

ERASMUS UNIVERSITY ROTTERDAM  
DEPARTMENT OF APPLIED ECONOMICS – ORGANIZATION, STRATEGY AND ENTREPRENEURSHIP

Master Program: Business & Economics  
Major: Entrepreneurship & Strategy Economics

**Judith Evers**

**EMPOWERMENT OF ENTREPRENEURS:  
APPLICATION OF AMARTYA SEN'S CAPABILITY APPROACH TO  
IMPROVE THE LIVELIHOOD OF ARTISANS IN INDIA**

Master's Thesis (16 ECTS)

Academic supervisor:  
Ass. Prof. Dr. Brigitte Hoogendoorn

**Rotterdam, 2013**

## DEDICATION

**„The great aim of education is not knowledge but action“**

Herbert Spencer (1820-1903)

*This thesis is dedicated to God who has been my source of inspiration, endurance and protection during the journey of completing this work.*

*I am eternally grateful to Him who has not only planted the idea of this research into my heart but also equipped me with the power of execution.*

*Furthermore, I dedicate this thesis to the hard-working and innovative entrepreneurs of India who taught me so much and gave me the motivation to continue working on the local empowerment of entrepreneurs in India.*

## ABSTRACT

The master thesis **“Empowerment of entrepreneurs: application of Amartya Sen’s capability approach to improve the livelihood of artisans in India”** analyzes the country- and sector-specific framework conditions when it comes to entrepreneurship in the artisan sector in India. In addition, the explorative nature of this thesis provides a starting point to the analysis of artisans’ experienced life quality and identifies triggers that stimulate the same.

This topic is academically and societally significant as previous research has shown that entrepreneurship is positively related to economic growth in developed economies. The relationship between entrepreneurial activity and economic growth in developing economies such as India, however, has not been analyzed sufficiently. Very recently, authors like Gries and Naudé (2011) as well as Serviere (2010) and Tipu (2012) have stressed the importance of the analysis of this relationship through micro-level research projects. This thesis aims to function as starting point for this new field of research.

Therefore, the present thesis first incorporates findings of the entrepreneurship literature into Amartya Sen’s framework of the capability approach. Next, these theoretical findings are tested with the help of explorative research that was conducted in India and involves the methodological principles of Appreciative Inquiry. The field research includes six expert interviews with academic as well as business professionals in a first interview wave and 15 interviews with rural as well as metropolitan artisans in a second wave of interviews. The fundamental finding of this thesis is that the entrepreneurs of the analyzed target group cannot be categorized as solely necessity- or opportunity-driven. Instead, the artisans combine typical character traits and attitudes of both. Based on this, a unique profile is developed for artisan entrepreneurs in India. Building on these findings, the present thesis contributes to a better understanding of the characteristics, motivations and problems that Indian artisan entrepreneurs face. These valuable insights allow the identification of potentials as well as prerequisites to develop a holistic and sustainable approach to empower artisans in India.

The thesis reveals a great demand for further research and encourages more extensive research projects that analyze the relationship of entrepreneurial activity and experienced life quality as well as economic empowerment of artisans in India as well as indicators to stimulate the same.

The author of this thesis is Judith Evers ([judith89evers@gmail.com](mailto:judith89evers@gmail.com)).

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## 1. INTRODUCTION AND STRUCTURE

In the light of globalization and the resulting increased global competition (Carlsson, 1992) as well as the global shift towards a knowledge based economy (Audretsch & Thurik, 2000), Thurik (2009) Audretsch and Thurik (2010) claim a major shift away from the *managed economy* towards a so-called *entrepreneurial economy*. While the managed economy was characterized by large firms which promoted economic growth through their economies of scale and routinized production, the entrepreneurial economy is driven by the flexibility, diversity and innovativeness of new firms (Thurik, 2009). Audretsch and Thurik (2010) especially highlight the importance of the last factor, innovativeness, and identify its increased importance in the age of international trade and knowledge transfer (Audretsch & Thurik, 2010). Audretsch et al. (2002) as well as Eliasson (1995) draw the conclusion that a lack of entrepreneurship within a society will lead to reduced economic growth.

However, most of the research that led to the conclusion that entrepreneurship stimulates economic growth has been focused on developed countries. Van Stel et al. expand this framework and include three groups of countries (namely: developed, transition and developing countries) in their cross-sectional analysis (Van Stel, Storey, & Thurik, 2007). Through this research design they aim to answer the question as to whether entrepreneurial activity plays the same growth-stimulating role in transition and developing economies as it was shown to play in developed countries. They come to the conclusion that entrepreneurship plays a different role in countries in different stages of economic development. While an increase in the total entrepreneurial activity (TEA) is accompanied by economic growth in developed and thus richer countries, the effect is significantly negative for transition and developing (and thus poorer) economies. This is supported by the finding of a U-shaped relationship between early-staged entrepreneurial activity and GDP per capita by Bosma and Harding (2007). In their analysis Van Stel et al. (2007) identify a threshold of 20.000 US\$ per capita income dividing whether entrepreneurship has a positive or negative effect on the growth of an economy.

Even though entrepreneurship is associated with having a negative impact on growth for economies with less than 20.000 US\$ per capita income, Van Stel et al. (2007) argue that this conclusion does not mean that entrepreneurship should be discouraged in these countries. Instead they offer two possible reasons for this phenomenon. Firstly, the finding could be an

indicator that there are too few large companies present in order for the present start-ups to make full use of their potential. This is in line with the findings of Henrekson and Johansson (2010) who tested whether the market entrance of a large amount of small firms or the entrance of very few rapidly growing firms leads to higher employment, and thus economic growth. They found that the two types of firms are complementary; this supports Van Stel et al.'s (2007) suggestion that a lack of large and rapidly growing corporations leads to less successful development of young and small businesses.

Secondly, Van Stel et al. suggest that lower human capital levels, caused for example by a lack of education, healthcare or access to finance, prevent entrepreneurs from contributing to economic growth as seen in developed countries (Van Stel, Storey, & Thurik, 2007). The argument that the impact of entrepreneurial activity is not simply linear but has different effects in the course of economic development fits the theory of the division of entrepreneurs into *opportunity* and *necessity* entrepreneurs (Bosma & Harding, 2007; Acs, Desai & Hessels, 2008; Xavier, Kelley, Kew, Herrington & Vorderwülbecke, 2013). The Global Entrepreneurship Monitor<sup>1</sup> makes this differentiation on the basis of the motivation behind an entrepreneur to start his or her own business. While *necessity entrepreneurs* are pushed into self-employment because there are few other opportunities to generate an income, *opportunity entrepreneurs* are triggered by the prospect of success and are thus pulled into self-employment (Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013). Based on this research, conducted in 69 countries, the GEM can make distinct statements about the quality of the TEA in an economy and its contribution to growth. In general, the authors of the GEM come to the conclusion that opportunity-driven entrepreneurship contributes more to the economic growth of a nation than necessity-driven entrepreneurship (Wong & Autio, 2005; Stam & van Stel, 2011; Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013).

In order to add to the stock of entrepreneurship literature, the thesis on hand focuses on the less investigated group of necessity entrepreneurs in developing countries. Furthermore, this stream of literature is combined with a second one that deals with the *capability approach*, which was first introduced by Amartya Sen (1985; 1992; 1996; 1999; 2004). Sen's paradigm defines a person's capability to live a good life in terms of the set of valuable 'beings and doings' to which he or she has real access. The capability approach originates from the field of welfare economics as applied by development practitioners such as development agencies

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<sup>1</sup> The Global Entrepreneurship Monitor (GEM) project is an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across a wide range of countries.

and non-governmental organizations. Only very recently did Gries and Naudé (2011) place the focus of the capability approach on entrepreneurship. Based on the large numbers of necessity entrepreneurs in developing economies (Tipu, 2012; Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013) as well as on the constant attempt to leverage economic growth that leads to increased development of these economies an in-depth study on the empowerment of necessity entrepreneurs is only a logical consequence. Nevertheless, the research community has not paid much attention to this interplay so far. With their paper on entrepreneurship and human development that is based on the methodology of the capability approach Gries & Naudé (2011) make a first step to filling this gap. They argue that entrepreneurial character traits can be seen as a potential functioning within the capability approach (Gries & Naudé, 2011). For this, they develop a model which allows them to analyze the effect of entrepreneurship on a person's capability to live a fulfilling life. Through this model they can show that a higher degree of entrepreneurial activity within an economy has a positive effect on human development, as long as the value of entrepreneurial functioning of latent entrepreneurs is higher than their functioning of employment (Gries & Naudé, 2011). Based on their theoretical analysis they show that entrepreneurship can be considered as relevant capability when analyzing human development and well-being.

Gries and Naudé (2011) themselves as well as other authors such as Serviere (2010) and Tipu (2012) stress the importance of the practical application and verification of these findings. Based on this research demand, the author of this thesis conducts explorative research in India to provide first findings in the respective research field. The research design builds on Gries and Naudé's (2011) incorporation of entrepreneurship into Amartya Sen's framework of the capability approach and provides a starting point for the practical verification of Gries and Naudé's (2011) theoretical argumentation.

The present thesis is able to provide first answers to the questions that are developed in the following Chapter 2. The fundamental finding of this thesis is that the entrepreneurs of the analyzed target group cannot be categorized as solely necessity- or opportunity-driven. Instead, the artisans combine typical character traits and attitudes of both. Based on this, a unique profile is developed for artisan entrepreneurs in India in Chapter 5.2. Building on these findings, further and more extensive research can identify the potentials as well as prerequisites for the empowerment of entrepreneurs.



## 2. DEDUCTION OF THE RESEARCH QUESTION

This thesis seeks to analyze the role of necessity entrepreneurship as part of the capability approach and resulting ways to empower necessity-driven entrepreneurs. Based on the theoretical elaboration of Gries and Naudé (2011) and their finding that entrepreneurship can be seen as a potential functioning within the capability approach, this study aims to provide a first step towards the practical verification of their finding. For this, explorative research is conducted on the micro-level. To adjust the scope of this thesis to the limited time and resources that are available for this project, the research focus is directed towards the empowerment of artisans, a sub-group of necessity entrepreneurs, and focuses on only one country, namely India. Artisans and crafts people were identified as representative and important sub-group of necessity entrepreneurs in India due to two reasons. On the one hand, they represent a typical Indian profession that is deeply rooted in the country's history and culture on the other hand this profession includes a lot of the so called necessity entrepreneurs that are often struggling to provide for their basic needs (Liebl & Roy, 2003). Further arguments regarding the suitability of artisans as sub-group of Indian entrepreneurs are discussed in chapter 3.2.3.

Based on the combination of the theory on necessity entrepreneurship and the capability approach, the author aims to analyze whether entrepreneurship contributes to the individual agency of artisans in India and, if so, how this effect can be stimulated. In other words, it is tested whether their profession, which is theoretically categorized as necessity entrepreneurship, allows the artisans to increase their freedom to fulfill their capabilities. For this, qualitative research is carried out in a two-wave research approach. The first wave includes expert interviews with academic professionals in the local art and design scene as well as with professionals in the field of artisan empowerment such as social businesses and entrepreneurship incubators. The second wave of interviews is based on the capability approach and is targeted towards local artisans directly. Therefore, the research on hand asks two questions:

- a. What are the country- and sector-specific framework conditions when it comes to entrepreneurship in the artisan sector in India?**
  
- b. How does the artisans' entrepreneurial profession contribute to their experienced life quality and how can it be increased further?**

By answering the above questions it is aimed to make a start in understanding the framework conditions and challenges that necessity entrepreneurs face in the Indian artisan sector. The purpose of this work is consequently to better understand the characteristics, motivations and problems that local necessity entrepreneurs face. Based on a micro-level research design that builds on interviews with individual experts and was tailor-made for this thesis, valuable insights can be gained and transformed into first recommendations to develop a holistic and sustainable approach to empower artisans in India. Nevertheless, at this point it is important to stress the explorative nature of the present research. Within the time that is available for this research project the thesis can only aim to generate a starting point for further research in the field and be an inspiration for other researchers to dedicate their work to entrepreneurs in the Indian artisan scene.

The following paragraphs are devoted to a short overview of the structure of this thesis. Chapter 3 constructs a theoretical basis for the research and combines two streams of literature. Chapter 3.1 focuses on the existing stock of entrepreneurship literature which forms the first stream of observed literature. Furthermore, it defines entrepreneurship in general but also demarcates *necessity entrepreneurship* from *opportunity entrepreneurship*. Within the field of necessity entrepreneurship the consecutive sub-chapters introduce three different aspects of necessity entrepreneurship that have to be included in a holistic observation. Chapter 3.1.1 focuses on personal characteristics that the pertinent literature identifies as typical for necessity entrepreneurs. Chapter 3.1.2 broadens the perspective to the socio-economic environment in which these entrepreneurs usually interact. Chapter 3.1.3 pays special attention to the performance and output that is generated by the small businesses that are associated to the observed necessity entrepreneurs. Chapter 3.2 introduces the second stream of literature which is based on Amartya Sen's capability approach which aims to capture human development. Chapter 3.2.1 elaborates on the theoretical foundation of Sen's paradigm and different domains and forms of application. Chapter 3.2.2 focuses on the

combination of the two introduced streams of literature as there is a considerable lack of research regarding entrepreneurship within the context of the capability approach. In Chapter 3.2.3 the research is put into the context of entrepreneurship within the artisan sector in India and sector- and country-specific characteristics are worked out.

The collection method used to acquire adequate data for the research purpose of this thesis is presented in chapter 4. Chapter 4.1 explains the expert interview method and chapter 4.2 introduces Appreciative Inquiry. This alternative approach to classical research methods was the foundation for the questionnaire used in this study. A description of the questionnaire as well as the participating experts and artisans is provided by chapter 4.3.

In chapter 5, the findings of both, the expert interviews as well as the interviews with artisans directly, are presented and analyzed. Last but not least, chapter 6 identifies possible limitations of the research and develops recommendations for further research.

### 3. THEORETICAL FRAMEWORK

The literature that is discussed in the following chapter is derived from two streams; one focusing on necessity entrepreneurship, the other focusing on the capability approach. First, the findings, discussion and questions of the current state of literature regarding necessity entrepreneurship will be presented. This includes the discussion of characteristics and personality traits of necessity entrepreneurs as well as their daily life challenges. Second, literature on the capability approach, which was first introduced by Amartya Sen, will be analyzed. Sen's paradigm is a broad normative framework to conceptualize individual well-being and human development. Third, these two streams of literature will be combined and it will be highlighted where they have commonalities or are complementary, but it will also be stressed if there are discrepancies between the two.

The literature has been selected according to certain criteria. This report prioritizes the most recent studies with the highest impact and quality. The ranking of economic journals provided by the Dutch Tinbergen Institute Research School is used in the literature selection. Literature written before 1999 is used for specific purposes; nevertheless, its selection also depends on the quality of the journal and the relevance to the research topic.

