Chapter 1
Introductory Background and Framework of the Study
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INTRODUCTORY BACKGROUND AND FRAMEWORK OF THE STUDY

The present chapter deals with the introductory background and framework within which the whole study has been conducted. A brief account of both the variables is presented along with the research design, background, scope and need of the study. Lastly, expected contribution of the study is discussed presenting areas where the study can be beneficial in future and the organisation of the thesis is presented.

1.1 Moving from controls and regulations to the reforms
1.1.1 The period of second five year plan (1956-61) i.e., of strict licensing requirement

The second five year plan (1956-61) incorporated a resolution (Industrial policy resolution, 1948) which laid emphasis on the government’s role in encouraging, facilitating and regulating the industry in national interest. It was felt that there is a need to build a strong public sector as (a) private investment is lacking in those areas which require massive investments and (b) the main sectors of Indian economy should be controlled by the public sector. In this regard, the categorization of Indian industry was done into 3 groups. The first one included industries related to defense, transport and communication, iron and steel, energy and power and was reserved for public sector only. Industries in second group were also owned and controlled by public sector but an opportunity is provided to private enterprises also to develop themselves or in partnership with public sector. Industries in third group include consumer goods industries and this group was left open for private entrepreneurs. Due to this categorization, the heavy industries were left concentrated in the public sector and were directed away from consumer goods industries.

Apart from this, all the industries, irrespective of their group, were forced to obtain license for expansion and investment. Industrial Development and Regulation Act (IDRA), 1951 was the licensing authority and its objective was to regulate the location of industries in order to safeguard balanced regional development. As a result, the state started regulating entry and expansion of enterprises and also imposed several restrictions on new and existing firms. It was due to these reasons that it was
considered a major obstacle by the business community in path of rapid industrialization.

1.1.2 The period of third five year plan (1961-66) i.e., of self-reliance
Along with the regulatory industrial policies, the inward looking trade policy also put control over the activities of industrialization. The third five year plan (1961-66) included the notion of self-reliance pointing at a strong import substitution policy of replacing imports by domestic production in the country. Though self-reliance can be attained by increasing the levels of imports and exports, still the policy makers adopted strong import substitution policy justifying it with the argument of export distrust and infant industry.
The main aim of this policy was stringent licensing and discerning ban on imports. Import of consumer goods was almost banned and import of raw material, intermediate and capital goods was laid open to a highly restrictive regime. Import substitution remained the main objective of trade policy of India till mid-1970’s but after 1978, Open General License (OGL) called off some part of the ban and allowed import of few categories of raw material and intermediate and capital goods (Ahluwalia, 1996). Due to licensing regime and import substitution, a high cost industrial structure came into existence which served heavy industry and capital goods sector and sufferings were left for the small domestic industry (Bhagwati & Srinivasan, 1975). Srivastava (1996) highlighted in his study that the period from 1947 to 1970 reported low level of productivity and productivity rates.

1.1.3 The period of fourth five year plan (1969-74) i.e., MRTP Act and FERA endorsement
The fourth five year plan strengthened the system of control and introduced the Monopolistic and Restrictive Trade Practices (MRTP) Act in 1970. The MRTP Act makes the review of license applications by Central Government mandatory for all the monopoly houses and companies with product monopoly and if the government felt the necessity, the applications can be transferred to MRTP commission for a detailed inspection. The firms listed in MRTP scrutiny, were prohibited from entering into any industry other than the first group classified under IDRA. Thus, clearance from MRTP became necessary along with other industrial licenses.
The Foreign Exchange Regulation Act (FERA) came into being in 1973 due to critical shortage of foreign exchange in India. FERA, again was more of restrictions implied rather than a relaxation, be it dealings related to foreign exchange and policy or
transactions having an indirect impact on foreign exchange and import and export of currency.
The MRTP Act and FERA come out to be major barriers to entry and even obstructed the exit. The governmental procedures, laws etc. make closure of units a tedious process (Dhar, 1990).

