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The Case of Belgharia Hosiery Industry in West Bengal: Exhibiting Marshallian “Industrial District” Syndrome?

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Abstract:

The study attempts to focus upon the reasons for concentration of several informal localized industries to be spatially clustered in particular geographical spaces. To reveal this, the study is confined to a specific site of a particular industry in West Bengal, namely Belgharia hosiery industry. The site has been selected not on the basis of its significant position on the industry in West Bengal but due to its long-term existence in the map of the industry with cluster of small and medium enterprises. In this sense, the study objects to detect the factors that determine long-term existence of this particular location industry in this specific geographical space of Belgharia and its surrounding areas. The logical argumentation of the study is based on literature support specifically of the classical and new economic geography school, case studies conducted, and the primary survey results. The micro-level field surveys, sampling design and data analysis of the study conducted is based on the standard model approach.

Keywords: Informal sector, Cluster economy, Economies of scale, Location, Mobility.

JEL Classification: E26, F02, J61, R10, R12.

1. Introduction

This paper attempts to focus on: why informal localized industries are agglomerated¹ in specific spatial clusters² in particular geographical domains – i.e. what are the factors responsible for such localization. It is common to observe that production units in several informal industries are concentrated³ in specific geographical spaces. The crucial consideration, hereby appears to detect the determinants of the location of such specific informal agglomerations in particular spaces. The consideration of the present study, therefore, concentrates on: what are the factors that determine location of a particular informal industry, i.e. the hosiery industry in West Bengal, in particular spaces. To reveal this, the study is confined to a specific site of West Bengal hosiery industry: namely, Nandannagar in Belgharia (North 24 Paraganas). The site has been selected not on the basis of its significant position on the industry in West Bengal but due to its long-term existence in the map of the industry with spatially concentrated small and medium scale enterprises. The consideration is strongly based upon the support of literature derived from classical and new economic geography school, verified on the basis of field surveys.

2. Methodology of Analysis

The logical argumentation of the study is based on literature support, case studies and primary survey results. The survey process is exhaustive. The survey is based on qualitative purposive sampling with semi-structured questionnaire and indirect interview method. The micro-level field studies, sampling design and data analysis are based on the standard model approach. The implication is that the selection of any sampling region does not depend on data availability (or non-availability) and avoids spatial homogeneity. The study also assumes that the producing firms within a cluster of the industry are non-homogeneous in nature. However, the spatial distribution of production units of a single industry is cross-sectional, given and known. Sometimes an ethnographic study has been approached due to data non-availability and data non-responses in the sample survey area under the purview of the study.

3. Profile of the Regional Industry

The name "Belgharia" has appeared from "Bell Ghor"(bell house)-there was a big bell used to call the porters of the area to unload and carry jute from the boats majorly from the oldest jetty situated in nearby Ariadaha on river Ganges. Sri Ramakrishna Paramhansadev visited the place eight times since 1875. A wing of Sri Ramakrishna Missionis situated here running a Students' Home and a 3-year Diploma Engineering College in Jatin Das Nagar. Swami Vijnanananda, a direct disciple of Sri Ramakrishna and Architect of Belur Math, resided here.

In the 17th century, Belgharia and nearby Nimta (about 30 minutes road distance from Belgharia) were the biggest wholesale markets for Jute, Fish and vegetables in the region. Later in the British regime, the region became well-known for the existence of several factories, thereby a living site for the working class that imputed the place with low cost of living covered by well-developed transport facilities required for industrial expansion. The region inherited a group of small formal industries in the decade of 1960s and 1970s including the Mohini Mills, Hindustan Cotton Mills, Prabartak Jute Mills, Oriental Cotton Mill, Power Loom, Beni Engineering, Mania Bull Casting, Bharat Glass Factory, Vegetable Products Limited etc. The two cinema halls, Biva and Rupmandir, made the mere arrangements for refreshment of the working group. The dominance of the working classes in the composition of regional population inhibited a strong demand for necessary commodities including hosiery garments.