### 3.1. NECESSITY ENTREPRENEURSHIP

Entrepreneurship, its drivers, and its consequences have been recognized as serious influential factors when aiming for economic growth in the last decades. Van Praag and Versloot (2007) dedicate their research to the question of what the contribution of entrepreneurs is to the economy when compared with non-entrepreneurs. They focus on three macro-economic factors, namely, the impact on employment generation and dynamics, innovation, and productivity and growth. Furthermore, they analyze the entrepreneurs' utility levels and thus include one micro-economic factor as well. After analyzing 57 studies that measure one or all of these factors, the authors come to the following conclusions: entrepreneurial activity has a higher positive impact on employment generation than large firms have. Regarding entrepreneurial contributions to innovation, they find that entrepreneurs do not invest or contribute more to the innovativeness of society than their counterparts. Nevertheless, Van Praag and Versloot's findings suggest that the quality and efficiency of innovations introduced by entrepreneurs seems to be higher than that of larger corporations. Additionally, they find that start-ups have higher growth rates than the control group and thus contribute positively to economic growth (Van Praag & Versloot, 2007). Baumol and Strom (2008) focus in their research only on the impact of entrepreneurship on economic growth and find that entrepreneurs who focus on innovation play a key role in economic growth. As consequence they suggest policy changes that attract entrepreneurial activity to beneficial directions (Baumol & Strom, 2008). Tipu (2012) and others scholars investigate the performance of necessity-driven entrepreneurs and find the following: 'pushed' (necessity) entrepreneurs have on average lower growth rates and less profitable businesses than 'pulled' (opportunity) entrepreneurs (Morris, Miyasaki, Watters, & Coombes, 2006) (Glancey, Greig, & Pettigrew, 1998). Additionally, Block and Sander (2009) and Block and Koellinger (2009) find that necessity-driven entrepreneurs experience significantly less satisfaction through their occupation than opportunity entrepreneurs. This dissatisfaction leads to Kautonen and Palmroos' (2010) finding that necessity entrepreneurs are more likely to switch back to employment than opportunity entrepreneurs. Necessity entrepreneurs only enter self-employment to secure their financial survival and will switch into employment as soon as they can make the same or even more money in a secure employment (Kautonen & Palmroos, 2010). All the above listed findings suggest that a differentiation between opportunity and necessity entrepreneurship is extremely important when aiming for economic empowerment.

With a very recent literature review on the learnings in regards to necessity driven entrepreneurship, Tipu (2012) provides a very solid basis for the paper on hand. He divides the literature in the following five focus areas: nature of necessity entrepreneurship, creation and management style of necessity-driven corporations, contextualization of necessity-driven entrepreneurship within the institutional environment, performance of necessity start-ups and criticisms of necessity entrepreneurship. Another article by Serviere (2010) focuses solely on the factors behind necessity entrepreneurship in economically challenging environments. She includes concepts borrowed from psychology and motivation literature and focuses on socio-economic and personal factors. Furthermore, she emphasizes that country profiles have to be taken into consideration when analyzing the individual decision to start a business out of necessity. Many other scholars have stressed the importance of analyzing entrepreneurial behavior and success with an integrative and interdisciplinary perspective (Amit, Glosten, & Muller, 1993). Amit et al. (1993) postulate that only the combination of different theoretical perspectives, such as social, cultural, personality based, network or economic theory, can lead to comprehensive and sustainable findings.

The combination of the proposed focus areas of the general entrepreneurship literature (Amit, Glosten, & Muller, 1993) with the more specific approaches of Tipu (2012) and Serviere (2010) that focus on necessity entrepreneurship, led to the definition of the following focus areas that will be discussed hereinafter:

- Personal variables influencing the decision to start a business out of necessity
- Socio-economic variables influencing the decision to start a business out of necessity
- Management style and performance of necessity-driven start-up

### 3.1.1. TYPICAL CHARACTER TRAITS

The large part of what is known about the individual characteristics of entrepreneurs is based on research in Western countries and thus reflects predominantly typical character traits of opportunity entrepreneurs within the context of the political and social frameworks that are in place in developed countries. An example of this kind of research is Hessels' et al. (2008) analysis on entrepreneurial aspirations, which differentiates between three fundamental areas of entrepreneurial motivation, namely income/wealth, independence and necessity. The authors state that entrepreneurs are usually motivated either out of necessity or out of their desire for independence; both can be combined with the income motivation. This confirms the

conclusion that findings on typical characteristics of opportunity entrepreneurs cannot be assumed to hold for necessity entrepreneurs.

Another finding of research on character traits of entrepreneurs in the Western context was carried out by Block and Koellinger (2009). They identify uncertainty, responsibility and risk neutrality as traditional aspects of entrepreneurship. Again, people that combine these typical characteristics are usually opportunity-driven entrepreneurs (Sexton & Bowman, 1986; Amit, Glosten & Muller, 1993). They chose to start up a business since it suits their aspirations and personality and thus gives them higher life and job satisfaction. Necessity entrepreneurs, however, do not make this choice as a cognitive decision which suits their character and desires, but out of a lack of options. This means that the classical aspirations for individual goals (Noorderhaven, Thurik, Wennekers, & Van Stel, 2004), which are often associated with entrepreneurship in Western countries, do usually not apply to necessity-driven entrepreneurs. This is in line with Block and Koellinger's finding that necessity entrepreneurs experience lower levels of utility and satisfaction in their work. Therefore, it can be stated that personality traits that the literature has identified as "typical entrepreneurial" usually do not apply for necessity-driven entrepreneurs.

Due to the social as well as business environment in developing countries, which imply among other things imperfect market conditions, other personal variables gain importance when it comes to a start-up's success. Serviere (2010) highlights parental altruism and low education levels as such variables. In agreement with Eshel et al. (1998), Serviere (2010) states that individuals are more likely to start up their own business in times of economic difficulties when they feel responsible to provide for their family (Serviere, 2010) (Papanek, 1962). The second variable, low educational levels, is proposed to act as barrier to an individual's social mobility (Low & MacMillan, 1988). While individuals with high levels of education have attractive career options, less-educated individuals do not have this choice and could thus be forced into self-employment (Serviere, 2010). This is in line with the findings of Fairchild (2009) who concentrates his research on the likelihood of ethnical minorities in the U.S. to enter self-employment. He comes to the conclusion that educational attainment is significant and negatively correlated with the probability of entering self-employment (Fairchild, 2009). Hisrich (1990) on the other hand argues that education is the basis of a successful business formation. He explains that both dissatisfaction due to an overdue promotion and self-confidence gained through teachers and classmates plead for a positive correlation between education levels and the probability of being an entrepreneur (Hisrich,

1990). These findings reveal inconsistency related to the effects of education in the entrepreneurship literature. However, the results presented by Fairchild (2009) and Serviere (2010) are expected to apply to the study on hand since Fairchild focuses on minorities with an economic disadvantage and Serviere on necessity-driven entrepreneurs. Therefore, their target groups have much similarity with the focus group of this analysis. Hisrich, on the other hand, focuses his research on opportunity-driven entrepreneurship in the U.S. and is thus not directly comparable with the research on hand.

Another individual variable that may lead to self-employment is the level and reasons of dissatisfaction an individual connects with his or her previous job. Brockhaus (1986) was the first to analyze the relationship between job dissatisfaction and the decision to start a business. He comes to the conclusion that entrepreneurs are often more dissatisfied with their previous job when compared to normative data. In detail, Brockhaus (1986) finds that the job dissatisfaction originates from the work itself and less the amount of remuneration employees receive. His study, however, focuses on data of Western and thus developed countries where people have the opportunity (but are usually not necessity-driven) to start their own business. Consequently, Brockhaus' findings cannot simply be applied to developing countries. Dyer (1994) confirms the aforementioned conclusion and adds that a lack of career opportunities can lead to dissatisfaction as well. The trigger of dissatisfaction is the absence of career opportunities which makes the findings especially applicable for necessity-driven entrepreneurship in developing countries. This is in line with Noorderhaven et al. (2004) who analyze the effects of dissatisfaction and per capita income on self-employment. They split the "dissatisfaction variable" into two and find for both, dissatisfaction with life and dissatisfaction with the way how democracy works, a positive correlation with self-employment (Noorderhaven, Thurik, Wennekers, & Van Stel, 2004). Combining these findings, the individual variable of career dissatisfaction as trigger to start up a business seems to be applicable for developed as well as developing countries.

Lastly, the literature on entrepreneurial characteristics talks about age and gender. Arenius and Minniti (2005) analyze both factors in their study on nascent entrepreneurship which is based on 28 countries that participated in the Global Entrepreneurship Monitor. They come to the conclusion that the probability of becoming a nascent entrepreneur decreases with age (Arenius & Minniti, 2005). This indicates that entrepreneurs, at the time they start up their business, are younger than the average of the population. Furthermore, Arenius and Minniti find that the women participation rate in entrepreneurial activity is lower than the one by their

male counterparts. However, they find that for individuals that become entrepreneurs, whether male or female, similar demographic and psychological characteristics apply (Arenius & Minniti, 2005). Arenius and Minniti (2005) wrap their findings up and state “*Overall, entrepreneurship is a young man’s game,*” (Arenius & Minniti, 2005). Tipu (2012) looks at these two variables with a special focus on necessity entrepreneurship and comes to new insights. He finds that older individuals are more likely to be pushed into necessity entrepreneurship than starting an opportunity-based business. Similar reasoning goes for gender; push factors seem to be stronger among females in developing countries than in developed countries (Tipu, 2012). Tipu’s findings once more stress the importance of a separate observation of necessity and opportunity entrepreneurship as well as a differentiation between developed and developing countries.

### 3.1.2. THE SOCIO-ECONOMIC ENVIRONMENT

The literature suggests mostly quantitative variables when considering the socio-economic environment of an entrepreneur. Examples for these are the unemployment rate, the capacity of a social safety net or the existence of governmental and non-governmental support institutions (Acs, Desai, & Hessels, 2008). Once the data is collected, these indicators and their effects can be evaluated easily. However, there are also qualitative measures proposed. Examples for qualitative indicators are the social or cultural context an entrepreneur is exposed to (Serviere, 2010). Naturally, these indicators are much more difficult to calculate. The following section will provide an overview of the existing literature investigating the socio-economic environment of necessity entrepreneurs.

Many scholars have demonstrated a positive correlation between unemployment and business cycle recessions (Hamilton, 1988). Faria et al. (2010) and Audretsch et al. (2001) have directly analyzed the relationship between unemployment and entrepreneurial activity and find a two-way causation. Additionally, Bover et al. (2002) find that the likelihood of starting a business due to a lack of employment opportunities increases when individuals do not receive unemployment benefits. This suggests that the effect of unemployment on self-employment is higher for developing countries since they usually are lacking social safety nets. Light and Rosenstein (1995) call entrepreneurs that are not employed and do not receive social security *survivalist entrepreneurs*, since they enter self-employment only to survive and provide for basic needs. These so-called survivalist entrepreneurs are comparable to the



necessity entrepreneurs this thesis focuses on and the findings of Light and Rosenstein (1995) thus hold for the present study.

Hessels et al. (2007) concentrate on the effect of a social security system in a country and the early-stage entrepreneurship rate of the same country. They come to the conclusion that social security entitlements mainly stimulate the choice of an individual to participate in the labor market in general. They find that high unemployment benefits may lead to more people that do not work at all. The quality of social security does not, however, greatly impact the decision between wage work and entrepreneurship. This leads to the conclusion that social security entitlements should be created in a way that they are less generous for individuals that are unemployed and thus stimulate them to participate in the labor market in one way or the other (Hessels, Van Stel, Brouwer, & Wennekers, 2007). When unemployment rates decrease and more people work, the number of entrepreneurs will increase automatically. This means the effect of social security systems on entrepreneurship is linked to the effect of unemployment on entrepreneurship. The paper on hand focuses on India, which is classified as developing country by the International Monetary Fund<sup>2</sup>. Like many developing countries, India has high unemployment rates, especially in the rural areas, but its social security net is not very advanced. Therefore, the effect of unemployment on entrepreneurship is expected to be higher than the effect of the social security system on entrepreneurship.

Policy support in form of tax reduction or subsidies for young start-ups is a widespread tool to stimulate entrepreneurship and is mostly used in developed countries. Van Stel et al. (2007) come to the conclusion that policy regulations regarding time, cost and number of procedures required to set up a new company do not have a significant effect on nascent entrepreneurship. Nevertheless, they concur with Baumol's finding (1990) that government regulations impact the nature of entrepreneurship in a society. This matches Van Stel et al.'s (2007) finding that labor market regulations influence the nascent entrepreneurship rate more strongly than market entry regulations. Additionally, with a special focus on necessity entrepreneurship, Van Stel et al. (2007) find that heavy government regulations can have another effect in developing countries. They note that strict entry regulations will lead to the growth of entrepreneurial activity in the informal sector (Van Stel, Storey, & Thurik, 2007).

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<sup>2</sup> The IMF uses a flexible classification system to identify and categorize countries into four different income categories. For that they consider "(1) per capita income level, (2) export diversification—so oil exporters that have high per capita GDP would not make the advanced classification because around 70% of its exports are oil, and (3) degree of integration into the global financial system."  
<http://www.imf.org/external/pubs/ft/weo/faq.htm#q4b>

Summing these findings up and directing the focus towards developing countries, two observations can be made. Firstly, market entrance and labor market regulations impact the entrepreneurial activity differently within an economy. Secondly, heavy regulations might lead to a bypass of the economic system and should thus be avoided.

A last aspect of the socio-economic environment of entrepreneurs focuses on the historical and cultural context of entrepreneurship within a country or region. Even in the early stages of research on entrepreneurial behavior the prime fathers of the field asked how national culture influences entrepreneurial activity (Weber, 1930; Schumpeter, 1934). Hayton et al. (2002) review 21 empirical studies that analyze the influence of history and culture on entrepreneurship. They summarize that most studies were based on Hofstede's (1980; 1983) research who developed a concise taxonomy of four cultural variables that influence entrepreneurial behavior, namely individualism-collectivism, uncertainty avoidance, power-distance and masculinity-femininity (Hofstede, 1983). Hayton et al. (2002) come to the conclusion that most scholars in the according field of research found that entrepreneurial ambitions are facilitated by cultures that are high in individualism, low in uncertainty avoidance, low in power-distance and high in masculinity. India was part of Hofstede's original analysis comparing 50 countries regarding of the four identified cultural variables and ranking them in regards of the national conditions to generate entrepreneurship. Overall, India scores a medium ranking of 27. Of particular interest is the very low place in power distance, namely rank 42 out of 50, and the very high rank of 9 in uncertainty-avoidance that India scored. *Power distance* is defined as the extent to which less powerful members of an organization accept and expect that power is distributed unequally. Following Hofstede's findings, this power distribution is very unequal in India and thus discourages entrepreneurial behavior. *Uncertainty-avoidance*, on the other hand, is defined as the tolerance for uncertainty and ambiguity of a society. Hofstede's results suggest that the Indian population is very tolerant towards uncertainty which is a characteristic that fosters entrepreneurship (Hofstede, 1983). These findings will be of high importance for the design of the questionnaire later on during this research.

### 3.1.3. MANAGEMENT STYLE AND PERFORMANCE

In their article, Stewart et al. (1999) analyze the proclivity for entrepreneurship and compare entrepreneurs, small business owners and corporate managers. They aim to answer the

question about differences in operation and management style between entrepreneurs and corporate managers (Stewart, Warren, & Carland, 1999). They find that those individuals that were labeled as entrepreneurs were higher in achievement motivation and risk taking propensity, and their preference for innovation was higher than that of corporate managers. From this, Stewart et al. (1999) deduct that there is a connection between the psychological profile of entrepreneurs and the characteristics and performance of their start-ups. Furthermore, they state that the aspirations of an entrepreneur towards growth and risk have a direct impact on the performance of the business (Stewart, Warren, & Carland, 1999). This suggests that opportunity-driven businesses grow faster on average and are more successful than necessity-driven start-ups, since their founders usually have a clearer vision and goal for their company than necessity entrepreneurs. In contrast to this is the argumentation that the necessity to make a certain amount of money to survive (and possibly provide for family) could give necessity entrepreneurs the urge to grow their business faster than opportunity entrepreneurs (Van Stel, Storey, & Thurik, 2007). This question about the psychological profile of an entrepreneur and its potential effects on his or her management style and business success is largely neglected in the existing literature and cannot be answered at this point. Tipu (2012) comes to the same conclusion and suggests further research in this area that is currently understudied; he suggests a focus on the behavior and underlying conditions of necessity entrepreneurs.