1.1.4 Moving towards liberalisation
After Independence in the year 1947 to mid-1980s, India sticks to a development pattern of strong centralised planning. The pattern ranges from government ownership of basic and key industries, excessive regulation and control of private enterprises to trade protectionism through tariff and non-tariff barriers and a cautious and selective approach towards foreign capital. During the last 30 years, India’s performance in raising living standards is far behind the East Asian countries (Bajpai & Sachs, 2006). The Indian policy makers remained on the path of centralised economic planning from 1951 to 1991 along with the extensive regulatory controls over the economy (Wadhva, 2004). The strategy of development during the period of first five year plans was based on an ‘inward looking substitution’ model of development (Wadhva, 2004). The strategy implementation by the Indian policy makers after Independence was the main cause of India’s poor performance. Based on high protectionism, planning and detailed domestic regulation of the economy, the Nehruvian Socialist strategy of state-led industrialisation, did not succeed (Bajpai & Sachs, 2006).

In order to overcome the deficiencies and failures of the previous planning, India went through several chapters of economic liberalisation from the period ranging from 1960s to the 1980s. These attempts were self-reversing and half-hearted and did not prove beneficial for the Indian economy. The first attempt was reversed in 1967. Thereafter, a stronger version of socialism was adopted. Second major attempt was in 1985 by Prime Minister Rajiv Gandhi. The main objectives of these new economic policies were de-regulation through more and more de-licensing and reduction of the MRTP Act (Srivastava, 1996). The limit of licensing was raised and asset limit under MRTP Act was also reduced. The import policy of 1985 increased the number of capital goods and raw materials in OGL list and they were allowed to be imported without license.

The process came to a halt in 1987, though 1966 style reversal did not take place. The Indian policy makers started realising the incompetitiveness and inefficiency of this strategy resulting in a much lower growth rate than desired. Further, the condition of
economy worsened due to the poor balance of payment position and growth of inflation. Foreign exchange reserves were barely there to meet the essential imports for few weeks. The NRI’s withdrew dollars from Indian banks at an alarming rate and the credit rating agency downgraded India’s rating from AAA to BB+.

“The balance of payments position had reached its nadir in 1990-91 during the post-Gulf war period. This was accompanied by widening fiscal deficits and growing inflation and falling foreign exchange reserves. According to official statistics, the convertible foreign currency assets had declined to US $3,368 mn in March 1990 from $5,924 mn in March 1987. The worst was reached in 1991, when foreign exchange reserves had dwindled to just Rs.2,000 crore (equivalent to US $ 1 bn at the time). (Neogi & Ghosh, 1998)”

After facing the balance of payment crisis, due to the collapse of India’s major trading partner (U.S.S.R) and the gulf war, India started the economic reforms with the financial help from the International Monetary Fund (IMF) and the World Bank. The loan granting institutions put forth a set of conditions which India agreed upon and when the crisis reached its peak in the year 1991, the IMF had extended an 18 months balance of payments assistance programme of US $ 2.2 bn to India covering the period up to March 1993 (Neogi & Ghosh, 1998). ‘The rising fiscal deficits and the steep rise in oil prices during the Gulf crisis of 1990 put pressure on prices and the exchange rate, fueling expectations about imminent devaluation of the currency’ (Srinivasan, 2004). Political instability, devaluation of the rupee and withdrawal by NRIs and foreign investors, dwindled the reserves to a very low level.

In order to overcome the balance of payment crisis, the Indian government approached the World Bank and IMF for assistance and adopted the new economic policy in the year 1991. The Government of P.V.Narsimha Rao and his Finance Minister Manmohan Singh started the reforms in the year 1991 and introduced a set of reforms different from those pursued in India during the last 40 years. Although they did not implement many of the reforms IMF wanted. The new neo liberal policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation-controlling measures.
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The main focus of 1991 reforms was to address the balance of payment crisis through limited tax reforms, control removal from investment in industries, reduction in import tariffs, creating favourable environment for attracting foreign capital, making rupee convertible and opening up of sectors for private investment (Srinivasan, 2004).

1.1.5 The reforms
Major thrust of the reforms was on three main pillars broadly categorised as the liberalisation, privatisation and globalisation. The economic policy of India is also referred as the LPG policy of India. A brief discussion of the three is given below:

1.1.5.1 Liberalisation
It means to free the economy from the bureaucratic cobwebs to make it more competitive. Liberalisation aims at dismantling the constraints brought to business by the existing economic policies towards licensing and permission. The existing policies were more of a hurdle for the entrepreneurship development and even for the expansion of the enterprises.