Since the mid-1970s, closing down of several formal sector industries in the region has inherited a curtailment of formal sector in the region with a growing prominence of informal localization since the decade of the early 1990s, when the expectation of government support appeared at the end due to the increasing proximity of market regime. At present, the renowned formal industries of the adjacent region are Agarpara Jute Mill, Allied Ceramics, Emami, Kamarhatty Jute Mill, ESDEE Allumina, Dalmia factory and Texmaco Private Limited.

The newly built Belgharia Expressway, linking Jessore Road with Dum Dum Airport and Nivedita Setu on river Ganges, has increased the importance of the place with the chance of enhancement of well-developed transport and communication facilities. The cosmopolitan culture of the new age Bengal hasn't yet penetrated at this small town. The population of the region still consists of generally middle class families inheriting a huge demand for necessity and comforts items including hosiery garments. However, the place is beaming up with HI rising flats in the past two decades causing a little change in the composition of population – it is due to large demand for apartments in the region with well-developed transport and communication with low cost of living. A number of student messes have sprung up in the area for the same reason – due to comparative low cost of living and close proximity to Kolkata education hub along with nearby Rabindra Bharati University and RICE education center. Still the dominance of the middle class families and migrating students community in the regional population is influencing demand for necessary commodities including local made hosiery garments.

Among the several growing informal occupations in the region over the past two decades, the expanding hosiery industry is an important one. The Nandannagar area in Belgharia has appeared almost as a separate location for hosiery products since long years back – roughly 60-65 years since independence. The site is well-known for producing lower and upper inner wares. The presence of several Cotton Mills in the region provided supply of skill, raw cotton and necessary contacts required for growth of the hosiery industry at the initial days of its expansion, for instance, Nandannagar area is adjacent to Mohini Mills. The supply of necessary entrepreneurship skill appeared with the phenomenon of migration of Bangladeshi (East Pakistani) small hosiery entrepreneurs in the region who brought the necessary know-how and skill required for establishment of the hosiery enterprises. Actually, the local hosiery industry started its initial expansion as an ancillary to the then Cotton Mills of the region. With the fall in the formal cotton industry of the region since mid-1970s and 1980s, the hosiery industry exhibited its faster expansion with Marshallian labour market pooling because of the entry of previously formal sector labourers to informal labour market and Venable's Home Market Effect (HME) due to ensured demand for hosiery products by the increasing local population.