Both Stewart et al. (1999) and Slevin and Covin (1997) find that planning or “strategic visioning skills” enhance the venture performance in small businesses. Berry (1998) focuses her analysis on strategic planning in small high tech companies and comes to similar findings, stating that successful small firms in the high tech sector make deliberate use of strategic planning techniques to reach their long term goals. She also observed that their planning process becomes more and more sophisticated as they grow and develop further. Companies without strategic planning and a focus only on technical skills performed significantly worse than start-ups that were actively involved in strategic planning (Berry, 1998). Again, there remains a need for further research in this field and in particular for research with a focus on necessity driven entrepreneurship.

Another success factor for young start-ups derives from the strategic networking capabilities of the entrepreneur. This character trait becomes increasingly important considering globalization and the diffusion of the Internet. Serviere (2010) finds that the more contacts an entrepreneur has, the easier it will be for him or her to secure required aid and funding.

Additionally, she states that a widespread social network will help the entrepreneur to establish contacts with potential suppliers and clients (Aldrich & Zimmer, 1986; Serviere, 2010). Furthermore, personal contacts often provide access to important information about new technologies, labor conditions or market opportunities that might not be available through official sources. Chell and Baines (2000) analyze data for more than 100 entrepreneurs in the United Kingdom and find that it supports a close relationship between the entrepreneur's network activity and the performance of his or her start-up. They also find that the opposite applies; poor strategic networking skills and little contacts are negatively correlated with growth (Chell & Baines, 2000). To my knowledge, there is no research available that focuses on strategic networking of necessity entrepreneurship in developing countries.

Summing up, the literature on necessity entrepreneurship in developing countries is still relatively young. Some analyses have been conducted already, but more details and coherences have yet to be investigated. Coming back to the two articles that were the foundation of this chapter, the following suggestions for future research were found: Serviere (2010) stresses the importance of research on necessity entrepreneurship that focuses in particular on newly industrialized and developing countries (Serviere, 2010). Tipu (2012) confirms this need and emphasizes research on a micro level to understand the dynamics of necessity entrepreneurship at the organizational level. Additionally, Tipu (2012) highlights a lack of research of the behavior and management style of necessity entrepreneurs once they have started their business.

## 3.2. THE CAPABILITY APPROACH

### 3.2.1. THEORETICAL FOUNDATIONS

The literature on the capability approach is based on the work of Amartya Sen (1985; 1992, 1996; 1999; 2004) who developed a holistic paradigm to capture human development.<sup>3</sup> His approach stems from the field of welfare economics but received much attention from scholars from many different research fields during the last two decades. Since the feedback and development of the approach is highly interdisciplinary and has been discussed on many platforms. Robeyns (2007) felt the need to provide an accessible overview of the foundations and ongoing debates about the capability approach which is discussed hereinafter.

Firstly, Robeyns (2007) provides the following definition: “*The capability approach is a broad normative framework for the evaluation and assessment of individual well-being and social arrangements, the design of policies, and the proposals about social change in society*”. She stresses that the capability approach (CA) was not developed to explain phenomena such as poverty, inequality or well-being, but was created as tool to conceptualize and measure human development (Gries & Naudé, 2011). Secondly, Robeyns (2007) elaborates on the basic terms that underlie the CA. She explains that the term *functioning* defines what people are effectively able to do and to be. Furthermore, *capabilities* are the alternative combinations of functionings a person is capable to achieve. The freedom to fulfill one’s capabilities, which Sen calls *agency*, depends on personal abilities and aspirations as well as on the constitutional context (Gries & Naudé, 2011). Sen emphasizes that policies should support people to increase their quality of life by enabling them to live the kind of life that gives them meaning and value (Sen A. , 1999). Furthermore, he states that the freedom of agency that each individual has is inescapably qualified and constrained by the social, political and economic opportunities that are available to that individual. Sen emphasizes a deep complementarity between individual agency and social arrangements (Sen A. , 1999). Therefore, the CA aims for a holistic consideration that combines economic, social, political and cultural dimensions instead of drawing conclusions on the living standards from only evaluating economic indicators like wealth and unemployment as often seen in the literature (Sen A. , 1999). For this reason the CA evaluates the consequences of development according

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<sup>3</sup> Unless stated otherwise, the elaboration on the capability approach is based on Sen (1985; 1992; 1996; 1999; 2004)

to its impact on increasing people's freedom and livelihood. Through the creation of an empowering and just environment that allows people to expand their individual set of capabilities the individuals themselves can increase their set of positive choices and can realize their individual potential (Gries & Naudé, 2011; Robeyns, 2007).

As described earlier, the CA provides a normative framework to evaluate policies and social arrangements according to their contribution towards the freedom of people to achieve the functioning they value (Alkire, 2002). Scholars like Alkire (2002) and Robeyns (2007) emphasize that the CA framework draws upon a plethora of methodologies and analytical techniques. Instead of providing a "*universally-relevant set of domains for all evaluative exercises*" (Alkire, 2007) the CA makes use of quantitative and qualitative data. One of the distinctive emphases of the CA is the identification and prioritization of the freedom people value. For this reason, when analyzing the freedom and well-being of an individual or group, it is essential that the individuals concerned are involved in the evaluation process in one way or the other (Robeyns, 2005). This leads to the conclusion that the evaluation of well-being has to focus on customized adoptions instead of standardized approaches. Sen (1996) states that the openness to critical scrutiny and public consent are central when aiming for representative research results. Furthermore, he says that "*the weighting exercise [of functions] has to be done in terms of explicit valuations, drawing on the prevailing values in a given society*" (Sen A. , 1996). This means that studies on the topic have to be designed in the light of their purpose as well as of the values of the referent population. Sen does not specify his approach further to keep this *pluralism*, which denotes different competing ways to undertake the CA in practice. For him the CA is only a framework, not a theory, which is context dependent and needs to be adapted depending on the geographical area as well as the sort of evaluation that is carried out (Robeyns, 2005). In her book "Valuing Freedom" (2005), Alkire (2005) supports this reasoning and argues that the selection of analyzed dimensions within a research is crucial for its success.

The following section provides two examples of the practical application of the Capability Approach. One is by Saito (2003) and applies the CA to education the other one is by Coast et al. (2008) and applies the same methodology to health economics.

### **CA application to Education: Madoka Saito (2003)**

Within his article “Amartya Sen’s Capability Approach to Education: A Critical Exploration” Saito offers a critical examination of the educational significance of the capability approach to human well-being. With his research the author aims to explore the relationship between the capability approach and education. Even though Amartya Sen is not an educationalist and did not design CA for this application, Saito comes to the conclusions that the capability approach is rich in implications for education. The following paragraph will give a brief example of the concrete application of the CA methodology to education:

*“First, education can play a role in the expansion of capabilities. Under the term ‘expansion’, we can discuss two aspects of capabilities, although they are mutually related. One is the expansion of a child’s capacity or ability. A simple example is that Kate learns how to swim. Therefore, education enables her to acquire a capability to swim. The other is the expansion in opportunities that the child has. A very simple example is that Lisa learns mathematics and as a result, she has wider opportunities to become a mathematician, a physicist, a banker and so on. These newly created opportunities and capabilities, such as becoming a mathematician or a physicist through learning mathematics, may be ones that Lisa was not aware of, and which were not in her ‘capability set’ before learning mathematics. Perhaps she did not aim to acquire those new capability sets when she started to learn mathematics. There are so many opportunities that we are not even aware of in our daily lives. Education can come to play a role here. Lisa, in this example, learns mathematics and therefore becomes more autonomous in being able to choose her way of life and to become a physicist, a mathematician and the like. Education makes a child autonomous in terms of creating a new capability set for the child.”*

### **CA application to health economics: Joanna Coast, Richard Smith and Paula Lorgelly (2008)**

The authors ask the question whether the capability approach should be applied in health economics. As for the application in education, this paper argues again that the capability approach can provide a richer evaluative space enabling improved evaluation of many interventions. The following paragraph is an extract of their argumentation how the CA could benefit health economics:

*“The alternative might be for health economists to consider alternative bases for thinking about the allocation of resources within health care. Getting the best allocation of resources from the health-care system might mean, for example, providing a decent minimum level of capability for as many people in society as possible (essentially considering the production and distribution of health in combination rather than separately), rather than maximising the total level of capability regardless of distribution.”*

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Noticing different applications of the CA like the two different examples above Alkire (2005) states that scholars, especially when working on the micro-economic level, need a more concrete approach than the one Sen provides and thus aims for the operationalization of the CA concept. Alkire (2005) specifies information and assessments to apply the CA without losing important content of Sen’s original paradigm. Her methodology aspires to make statements about how much an activity has empowered individuals or the community, built capacity, strengthened institution, improved the environment, deepened cultural life or generated sustainable social services. In the following, Alkire’s findings and propositions are presented in brief.

First, she identifies the following five methods that can be used individually or in combination to identify appropriate dimensions for a research in the field of human development:

- Existing data
- Normative assumptions
- Public consensus
- Ongoing deliberative participation
- Empirical evidence

In addition, Alkire states that data availability and adequacy play an important role in the choice of method and that, regardless of which method is chosen, the domains should be open to public scrutiny and ongoing debate (Alkire, 2007). Second, she provides an extensive overview of different domains and dimensions that scholars have focused on when applying the CA. Examples of these domains are the following:

- Quality of life (from basic features of well-being to life satisfaction)
- Poverty and inequality assessment
- Human rights and theory of justice
- Philosophical dimensions of human value



These domains usually share a set of basic capabilities but differ in regards of their epistemological goals. This is in line with Sen's (2004) conviction that there is not one predetermined list of capabilities that can be applied for any social cause or public reasoning but that for each research purpose a suitable set of capabilities has to be identified. This contradicts Nussbaum's attempt to create one central list of human capabilities and is discussed extensively in the respective field of research (Nussbaum, 2000).<sup>4</sup>

Summing up, it is found that there is no common understanding of the application of the CA in the literature (Alkire, 2002) (Gursky & Kanbur, 2006). For this reason, scholars encourage the public discussion of the matter as well as explorative research in order to gain more insights. Furthermore, scholars like Alkire (2002) advise practitioners to apply multidimensional approaches to gain significant results.

### 3.2.2. APPLICATION IN ENTREPRENEURSHIP RESEARCH

So far, the operationalization of Amartya Sen's capability approach has been mainly implemented by development practitioners like international development agencies, non-governmental organizations (NGOs) and social enterprises (Bolger, 2000; Pitcoff, 2004). Accordingly, most literature on the CA application is practice-oriented and published by development agencies or academic journals that focus on applied global development. The regarding literature denotes the application of the CA with the term *capacity development*, which is defined by the United Nations Development Programme (UNDP) as „ *the ability of individuals, institutions, and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner*” (UNDP, 2010). The establishment of a connection between the capability approach and entrepreneurship, however, has been widely ignored in the existing literature, even though the CA is by its nature a multidisciplinary and holistic framework.

Gries and Naudé (2011) are the first to place the focus of the capability approach on entrepreneurship. They argue that entrepreneurial character traits can be seen as a potential functioning, similar to other functionings such as being literate, being healthy or being employed (Gries & Naudé, 2011). From this they draw the conclusion that the CA provides a framework to analyze the interplay of entrepreneurship and human development. Following

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<sup>4</sup> For a discussion of the differences between Sen's and Nussbaum's approach please see e.g. (Robeyns, 2005), (Alkire, 2007), (Sen A. , 2004), (Nussbaum, 2000).

the earlier definition, policies should support people's individual functionings. In other words, they should encourage people to be entrepreneurial if that is their agency. In line with this argumentation, people will lose their agency when they are forced into entrepreneurship (Gries & Naudé, 2011).

Gries and Naudé develop a model which allows them to analyze the effect of entrepreneurship on human development.<sup>5</sup> For this, they first define the value  $V$  of an entrepreneur  $i$  to be an active entrepreneur.  $V$  consists of two components; the first describes the value of the entrepreneurial occupation in itself, which is defined by the expected net present value of each period's entrepreneurial function. This is given by the entrepreneurial value  $v_i$  which is adjusted for the probability  $1 - \phi_i$  of remaining an active entrepreneur and not switching into employment. In this connection, the time preference rate is given by  $\rho$ . The second part of  $V_i$  is described by the value  $W_i$  of a potential switch into employment which is determined by the probability  $\phi_i$  of the entrepreneurs firm's failure. The total expected value  $V_i$  of being an entrepreneur is consequently:

$$V_i = \frac{1}{\rho} [v_i - \phi_i(V_i - W_i)]$$

A latent entrepreneur will choose the optimal work functioning which allows him or her to maximize the expected total value of work as presented below where  $\Delta_i$  is the expected additional total net value of being an entrepreneur compared to not being an entrepreneur.

$$\max_{\eta_i} : \rho w_i = [w_i - c_i + \mu m_i (v_i(\eta_i)) \Delta_i]$$

$\eta_i$  = search effort to find entrepreneurial opportunities  
 $v_i(\eta_i)$  = the search efficiency  
 $c_i$  = search costs  
 $\mu m_i$  = probability of starting a new firm

Considered on the aggregate level, and taking individual preference and personal valuation of being and entrepreneur or employed into account, it can be written:

$$\Delta = [\rho + \phi + \mu m] = v - w + c$$

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<sup>5</sup> If not stated otherwise, the elaboration on the model of entrepreneurship and human development is based on Gries and Naudé, 2011

Next, Gries and Naudé determine the stationary equilibrium outcome. For this they combine the number of failed business opportunities given by  $\phi n$  with the number of successfully matched business opportunities given by  $\mu M$  to get the business dynamics in the economy, which is denoted by  $\dot{n} = \mu M - sn$  where  $s$  indicates the associated stationary flow equilibrium condition that  $\dot{n}=0$  and  $\mu M = \phi n$ .

The authors proceed with the inclusion of opportunity dynamics into their model to determine the equilibrium number of successful new start-ups within an economy. For this, they define two probabilities;  $p$  denotes the probability that opportunities which were formerly identified as profitable become unprofitable and  $q$  captures the probability that the contrary development takes place and opportunities that were formerly identified as unprofitable become profitable. The probabilities  $p$  and  $q$  are determined by exogenous influences such as institutional changes. As an example, Gries and Naudé state that less stability within an economy will lead to an increase in  $p$ . The opposite applies when structural changes lead to more stability and thus an increase in  $q$ . The change in unprofitable opportunities is given as  $\dot{\delta} = p(\omega + n) - q\delta$ . This leads to the following stationary flow equilibrium for opportunities:

$$\dot{\delta} = 0. \quad \omega = \frac{q}{p + q} \Omega - E + u$$

$\omega$  = total number of unused opportunities  
 $\Omega$  = total number of potential opportunities for new start-ups  
 $E$  = total number of potential entrepreneurs  
 $u$  = total number of latent entrepreneurs, where  $\omega > u$

In a last step, Gries and Naudé combine the equations above and get a three equation system with three endogenous variables ( $\omega, u, \Delta$ ) to solve. By applying the implicit function theorem, they solve this vector  $(\omega^*, u^*, \Delta^*)$  as function of the vector  $z$  that combines all exogenous variables  $(\mu, \bar{c}, \bar{v}, q, p, \Omega, E, v, w)$ . Through this, they can show that a higher degree of entrepreneurial activity within an economy has a positive effect on human development as long as the value of entrepreneurial functioning of latent entrepreneurs is higher than their functioning of employment.

In conclusion, Gries and Naudé (2011) could show that the CA offers a useful framework to analyze the impact of entrepreneurship on human development. Since they are the first to highlight this relationship, this is only a first step to understand all connections. Additionally,

they focus on entrepreneurship as functioning that increases well-being. Accordingly, the focus is not explicitly on necessity driven entrepreneurship. The research on hand will attempt to work out which of the findings can be transferred to necessity entrepreneurship. This is in line with the final remarks of Gries and Naudé in their paper where they encourage further research to explore the richness and validity of their rather theoretical approach.

