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## **Contextualising entrepreneurship paradigms and policies: Lessons from two 'non mainstream' entrepreneurial communities in India**

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### **Introduction**

Entrepreneurship is one of the most 'elusive' (Baumol, 1968) areas of study that cuts across various social sciences. It is not only an occupational choice, rather is an expression of self-confidence; assertion of autonomy and unleashing of the spirit of adventure. Varied roles such as of an arbitrageur and coordinator of factors of production (Cantillon, 1931; Say, 1803), manager (Say, 1803) and a risk taker (Knight, 1921) have been assigned to the entrepreneur. Schumpeter (1934, 1950) identifies him as an innovator, as an individual who unleashes the forces of 'creative destruction'<sup>17</sup> and propels the capitalist economy to new equilibrium. Kirzner (1973, 1979), arguing in the Austrian tradition considers an entrepreneur to be a part of an on-going disequilibrium process, wherein he discovers opportunities and exploits these to his advantage after careful evaluation. Thus, the Kirznerian entrepreneur moves the market to new states of equilibrium consistent with existing information, while the Schumpeterian entrepreneur consistently creates new equilibrium. The entrepreneur, in this sense was considered to be the 'hero' of capitalism and very essential component of economic growth. Neo classical school of economic analysis views entrepreneurship as an occupational choice driven by relative risk weighted returns between different occupations. Choice and decision to become an entrepreneur is also seen as a function of the abilities of individuals specifically related to judgement, leadership and human capital (Lucas, 1978; Gifford, 1998; Lazear, 2005). Economists have also delved into the motivations for entrepreneurship highlighting not only the importance of pecuniary gains, but also non pecuniary incentives such as desire for independence, autonomy and flexibility to have a desirable work- life balance.

A subject of intense debate is the policy framework that should be, if at all, put in place for encouraging entrepreneurship. There have been arguments for better targeting of entrepreneurial policies towards the more talented entrepreneurs,

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<sup>17</sup>Process by which entrepreneurs driven by pressure of competition, continually destroy and create new products, markets, technologies and methods of production.

rather than thinning down the support mechanism across all deserving as well as the 'reluctant entrepreneurs' (Banerjee & Duflo, 2011). Should government intervention be more towards pushing survival entrepreneurs to expand? Or should the focus be on those with 'good potential'? (UNDP, 2004) Considering the employment and welfare aspect of survival entrepreneurship, and recognizing the fact that there is a huge majority of such entrepreneurs in less developed and developing economies, there is need for specific policies for this group, as the UNDP report argues. Policies in the form of hard and soft assistance, cluster approach have been proposed and are being followed by various countries in different doses, but there is indeed an urgent need to evaluate and understand the efficacy of such measures. We also need to see whether these policies would be equally effective in all socio- cultural milieus in which these firms operate.

Against the above theoretical background, researcher seeks to understand the existence and survival of micro and small entrepreneurs in two different socio cultural settings. Researcher specifically looks at tribal entrepreneurs from the state of Mizoram and Muslim scissor manufacturers based in the city of Meerut, Uttar Pradesh, India. While the former work with hired labour and run a semi-formal enterprise; the latter fall in the category of self-employed. They draw from a common pool of labour force and also share their machinery with others to keep down their fixed costs and hence maximize their margins. But, for both these communities, entrepreneurship is more than just an occupational choice; it is an assertion of their identity, a means of poverty alleviation and their effort to creep out of their marginalized status. Most of the entrepreneurs especially in the scissor manufacturing trade in Meerut appear to be driven into entrepreneurship by necessity. Yet, there are a few in both Meerut as well as Mizoram, especially the more talented and educated ones, who voluntarily opted for entrepreneurship as a profession and continue to be there, despite the various problems they face including low profits. This is the phenomenon that motivated me to understand the reasons for their occupational choice, which researcher hypothesized does not only depend on pecuniary, but also on non-pecuniary factors. The impact of the socio cultural context on the entrepreneurial behaviour of these micro entrepreneurs is also explored. Researcher has also tried to evaluate the relative effectiveness of policies that focus on entrepreneurship development in these two regions- subsidies were the predominant policy focus in the case of the tribal community while cluster development was the emphasis area in case of the Muslim entrepreneurs in Meerut. The specific research questions that researcher have tried to answer through field survey in both these areas are the following.

- Can we explain the occupational choice in favour of entrepreneurship in both these communities using conventional economic theories, especially focusing on risk, pecuniary and non- pecuniary incentives?

- Can the business models of these two communities be understood on the basis of their socio- cultural and economic context?
- Finally, what are the deficiencies on the existing policy framework and would contextualizing these policies help in enhancing their efficacy?