Following can be summed up as main features of the liberalisation:

- To end up the necessity of having a license for most of the industries.
- To remove the restrictions on movement of goods and services from one place to another.
- To reduce the tax rates.
- To do away with unnecessary control over the economy.
- To simplify the procedure of import and export.
- To make policies for attracting more foreign capital and technology.
- To give freedom for determining the scale of business activities.

1.1.5.2 Privatisation
Privatisation laid stress on greater role for private capital and enterprise in the functioning of an economy. It points out at an economic process through which some public sector undertakings are brought partially or completely under private ownership.

Privatisation may result from any of the following policy initiatives (Agrawal, 2008):

- Denationalisation, i.e. transfer of the ownership of public enterprises to private capital.
- Disinvestments, i.e. sale of a part of equity of public enterprises to private capital.
• Opening up of more industrial areas to private enterprises and capital.
• Restrictions on the further expansion and setting up of new units in the public sector.

1.1.5.3 Globalisation
It is even referred as the most important economic reform undertaken by the government. 'Globalisation means increasing integration between different economies of the world' (Agrawal, 2008).
The main focus of the concept of globalisation was mainly on the following 4 parameters:
• To create a feasible environment for free flow of the capital
• To create a congenial environment for free flow of the technology across the boundaries
• To create an environment for free flow of the work force
• To create an environment feasible for the free flow of goods and services.

1.1.6 Major reforms made by the government of India since 1991
After committing to the IMF, the government of India initiated the reforms in all the sectors of the economy including the Industrial, Trade, Financial, Fiscal and Capital market sectors.

1.1.6.1 Industrial policy reforms
The government introduced the New Industrial Policy (NIP) in 1991 as a major part of the broad structural adjustment programme. Its main aim is to transform the basic nature of the functioning of the economy with respect to the planned economic development over the period from 1951 to 1990 (Neogi & Ghosh, 1998). The main aim of the industrial policy was (Dutt & Sundram, 2006):

a) To free the Indian industrial sector from unnecessary bureaucratic control.

b) To introduce liberalisation with a motive to integrate the Indian economy with the world economy.

c) To remove restrictions on foreign direct investment.

d) To help the entrepreneurs get rid from the restrictions of the MRTP Act.

e) To lessen the load of the public enterprises showing very low rate of return or incurring losses.

With respect to the abovementioned objectives a series of measures in accordance with the policies was started by the government in the following areas:
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- **Abolition of licensing**: The Indian industries were operating under strict licensing system before the implementation of the NIP. After the reforms (except 18 industries) all the industries had been freed from licensing. There were several reasons like security and strategic considerations, social reasons, environmental protection and curbing elitist consumption due to which these 18 industries were not freed from the licensing formality (Ministry of SSI, 2000). Later, most of the industries were also delicensed leaving the number only to 6. These are hazardous chemicals, cigarettes, alcohol, electronic aerospace and defence equipment, surges and pharmaceuticals (excepting bulk drug industry which has been de-licensed) and industrial explosives (Ministry of SSI, 1998).

- **Contraction of public sector**: The new industrial policy contracted the public sector by reducing the number of the industries reserved for the public sector from 17 to 8 in 1991 (Ghosh, 2000). The government was following a policy of not expanding non-profitable industrial units in the public sector. Also, the government is following disinvestment in these enterprises by selling the shares of the public sector enterprises to private entrepreneurs. Later on in 2001, only 3 industries were left exclusively reserved for the private sector i.e., atomic energy, minerals specified in the schedule to the atomic energy (control of production and use order) 1953, and rail transport (Mishra & Puri, 2005).