### 3.2.3. A FOCUS ON CRAFTS IN INDIA

Since the paper on hand focuses on necessity entrepreneurship in India in particular, the following chapter will provide a short summary of the framework conditions of the craft and art scene in Asia in general and India in particular.

For the region Asia, the GEM finds that around one third of all entrepreneurs are pushed into entrepreneurship and are thus necessity-driven (Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013). Furthermore, India tops the list of countries with high entrepreneurial activity. With a TEA level of 17.9% (Manimala, 2003), India was second among all nations in 2002 when it comes to entrepreneurial activity. Today, ten years later, India has a TEA level of around 12% which is close to the world average. However, based on India's large size, the absolute amount of necessity entrepreneurs in India is still one of the highest when compared globally (Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013). Nevertheless, the conditions, aspirations and characteristics of these necessity-driven entrepreneurs in India have been neglected and under-researched for a long time.

The subsequent paragraph gives a short overview of the handicraft market in India. Liebl and Roy (2003), who conduct a research on the Indian handicraft market, come to the conclusion that local handicrafts have developed to a major exportable, implying a big economic potential. They state, that “[...] *handicrafts represent a large and dynamic segment of the manufacturing sector.*” (Liebl & Roy, 2003). And yet, they also state, that this potential remains vastly idle which is mostly due to myriad problems on the supply and demand side (Liebl & Roy, 2003). Examples of negative effects that limit the success of the sector are numerous. One example is the dispersed nature of the artisan professions across the whole country and the generally poor level of education that the artisans show. These problems do not only limit the returns to the craftsmanship itself, but also complicate access to means of value-addition such as trainings, design input or technical advancement. Another problem

area is administrative inefficiency as well as corruption that further raise costs of transactions in these markets (Liebl & Roy, 2003).

#### 4. METHODOLOGY AND RESEARCH DESIGN

Now that the theoretical basis has been established by drawing theories from the capability approach as well as findings of entrepreneurship research, the method used to collect data for the research purposes of this thesis will be explained. The basis of the analysis is Gries and Naudé's (2011) definition of the total expected present value  $V_i$  an active entrepreneur experiences through his or her profession which was explained in section 3.2.2:

$$V_i = \frac{1}{\rho} [v_i - \phi_i(V_i - W_i)]$$

In contrast to Gries and Naudé's research, the thesis on hand focuses in particular on necessity entrepreneurs. This leads to the following assumptions regarding the included variables:

- First, necessity entrepreneurs do not only become self-employed because it is their agency but often because they struggle to create an income otherwise. Consequently, entrepreneurship is not imperatively one of their capabilities and does not always benefit their agency to follow their personal objectives and values. For this reason, the value  $v_i$  of the entrepreneurial occupation itself is expected to be lower than that for opportunity entrepreneurs (Block & Koelliger, 2009).
- Second,  $W_i$  denotes the value of a potential switch into a non-entrepreneurial occupation. Gries and Naudé determine this by the probability  $\phi_i$  of the failure of the start-up. In case of necessity entrepreneurship, however, this switch is more likely to be determined by the probability of being able to find a job in employment that generates at least as much income as being self-employed. Therefore, the determinant  $\phi_i$  was dropped and instead the probability of finding a job in employment, which is denoted by  $\gamma_i$ , was included in the equation.
- Third, since the decision of becoming an entrepreneur was not a free choice for most of the observed entrepreneurs but was triggered by necessity the time preference rate  $\rho$  to

switch into employment is expected to be very high; approaching one. To simplify the equation,  $\rho$  is assumed to be one for the following elaboration.

Building on these assumptions the equation can be adapted as follows:

$$V_i = v_i - \gamma_i (V_i - W_i)$$

Based on this equation, the research questions and design can be defined and methodically justified. The objective of this thesis is to analyze whether necessity entrepreneurship can contribute to an individuals' agency and, if so, how this agency can be increased. In terms of the included variables it is aimed to show whether  $v_i > \gamma_i (V_i - W_i)$  and how  $v_i$  can be increased while  $\gamma_i$  and  $W_i$  stay the same. At this point, it is important to state that due to the novelty of this research area and due to a lack of available data, the research on hand will not be able to answer the research question definitively. Instead, this thesis aims to be a starting point for future research and explores the general framework conditions of the artisan scene in India and the indicators that might trigger the value that entrepreneurs associate with their work.

In order to draw significant conclusions from any research it is necessary to “[...] *distinguish the systematic component from the non-systematic component of the phenomena of study*” (Keohane, King, & Verba, 1994). In line with Gries and Naudé (2011), the assumption of this thesis is that the variables presented in the equation above – the value associated with entrepreneurship, as well as the probability of finding a job in employment – constitute systematic components when it comes to the empowerment of local artisans. Nevertheless, it is impossible to completely eradicate an omitted variable bias especially when carrying out explorative research (Keohane, King, & Verba, 1994). Consequently no absolute conclusions will be drawn based on the findings of this study.

To make a start and test Gries and Naudé's model in practice, the following research makes use of the *expert interview* method which will be explained in further detail in chapter 4.1. Within the methodological framework of expert interviews, an alternative approach to the classical interview design is introduced. This approach is called *Appreciative Inquiry* and is presented and explained in chapter 4.2. The consecutive chapter 4.3 offers a short overview of the questionnaire structure and a list of the artisans and institutions that participate in this research project.

#### 4.1. EXPERT INTERVIEWS

In her paper on the application of the capability approach Robeyns (2006) states that most applications of the CA require empirical findings and according research which can be based on quantitative or qualitative data collection. Due to the wide scope of CA applications and their interdisciplinary character, a wide range of research techniques have been used. Since these techniques stem from different research fields and objectives no general recommendation regarding the CA methodology can be given. The decision has to be made based on the available data and capacity as well as the research objective. This is in line with Keohane et al. who state that a method should not be chosen based on a quantitative-qualitative-dichotomy but instead based on whether or not a method is useful for formulating and answering a research question (Keohane, King, & Verba, 1994).

Based on several reasons which will be discussed in the following, a qualitative research analysis is preferred over a quantitative one for the research on hand. The most important reason is a lack of available data to conduct a significant quantitative research for the aimed target group and region. The focus on artisans which are only a small sub-group of entrepreneurs in total and the regional focus on India hinder a quantitative research approach, since there are no data points available for this information. At first, this might seem like a disadvantage regarding the significance of this work, however, there are several arguments that support the importance and relevance of this exploratory research focus. The nature and scope of application of quantitative and qualitative research itself explains why a qualitative research approach is better suited and also more beneficial for a new field of research like the one on hand (Stebbins, 2001). Quantitative methods express the assumptions that the research question can be explained through objective findings. Accordingly, the design and instrumentation applied for quantitative research convince by being able to show how biases and errors can be eliminated (Firestone, 1987). Qualitative methods on the other hand imply the assumption that there are multiple realities that are socially defined. It aims to 'pick up the pieces' of the unquantifiable, personal, in depth, descriptive and social aspects of the world. Qualitative research persuades by showing that the researcher was immersed in the setting and gives the reader enough detail to "make sense" of the situation (Firestone, 1987). This general demarcation between quantitative and qualitative research implies that for an exploratory purpose where the research setting is not yet completely substantiated and the goal is to

explore the topic in broad, non-specialized terms a qualitative approach is more applicable (Stebbins, 2001).

Resulting from this, another reason to choose a qualitative research approach can be drawn. When it comes to the selection process of observations, quantitative research requires the sample to meet several conditions such as the random selection as well as a certain size of observations. If these conditions are not met, a sample selection bias cannot be excluded and the research loses validity. Since there is no existing data and the time frame of this thesis does not allow collecting sufficient data to meet all conditions, a quantitative research is not feasible. Qualitative research however, can be conducted with small sample sizes (Dorussen, Lenz, & Blavoukos, 2005). Keohane et al. (1994) suggest an intentional selection of observations for small-*n* studies like the one presented here. Therefore, the artisans and institutions interviewed in this study were carefully chosen in order to create the most unbiased mixture of different participants as possible<sup>6</sup>.

Additionally, the qualitative nature of the research on hand has the strength of providing rich data directly from the artisans. This approach of data collection enables the author to jointly explore with experts of the field as well as with entrepreneurs themselves which factors influence the success of their businesses, their attitudes, and aspirations, and whether their motivation can move beyond “survival” towards increased agency (Dalglish & Matthews, 2010).

Lastly, the exploratory and qualitative research conducted throughout this project provides contextual information to explain particular outcomes and behaviors that are unique to the local art scene (Camfield, Crivello, & Woodhead, 2009). The applied method of in-depth expert interviews offers the opportunity to generate new information about the way in which artisans in India see the world (Hammersley & Atkinson, 1995). Based on this information, the research can build a starting point to the development of models and ways to empower these artisans in ways that meet their specific needs (Dalglish & Matthews, 2010).

Building on the preceding argumentation, the thesis on hand focuses on explorative qualitative research. Within this spectrum, it was decided to apply the method of expert interviews to generate a clearer picture of the environment and status quo of entrepreneurship within the handicrafts sector in India. The conduction of expert interviews was identified as

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<sup>6</sup> Keohane et al. (1994) also emphasize that data does not need to be completely symmetric since this is hard to attain in the real world.



attractive data collection method for the research on hand due to several reasons that will be shortly elaborated in the following. The first reason for the choice of conducting expert interviews is that they give the researcher more control over the included dimensions that are central to the research and the freedom to combine elements of different research fields (Dorussen, Lenz, & Blavoukos, 2005). This is especially essential since the present research aims to combine aspects of entrepreneurship research, with a particular focus on necessity entrepreneurship, and the methodology of the capability approach. The conduction of expert interviews gives the author the freedom to combine both of these aspects and analyze their coherence. A second reason is that experts can be seen as unique source for 'inside' information which can, even within the time available, provide a wealth of information (Dorussen, Lenz, & Blavoukos, 2005). Third, through personal one-to-one interviews with each of the experts unique patterns of the local art scene can be identified. The experts can assess priorities of the local artisans and the communities to which they belong. Based on these specific insights the individual problems can be investigated and effective recommendations can be tailored to empower Indian artisans (Dalglish & Matthews, 2010).

The choice of conducting expert interviews is in congruence with other qualitative and micro-level focused research projects on the CA that were for example carried out by Alkire (2002) and De-Shalit and Wolff (2011). Alkire executed participatory assessments through interview sessions and group discussions in three projects in Pakistan (Alkire, 2002). After finishing her research she concludes that choices regarding the research design should not be made solely on technical grounds but require an additional focus on moral significance. She therefore supports the holistic methodology of the CA. Nevertheless, she acknowledges that a qualitative capabilities evaluation is less precise than a purely quantitative one since it includes dimensions that are very hard to quantify. Examples of these dimensions are the cultivation of friendships or the acquisition of knowledge. Even though these variables are difficult (or even impossible) to measure precisely, Alkire (2002) highlights the importance of their inclusion since they provide additional insights to the findings of standard economic evaluations (Robeyns, 2006). De-Shalit and Wolff (2011) have a similar research design and conduct interviews with disadvantaged people (equivalent to the necessity entrepreneurs in this research) and experts (equivalent to the academic professionals and international institutions in this research). The success of the aforementioned research projects gives the confidence to assume that the application of a similar research design for this analysis will lead to similar successful insights.

## 4.2. APPRECIATIVE INQUIRY

The aim of Appreciative Inquiry (AI), on which the questionnaire used in this study is partly based, is to identify and leverage the positive core of an organization or system rather than to focus on what is going wrong within the same. Dalglish and Matthews (2010) who apply a positive research approach that is based on the AI methodology to their research on the sustainable development of microenterprises in Africa define this approach as follows: *“Positive design for sustainable enterprise development includes capturing the preferred futures of individuals and their communities, responding to the community’s priorities, investigating individual problems and solutions, and encouraging agency and active involvement in goal setting, with ongoing consultation and codevelopment of solutions”* (Dalglish & Matthews, 2010).

Furthermore, Dalglish and Matthews (2010) argue that a participative and positive research approach based on the AI methodology will stimulate the focus of the participating entrepreneurs. Instead of leading them towards a deficit oriented perspective that is solely based on necessity motives the applied methodology aims for a perspective that acknowledges the entrepreneurs’ resources and agency in their pursuit of professional success and their desire to provide and contribute to the well-being of their families and communities (Dalglish & Matthews, 2010).

This is in line with the argumentation of Laszlo and Cooperrider (2007) who see AI as an alternative approach to managing complexity and diversity when it comes to sustainable development (Laszlo & Cooperrider, 2007). They argue that the conventional approach to managing change is often inadequate since it is targeted on small insular groups or teams holding relatively homogenous views instead of approaching change and development holistically. Laszlo and Cooperrider (2007) build their support of the AI methodology on its strength-based approach to scaling wholesome change. Another strength of the AI they identify is its releasing power of innovation. Through joint efforts to discover and elaborate the positive core of a system in the past, present and future, innovative ideas to integrate societal issues can be included into strategic decision-making (Laszlo & Cooperrider, 2007). Additionally to the above mentioned benefits of AI, Barrett et al. (2006) present further arguments why Appreciative Inquiry can be more feasible than conventional approaches when organizational or societal change is aspired (Barrett, Cooperrider, & Ludema, 2006):

- Focus on strength-based rather than deficit-based problem solving to liberate the socially constructive potential of organizations or communities
- Collaboration and inclusion of a whole system or society rather than small groups
- Creation of self-reinforced learning rather than strategic planning
- Encouragement of democracy and self-organizing
- Positive vocabulary of possibility and hope lead to social imagination and inventions

The supporters of AI in the literature are numerous<sup>7</sup>, generally speaking they can be classified as constructivists as they “[...] view realities as socially constructed” (Cooperrider, Whitney, & Stavros, 2008) and assume that “[...] the questions asked become the material out of which the future is conceived and constructed” (Cooperrider, Whitney, & Stavros, 2008). They presume that deficit-based vocabulary can inhibit the vision for a better future. Therefore, the AI method is based on asking positively formulated questions in four different phases.

