CHAPTER II
RESEARCH DESIGN

Ever since the emergence of "Planned economic development", the need for special measures to raise the standards of living of the people has been recognised. From this arose the concept of "backward areas". It has been widely recognised that industrialisation holds the key to rapid economic development by the removal of backwardness in a country. Realising this fact, soon after independence the Government of India stressed the need of rapid and balanced industrial development in the first Industrial Policy Resolution of 1948 assigning different roles to large and small scale sectors. Besides special sub-plans for backward and hilly areas, the need was felt for creating an entrepreneurial class who could carry the message of industrialisation to the nooks and corners of the country.

2.1 Need for the Study

Entrepreneurship helps in the industrialisation of a country in different ways, viz., assembling and harnessing the various inputs, bearing the risks, innovating and imitating the techniques of production to reduce the cost and increase the quality and quantity, expanding the horizons of the market and co-ordinating and managing the
manufacturing unit at various levels. In fact, the industrial development of a country crucially depends upon the number and abilities of its entrepreneurs. Entrepreneurship therefore, is regarded as one of the determining factors of the industrial growth of a country.

The problem of underdevelopment has different dimensions in the different parts of India. This problem becomes still more complex in the hilly terrains. The State of Himachal Pradesh, one of the hill states, is still cut-off from the industrial mainstream of the country. The main factors responsible for it have been the historical neglect during the Raj and traditional lack of any entrepreneurial stratum in the State. The creation of new entrepreneurial class is dependent upon the availability of institutional framework in the State. For this purpose, State has to play an important role.

The key role of infrastructural facilities in promoting economic development of backward areas is now widely recognised. Since adequate infrastructural facilities are essential for the promotion of industrial growth, their proper planning and provision should be the main concern of planning bodies. Himachal Pradesh, due to its rugged terrain and remote locations from industrial centres, has a relatively underdeveloped network of infrastructural facilities.
The extent of infrastructure availability for industrial development in Himachal Pradesh has been examined by a number of studies specially commissioned by the government of this Pradesh. In this context, special mention has to be made about the study by I.D.B.I. and report of the Symposia, arranged by the state government to study the problems of economic development in Himachal Pradesh. In fact these reports emphasise the importance of infrastructure for the development of backward areas through industrial development, for which entrepreneurship is a vital input.

The strategy for the development of hilly regions was proposed by Dr. Y.S. Parmar in the Symposium on Social and Economic Problems of Hilly Areas. He was of the opinion that Himachal Pradesh being a hilly State should concentrate on horticulture, forestry and some cash crops rather than developing a modern sector of the economy. He argued that most of the industries in Himachal Pradesh should be agro-based and there are nevertheless ample opportunities for developing even electronic industry in Himachal Pradesh. Meanwhile, most of the contributions included in the Seminar highlighted the importance of various infrastructural facilities in ensuring rapid development of this hilly state.

The I.D.B.I. study on the Industrial Potential of Himachal Pradesh is also a bench mark. It is clear from
the study that Himachal Pradesh is industrially backward but it has abundant mineral deposits of gypsum, limestone, dolomite pyrites and slates. Apart from this, the forest and horticultural wealth of Himachal Pradesh can afford large potential for industrial development. According to this report, large and medium units based on potatoes, maize and apples are economically viable in the Pradesh. The natural environment is also conducive for the establishment of electronic industry. Fourteen major projects for investment have been identified in this survey by I.D.B.I.

After explaining general apathy towards industrialisation during the first three Plans, Matoo tried to outline a new approach for the industrialisation of Himachal Pradesh. He observed that the pressure on land is mounting in Himachal Pradesh creating surplus manpower. This problem is gaining more acute dimensions due to inadequate arrangements for proper utilisation of unmarketable agricultural and horticultural surplus. He maintained that exploitation of large deposits of raw materials, forests and hydro-electric resources can result in industrial development, which is the only solution of unemployment among the educated youth.