- **Free entry of foreign investment and technology**: Before the reforms of 1991, the inflow of foreign investment and import of technology was not that easy. Any investment proposal from a foreign country was checked in advance by the Indian government. It got permission only after getting passed by the government. Even the equity share of the foreign investment was kept very low so that the majority of the control remains with the domestic owners. Due to these factors, the inflow of foreign investment was very low. The industrial development was also suffering due to the need of technology. Therefore, the NIP of 1991 took steps in this direction and made several concessions to promote foreign investment and import of technology. Approval was given to the foreign direct investment to invest up to 51 percent foreign equity into firms having large funds requirements and advanced technology. Government
would encourage the foreign companies to help the Indian exporters in their activities of export (Dutt & Sundaram, 2006).

- **MRTP restrictions removed:** The MRTP Act, 1969 required all the big companies and large businesses (which had assets of Rs.100 crores or more, according to the 1985 amendment of the Act) to go through a clearance process from the MRTP Commission for setting up of any new industrial unit as share companies have permission to invest only in selected businesses. The obtaining of clearance is a big hindrance for the business firms as they could not grow and enhance the business activities thus resulting in lower industrial development. The NIP of 1991 made it easier for the big businesses by doing away the necessity of getting the clearance from the MRTP commission for their new business projects. Now the MRTP restriction is only with the companies indulging in unfair trade practices.

- **FERA restrictions removed:** The replacement of Foreign Exchange Regulation Act (FERA) by Foreign Exchange Management Act (FEMA) made the foreign transactions much easier. Now FEMA regulates the foreign transactions.

1.1.6.2. Fiscal Reforms

Fiscal deficit is a situation when a country is spending more than its earnings. The policy of the government regarding this income and expenditure is called the fiscal policy. The overall economic history of India is very much affected by the India's fiscal policy. The fiscal policy is central to India's growth prospects and also a major contributor to 1991 BOP crisis (Ahuja, 2006).

For handling the problems of fiscal deficit, the following major steps were taken into consideration-

- The tax rates for corporates and individuals had been reduced so that more people can come in the tax net.
- The procedure of tax was not that simple earlier. With the onset of the reforms, the tax procedure has also been simplified.
- Before the reforms, a heavy amount was charged on the name of import duties. The reforms of 1991 made heavy reductions in the import duties.
1.1.6.3 Financial sector reforms

The financial sector reforms were launched as the control feature of the new economic policy. The main aim of these reforms was the objective attainment of the new economic policy. The measures involved in the financial reforms are reduction in directed credit, freeing of interest rates ceiling and other measures which raise the cost of borrowings including for the government (Kumar, 2003).

'The government has announced a package of reforms to be implemented over a 3 year period based on the report of the committee (Narsimham Committee) on the financial system' (Ahluwalia, 1995).

Following are the main features of the financial reforms-

- Statutory Liquidity Ratio (SLR) and the Cash Reserve Ratio (CRR) has been reduced by the government. These are the high reserve requirements designed to support government borrowings at an interest rate which is below the prevailing market rate.
- The reforms also gave freedom to the banks to decide the rate of interest on the deposited amount.
- Nationalised banks can issue shares in the capital market.
- The banking sector has been opened up for competition from the new private banks and several other licenses have also been granted to several other banks. In order to increase competition, branches of foreign banks have also been expanded (Ahluwalia, 1995).

1.1.6.4 Capital Market Reforms

The growth in the capital market was remarkable during the eighties due to the increase in corporate debt and new equity (Ahluwalia, 1995). But this quantitative improvement was not matched by the qualitative improvement due to the unnecessary regulations and lack of transparency in trading practices (Ahluwalia, 1995).

Therefore, several important initiatives were taken in the form of the capital reforms to raise the standards of the Indian capital market

- The limit for portfolio investment in the shares and debentures by the NRI's and the foreign companies has been raised.
- With a view to controlling the stock exchanges and the main players in the capital market, the Securities and Exchange Board of India (SEBI) has been established.
- The private sector has been given permission to set up and establish mutual funds.
- The companies are free to determine the price of the shares.
- Foreign institutional investors can now operate in the capital market by registering themselves with the SEBI.
- The Indian companies can now operate in the international markets by using the American Depository Receipts (ADRs) and Global Depository Receipts (GDRs). (RBI Bulletin, 1996).