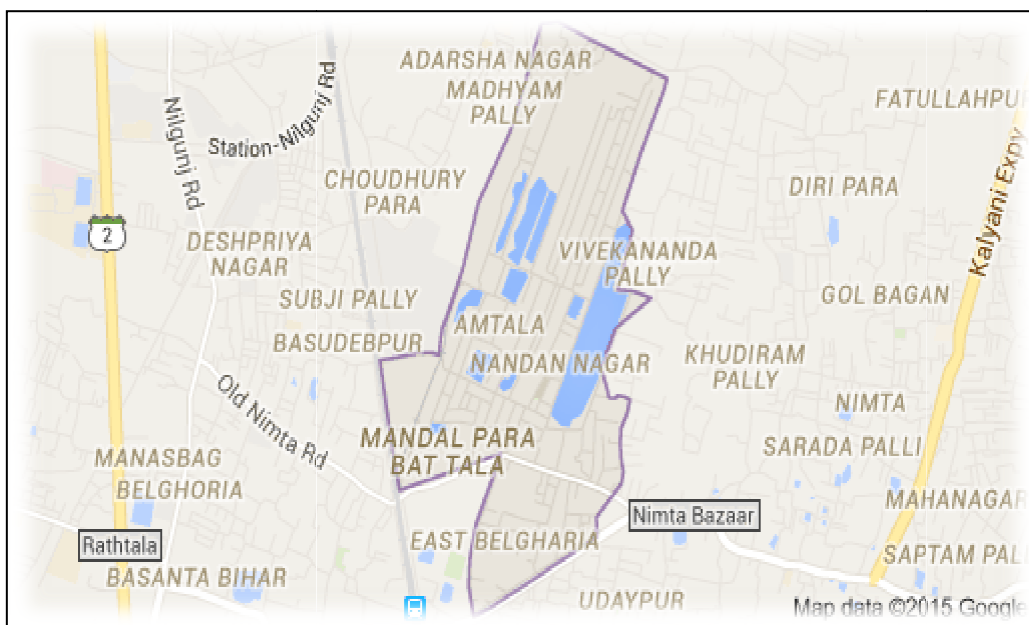


Figure 1

The production orders majorly come from the contractors of Sovabazar in Central Kolkata which is a large hosiery cluster in West Bengal and Salkia in Howrah or from the local middlemen and businessmen who prefer to sell the finished hosiery products at the Howrah *hat*. The raw materials required for production, mainly raw clothes and colours, are being purchased from the contractors or

intermediaries at the local level or from the contractors from the distant markets of Sovabazar in Central Kolkata, Salkia, Bandhaghat and Dhulagarh in Howrah, Habra-Ashoknagar and Dumdum Cantonment in North 24 Paraganas, Muraripukur (Bidhannagar) in Kolkata. Often contractors purchase the finished product to supply them to the formal sector of the industry (locally called 'company'). Therefore, production in the hosiery industry appears majorly in the informal sector, sale appears both in the formal and informal sector, and export appears solely by the formal sector. In the region, about 700-750 small scale production units inheriting 8-10 artisans and 250-300 middle sized firms incorporating 10-20 workers are operating presently, as per our primary survey conveys.

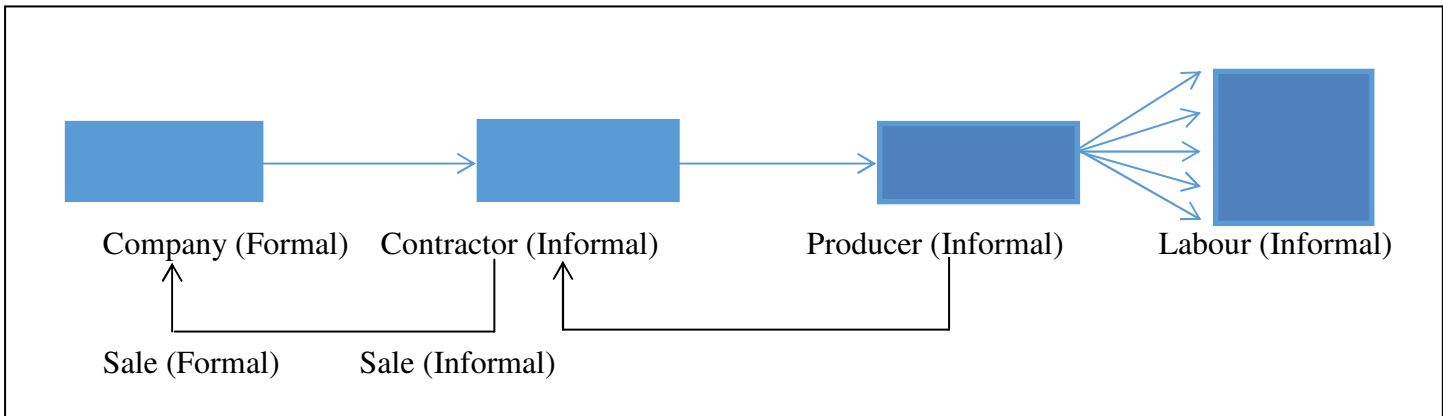


Figure 2: Organization & Management of Production, Distribution and Exchange

In the labour market, majority of the labourers come from the local market along with the migrant skilled workers of the far distant backward districts of Bankura, Purulia and Murshidabad who gets training at their origin and acquire skills and experiences here necessary to enter in Kolkata skilled labour market (formal and informal) in order to earn higher wages. They also move to other cities of the country, particularly in Tirupur hosiery industry in Tamil Nadu, for higher income earnings. Sometimes, the local informal workers acquire their skills and experiences in the informal market to enter in the formal sector hosiery industries with higher wages and formal social security benefits. Often inter-state informal migrants and formal sector workers return back to the informal local market after a few years of experiences and appear as small and medium independent entrepreneurs at the local level who employ local semi-skilled and skilled informal workers. In the hosiery industry of the Belgharia region, about 12-14,000 informal workers are working without any formal security measures. Therefore, the industry is inheriting formal-informal linkage in both the product and labour market processes.