The report on Potential of Industries and Assistance to Entrepreneurs, publication of Directorate of Industries, however, rejected the hypothesis about the lack of private initiative and enumerates the private sector
concerns which have started their units largely in industrial areas of Parwanoo, Barotiwala, Baddi and Mehatpur. But whether these units are meeting the objectives of industrialisation in the State is a question still to be answered because the industrial units in these areas are not based on local raw materials and provide very little employment opportunities to the surplus manpower in the State.

Another industrial survey of Himachal Pradesh was conducted by Regional Research Laboratory, Jammu. This survey was conducted with a view to solve the production problems of the existing units and an effort was made to develop appropriate techniques for utilising the minerals, forests and herbal resources. The important contribution of this survey was an exhaustive treatment given to Medicinal and Aromatic plants grown in Himachal Pradesh. The report surveyed the resources both material and manpower, infrastructural facilities and outlined the industrial potentials for forest-based, mineral-based, agro and horticulture-based and livestock-based industries. The report suggested that communication gap between the scientists and the entrepreneurs must be bridged to meet the needs of appropriate technology. The immediate solution of this problem was also suggested in the form of joint ventures and collaborations among research institutes and the state government departments connected with industrial development.
The focus of all these studies has been on providing general guidelines for industrialisation of the State but these failed to relate the objective circumstances to the subjective prerequisites like motivated human beings. In other words, there is a need to explore the relationship of the existing entrepreneurial talents in the State with the State of infrastructural facilities or institutional framework for entrepreneurial development.

2.1.1 Review of Literature

While reviewing literature on entrepreneurship, we have to commence the discussion with seminal works on history of industrial development in India. A special mention has to be made of the works by D.R. Gadgil, Pavlov, Shrikov, Medhora and A.K. Bagchi. Though the approach of these authors vary, yet taken together, all these works provide reliable historical background about the entrepreneurial scene in India. Studies of Brimmer, Kling and Singh have brought out clearly the role of managing agency system and appraised its role in India's industrial development. Of late, a large number of works have been penned down about the entrepreneurial ventures of various business communities. In this context, a reference needs to be made of works on Parsis, Marwaris and other enterprising families of the western India. These studies have been taken up to show that, in India, only particular communities heralded industrial ventures. A reference
should be made in this context to Timberg's\textsuperscript{14} study on Marwaris, Kulke's\textsuperscript{15} study on Parsis, and Arun Joshi and R.M. Lala's\textsuperscript{16} study on business houses of Shri Rams and Tatas.

The studies by Acharya,\textsuperscript{17} Spodek,\textsuperscript{18} Hazlehurst,\textsuperscript{19} Gaikewd and Tripathi,\textsuperscript{20} Ashish Nandy,\textsuperscript{21} Bhatia,\textsuperscript{22} Zoe Mars,\textsuperscript{23} Max Weber\textsuperscript{24} and B.N. Singh\textsuperscript{25} are sociological in nature. Their attention was attracted by the social origins of entrepreneurs. Their analyses focused on religion, the caste system and family system affecting the emergence of entrepreneurship. Their analyses were based on the case studies conducted by them.

The exclusive focus of studies by Lamb,\textsuperscript{26} Amlendu Guha,\textsuperscript{27} Gadgil\textsuperscript{28} and Berna has been on the emergence of industrial elite in India. Their studies throw light on the pattern of modern industrial ownership. Besides, Shoji Ito,\textsuperscript{29} Noboru,\textsuperscript{30} Pandit,\textsuperscript{31} Morris\textsuperscript{32} and Dwijendra Tripathi,\textsuperscript{33} have also studied the entrepreneurial development highlighting its various aspects. Shoji Ito and Noboru have discussed the concept of entrepreneurship in terms of business combines and Pandit, Morris and Dwijendra Tripathi discarded the caste or religion as the reason for slow development of entrepreneurship in India and they have pinpointed the other factors responsible for this. It is in the continuation of these works that we have to review the recent studies on this topic by the various authors. In the present context we have to review the various studies relating to institutional framework.
Mc Crory (1956) conducted a case study of 17 small scale industries in Northern India. He focussed his attention on the craftsman-entrepreneur, whom he regards as a needed source of better industrial entrepreneurship. He analysed the reasons for the high incidence of industrial sickness and made policy recommendations for providing them an opportunity to grow, especially through provision of capital.