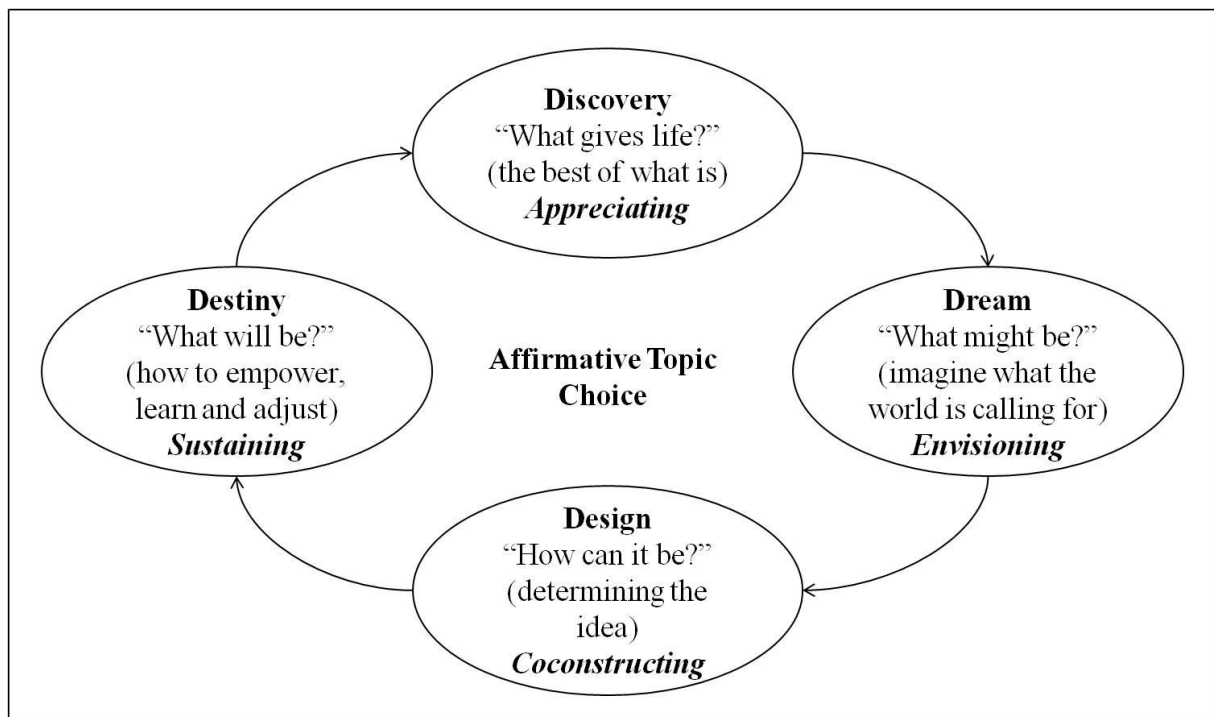


FIGURE 1 - APPRECIATIVE INQUIRY 4-D CYCLE (COOPERRIDER, WHITNEY, & STAVROS, 2008)

As depicted in *figure 1*, the process starts with selecting a topic (*affirmative topic choice*). The first phase consists of the identification of the best of what is (*Discovery*). This is

<sup>7</sup> For more details check for example Cooperrider, Whitney and Stavros (2008) or Bushe (2013)

accomplished by “[...] focusing on ‘peak times’ or highpoint experiences” (Cooperrider, Whitney, & Stavros, 2008). This phase is followed by envisioning what might be (*Dream*) in phase two. Next comes the determination of the means by which this future could be achieved (*Design*). And finally, in the fourth phase, the plans need to be turned into action (*Destiny*).

Since the research on hand focuses on a young field of investigation and is of exploratory nature, only phase one (*Discovery*) and two (*Dream*) of the AI approach are integrated in the questionnaires.

Other questions included in the questionnaires, including Likert-scale questions which ask the interviewee to rate a statement on a scale from one to five, are also positively formulated in order to stick to the theoretical assumptions of the Appreciative Inquiry methodology.

### 4.3. THE QUESTIONNAIRES AND PARTICIPATING INTERVIEWEES

The data collection for this thesis is conducted in two waves as can be seen in *figure 2*. First, expert interviews are conducted with academic professionals from the local art scene as well as with individuals working for local as well as international institutions that are active in the artisan sector in India. This first wave of interviews aims to provide a broad outline of the actual target group and thus allows to draw conclusions about the framework conditions and environment that entrepreneurs face who work in the handicraft and artisan sector in India. Based on these interviews, a second wave of interviews is conducted with 15 local artisans that run their own small business and can thus be coded as entrepreneurs. The output of this wave of interviews serves the identification of challenges and opportunities these entrepreneurs face. Based on these findings, first conclusions towards the empowerment of the same entrepreneurs can be made.

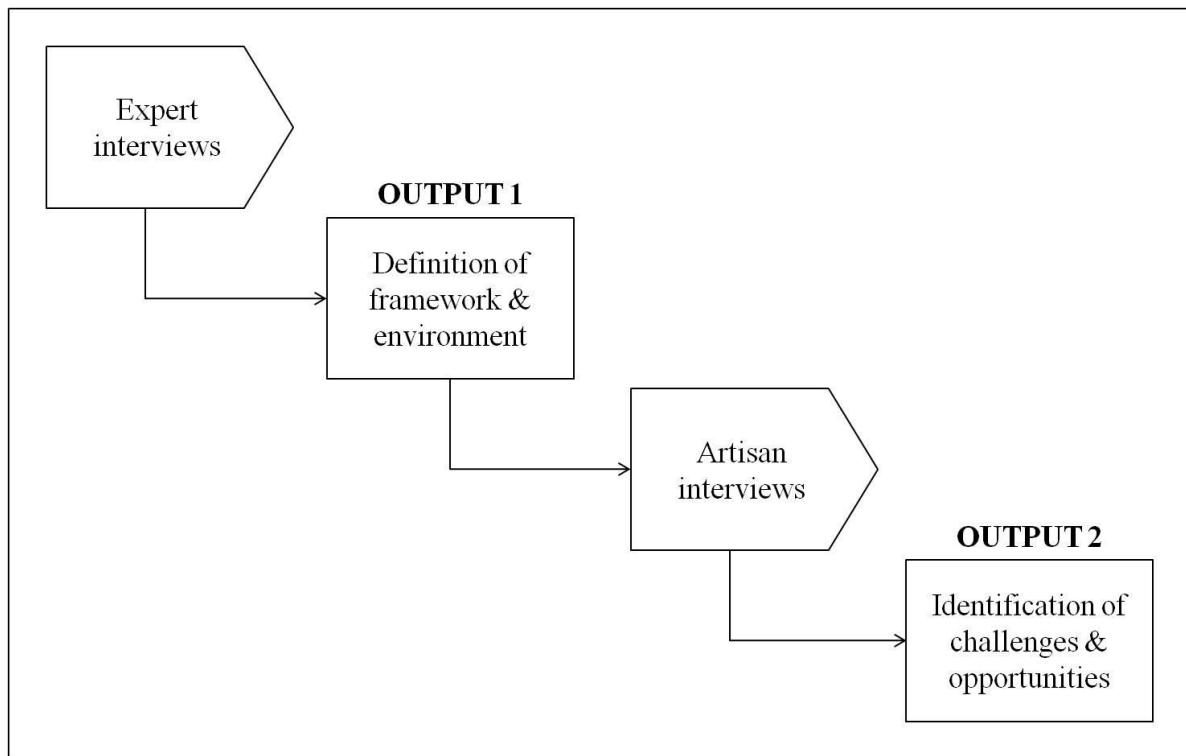


FIGURE 2 - INTERVIEW STRUCTURE

The methodology of expert interviews as introduced in chapter 4.1 was chosen since it allows the author of this thesis to get a basic understanding of the Indian art scene within short time. Based on the learnings of the expert assessments, the questionnaire for the actual target group, the local entrepreneurs, is developed and adapted. To get a broad picture of the local art scene, it was decided to interview experts with different backgrounds and connections to the artisans. Through the consultation of experts within academia as well as non-governmental organizations, it is aimed to reveal different aspects of the artisan scene and thus draw a broad picture of the target group and identify the main characteristics of this sector. This research approach is in agreement with the findings of Dorussen et al. (2005) who focus their research on the reliability and validity of expert interviews. They come to the conclusion that “*there are acceptable levels of inter-expert agreements*” and that “*experts are more in agreement on salient issues*” (Dorussen, Lenz, & Blavoukos, 2005). Nevertheless, to get a more solid and holistic understanding of the local art sector, more interviews with experts as well as field research are suggested.

#### 4.3.1. THE PARTICIPATING INTERVIEWEES

Regarding the academic professionals, two professors from the Industrial Design Center at the Indian Institute of Technology (IIT) in Mumbai were interviewed as well as one professor from the National Institute of Design (NID) in Ahmadabad. The interviewed professors chair in the following research areas: bamboo craftsmanship, design innovation and craft resources as well as interior design. The institutions belong to the best ranked design schools in the country<sup>8</sup> and the professors that were interviewed have been active in the art scene for many decades. Therefore, the assumption is made that their insights are representative for the academic perspective on the Indian artisan scene.

As representatives of international institutions in the respective field representatives of the following three institutions were interviewed. First, the local representation of *Women on Wings* was interviewed in Mumbai. *Women on Wings*<sup>9</sup> is a Netherlands-based company that develops job-creating business models to encourage the economic empowerment of women in India. One of the areas in which *Women on Wings* is active is the handicrafts sector. Based on the company goal to empower women in India, *Women on Wings* is highly suitable interview partner for the first wave and identifies as international empowerment organization. Second, an expert interview was carried out with a business representative of *UnItIndia*<sup>10</sup>, a Mumbai-based incubator for social entrepreneurs. *UnItIndia* is thus an expert of the entrepreneurial scene in India and due to some investees that are active in the artisan scene *UnItIndia* qualifies as suitable interview partner. Third, the CEO of *SEWA*<sup>11</sup>, which stands for Self Employed Women's Association, was interviewed in Ahmedabad. *SEWA* is a trade union for poor, self-employed women workers. Out of the 966,139 members that are scattered all over the country, 86,962 are identified as home-based workers. The definition of home-based workers by *SEWA* includes the following professions: "*weavers, potters, bidi and agarbatti workers, papad rollers, ready-made garment workers, women who process agricultural products and artisans*"<sup>12</sup>. Based on this definition, most of these women can be identified as bottom of the pyramid and necessity driven artisan entrepreneurs. The interview with the CEO of *SEWA* is thus highly relevant for this thesis.

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<sup>8</sup> Raking 2012: <http://www.rathoredesign.com/about/top-design-collage-of-india.html>

<sup>9</sup> <http://www.womenonwings.nl/en/about-us/>

<sup>10</sup> <http://www.unltdindia.org/>

<sup>11</sup> <http://www.sewa.org/>

<sup>12</sup> [http://www.sewa.org/About\\_Us\\_Structure.asp](http://www.sewa.org/About_Us_Structure.asp)

#### 4.3.2. QUESTIONNAIRE DESIGN FOR THE FIRST WAVE

The design of the expert interviews is intentionally kept open to more general formulated questions that create a natural course of conversation. The outline of the questionnaire can be found in Appendix 1. The choice to use an informal interview structure that includes guiding questions rather than closed questions is made due to two reasons. First, guiding questions steer the interviews to get an overview of the status quo of the local art scene and second, they give the identified experts as much space as possible to share their knowledge and experiences. This methodological approach of informal expert interviews is in line with comparable research that was for example conducted by Dalglish and Matthews (2010) and de-Shalit and Wolff (2011).

The structure of the interviews firstly includes a part on personal information such as the institution and the involvement of the individual/ organization in the local art scene. Next, the experts are asked about entrepreneurial activity in the Indian art and handicrafts sector. For this, they are for example asked to define what an *entrepreneur* and what an *artisan* is in their own words. They are also asked about entrepreneurial character traits as well as outputs that local artisans contribute to the Indian society. Furthermore, questions about the drivers and the impact of entrepreneurial activity within the art sector are included. The last section of the interview focuses on the current state of artisan entrepreneurs in India. This section is based on the AI methodology and contains for example the following question:

*What are unique aspects of the regulatory framework in India that encourage entrepreneurship in the art sector?*

#### 4.3.3. ADAPTION OF THE QUESTIONNAIRE FOR THE SECOND WAVE

Additionally, the interviewees are consulted on the questionnaire design for the second wave. Based on their expert opinion, a few changes were made to the questions that are asked to the artisans in the second wave of data collection.

An example of a change in the questionnaire that was implemented is for example the general simplification of the language. Most questions in the developed questionnaire were borrowed from other questionnaires that focused for example on “control and autonomy” or “entrepreneurial activity”. Existing questions were used since they had proven to provide clear and causative answers to the asked question. Within the period of time available for this project it was not possible to develop new questions and verify their applicability so the

reutilization of verified questions was the best way to gain significant answers. Nevertheless, this implies the difficulty that the questions were developed in a different context than applied to in this research. Furthermore, most of the questions were developed for the use in developed countries. Based on this new application of verified questions the language of most questions was adapted and simplified. This applies especially to the open questions that are formulated in the AI design. To give one example, instead of asking:

*What are unique aspects of the regulatory framework in India that encourage entrepreneurship in the art sector?*

The question was simplified and rephrased in a more personal way:

*How does the government support you in pursuing your business?*

Additionally, the experts advised to include some more answer choices that were not mentioned in the respective literature. An example of additionally included answer choice is the option of *Carrying on the family tradition* to the question:

*Which one of the following was the most important motive for starting your own business as artisan?*

The earlier answer options that were based on the literature were *greater independence, increase in personal income, just to maintain income, express my creativity, none of these, don't know*.

Lastly, in some cases the wording was changed away from a business perspective and adapted to the work these entrepreneurs pursue in rural India. Instead of asking the artisans on their agreement of the following statement:

*In India, most people consider starting a new business a desirable career choice.*

The question was changed to:

*In India, most people consider working on their own account and responsibility a desirable career choice.*

To increase the likelihood of getting as much as possible relevant information and insights, the anonymity of all interviewed persons is protected in order to increase the probability for independent and honest answers.



#### 4.3.4. QUESTIONNAIRE DESIGN FOR THE SECOND WAVE

The interviews of the second batch were conducted with 15 local artisans that run their own small business and can thus be coded as entrepreneurs. The composition of the interviewed entrepreneurs contains of ten rural and very poor entrepreneurs that work in the handicrafts sector and of five young middle-class designers that work on their own account and are mostly located in the bigger cities of India. The rural and bottom-of-the-pyramid<sup>13</sup> artisans were interviewed during a field trip to Patan in the North-West of India. All interviewed women work on their own accounts and belong to the umbrella organization SEWA that was introduced earlier. The designers that are from the metropolis are all young graduates from well-known Indian design and art universities. They are just starting to build a career and establish a name in the local (and international) markets. They are all working on their own accounts and most of them are in the process or early stage of setting up their own studio. Some of them already have a few employees or are still working on their own, however aim to scale up in the near future.

For these interviews a questionnaire with mostly closed questions was chosen to make it easy for the artisans to reply since language barriers were expected. The developed questionnaire can be found in Appendix 2 and was based on the methodology of the capability approach and thus focuses on general indicators of human development.<sup>14</sup> Additionally, the input of the experts of the first wave was incorporated into this questionnaire since the experts have most knowledge and experience of the particular field of research. First, the questionnaire includes a section on personal information about the artisan such as age, gender and marital status. Secondly, a section on indicators of control and autonomy was included which is based on the *Moving out of poverty survey*<sup>15</sup> by the World Bank. This section contains questions such as:

*When it comes to my personal decisions that affect my everyday activities I have full control.*

For all closed questions, a five stage Likert scale with answer options from strongly disagree disagree, neither agree nor disagree and agree to strongly agree was provided. Third, a section

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<sup>13</sup> In economics, the bottom of the pyramid is defined as the largest, but poorest socio-economic group which contains around 4 billion people globally. The term was shaped by C.K. Prahalad in his book *The Fortune at the Bottom of the Pyramid*.

<sup>14</sup> The basic structure of the artisan questionnaire is based on the design of Sabina Alkire in her report "The Capability Approach to the Quality Life" (2008)

<sup>15</sup> For more details see <http://search.worldbank.org/all?qterm=moving%20out%20of%20poverty%20survey>

on indicators of aspiration and perceived efficacy was included which is based on Alsop et al. (2006). An example question of this part is:

*It is easy for people like me to generally change things in my community.*

Again, the same scale of answer options was provided. The fourth section of the questionnaire focuses on indicators of harmony and meaning in life. The questions of this part were based on the *Meaning in Life Questionnaire* by Steger et al. (2006) and the *Basic Psychological Needs Scale* by Ryan and Deci (2000). Again the same scheme of answer options was provided; a sample question is the following:

*Most days I feel a sense of accomplishment from what I do.*

The fifth and last section of the questionnaire focuses on entrepreneurial activity in India in particular. This section contains closed questions as in the four sections before that were based on the *APS Questionnaire*<sup>16</sup> by GEM and the recent paper of Gries and Naude (2011). Additionally, open questions based on the first two phases of the Appreciative Inquiry approach were included in this section. An example of a question based on the *Discovery* phase of the AI is the following:

*What are the unique aspects of the Indian culture that encourage entrepreneurship in the art sector?*

An example question of the second and thus *Dream* phase of the AI is:

*What are the most important hopes you have for the future that will help to empower artisans like you?*

## 5. RESULTS AND DISCUSSION

### 5.1. DATA COLLECTION AND RESULTS

After introducing the interview design in the prior chapter the next chapter will provide details about the data collection and present the results obtained. First the results from the first

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<sup>16</sup> For more details check <http://www.gemconsortium.org/docs/cat/135/questionnaires>

wave of interviews with the experts are presented in Chapter 5.1.1 and then the outcomes of the second wave of interviews with the artisans themselves are discussed in Chapter 5.1.2.

