expansion in the outside local area

| Intensity | L | M | H | U |
|-------------------|---|---|----|---|
| Large amount | 3 | 5 | 9 | 5 |
| Small amount | 7 | 3 | 1 | 2 |
| Nil | - | 3 | - | 4 |
| Future Intentions | 6 | 8 | 10 | - |

Source: Survey data

Table 9A Amount spent for better machines and equipment

| Intensity | L | M | H | U |
|-------------------|---|----|----|----|
| Large amount | 1 | 4 | 10 | 5 |
| Small amount | 8 | 8 | - | 6 |
| Nil | 6 | 3 | - | 10 |
| Future Intentions | 7 | 11 | 10 | 1 |

Source: Survey data

Table 10A Marketing strategy and distribution of entrepreneurs

| Questions | L | M | H | Total |
|------------------------|----|----|----|-------|
| New market | 21 | 13 | 10 | 44 |
| New marketing Strategy | 23 | 12 | 10 | 45 |

Source: Survey data

Table 11A Response regarding govt regulation

| Nature of entrepreneurs | Most unnecessary | Unnecessary | Necessary | Most necessary | Neutral |
|-------------------------|------------------|-------------|-----------|----------------|---------|
| Low level | - | 4 | 17 | - | 3 |
| Medium level | 1 | 4 | 9 | 1 | 1 |
| High level | - | - | 7 | 2 | 1 |
| Unsuccessful | 6 | 13 | 4 | - | 2 |

Source: Survey data

Table 12A Response of entrepreneurs to govt policy

| Nature of entrepreneurs | Not at all good | Somewhat good | Good | Satisfactory | No opinion |
|-------------------------|-----------------|---------------|------|--------------|------------|
| Low level | 3 | 5 | 2 | 7 | 9 |
| Medium level | - | 3 | 2 | 3 | 7 |
| High level | - | 5 | 2 | 2 | - |
| Unsuccessful | 8 | 6 | 2 | 2 | 7 |

Source: Survey data

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