Baldwin (1959) tried to understand the problems faced by large scale manufacturing industries in India. He selected 37 companies for this purpose, mainly from south India, including both private as well as public companies. Three broad problems confronting each firm, viz., the sources of finance, the managerial structure and the handling of certain universal labour problems received his major attention.

Rao and Dumithra (1965) discussed some of the factors which induce and the other factors that impede the growth of entrepreneurship. He was of the opinion that government can affect the entrepreneurship both ways, adversely as well as favourably. He examined the role of government action in terms of planning and policies in the growth of industrial entrepreneurship in India.

Mishra (1966) draws attention to some of the public policies affecting the growth of entrepreneurship.
in the private sector of the Indian economy, with special emphasis on setting the infrastructure, providing finance, and implementing an incentive-oriented tax policy.

Pathak (1972) evaluated seven units during 1960-70 and five units during 1970-71 with a view to find out the level of entrepreneurship. All the units were selected from the similar working environment. He studied their problems at three stages — inception, operation, and expansion and suggested the requirements for entrepreneurial abilities at different stages. He came to the conclusion that factors like contacts, education, and finance play an important role in entrepreneurial development.

Oommen (1972) examined the emerging pattern of entrepreneurship in small scale sector of Kerala. His study focuses attention on two points (a) origin and growth of firms in light engineering industry, and (b) impact of government programmes on entrepreneurship. He took the sample of 45 entrepreneurs and to examine their performance, he compared employment, investment and annual turnover by different categories of entrepreneurs.

K.C. Chopra (1973) has added the motivational concept in the entrepreneurial development. He felt that one of the most essential prerequisites for the entrepreneurial development among non-traditional businessmen is the identification of "man". He was of the view
that motivational training helps in changing the response of an individual so that he may react with confidence to the existing economic situation. He further felt that an entrepreneurship-oriented education at the grass-root level is a must to motivate the prospective entrepreneurs. The prospective entrepreneurs must be guided and training must be provided to them.

K.L. Sharma (1975) studied the entrepreneurs in Uttar Pradesh with reference to their entrepreneurial orientation, commitment and achievement. His study included 100 small scale units in five towns of Uttar Pradesh. In his study he considered the entrepreneurs, the government officials concerned with entrepreneurial activities, the trade union leaders and secretaries of the employees associations as the prescribers of entrepreneurial roles.

Rama Krishan (1975) conducted a survey of 94 small scale units in Delhi. He collected the information about entrepreneurs their social, educational and occupational background and their motivation, expectations and reactions to governmental schemes of assistance.

V. Sarveshwar Rao and E.W. Nafzinger (1975) conducted a study of 57 firms in Andhra Pradesh to find out the factors determining the supply and success of industrial entrepreneurship. The analysis established that the socio-cultural features of the traditional Indian society are no
longer standing in the way of development of modern entrepreneurship. The study underlined the crucial importance of education, training and work experience for successful development of modern entrepreneurship.

K.L. Sharma (1976) studied inter-state patterns of entrepreneurial performance by selecting samples from Punjab and Uttar Pradesh. He was of the opinion that entrepreneurship depends upon the prevailing climate and inter-state variations in the entrepreneurial climate are due to the variations in the climate.

K.L. Sharma (1978) surveyed 245 small entrepreneurs from Punjab and Uttar Pradesh and listed a model for the entrepreneurial development.

R.A. Sharma (1980) evaluated the performance of promoters of 316 companies incorporated on or after April 1, 1947 to study the entrepreneurial growth after independence. He focussed his attention on studying the environmental factors affecting entrepreneurship and institutional arrangements for the supply of industrial finance to the entrepreneurs.