4. Factors Influencing the Formation of an “Industrial District”

The theories on location economics refers that localized industries do not develop arbitrarily. There are significant economic factors that influence formation of a cluster of industries and businesses in particular spaces. In other sense, the theories explore the logic and science behind: why certain industries emerge and grow in specific geographical locations and why not in others. It may be referred that the enterprises in one location within a cluster with repeated transactions among themselves promote better coordination, trust, informal organizational linkage between enterprises, efficiency, effectiveness, flexibility, formal management linkages in partnerships and alliances, and many others. All these promote sustained spatial bonding among the production units and businesses within a specific geographical location.

However, it is not a very good explanation for successful localized industry formation, as is the case of Nandannagar hosiery industry in Belgharia. To examine the issue on the basis of literature support, we may start with Alfred Marshall (1890, 1892), one of the early contributors in the literature of location economics – though the analysis of location started much before than Marshall with ‘monocentric city model’ of Von Thunen (1826) [Von Thunen’s “Der Isolierte Staat in Beziehung auf Landschaft und Nationalökonomie”]. Later, in his ‘Principles of Economics’, Alfred Marshall (1891) has referred the idea of “industrial district” to describe location of industries – which may appear as a good explanation for localized industry formation in Nandannagar hosiery in Belgharia. To Marshall, Nandannagar hosiery industry in Belgharia has appeared as an “industrial district” since the area has emerged almost as a “district” where concentration of small and medium hosiery firms has settled down. Here, the idea of “industrial district” does not simply refer to a “localized industry” but the idea refers more than it. Usually, a “localized industry” refers to an industry that has concentrated in a certain geographical space. But an “industrial district” refers concentration of firms in an industry has already settled down, as is the case of Nandannagar hosiery industry in Belgharia.

To refer Marshallian explanation, one of the chief causes behind localized industry formation is rather the “patronage of a court” factor in which richer people of the region assemble there to make a demand for products of especially high quality, which attracts skilled workers from distance areas to the cluster industry. In such localized industries, workers seek employment where they expect to find a good market for their skill. For these, firms attempt to settle down there. However, “patronage of a court” factor does not bear crucial resemblance to the hosiery industry in Belgharia since the industrial product is not demanded by the upper milieu of the community but by the middle class families of the region and the industrial working people of the local industries that has plagued a rising demand for hosiery products at the local level. This Home Market Effect (HME) on demand at the local level has caused

sustained demand for the clustered hosiery production of the region over time and has influenced horizontal expansion of the industry in the nearby regions of Agarpara and Sodepur-Panihati.

Once localized industries are developed, trading functions of the town are developed. Then it becomes stochastic that rent becomes higher in the central sites of a town. This makes the factories 'congregate' in the outskirts of the towns and in their neighbourhood rather than in the towns themselves with physical availability of raw materials. The earlier expansion of formal sector industries of the region has caused the formation of informal localization of the hosiery at the outskirts of the town, namely Ramkrishnapally, Thakurtala and many others. Physical availability of raw materials has not appeared as a crucial factor here with the intermediation of contractors supplying necessary inputs to the producers of the hosiery industry at the local level. Easy transport and communication facilities through adjacent railways along with roadways have made it easier from the time of earlier expansion of the industry. To Marshall, this 'primitive localization' is transformed into almost an 'industrial district' in the region in the long run.