1.1.6.5 Reforms for the small scale sector

Though the small scale sector reforms were the part of the industrial reforms, they are being discussed separately in order to emphasise on them specifically as the small scale sector is the biggest platform for the entrepreneurship development. Under the reforms, efforts have been made to give importance to the small scale industries in the economic development of the country. The reforms focused on providing more government support to the small-scale sector for their growth under an economically efficient and technologically upgraded environment.

Earlier, the policies of government were protective and limit the enterprises with quantitative restrictions, reservations of items and subsidies etc. The reforms transformed these policies from protective to open. One of the main components of these open policies is the announcement of the new small industrial policy. On Aug. 6, 1991, the document 'policy measures for promoting and strengthening small, tiny and village enterprises' was presented in parliament (Ministry of SSI, 1992).

1.2 Entrepreneurship development

As an economic phenomenon, entrepreneurship dates back to the classical era when it was not recognized as an economic activity but was usually denoted by the trade activity. It was only in the early 18th century that entrepreneurship got recognition as a separate economic activity. The phenomenon called entrepreneurship was given heavy importance due to its nature of being an economy booster. But after the Second World War, the importance of entrepreneurship and small business started
diminishing (Audretsch, 2003). Large corporations were considered as the engine for
growth of the economies and the progress of technology. These firms were thought to
have a competitive advantage over the small firms due to economies of scale and the
knowledge of technology (Schumpeter, 1950). The share of small firms in most of the
economies was experiencing a downfall. It was only after 1970 that this role started to
change and the share of small business in most of the developed economies started to
rise (Acs and Audretsch, 1993; Thurik, 1999). Technological advancement is one of
the reasons for the revival of small business and self-employment as it reduced the
necessity of economies of scale (Meijaard, 2001). Globalisation and other
consequences arising due to it like the ICT revolution made way for the developments
which created room for the small business to grow (Audretsch and Thurik, 2000).

While studying entrepreneurship development, an important question is what is
understood by entrepreneurship? As discussed earlier, the entrepreneurship
phenomenon dates back to classical era but even till date, there is no single definition
of entrepreneurship which can be quoted across the globe without any differentiation.
In general terms, entrepreneurship refers to creation of a new enterprise for the motive
of profit. Venkatasesubramaniam (2003), views entrepreneurship as ‘(1.) individual
personality traits of entrepreneurs, (2.) the environment that supports entrepreneurship
and facilitating factor, or (3.) entrepreneurship process and its various stages.’
Audretsch (2003), in his work stated that there is little consensus about what
constitute entrepreneurship. Even there are differences in the economic and
managerial aspects of entrepreneurship (Audretsch, 2003). According to the definition
chosen in the Green Paper Entrepreneurship in Europe (European Commission,
2003): "Entrepreneurship is the mindset and process to create and develop economic
activity by blending risk-taking, creativity and/or innovation with sound management,
within a new or an existing organisation”. Another study on entrepreneurship
development emphasises that entrepreneurship is greater than starting new businesses
or managing a small business (Campbell and Mitchell, 2012). “Entrepreneurship does
not require, but can include, the creation of new organizations” (Shane
&Venkataraman, 2000). Schumpeter (1934) defines entrepreneurship as a driver for
innovation and technical change which helps generate economic growth. Discussing
about the determinants of entrepreneurship in China, Li (1997), defines
entrepreneurship as the number of private businesses and their share in economy as
these determinants are taken widely as equivalent to entrepreneurial intensity.
Another question arises that whether small firms and entrepreneurship are synonymous? Answering this question Wennekers and Thurik (1999) argues that this is not the case. ‘Small firms certainly are a vehicle in which entrepreneurship thrives. There are more such vehicles, for instance business units within large companies’ (Wennekers and Thurik, 1999).

In order to measure entrepreneurship development for empirical analysis, several measures of entrepreneurship should be taken into consideration (Stel, 2005)

“We can think of entrepreneurship as owning and managing an incumbent business. This aspect of entrepreneurship translates into measures like the number of self-employed or business owners and the number of firms. Second, entrepreneurship may refer to the extent in which markets are penetrated by new entrants. This can be measured by the number of new-firm startups. Third, entrepreneurship may refer to the process of starting a new business, including activities required in the pre-startup phase. This may be called entrepreneurial activity. Finally, one can think of entrepreneurship as the share of small firms in total value-of- shipments of an economy. (Stel, 2005)”

Therefore, considering the above literature, it is evident that the study on entrepreneurship development does not include only new startups but it covers up an area much broader than being a small business or a new start-up. Detailed discussion on entrepreneurship definition, measurements and its determinants is done in chapter 2.