Manchar, U. Deshpande (1982) studied 90 entrepreneurs from Marathwada region to find out the entrepreneurial settings and various steps necessary in the preparatory stage. He concluded that government incentives like central subsidy, development of industrial areas and development of infrastructure have initiated and
accelerated the process of industrialisation and encouraged some people to take up entrepreneurship. But he also disclosed that only the upper stratum of the society availed most of the benefits of economies created in the society by the government agencies to develop the small scale industrial entrepreneurship.

R.A. Sharma (1985) conducted a study to evaluate the performance of entrepreneurs who promoted their enterprises during 1961-63. He based his study on the performance of 242 non-government manufacturing companies incorporated during this period. In this study his main stress was to find out the environmental factors affecting entrepreneurship.

P.N. Singh (1986) based his study on some cases of successful entrepreneurs. The aim of his study was to develop entrepreneurship for economic growth in a country. For this purpose he studied, the social values related to entrepreneurship, government efforts to encourage entrepreneurship, factors influencing entrepreneurship and suggested a model for entrepreneurial development.

V. Lakshmana Rao (1986) studied 51 entrepreneurs in a district of Andhra Pradesh. The main aim of the study was to find out the impact of the government programmes and policies for promoting industrial entrepreneurship. He was of the view that the government schemes have certainly boosted the entrepreneurship in Andhra Pradesh.
Dr. N. Gangadhar Rao (1986)\textsuperscript{51} conducted a study of entrepreneurs operating in Indian industrial estates, with special reference to coastal regions of Andhra Pradesh. For this purpose he selected 87 entrepreneurs operating in 13 estates of coastal Andhra Pradesh. Along with other aspects, the main stress of his study was to measure the impact of industrial estates on entrepreneurship. He came to the conclusion that the impact of industrial estates on the emergence of entrepreneurship in coastal Andhra Pradesh is found to be marginal, the process of germination of entrepreneurship is certainly to be accelerated. "If small industry didn't exist, it has to be invented" was the assertion Ram K. Vepa (1987)\textsuperscript{52} which made him suggest various schemes for promotion of small scale industry. Datta (1987),\textsuperscript{53} however, felt that multiple agencies were the major problem with the support system for new ventures, so he suggested Single Window Clearance System.

It appears from the review of literature that no comprehensive study on institutional framework for entrepreneurial development has been taken up at the national level or at the level of various regions. This analysis becomes very vital for ensuring balanced regional growth because the industrial backwardness of certain areas is on account of institutional bottlenecks. Since the planning exercise was taken up in independent India to create structure of state institutions to facilitate
private investment, a systematic investigation of the relationship among all types of government institutions floated for encouraging entrepreneurship, needs to be taken up.

From the review reported above, it appears that financial functions of the term-lending institutions have received some attention of the researchers. Similarly, piecemeal works on the role of training facilities in various state-sponsored institutions on entrepreneurial development have been reported. However, an integrated view of the network of institutions namely, financing institutions, promotional institutions and training institutions, is still to be taken up both at the national level and at the levels of various regions.

This gap is more glaring for hilly State of Himachal Pradesh where a singular attempt by K.S. Rana (1988) only studies Industrialisation at macro level and does not focus on entrepreneurship as a crucial input of industrial development. But it appears from Rana's account and Vepa's insistence on the constraints and desirability of some industries respectively, that the state has to play a more vigorous role in stimulating private investment than just developing entrepreneurs by Achievement Motivation Training and Business Opportunities Guidance. Entrepreneurs have to be 'fabricated' by the institutional support. How can it be done, is the question which we address ourselves to in this study.
2.2 Scope of the Study

Since the present study aims at surveying the wider systems of which a new venture is a sub-system, cannot have strictly defined boundaries or outlines. An entrepreneur is supposed to interact with variety of institutions, some of which are social and the others created formally by the society as represented by State. As far as the earlier category of institutions is concerned, these are the product of historical evolution of a society. These include the institutions of caste, kinship, class and community. We recognise their importance in shaping the consciousness of an individual but are not presently highlighting their role. Instead we are focussing attention on the institutions formally created by the society or the governments. We have broadly categorised institutions as (i) Financing Institutions, (ii) Promotional Institutions, and (iii) Training Institutions.