### **Methodology**

This study primarily focused on generating and analyzing a primary data set based on questionnaires administered to a sample of about 150 Mizo entrepreneurs<sup>18</sup> based in five different districts of Mizoram and 30 entrepreneurs involved in manufacturing scissors and based in the city of Meerut<sup>19</sup>. The sample of Mizo entrepreneurs was culled out from databases of the Department of Industries, Government of Mizoram and the Chambers of Commerce and Industry of the state. Researcher had three such databases and tried to select the respondents through random sampling. But, it was discovered that a large number of firms and entrepreneurs just existed on paper. Hence, researcher followed the snowball sampling method, wherein researcher was led by respondents to their acquaintances. Though this was not a probability based sampling procedure, researcher does not expect a selection bias in this sample, since the effort was to cover a wide variety of sectors, varying scales and also different age groups<sup>20</sup>. The questionnaire had around 100 questions looking at different aspects of entrepreneurial activity as well as the off take and benefits flowing from government policies to these entrepreneurs.

As for the scissor manufacturers based in Meerut, help was taken from FISME (Federation of Indian Micro and Small and Medium Enterprises), MIDFO (Meerut Industrial Development Forum) and some leading operators in this industry to reach out to the sample respondents. The objective was to understand the business models of these entrepreneurs and specifically to gauge their apprehensions of moving to a cluster that has been identified to promote their activities and take care of their infrastructure requirements. Participant observation method was employed with open ended, close ended questions as well as questions with prompts to elicit responses in both the case studies.

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<sup>18</sup> This field research was done for my doctoral work, 'Entrepreneurship in Tribal Societies: Case study of Mizo Entrepreneurs', under the supervision of Prof Amit S Ray, CITD, JNU, 2014

<sup>19</sup> Was a preliminary pilot study done with the help of FISME and MIDFO

<sup>20</sup> Entrepreneurs belonging to eleven sub sectors- e.g. metal fabrication, carpentry, bakery, handloom and bamboo products and retail- were covered. The mean turnover was 192.35 lakhs pa with a standard deviation of 317 lakhs pa. Profits varied from 0.5 to 500 lakhs pa, average being 44 lakhs and standard deviation, 85 lakhs pa. The mean age of our respondents was 48.54 years and the ages varied from 25 to 84 years. Male entrepreneurs comprised 71% of the dataset.

The responses were studied and codified in order to delineate certain trends that the data might suggest. The study was primarily ethnographic and views of various constituencies such as industry bodies, chambers of commerce and industry as well as government officials were taken on board, to get a more balanced picture.

### **Results and discussion**

Interaction with the entrepreneurs based in these two areas brings home the fact that micro enterprises need a different kind of analysis and treatment. The socio-cultural context is a much more crucial element for micro and small scale enterprises than for large scale units that more or less adapt their trajectory to the rates of return. Social capital, trust and network factors have a significant impact on the functioning of small entrepreneurs and provide a key element for understanding most of their actions. Though there are significant differences between the Mizo entrepreneurs and the tiny scissor manufacturers of Meerut, yet there are some underlying threads that join the two. While the tribal sense of self respect, autonomy, egalitarianism and community bonding stimulates the entrepreneurial spirit of the Mizos; the family legacy and lack of suitable alternatives, keeps the Muslim artisans into scissor manufacturing. It can also be hypothesized that even if the entrepreneurs want to move on to some alternative, the psychological community pressure keeps them bound to the same occupation. When it comes to the efficacy of the policy framework for supporting and promoting entrepreneurship in these societies, it can be concluded that a supply side approach is not the best way forward and that effort should be made to get the 'right' fit between the need of the entrepreneurial community and the policies enunciated for them. This is essential to generate a sustainable business model for these communities that lead to employment generation and poverty alleviation.

### **Conclusion**

It is very important to understand the business models and forces that drive the entrepreneurs who dominate the micro, tiny and small sectors of developing economies. Though the majority of them are driven to this alternative in the absence of anything else, they do exhibit business acumen and dynamism to the extent possible under the given constraints. Besides the livelihood and development aspects, these units also contribute significantly to the export performance, employment and output of their respective countries<sup>21</sup>, which again

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<sup>21</sup> Micro, small and medium enterprises contribute 38% to industrial production, 40% to exports and create around 30 million jobs in India (2012-13)

points to their inherent dynamism and competencies. Hence, effective policies ought to be evolved for them which can make their business models viable and sustainable. These case studies and results have a much wider connotation since they provide lessons for understanding and promoting entrepreneurship in countries at a similar level of development and having a similar entrepreneurial profile.

**Keywords:** *Cluster approach, micro enterprises, socio-cultural context subsidies, tribal entrepreneurs.*

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