### 5.1.1. RESULTS OF THE FIRST WAVE

The results of the first wave contain the input from three academic professionals as well as three business professionals. Through their daily work, all of them contribute in one way or the other to the empowerment of artisans as explained in more detail in Chapter 4.3.

First, after answering a few personal questions about their institution and role, the interviewees were asked to define *entrepreneur* in their own words. The definitions the experts gave included the following elements:

- Survival depends on the own business
- Execution of the whole process of making, marketing and selling
- Generation of employment opportunities
- Scalability and reproducibility of the work

All responses that were given by the experts contained at least two of these elements. Consequently, it can be concluded that the provided definitions were rather homogenous and all pointed in the same direction. There was no noticeable difference between the answers of experts that are active in academia or business. Therefore, it can be stated:

In the context of this thesis, an entrepreneur is defined as someone who is executing the whole process of making, marketing and selling his or her products or services. The survival of the entrepreneur depends on the success of the own business. Furthermore, he or she generates employment opportunities for others, and the business model is scalable and can be reproduced.

Second, the experts were presented a list of five character traits that the literature identifies as “typical entrepreneurial”. The interviewees were asked to rank the top three of these characteristics which they see as most typical for an entrepreneur. The list of potential traits they could chose from included the following five elements: autonomy, risk-taking,

innovativeness, pro-activeness and competitive aggressiveness<sup>17</sup>. The results were again homogenous. The over-all top three character traits were *autonomy* with five votes as well as *risk-taking* and *pro-activeness* with each four votes. Additionally, the academic professionals gave two votes to *competitiveness* while the business professionals gave three votes to *innovativeness*. This small difference points out the discerned perception academic and business professionals develop depending on their involvement in the artisan sector.

Third, the experts were asked to rank three output measures that they see as most important contribution of entrepreneurship to society. The options to choose from included the following output indicators: economic growth, solution to environmental issues, social inclusion, creation of cultural value, job creation, poverty alleviation and leverage of creativity, innovation and new opportunities.<sup>18</sup> Two of the academic professionals refused to answer this question since they felt they do not have enough insight to answer it. This means only four answers were conducted for this question which reduces the size of the expert group by 25%. On the basis of the two refusals to answer this question it should be omitted or adapted in the case of a follow-up survey. The four answers that were given were not clear or uniform. *Job creation* and *social inclusion* got both named three times, *economic growth* and *creation of cultural value* got each two votes and *leverage of creativity* was only named once. Even though no clear implication can be drawn from these responses, it is noteworthy that *poverty alleviation* was not named once as contribution of entrepreneurship to society.

After covering these more general questions on entrepreneurship the experts were asked to define *artisan* in their own words. As for the first definition, the provided answers were very consistent and contained the following three elements:

- Technical work based on certain skills
- Product with embedded cultural and traditional knowledge
- Generation of pride and sense for the artisan

Most of the definitions that were provided by the experts included at least two of the elements listed above. Therefore, it can be concluded:

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<sup>17</sup> These key character traits were conducted from the respective entrepreneurship literature such as Lumpkin & Dess (1996), Drucker (1985), Knight (1921), Schumpeter (1934) and the OECD

<sup>18</sup> These output measures were conducted from the respective entrepreneurship literature such as Lumpkin & Dess (1996), Drucker (1985), Knight (1921), Schumpeter (1934) and the OECD

In the context of this thesis, an artisan is defined as someone who possesses certain technical skills and uses them to make products that have cultural and traditional knowledge embedded. His or her work gives the artisan more than monetary benefits but also generates pride and meaning for his or her life.

Next, an open question regarding the main drivers of entrepreneurship in the artisans sector in India was asked. Even though the question design did not contain any predetermined answer options, *traditional and cultural values* of the Indian society as a whole as well as *family tradition* were named by all experts and stressed as main drivers of entrepreneurship in the local artisan scene. The nomination of these two factors by all interviewees highlights the significance of this finding. Additional drivers that were named by the experts are for example the satisfaction and pride that artisans take out of their work. Furthermore, they named the artisans' ambition to protect the cultural values of Indian art as well as the big market potential for artisan products as drivers of entrepreneurship in the Indian artisan sector.

The subsequent question asked the experts where and how they see entrepreneurship to have an impact on the livelihood of the artisans themselves as well as their communities. Three main areas of impact were given by experts of academia and business:

- Economic empowerment
- Social inclusion
- Pride and identity

The experts provided the following explanations for choosing these fields of impact. Regarding the *economic empowerment* that entrepreneurship contributes to the local artisans and their community the experts argued that the constant work that is generated through entrepreneurial activity in the artisan sector provides a lot of security for the artisans and allows them to sustain their families better. This is in contrast with for example farming where the financial situation depends a lot on seasons and weather conditions. Another argument provided by the interviewees was that a stable income can help the artisans to get out of debt which are a common problem in rural India. By gaining independence from extortionate creditors the artisans gain the freedom to invest and save money for the benefit of their families. Relating to the impact on *social inclusion*, the experts argued that entrepreneurship has a ripple effect that can positively affect a society. They explained that artisan entrepreneurs often take the roles of social leader who organize the local community.

When the artisan is successful in his or her work, the rest of the community will follow, which will then increase the impact on society. Nevertheless, some of the experts also stressed the fact that this phenomenon usually only takes place within a community and thus within one cast. The Indian cast system was often mentioned as obstacle for social inclusion and empowerment and should be considered in a holistic approach to empower local artisans. Lastly, the interviewees explained that a lot of artisans, but also Indians in general take *pride and meaning* out of handicrafts and art. The individual artisans take pride in practicing their ancestors' skills and following their traditional roots. Additionally, society as a whole takes pride and identifies itself through the richness of the art and handicraft products that have been part of the Indian culture for millennia.

Another area of impact that was identified by the academic professionals is based on the observation that artisans contribute to society by making the conscious decision to strengthen India's cultural value through their work. The experts noticed an almost *self-abandoning dedication* of some artisans that aim to contribute to the higher goal of preserving the Indian cultural and traditional values. The business professionals on the other hand stressed the importance of *economic empowerment* that entrepreneurship brings to the local communities. They explained that through economic independence artisans get the chance to save and invest money for the education and health of their families which are two key components when it comes to individual empowerment and enhancement of life satisfaction. In line with this argument, the business professionals stressed that entrepreneurial education in regards of basic financial and managerial skills is crucial when it comes to the empowerment of rural artisans.

The following question asked the experts what effect a lack of entrepreneurship would have on local communities and on the Indian society. There is one answer to this question that was mentioned and stressed by all interviewees: A lack of entrepreneurship will lead to a lack of arts and crafts in India. Since a big part of the Indian culture and tradition is expressed through art and crafts, a loss of them would result in an "identity crisis" of the Indian society. Since this answer was given by all experts it can be seen as main effect of a lack of entrepreneurship in the sector. Additionally, the interviewees named other consequences such as the reduction of education and health care (especially of women), increased numbers of debtors and increased local migration.

The last part of the questionnaire made use of the AI methodology. Applying a typical question from the “discovery phase”, the first question repeated the question asked before about the outputs entrepreneurs create for society. This time, however, the experts were asked to rank the top three outputs that artisan entrepreneurs currently contribute to society. The output named most often with five votes is *social inclusion* followed by *economic growth* with four votes. *Poverty alleviation* and the *leverage of creativity*, innovation and new opportunities both got three votes while the creation of *cultural value* got two votes and *job creation* got one vote.

Connecting these answers to the replies given earlier when the experts were ranking the same outputs for entrepreneurship in general it is found that *social inclusion* was named as most important output for both questions. This emphasizes that the analyzed sub-group of artisan entrepreneurs is, at least to some extent, representative when one aims for the empowerment of entrepreneurs in India. In contrast to the consistency in the replies towards social inclusion this was not the case for *job creation*. Job creation was named as very important output of entrepreneurship in general. Furthermore, it was part of the definition of an *entrepreneur* that was developed by the experts. However, it only got one vote when the experts were to rank the current outputs that are created by artisans. This difference in definition and actual achieved output can be explained with two potential reasons. Either the artisan entrepreneurs do not fully fit into the category of entrepreneurs and embody only some of the typical entrepreneurial characteristics and thus contribute differently to society; or some factor withholds the full potential of the artisans which results in an incomplete exploitation of the their potential. Further research is suggested to shed light onto this question.

In the following, the experts were asked what they see as unique aspects of the regulatory framework in India that encourage entrepreneurship in the art sector. The answers provided by the academic and business professionals were again homogenous on that score. The interviewees listed the following aspects as unique advantages that the Indian regulatory framework provides for entrepreneurs in the artisan field. The government organizes so called “craft melas” (bazaars) and craft exhibitions in all major cities with the goal of providing sales channels to rural artisans. Furthermore, the government subsidizes artisan cooperatives and funds and supports initiatives that aim to encourage and revive traditional handicrafts. Additionally, there are some training programs available that foster capacity building. Besides these positive aspects, some of the experts stressed that they challenge the efficiency of the

government support. They named red tape as well as the questionable goal-orientation of the government support as reasons for their doubts.

Next, the experts were asked about the unique aspects of the Indian culture that positively affect the vitality and effectiveness of entrepreneurship in the artisan sector. Again, the answers of the academic and business professional were in coherence. The most important aspect that was named is the fact that arts and crafts belong to the history of the country and have always been part of living. Additionally, craftsmanship has a big value in traditional and religious festivals, and it is important for most people to be surrounded by arts and crafts in their homes. Nevertheless, one of the experts also stressed that this “matter-of-course” attitude also implies that a lot of people do not cherish the full value of hand-crafted products since handicrafts are omnipresent. The mentioned expert compared crafts to “bread” which is available everyday in every household. It is seen as staple food which is essential to survive but is nothing one enjoys particularly like for example “pastry”. The expert, however, feels that crafts deserve the status of “pastry” and are currently underappreciated. Furthermore, the experts named the big buying capacity of the country as another unique advantage of the Indian society as well as the importance of fashion and design in the local culture. Lastly, two experts named the fusion of different cultures of different Indian states but also the history of the Commonwealth as unique advantage for arts and crafts sector in India. Different moguls influenced the Indian culture and made it very rich through the assimilation of knowledge and culture over the ages.

The last question that was addressed to the experts belongs to the “dream phase” of the AI. The interviewees were asked what the most important hopes are that they have for the future that will help to empower local artisans. The following three key hopes were remarked by the experts:

- Increased *international cooperation* and exports to gain access to more buyers and obtain a higher price and value for handcrafted products
- Involvement of the *young generation*. When they appreciate and foster arts and crafts and additionally receive a good education, the value of crafts in society can be maintained or even increased.
- The continuing emergence of *social entrepreneurship* in the sector. Most of the experts evaluated the success and sustainability of the impact that is created by social businesses



as much higher than the impact that is created by governmental or non-governmental organizations.

In addition to these three key hopes, some additional hopes were stated. One is a better combination of traditional arts and crafts with management skills. The experts explained that the current artisans often possess the required technical skills to create beautiful products, but they have to increase their skills as business people and entrepreneurs. For this, the experts said, formal education for artisans becomes very crucial in the future. Another hope that was named is more efficient investments and support through the government. Lastly, the interviewees hope for the encouragement of artisans to stay in their profession and not move to employment to have more security or make more money.

Summing up, the expert interviews and thus the first wave of interviews of this thesis provide three main insights and results. First of all, the replies that were conducted were mostly homogenous even though they were obtained from experts of different backgrounds and involvement in the arts and craft scene. The consistency of the conducted answers confirms the significance of the research on hand. Second, based on the answers of the experts, artisans can be considered as entrepreneurs. According to the conducted interviews, Indian artisans embody most of the characteristics that were identified as typical entrepreneurial and also contribute to society through their work. Nevertheless, some discrepancies regarding the characteristics and outputs of “typical entrepreneurs” and local artisans were identified which will be further analyzed with the help of the second wave of interviews. Third, by the means of the conducted interviews some of the questions for the second questionnaire of the second wave were adapted as explained earlier in Chapter 4.3.

### 5.1.2. RESULTS OF THE SECOND WAVE

The results of the second wave contain the input from two groups of Indian artisans; one group contains artisans from rural areas the other group includes artisans from a metropolis. Ten interviews were conducted with rural artisans from the state of Gujarat in North-West India. Five additional interviews were conducted with metropolitan artisans from the cities of Mumbai, Delhi and Ahmedabad. The total number of interviews of this research is limited to fifteen since the interview conduction involves a lot of travelling within India and was additionally dependent on the support of a translator. These conditions once again stress the explorative character of this research and point out the necessity of a follow-up research in a

bigger scale to verify these first outcomes. In the context of the expert interviews of the first wave, the results of these fifteen interviews are expected to provide a solid base for more extensive future research. The following section will discuss the results of the interviews with rural artisans and compare them to the results that were obtained through the interviews with metropolitan artisans. Additionally, commonalities and differences between the two interview groups will be discussed shortly.

The first part of the questionnaire again queried some personal questions such as the age, marital status, number of children, gender and the job status. The average age of the rural artisans that were interviewed is 45 years with the youngest interviewee being 31 years old and the oldest 55. All interviewed rural artisans were female, self-employed and married. The average number of children is 3.09. Comparing these findings to the metropolitan artisans, some clear commonalities and differences can be found. Again, all interviewed artisans were self-employed and, with one exception, all of them are married. However, none of them has children which might also be due to the lower average age of 29 years. Also, all interviewed metropolitan artisans are male. This leads to the tentative conclusion that rural artisans are usually female, of older age and with an above average number of children while the artisans that live and work in the bigger cities are typically male, of younger age and with none or only a few children. In this regard, it again has to be stressed that the number of interviewees of this research is very small and the selection of the interviewees is somewhat biased since it for example only includes female SEWA entrepreneurs for the rural artisans. Therefore, the conclusions drawn above have to be tested in future research.

As explained in Chapter 4.3, the second section of the questionnaire contains questions regarding the control and autonomy the interviewees feel they have over their own life as well as over decisions in their community. Four out of the five questions got almost identical results from the rural as well as metropolitan artisans. Both groups agree with the statement that they have full control over the decisions of their own life and neither agree nor disagree with the same statement when it comes to decision for their local community. All artisans agree or even strongly agree that they are able to enjoy the environment and world around them and the statement that they can express imagination and creativity freely. The only statement that obtains different results states *“I am free to express my views, including political and religious views”*. While the metropolitan artisans agreed with this statement, the rural artisans disagreed. This indicates that within this research metropolitan artisans experience on average more control and autonomy over their life choices.