We start with depicting the overall macro economic scenario of industrial economy in Himachal Pradesh and it is only later that we shall make a detailed study of the various institutions separately under the heads mentioned earlier. In fact all these institutions are supposed to be the components of the socio-economic environment for entrepreneurial development in Himachal Pradesh. The social fabric of Himachal Pradesh is taken into account while studying the interactions of various institutions mentioned
here with the individual entrepreneur but no separate discussion of tradition-bound informal social institutions is reported.

While discussing various institutions created by the state government, reliance has been put on case type of documentation. That is to state that details of each institution have been reported as seen through the various published or unpublished records of these institutions. The information have been reported chronologically, though the stress has been in reporting only those aspects of various institutions which have a direct bearing on the growth of new ventures. Yet as background material for understanding the functions of a particular institution descriptive accounts of its operations have been prepared. The classification of some of the institutions under the categories reported by the present study is to a certain extent arbitrary because there are institutions which can fall in more than one category of institutions and in fact various aspects of functioning of some very institutions have to be reported under more than one head.

Ultimately, while outlining the scope of the present study, it may be pointed out that a primary probe of existing entrepreneurs has been taken up to find out their perceptions about the institutional framework. Various problems encountered by the entrepreneurs in the process of interaction with the different institutions
outlined earlier also become a subject matter of the primary probe. The problem of studying the "Institutional Framework For Entrepreneurial Development in Himachal Pradesh", can be broken down into the following pinpointed objectives of the study.

2.2.1 Objectives of Study

(i) To study the role of entrepreneurship in industrialisation of underdeveloped regions with reference to Himachal Pradesh.

(ii) To make a study of various Financial Institutions, Promotional Institutions and Training Institutions engaged in entrepreneurial development in Himachal Pradesh.

(iii) To survey the private enterprise in Himachal Pradesh with special reference to district Solan.

(iv) To evaluate the institutional framework for private investment in Himachal Pradesh.

(v) To suggest Support Systems at district and State levels for entrepreneurial development.

2.2.2 Limitations

The present study departs from the traditional concept of entrepreneurial development and has shifted attention from the entrepreneur as an individual to an enterprise as a system. The traditional entrepreneurial development approach has been discarded and this may be treated as a conceptual limitation of the present study.
Review of literature suggests that the main limiting factors of industrialisation have been institutional rather than behavioural. This has prompted the present endeavour to understate the traditionally highlighted AMT for entrepreneurial development and instead make case for active intervention of varied state sector institutions to support new ventures.

(i) Our study is based on personal interviews with some existing entrepreneurs. It could have been a more meaningful study, had it been based on personal interviews with top level, middle level and other managers of these institutions. But this was not possible because of limitations of time and resources.

(ii) Whatever limited interviews have been possible, respondents were not in a position to give detailed information because of lack of experience on the part of people concerned with entrepreneurial development and the entrepreneurs themselves.

(iii) We have studied only the existing entrepreneurs. Had we studied potential entrepreneurs that could give better insight into the problem of entrepreneurial development. This has not been carried out because of lack of follow-up after the training programmes by the concerned institutions. It was not possible to locate those people who have obtained some training.

(iv) When we talk about institutional framework, it is limited to State level institutions only as discussed earlier.
Many more central level financing institutions, which play a vital role in entrepreneurial development have been left out. Our exercise mainly aims at finding out the role of provincial government in entrepreneurial development because only decentralised efforts can help in development of local entrepreneurial talents.

(v) No doubt that social institutions are also one of the important factors in entrepreneurial development, but this influence is at informal level only in shaping the consciousness of entrepreneurs. Such a socio-psychological enquiry is not the aim of the present study.