1.3 Research Framework

The present study focuses on entrepreneurship and tries to find out the impact of economic reforms of 1991 on its development. As entrepreneurship is a qualitative phenomenon and its empirical testing is not possible, some proxies are needed to be drawn. As Wennekers and Thurik (1999) mention in their paper that ‘some concept operationalisation has to be done and proxies are needed to draw some construct of entrepreneurship.’ Focusing on the available literature, the most appropriate proxy for measurement of entrepreneurship development are number of small and medium businesses (Parker 1996; Wennekers and Thurik 1999; Georgellis and Wall 2000; Wennekers 2006; Shrestha et al. 2007; Glaeser 2007; Muhanna 2007; Goetz and
Rupasingha 2008; Szirmai, Naude and Goedhuys 2011; Ravi 2014), though it was criticized by many authors on the grounds of being a very limited source of measuring entrepreneurship development, still it is one of the most commonly used proxy of entrepreneurship across the available literature. But the main limitation with this measurement is the lack of data as the databases covering the small and medium industries contains data of the industry as a whole and does not fulfill the requirement of this particular research work (as this research work requires data on selected industries). To fulfill this requirement, data on various inputs and outputs has been constructed from the Annual Survey of Industries (ASI). Another reason for this choice is its similarity with the establishment measure of entrepreneurship. Though this measure also has many shortcomings, still it is considered as a good indicator of past entrepreneurship (Gartner and Shane, 1995; Loveridge and Nizalov, 2006). Saxenian (1994) prefers this method for longitudinal entrepreneurship research due to its availability and stability over time. Low (2009) refers to it as a useful measure of entrepreneurship over long periods and it is widely available for use.

Since, majority of the manufacturing industries are heavily concentrated with the small and medium enterprises and the reforms were particularly targeted towards the manufacturing sector (Bhagwati and Srinivasan, 1975), the obvious choice for measurement purpose is industries from the manufacturing sector. The data is collected from 1981-82 to 2010-11 representing the pre and post reforms period. Several 3-digit industries have been selected from the available data and for the ease of measurement and presentation, they have been classified into the following 2-digit industries: Manufacture of Food products, Manufacture of Tobacco products, Manufacture of Rubber and plastic products, Manufacture of Textile, Manufacture of Leather and related products, Manufacture of Wood and products of wood and cork and Manufacture of Paper and paper products. The classification of industries is done according to the National Industrial Classification (NIC)-2008 and various adjustments have been made to bring the data in accordance with the previous NIC classifications of 2004, 1998, 1987 and 1970. Few industries were dropped due to the mismatching of 3 and 4 digit industries over the period of time and the abovementioned industries were selected as they fulfill our requirement of data collection. The study focuses on the impact of the reform policies on the growth and development of these industries since the 20 years of reforms i.e., from 1991-92 to
2010-11. The variables for the study are presented in the next chapter after the extensive literature survey covering majority of studies on the manufacturing sector.

**Fig. 1.1 Research Framework**

![Research Framework Diagram]

**Source:** Researcher’s own compilation

### 1.4 Research Background

The reforms of 1991 were expected to be a game changer for the Indian economy. The economy was in deep crisis at the time of implementation of reforms and it was expected that these reform will provide a boost to the economy as a whole and also to each and every sector of Indian economy. A number of studies have been done on the impact of economic reforms on different sectors of the Indian economy and several pros and cons were reported from time to time by different researchers. It was reported that the most benefited sector was the service sector and the tiny and micro industries were very badly hit by the waves of the reforms. The manufacturing sector as a whole had not shown any signs of vast improvement after implementation of the reforms.

The manufacturing industries are very important for the development of an economy as they are the drivers of majority of small and medium sized industries which form
the backbone of an economy like ours. With this background, the researcher has tried to identify the key variables of growth and development of the selected manufacturing industries.