The third part of the questionnaire contains two questions regarding the aspiration and perceived efficacy that the artisans experience. The first question asked the artisans who they think will contribute most to any changes in their lives. Consistently for rural as well as metropolitan artisans, all answered that change will come from their own actions as well as the actions from their families. This finding indicates either a lack of farsightedness of the artisans not recognizing the impact of the support and actions the communities or the local as well as state government provides or that there is no efficient support by these authorities. The findings from the first wave of interviews suggest that the latter explanation applies, since many of the experts criticized the effectiveness of the regulatory framework in India. Additionally, the replies suggest that the artisans experience a strong internal locus of control which the respective literature identifies as typical entrepreneurial (Mueller & Thomas, 2001). The second question asked the artisans to indicate how much they agree or disagree with the following statement: *“It is easy for people like me to generally change things in my community”*. While the rural artisans agreed to this statement the metropolitan artisans disagreed. This result is at first surprising, especially in the light of the previous section of the questionnaire where the metropolitan artisans indicated to have more autonomy and control over decisions than the rural artisans. Nevertheless, a potential reason for this outcome can be found when one thinks of the environment and community the artisans of these two groups belong to. Rural communities are self-contained and delimited where everyone knows everyone of the community. This transparency might lead to a more confident answer of rural artisans. When it comes to metropolitan artisans however, the community or environment the artisan is part of might be much larger and the community members change constantly, all which makes it harder to measure their impact. This could be a reason why the artisans have the feeling they cannot influence the decision making within their community. Nevertheless, this is only one potential way to explain the outcome and the probability of an ascertainment error has to be considered especially with a small sample size as in the research on hand.

Part four of the questionnaire asked the interviewees to indicate their agreement to several statements about harmony and the meaning of life. For these questions no significant differences were observed between rural and metropolitan artisans. On average, the interviews agreed with the following statements *“I have a good sense of what makes my life meaningful”*, *“I feel very capable of what I do”*, *“People I know tell me I am good at what I do”* and *“People in my life care about me”*. Additionally, they strongly agreed with the statements *“Most days I feel a sense of accomplishment from what I do”* and *“I get along*

*with people I come into contact with*". Based on these findings all interviewed artisans experience relatively high levels of meaning out of their work. This contradicts the classification of the artisans as necessity entrepreneurs. However, no final conclusions can be drawn from this finding but a lot of more extensive research has to be carried out on a larger scale to verify this finding. A potential reason for a bias in this finding might be the fact that the questions of this section were based on a questionnaire that was developed in English and for Western countries. To make sure the questions are understood the same way after translation and in the Indian context as they were understood in the Western context the formulation and translation of the questions should be tested. Therefore, the conduction of a preliminary study to test the questionnaire is highly recommended for any follow-up studies subsequent to this thesis.

Part five, the final section of the questionnaire, deals with questions about the entrepreneurial activity of the artisans. First the artisans were again asked to indicate their agreement regarding three statements. The first statement claimed that most people in India find it a desirable career choice to start their own business. Most artisans, rural and metropolitan, either disagreed with this statement or neither agreed or disagreed. However, all of them agreed or strongly agreed with the next statement which says that those people who are successful in starting a new business in India have a high level of status and respect in society. The last statement says *"In India, you will often see stories in the public media about successful new businesses"*. Almost all of the rural artisans did not answer to this question because they said they do not know what is communicated in the media. Also the majority of the metropolitan artisans replied with "neither agree nor disagree" to this statement. Based on the refusal of the rural artisans to answer this question it seems likely that the indistinct answer of the metropolitan artisans is also based on the reason that they are not sure what to answer because they are not informed about what the media communicates. Based on this finding, this particular question should get special attention when testing the questionnaire for a follow-up research. Most likely, the question has to be adapted or should be left out to prevent biased results. Since these three questions are based on the GEM questionnaire it would be very helpful to compare the found results of the present micro-level study with the results of the large-scale research conducted by the GEM. Unfortunately, even though India has been included to the study for the first time in 2012, India is one of the two countries where the results have not been published due to technical problems. Once the results are

published by the GEM a comparison of results is highly recommended and could allow new insights in this matter (Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013).

Consecutively, some open questions were asked to the artisans. The questions are again based on the appreciative inquiry methodology. Before discussing the individual outcomes, it has to be emphasized that while conducting the interviews with the artisans it became clear that the open questions were very difficult for the interviewees to answer, which was mostly due to the language barrier and the fact that most of the artisans, even the ones from the big metropolis, were illiterate or had difficulties with writing. Furthermore, there is the potential of a bias in the obtained results due to the intermediate step of the translation through a translator. Keeping these disadvantages in mind, the following section will discuss the provided answers through the artisans. First, it was asked how the government supports artisans in pursuing their business. The majority of the rural artisans named *trainings in skill development* as direct support through the government. Additionally, some of them named the earlier mentioned “melas” as *marketing platforms* that are provided by the government. When looking at the metropolitan artisans, two of them said they did not receive any support through the government and the other three also named the “melas” as exhibition platform and marketing channel for their products. The next question asked “*What are the unique aspects of the Indian culture that encourage entrepreneurship in the art sector?*” Since a lot of the interviewees had difficulties to understand this question it was verbally rephrased to “*Why are artisan products cherished and important in the Indian culture?*” Based on this change in the question it is not completely in line with the question style of the GEM questionnaire anymore which is the basis for this fifth section of the questionnaire. Thus it has to be noted that this change might have caused a bias in the conducted results. The joint answer by all artisans to this question is that artisan products are deeply rooted in the culture and traditions of India which leads to a high demand in handicraft products. This answer is in line with the results of the expert interviews to this question which allows the conclusion that the rephrasing of the question did not change the core of the question. Next, the artisans were asked what their most important hopes for the future are which will help them to be more successful and take more satisfaction out of their work. The rural artisans provided two answers to this question. First, they hope for better formal education for the younger generation and at the same time trainings in the traditional skills so they will not lose the cultural values that have been inherent in their families for generations. Second, they hope for better marketing strategies and sales channels which can help them to increase their sales. The

second hope was shared by the metropolitan artisans as well. They also expressed that they hope for more access to buyers especially abroad. Additionally, they said they hope for more appreciation of their products within India. All answers that were named by the rural and metropolitan artisans were mentioned by the experts in wave one as well which stresses the significance of these findings.

Next, the artisans were asked to select the most important motive for them to start their own work as artisans from a list of five. Most interviewees from both groups asked whether they could select two. They explained that when they can only chose one motivation they have to say they started their work as artisans to *“increase their personal income”* or to *“carry on the family tradition”* which pleads for necessity-driven entrepreneurship. However, when they were allowed to give a second motivation all of them chose to *“express my creativity”* as second motivation to start their work. Again they explained that within the necessity driven motivation to make money to sustain the own livelihood and the livelihood of their families they made the conscious choice to start work as artisans instead of choosing another profession because this work allows them to be creative and increase their work and life satisfaction. This reasoning pleads for opportunity-driven entrepreneurship. This finding raises the question whether the target group of this thesis, artisan entrepreneurs in India, can be categorized following the classical entrepreneurship indicators that were introduced in Chapter 3 of this thesis.

The following question asked the artisans to indicate whether and how much they agree or disagree that they took high personal risks to start their work as artisans. Interestingly, the answers of rural and metropolitan artisans are conflictive. While the rural artisans disagreed with the statement of taking high personal risk the metropolitan artisans strongly agreed with the same statement. These contrasting answers highlight the need for further and more detailed research regarding this matter. For this reason, the author recommends a more detailed analysis of the perceived and actual risk that Indian artisans bear when they start their work. One possible bias in this research that might cause the contradicting results regarding the risk-taking is the fact that all rural artisans that were interview for this research belong to the umbrella organization SEWA. The membership in this association probably lowers the risk an individual entrepreneur has to carry.

The subsequent question asks the artisans how many businesses offer similar products to the artisans potential customers. For both groups of artisans the dominant answer was *“many”*

and only two artisans in total answered “few”. No one indicated to have no business competition. Based on this very distinct reply by the artisans, it can be assumed that the interviewed artisan entrepreneurs do not produce a lot of product innovation. As discussed earlier in this thesis however, the classical entrepreneurship literature identifies innovativeness as one of the key characteristics of opportunity entrepreneurs. This finding leads to the conclusion that the target group of this research fits more into the category of necessity-driven entrepreneurship.

The answers to the next question that asks the artisans how likely it is that they will introduce a new product to the market within the next 6 months confirm the above finding about the artisans’ innovativeness. All rural artisans disagreed with the statement that it is likely that they will introduce a new product to the market within the next 6 months. The metropolitan artisan gave very mixed answers of “disagree”, “neither agree nor disagree” and “agree” which makes it difficult to draw a conclusion. Again, the answers to this question confirmed that innovativeness is not a key characteristic of the artisan entrepreneurs that were interviewed which would support their categorization as necessity entrepreneurs.

Last, the artisans were asked whether they agree that it is likely for them to close their business within the next year and, if so, due to which reason. All rural entrepreneurs strongly disagreed with this statement. The same unambiguous reply was given by the metropolitan artisans; one answered with disagree all others answered with strongly disagree as well. In line with this, the artisans did not see any reason why they should close their business within the next year. The confidence with which the artisans expressed their ambition of sustaining their business in the future tends as categorization towards opportunity-driven rather than necessity-driven entrepreneurship. Nevertheless, it could also be argued that the artisans’ replies are triggered by a lack of other options which would be in line with necessity-driven entrepreneurship.

Concluding the previous chapter, first of all it was found that the answers provided by the rural as well as metropolitan artisans were coincident for most of the questions. This finding strengthens the confidence in the representativeness of this research. However, for some questions slightly different results and for one question, regarding the risk-taking of the artisans, contradicting results were obtained for rural and metropolitan artisans. This leads to two conclusions. First, there is a high need of more detailed and extensive research in this field to eliminate potential sources of biases. Second, there are differences between different

sub-groups of artisan entrepreneurs. These findings encourage the conduction of more micro-level research. A further finding of this chapter is that most of the observed findings of wave one are in compliance with the findings of wave two which again confirms the validity of the presented findings. Lastly, the preceding chapter showed that the analyzed target group of artisan entrepreneurs in India is difficult to categorize when it comes to the classical division between necessity and opportunity entrepreneurs as the literature suggests. Some of the identified results, such as the lack of innovativeness and the indifferent answers regarding the artisans' attitude towards risk, lead to the conclusion that they should be categorized as necessity-driven entrepreneurs. Other results, for example regarding the perceived control and autonomy artisans experience as well as the meaning they take out of their work lead to the conclusion that the choice of the artisans to carry out their profession is opportunity-driven. These opposing conclusions lead to the understanding that the group of entrepreneurs that was analyzed throughout this thesis does not completely fit into the categories that are provided by the respective literature. This finding is probably the most valuable output of the research on hand since it highlights the necessity of more extensive research in this field and at the same time provides a good starting point for further research.

## 5.2. DISCUSSION AND INTERPRETATION

The following sub-chapter aims to combine the findings and insights that were gained through the interviews that were elaborated in the previous Chapter 5.1 with the theoretical knowledge and models that were discussed in Chapter 3. As stated in Chapter 5, one finding of the conducted interviews is that the analyzed group of entrepreneurs cannot simply be categorized as either necessity- or opportunity-driven. They embody some characteristics and attitudes that the literature classifies as typical for opportunity entrepreneurs, but the same goes for other indicators that are classified as typical for necessity entrepreneurs.

Coming back to the two papers by Serviere (2010) and Tipu (2012) that were discussed in chapter 3.1, it is found that the primary motivation of the interviewed artisans to start their business is necessity-driven. This motivation combined with a lack of a well-functioning social security system in India and the absence of unemployment benefits stress the necessity-driven nature of their work. Nevertheless, the secondary motivation of the artisans to start working in their chosen field of craftsmanship is based on the opportunity to express their creativity. This implies a conscious choice for their profession which is in line with the rather



high levels of control and autonomy the artisans indicate to experience. Current research on entrepreneurship suggests that entrepreneurship that is pursued out of necessity is correlated with lower levels of risk tolerance and autonomy. This finding could be confirmed only partially through the research on hand. The interviewed artisans, especially in the metropolitan areas, experience high levels of risk to start their business and still state that they would not, unless urgently required, switch into employment. This does not imply very low levels of risk tolerance. The same goes for autonomy; the artisans in rural as well as metropolitan areas both expressed high levels of autonomy which suggests an opportunity-driven motivation to start their business. Nevertheless, these findings do not build a sufficient basis for general conclusions regarding entrepreneurship in the artisan sector in India in particular nor in developing countries in general. In line with Tipu (2012), the presented results stress the importance of further research on the psychological profile of entrepreneurs in developing economies. Lastly, when it comes to the management style and performance of the analyzed target group the results indicate a classification as necessity-driven entrepreneurship. Low levels of innovation and the lack of distinctive features of the products compared to the competitors' products imply little strategic planning and networking. But again, the findings only suggest a direction which has to be verified through more extensive research on the behavior and management style of necessity-driven entrepreneurs in developing countries as compared to necessity entrepreneurs in developed economies as well as to opportunity-driven entrepreneurs.

Based on the above reasoning, a clear distinction between an opportunity-driven and a necessity-driven entrepreneur is not applicable for the target group of this thesis and should probably be questioned for other research projects in the context of developing countries as well. Rather than categorizing entrepreneurship within these two groups, the author of this thesis recommends to develop unique profiles of sub-groups of entrepreneurs on a micro-level. Based on these unique profiles, matching approaches and tools can be identified to empower the respective groups of entrepreneurs. Naturally, the more details are available about the entrepreneurs and the smaller the sub-group that is analyzed the better the recommendations can be tailored to the specific needs of that certain group of entrepreneurs.

To come full circle, the following paragraph returns to the research questions of this thesis that were introduced in Chapter 2. The research questions asked:

**a. What are the country- and sector-specific framework conditions when it comes to entrepreneurship in the artisan sector in India?**

**b. How does the artisans' entrepreneurial profession contribute to their experienced life quality and how can it be increased further?**

In line with the earlier findings, the two research questions aim for the development of a unique profile for artisan entrepreneurs in India. The profile that is presented in the following tries to answer these questions. It gives answers regarding country- and sector-specific indicators that are in place in the artisan scene in India and provides answers regarding the quality of life that artisan entrepreneurs experience. For this, the profile makes use of indicators regarding autonomy, aspiration, meaning and entrepreneurial activity. Based on this profile, future research can develop strategies and tools to empower this specific sub-group of entrepreneurs. The following profile which is depicted in *Figure 3* is unique to the target group of this thesis and is based on the findings that were obtained throughout the two waves of interviews that were carried out on the ground.