2.3 Research Methodology

The research design of the present study comprises of two distinct methods of social investigation for units at different levels. As is evident from the title of the present study, the interaction of institutions with individual entrepreneurs is the focus of analysis. Institution as a unit is a social sub-system in itself, whereas an individual entrepreneur is a human system. The distinction between the two is that the social interaction in the case of an institution is at overt and formal level, whereas individual behaviour internalises the social mores and a distinct personality of an entrepreneur comes into being. Since our attempt is to highlight the role of institutions vis-a-vis the individual entrepreneurs, case studies are not conducted into the personalities,
instead the entrepreneurial reactions or opinions for
the social group comprising entrepreneurial strata now
in Himachal Pradesh economy has been studied with the
help of survey method of research.

The problem under investigation for surveying
is to study the effectiveness of state-sponsored institutions
in facilitating new ventures. After this formulation of
problem, a sample has been picked up of 58 entrepreneurs
from the most industrialised district of Himachal Pradesh.
In fact the institutional effort in the state has been to
gear up all the resources to create Solan as the model
industrialised economy to be emulated as an example by
all other districts in the Pradesh. Our population for
sample survey comprises of all the industrial units
registered as small and medium scale industries in the
district. Out of the 273 units registered in the district
as many as 234 had total capital employed of less than
Rs.25 lakhs (the statutory limit for graduating to the
state of a small scale unit for getting priorities from
the institutions). At the time of survey this limit
was Rs.25 lakhs which has been revised to Rs.35 lakhs
subsequently. Out of these 234 units, we have selected
45 units for our study. Four more strata of industrial
entrepreneurs have been identified and an attempt has
been made to pick up units in the sample in proportion
to their frequency in the population.

These 58 units were the subject of an indepth
analysis. For this purpose personal interviews with the
key personnel in the units, largely with the entrepreneurs, were conducted by the researcher. For the purpose of personal interviews, an unstructured questionnaire including dichotomous, multiple choice and open-ended questions was used. The questionnaire appears in the annexure-I. The data collected was tabulated as per the demographic characteristics of the entrepreneurs, the markets of enterprises and the nature of products.

For studying the institutions, we had to fall back on case method of research because there are only 20 institutions involved in facilitating the entrepreneurial ventures in one way or another. Detailed case study of the major institutions like Himachal Pradesh Financial Corporation, Himachal Pradesh State Industrial Development Corporation, Regional offices of Industrial Development Bank of India, Industrial Finance Corporation of India, Small Industries Service Institute, Himachal Consultancy Organisations Ltd. and District Industries Centres have been reported. The normal pattern used in reporting the cases includes the objectives of the institution concerned, the schemes being operated, the organisation and the capital structures, wherever this information was available in full details. However, a deliberate emphasis has been laid in the case studies on the institutional interactions with the entrepreneurs. Some of these institutions had simple interaction like providing finances and disbursing subsidies or incentives, whereas some of the institutions
were intimately involved with all facets of functioning of newly floated industrial ventures. It is obvious from the fact that since case method of research has been used in studying the role of these institutions, reliance has been put on secondary sources of information. The bits of the information to be collected and sources of information have been listed in the table 2.1.

An attempt was made to seek personal interviews with the key functionaries of these institutions and their observations have been recorded wherever possible. Nevertheless it is evident from the table 2.1 that bulk of the information has been collected from the documents and the personal interviews have been used only to supplement the information collected from the documents. It may be pointed out here that case studies of the institutions constituted the first phase of the present research endeavour and the opinion survey constituted the later phase. The rationale was to get an idea of the services being provided by the institutions and these services were evaluated through the personal interviews with the entrepreneurs.

A format of reporting of the present study can be broadly divided into three sections. The first section reports the conceptual framework, research design and industrialisation efforts in Himachal Pradesh. The second section reports the case studies of institutions classified
as financing institution, promotional institutions and training institutions. The third and last section of the study includes the results of the empirical study and opinion survey. It also reports certain theoretical formulations of the proposed models for the optimum entrepreneur-institution interaction.
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