1.5 Scope of the study
The reforms were implemented to develop all the sectors of the economy and to free it from various shackles as discussed earlier in the chapter. The policies formulated under the name of economic reforms were assumed to be effective for all the sectors including agriculture, manufacturing and services and were expected to have a positive impact on all the sectors of the economy. Whether these reforms attained what was expected from them is a topic of research from the point of view of all sectors and their sub-sectors. However, the scope of this study is limited to the manufacturing sector only and the words economic reforms and reform policies have been used interchangeably across the entire study.

1.6 Need of the study
With the rising poverty and declining standard of living, it becomes necessary for the policy makers to carve out inefficiencies of the policies, if any, from all the sectors and to formulate new policies for the betterment of the economy as a whole. The need of effective policies has always been in demand as most of the sectors of society depend on these policies and their right implementation means a lot for these sectors on all the grounds of development. Therefore, there has always been and will be a need of researches focusing on the reform policies and their impact.

1.7 Expected contribution of the study
Though this is not the first attempt in assessing the impact of economic reforms on entrepreneurship development in manufacturing industries, it still differs from others in the following way. First, this study is first of its type to assess both the variables of absolute growth and productivity growth. Evidences are available across literature about studies which present impact of reform policies on absolute growth of manufacturing industries (Sandesara, 1993, Chaudhuri, 2002, Ganesamurthy & Manickam, 2002, Raghurama, 2004, Subrahmany, 2004 & 2005, Gohil, 2006, Ramappa & Basavaraja, 2006, Kumar & Bala, 2007) and also on productivity growth
of manufacturing industries (Krishna and Mitra, 1998, Majumdar, 1996, Neogi and Ghosh, 1998, Balakrishnan, Pushpangadan and Babu, 2000, Balasubramanyam and Mahambre, 2001, Driffield and Kambhampati, 2003, Unel, 2003, Goldar, 2003, Sivadasan, 2009, Topalova and Khandelwal, 2011, Harrison, Martin and Natraj, 2011), but none covered them together. Second, this study uses multiple linear regression technique for assessing absolute growth not found commonly across the literature. Most of the studies remained focused on Average Growth Rate (AGR) estimation for trend analysis of absolute growth of manufacturing industries. This estimation technique is limited to showcasing the trend only and leaves other important variables which are bound to have their impact on growth. The multiple regression technique covers up this limitation and provides a much broader base for finding which factors are affecting the growth of manufacturing industries the most. Thus, following Ganesamurthy and Manickam (2002) and Alam (2009), this study also adopted the multiple regression technique for assessing absolute growth.

Next, this study implies the less common (as the more common techniques are growth accounting and the econometric methods) non-parametric method of Data Envelopment Analysis (DEA) for measuring productivity growth at a dis-aggregated two-digit level of selected industries. Also, the time period under this study is extended enough to present a clear picture of impact of the reforms as initially, the reform process was slow and needed time for proper implementation.

1.8 Organisation of thesis

The present study is divided into five chapters covering up different dimensions of the study. Chapter 1 introduces the topic and presents the research design. The introduction covers the various five year plans and regulatory policy introduced within them which lead to instability of the economy and resulted in the reform policies of 1991. A brief account of entrepreneurship development is also presented discussing its meaning and determinants. Research design presents the framework of study and need, scope and contribution of the study is also discussed. Chapter 2 dives into the literature and reviewed the work on meaning and definition of entrepreneurship and its determinants. The impact of economic reforms on industry along with their performance over the years is also discussed. Research gap is
identified and objectives and hypotheses are framed. The data and methodological aspects are discussed in chapter 3 giving a detailed account of variables identified, statistical techniques used and the model specification. Chapter 4 presents the empirical analysis discussing the results obtained through used methodology. Finally, Chapter 5 concludes.

1.9 Concluding remarks
The present chapter introduces the topic diving into detailed literature regarding the economic reforms and entrepreneurship development. Research design presents the clear picture of what path is followed in solving the research problem. The background of research is discussed in order to understand the core of problem. Further, the scope and need of the study is also discussed in order to limit the study into certain required premises.
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