<b>Artisan entrepreneurs in India</b>		
	Rural artisans	Metropolitan artisans
Country-specific indicators	<ul style="list-style-type: none"> <li>- On a general account, entrepreneurship is not perceived as desirable career choice in India</li> <li>- The security of employment is usually preferred over the autonomy and freedom entrepreneurship offers</li> <li>- The Indian caste system is an obstacle for social inclusion</li> </ul>	
Sector-specific indicators	<ul style="list-style-type: none"> <li>- The regulatory framework supports artisan entrepreneurs in India through the provision of trainings and skill development programs as well as the organization of exhibitions and fairs</li> <li>- The Indian culture encourages the handicraft production through a high local demand of handicraft products. The demand is triggered by the deep roots that artisan products have in the Indian culture and traditions</li> </ul>	
Personal information	<ul style="list-style-type: none"> <li>- Mostly female</li> <li>- Between 35 and 55 years old</li> <li>- Above average number of children<sup>19</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Mostly male</li> <li>- Between 25 and 40 years old</li> <li>- No or only one or two children</li> </ul>
Indicators of autonomy	<ul style="list-style-type: none"> <li>- Full control over the decisions of their own life</li> <li>- Unclear results for the decision power artisans have in their local communities</li> <li>- Artisans have the freedom to enjoy the environment and world around them</li> <li>- Artisans have the freedom to express their imagination and creativity freely</li> </ul>	
	Rural artisans do not feel free to express their views regarding politics and religion	Metropolitan artisans feel free to express their views regarding politics and religion
Indicators of aspiration	The artisans feel that change in their lives comes from their own actions and the actions of their families	
	Rural artisans feel it is easy for them to change things in their community	Metropolitan artisans feel it is not easy for them to change things in their community
Indicators of meaning	The artisans experience relatively high levels of meaning and acknowledgement through their work	
Indicators of entrepreneurial activity	<ul style="list-style-type: none"> <li>- Motivation: The most important motive is to increase the personal income and to carry on the family tradition. However, the artisans prefer to work in the artisan sector over other sectors since it allows them to express their creativity</li> <li>- Competition: The artisans experience high competition</li> <li>- Innovation: The artisans introduce no or little product innovation to the market</li> </ul>	
	Rural artisans perceive low personal risk to start their business	Metropolitan artisans perceive high personal risk to start their business
Areas of improvement	<ul style="list-style-type: none"> <li>- Better formal education for the younger generation</li> <li>- Marketing strategies and access to international sales channels to increase sales</li> <li>- More acknowledgment of the value of artisan products within India</li> </ul>	

FIGURE 3 -PROFILE OF ARTISAN ENTREPRENEURS IN INDIA

<sup>19</sup> This refers to the average number of children born per woman in India in 2013 provided by the CIA World Fact book <https://www.cia.gov/library/publications/the-world-factbook/fields/2127.html>

The first section of the figure includes the rows country- and sector-specific indicators and provides answers for research question a. The second and third sections of the figure provide answers for question b. The second section covers the personal information of the entrepreneurs as well as indicators regarding autonomy, aspiration, meaning and entrepreneurial activity and thus gives insights to the question how the artisans' entrepreneurial professions contribute to their experienced life quality. The third section of Figure 3 highlights areas of improvement that were identified throughout the interviews with experts and artisans directly. This section therefore provides recommendations on how the success and life quality of artisan entrepreneurs in India can be further increased.

Coming back to the CA theory, the above discussed profile that is unique to artisan entrepreneurs in India is much in line with Sen's conviction that individual empowerment can only take place when it is adapted to the respective framework conditions and considered holistically. Through the involvement of local experts and artisans in this research project the results of the same represent the individual values of the target group. Furthermore, the profile that was developed throughout this thesis combines economic, social and cultural dimensions and thus provides a holistic picture of the unique conditions and prerequisites that entrepreneurs face in the Indian artisan sector. Consequently, the research provides a strong basis to support these entrepreneurs to increase their own quality of life and develop a unique strategy to empower Indian artisans in the long run.

Furthermore, the developed profile also provides insights and answers when it comes to the theoretical model of Gries and Naudé that was elaborated on in Chapter 3.2.2.

$$V_i = v_i - \gamma_i (V_i - W_i)$$

The above equation was developed in Chapter 4 to analyze whether necessity entrepreneurship can contribute to an individuals' agency and, if so, how this agency can be increased. As stated above one of the main findings of this research is that artisan entrepreneurs in India cannot simply be classified as necessity entrepreneurs which makes the direct answer of this question impossible. Nevertheless, based on the detailed artisan profile that was developed throughout this thesis, comments and recommendations concerning the included variables can be made.

### $v_i$ - Value of the entrepreneurial occupation

The answers of the experts and artisans showed that the motivation to work as artisan is stimulated on two levels. The fundamental motivation to start their business is driven by the need for a personal income. This is expected to have a neutral or even negative effect on  $v_i$ . The additional motivation to start an artisan business however is based the opportunity to express ones creativity. This feature of the artisan profession is expected to increase the value that entrepreneurs associate with their occupation. It is therefore assumed to have a positive effect on  $v_i$ . A decrease in the urgency to make money and provide for a living as well as an increase in the opportunity to express ones creativity will both have a positive effect on the entrepreneurs' agencies.

### $W$ - Value of a potential switch into a non-entrepreneurial occupation

All artisans answered the question why they might sell their business with "*none of these*". The other answer options provided were "*greater security*", "*increase in personal income*" and "*just to maintain income*". Based on the artisans' responses their desire to change into employment is very low. This is confirmed by the fact that many of the artisans stated they very much identify with their business and would not leave or sell it if not necessary. This leads to the conclusion that  $W$  has a low value for the analyzed target group which has a positive effect on the artisans' agencies.

### $\gamma_i$ – Probability of finding a job in employment

The probability of finding a job in employment was not directly analyzed within this research. Some of the experts and artisans explained that some artisans, if they do not make enough money to sustain their families, leave their business and move towards the cities to find employment. This is in line with the general phenomenon of urbanization in India. This general information, however, is not enough to draw conclusion towards the size of  $\gamma_i$  and the effect of the entrepreneurs' agencies. For this reason a focus on this indicator is suggested for further research. Additionally, it is recommended to measure the shift between entrepreneurial activity and employment through the collection of panel data.

On a more general note, the results of the present research project confirm the policy recommendations that Gries and Naudé formulated on a macro-level also for the micro-level perspective of artisan entrepreneurs in India. Rather than implementing policies that promote

entrepreneurship in general, they should aim on increasing formal sector employment and thus provide the choice between employment and entrepreneurship. Only when entrepreneurship is pursued out of one's own accord can it have the highest possible positive impact of the entrepreneur's agency. Additionally, policies that increase the value that is associated to entrepreneurship in India can have a long-term effect on economic development based on entrepreneurship. Especially, since the replies of the interviewees regarding the attractiveness of starting one's own business were rather negative, this indicates that the value attached to entrepreneurship in India is relatively low. Policies that stimulate the cultural perception of entrepreneurship might therefore matter for economic development (Minniti & Naudé, 2010). Even though it was no direct focus area of this research, the experts agreed that the regulatory framework that is currently in place in India is very poor when it comes to support or even foster entrepreneurship. Consequently, easier access to information as well as funding might have a positive effect on the business environment that entrepreneurs are subjected to. Furthermore, general policies that affect the level and quality of education or healthcare are expected to increase the life quality that entrepreneurs experience and should thus be applied consciously. As elaborately discussed in chapter 3, in developed economies solid economic development is shown to be positively correlated with entrepreneurial activity and vice versa. Thus, long-term policy measurements that increase the economic development and stability of developing economies are expected to affect positively the satisfaction entrepreneurs experience through their job.

Based on the above answers to the two research questions as well as the reference to the theoretical model of Gries and Naudé, this research could demonstrate its significance and contribution to the current state of research.

## 6. LIMITATIONS AND OUTLOOK

Nonetheless, the research above is susceptible to certain limitations. First, the limited number of included data points weakens the foundation on which the outcomes and suggestions of this thesis are built. As mentioned earlier, the nature of the research is merely explorative and aims to provide first insights into a research field where until now only a small amount of information exists. The major emphasis of explorative research is the generation of new data and insights. This is only the very first step in a long process of

understanding coherences, causalities and triggers of certain variables. Only explorative research does not allow drawing substantiated conclusions regarding these factors. Further research should try to eliminate these limitations by expanding the number of data points and potentially expanding the analysis to panel data to capture time trends, too.

Second, since the available time for the research on hand was limited it was abstained from performing a preliminary analysis to test the validity of the developed research design. This might raise valid concerns regarding the suitability of the developed research design and the developed questionnaires. Future research should test the suitability of the research design and the developed questionnaires and adapt it if required.

Third, the research on hand shows that the analyzed target group can neither be categorized as solely necessity- nor opportunity-driven. Further research should aim to develop a definition that suits the respective target groups. Additionally, a distinction between different levels of entrepreneurial engagement, such as innovative and imitative entrepreneurship, could give more insight that allows the development of suitable approaches to empower artisan entrepreneurs in India.

Fourth, a distinction between different regions as well as different product groups could yield further insight into the respective target groups. The differentiation between rural and metropolitan artisans already disclosed a few differences within the target group. The same specification is expected when the target group is further subdivided.

Last, policy implications are difficult to draw from the research on hand since the analysis is tailored to the specific target group and has a focus on the micro-level. Only through the execution of more comparable analyses it will be possible to draw general conclusions on a macro-level. First examples of comparable research are the works by Alkire (2002) and De-Shalit and Wolff (2011) mentioned earlier.

In conclusion, the present thesis is able to provide first answers to the questions that were developed at the beginning of the research project. One of the fundamental findings of this thesis is that the entrepreneurs of the analyzed target group cannot be categorized as solely necessity- or opportunity-driven. Instead, the artisans combine typical character traits and attitudes of both. Some of the identified results, such as a lack of innovativeness and indifferent answers regarding the artisans' attitude towards risk, lead to the conclusion that

they should be categorized as necessity-driven entrepreneurs. Other results, for example regarding the perceived control and the meaning they take out of their work lead to the conclusion that the choice of the artisans to be entrepreneurs is opportunity-driven. These opposing conclusions lead to the understanding that the group of artisan entrepreneurs that was analyzed throughout this thesis does not completely fit into the categories that are provided by the respective literature which is mainly focused on developed economies. Consequently, further research should focus on these indicators especially for entrepreneurs in developing economies such as India. Even though the presented results of this thesis are not sufficient to draw final conclusions, it was shown that presumably different factors and coherences are in place when aiming at the empowerment of entrepreneurs in developing countries. This is in line with the research of scholars such as Gries and Naudé (2012), Tipu (2012) and Serviere (2010).

Based on this and in line with the CA methodology, a unique profile was developed for artisan entrepreneurs in India. Building on this profile, country- and sector-specific framework conditions for the artisan and handicrafts sector in India were worked out. Additionally, first conclusions regarding indicators that contribute to the experienced life quality of artisan entrepreneurs in India were drawn and fields of improvement were identified. It was found that while the artisans are very satisfied with some parts of their lives and the benefits that come with their entrepreneurial profession such as meaning and autonomy for their life and the people within their families and communities, there are other areas such as the economic development of their business that lead to concerns. These worries about fundamental issues result in a short-sighted management approach for their own business. The provision for the own family in the short future is the main motive of their work which has negative effects on the long-term development. Factors such as innovativeness and strategic planning have been shown to stimulate economic growth of start-ups in developed countries but do not get enough attention in the entrepreneurs' struggle of survival in developing economies. Therefore, a holistic development approach that combines cultural, political and individual requirements and values has to be developed. First learnings in regards to this strategic approach have been devised in the previous two chapters, but as stressed earlier, the findings of the present explorative research are not sufficient to develop the approach in a sustainable nature. Finally, the author hopes that the cross-disciplinary approach of linking entrepreneurship theory with Amartya Sen's CA to develop unique strategies for the empowerment of entrepreneurs in developing economies will get more



attention in the future. Further exploration of the richness and validity of the conclusions drawn in this work are encouraged and expected to unveil additional interrelations when it comes to local empowerment of entrepreneurs.

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## 8. APPENDIX

### 8.1. QUESTIONNAIRE WAVE 1: EXPERTS

#### 1. Personal Information:

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Name of Institution	
City	

How are you involved in and connected to the local art scene?

#### 2. Definition of the entrepreneurial activity within this research

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2.1. Please define "*entrepreneur*" in your own words?

2.2. Which of the following characteristics would you identify as most important entrepreneurial character traits? Please rank your top three.

- Autonomy (Lumpkin & Dess)
- Risk-taking (Drucker, Knight, Lumpkin & Dess)
- Innovativeness (Schumpeter, OECD, Lumpkin & Dess)
- Pro-activeness (Schumpeter, Lumpkin & Dess)
- Competitive aggressiveness (Lumpkin & Dess)

1.

2.

3.

2.3. Which of the following outputs do you see as most important contribution of entrepreneurship to society? Please rank your top three.

- Economic growth
- Solution to environmental issues
- Social inclusion
- Creation of cultural value
- Job creation
- Poverty alleviation
- Leverage of creativity, innovation and new opportunities

1.

2.

3.

2.4. Please define “*artisan*” in your own words?

2.5. What would you define as the main drivers of entrepreneurship in the art sector in India?

2.6. Where and how do you see entrepreneurship in the art sector having an impact on the livelihood of the entrepreneurs themselves but also on their community?

2.7. What effect would a lack of entrepreneurship have on the local communities and in a broader sense on the Indian society?

### **3. Current state of artisan entrepreneurs in India (Appreciative Inquiry)**

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3.1. Which of the following outputs would you say are currently contributed to by artisans in India? Please rank your top three.

- Economic growth



- Solution to environmental issues
- Social inclusion
- Creation of cultural value
- Job creation
- Poverty alleviation
- Leverage of creativity, innovation and new opportunities

1.

2.

3.

3.2. What are unique aspects of the regulatory framework in India that encourage entrepreneurship in the art sector? (please name up to three aspects)

3.3. What are the unique aspects of the Indian culture that positively affect the vitality and effectiveness of entrepreneurial aspirations in the art sector? (please name up to three aspects)

3.4. What are the most important hopes you have for the future that will help to empower local artisans? (please name up to 3 hopes)

## 8.2. QUESTIONNAIRE WAVE 2: ARTISANS

### 1. Personal Information

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Age:

Gender: m [ ]

f [ ]

Job status: self-employed [ ]

employee [ ]

Marital status:

Number of children:

**2. Indicators of control and autonomy<sup>20</sup>**

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2.1. If you think about your current situation, please indicate how much you agree or disagree with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
When it comes to my personal decisions that affect my everyday activities I have full control					
I am able to influence decisions affecting my local area					
I am free to express my views, including political and religious views					
I am able to appreciate and value plants, animals and the world of nature					
I am free to use my imagination and to express myself creatively					

**3. Indicator of aspiration and perceived efficacy<sup>21</sup>**

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3.1. Who do you think will contribute most to any change in your life? (please mark up to two responses)

Myself	
My family	
My community	
The local government	
The state government	
Other	

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<sup>20</sup> This section is based on: World Bank Moving out of Poverty survey

<sup>21</sup> This section is based on: Alsop 2006

3.2. Please indicate how much you agree or disagree with the following statement:

It is easy for people like me to generally change things in my community.

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

#### 4. Questions on Harmony/Meaning<sup>22</sup>

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Please indicate how much you agree or disagree with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
I have a good sense of what makes my life meaningful					
I feel very capable of what I do					
People I know tell me I am good at what I do					
Most days I feel a sense of accomplishment from what I do					
I get along with people I come into contact with					
People in my life care about me					

#### 5. Questions on entrepreneurial activity<sup>23</sup>

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5.1. Please indicate how much you agree or disagree with the following statements.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
In India, most people consider working on their own account and responsibility a desirable career choice					
In India, those successful at starting a new business have a high level of status and respect					
In India, you will often see stories in the public media about successful new businesses					

<sup>22</sup> This section is based on: Steger, Questionnaire for Meaning in Life and Ryan and Deci, Basic Psychological Needs scales

<sup>23</sup> This section is based on: GEM 2011 APS Questionnaire, see also Grieb & Naudé (2011)

5.2. How does the government support you in pursuing your business? (please name up to three aspects)

5.3. Why are art and handicrafts important in the Indian culture? (please name up to three aspects)

5.4. What are the most important hopes you have for the future that will help you to run your business more successfully? (please name up to 3 hopes)

5.5. Which one of the following was the most important motive for starting your own business as artisan?

Greater independence	
Increase personal income	
Just to maintain income	
Express my creativity	
Carrying on the family tradition	
None of these	
Don't know	

5.6. Please indicate how much you agree or disagree with the following statement.

I took high personal risks to start my business.

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

5.7. Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?

Many business competitors	
Few business competitors	
No business competitors	
Don't know	

5.8. Please indicate how much you agree or disagree with the following statement.

In the next 6 months, it is likely that I will introduce products or services that are new to the market.

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

5.9. Please indicate how much you agree or disagree with the following statement.

In the next one year, it is likely that I will sell or close my business.

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

5.10. Which one of the following reasons could lead to the decision to leave your business and seek a job in employment?

Greater security	
Increase personal income	
Just to maintain income	
None of these	
Don't know	