In an 'industrial district', "the mysteries of the trade become no mysteries"; and "children learn many of them unconsciously", as Marshall points out. The factor is strong in case of Belgharia hosiery industry. What is striking here is that mobility of entrepreneurship and skill from Bangladeshi hosiery industry after 1947 and 1971 Partition has caused 'conglomeration' of labour and entrepreneurship skill which has caused agglomeration of hosiery production units in several areas of the region (it is to refer that Nandannagar area in the Belgharia region is dominant with Bangladeshi migrant population). The effect is that specialized abilities has been transmitted from one generation to another from their teen age and has become an important characteristic of the area. In this way, skills are embodied within one from his/her childhood or teen-age in the region - he/she may become unconscious regarding incorporation of this skill within him/her from the childhood, however, may possess some specialized skill required for production of the industry after a particular age (usually teen age). Since it appears for majority of the people of the area, the area has become renowned for specialized skill and knowledge in hosiery production from long years back and has acted upon as an important determinant for concentration of firms requiring this hereditary skill in production of the industry.

The Marshallian argument conveys that good ideas are promptly adopted into the production process in an "industrial district" since good ideas are in the "air" of the district, which works well into the well-established social networks with well-developed bonding and tie-ups at the local level. To the Marshallian sense, with specialized skills, usually high division of labour appears within the producing firms due to differentiated skill possession by individuals with differentiated abilities - which leads to product specialization and innovation with labour-intensive techniques of production. This has appeared within the hosiery industry of the region. In this way, this particular localized industry has offered "a constant market for skill", particularly when the production of the "industrial district" requires skill in particular stages of production (e.g. cutting). The employers of the industry at the local level are assured with supply of skilled workers since there is always a supply of skill in the local market.

To Scitovsky (1954), the Marshallian "information spillover" affects firm's production function. To this, an increase in industry output increases stock of knowledge through positive information spillovers for each firm - which leads to an increase in output at the firm level. In this way, "pure" external economies appear due to Marshallian "local market for specialized inputs" and "labour market pooling", which is consistent with imperfect competition with some market power of influential local producers, required for internal economies.⁴ This spillover and externality appear due to four factors: (1) Marshallian labour market pooling; (2) Pecuniary externalities; (3) Variety of non-traded inputs supplied at the local level; and (4) Information spillovers both in product and labour market processes. The factor of "labour market pooling" has played a much crucial role in the expansion of the industry in the region, particularly among the migrated labourers. However, "information spillover", "local market for specialized inputs", and functioning of internal economies of scale also bear significant contribution to industry expansion since they appear as crucial factors for ensuring industrial production.

Simultaneously, some important contributions in the literature were the "Central Place Theory" by Walter Christaller (1933) and August Losch (1944a, 1954b). The major contribution of Christaller is to show that a hierarchical urban system may exist with a variety of different-sized spatial market areas, which is not the case in our study that considers a single site.⁵ However, the Central Place Theory has been revised latter by Losch. To Losch, any spatial economy would tend to be dominated by a central primal city, the hinterland of which would be characterized by smaller settlements and alternating areas of industrial concentration and dispersion. This has acted as a strong factor to spread the localized industry of the central site of Nandannagar to their hinterland areas including Agarpara and Spdepur-Panihati by making the region almost an "industrial district" through smaller settlements and alterations of the firms in the neighbouring areas.

Much later, Becattini (1989, 1990) in the location literature has raised the issue that government and/or government-sponsored institutions are not able to create an industrial organization with collective efficiency - rather a minimum concentration of privately initiated industrial activity may involve.⁶ The argument is true for the hosiery industry in Belgharia which inherits concentration of a large number of privately initiated informal firms at the local level without any government-sponsored industrial organization.

Paul Krugman (1991), one important contributor among the new growth theorists, refers that the geographical structure of any industrial economy depends upon some key parameters. These are: (1) Transportation costs, (2) Economies of scale, and (3) Factor mobility. To Krugman, a combination of these factors results in increasing returns at the production unit. In the Belgharia hosiery industry, reduced transport costs have provided incentives to locate plants close to large markets near railway station. Labour mobility becomes then easier and a regular phenomenon due to the presence of well-developed transport and communication in the large

markets - labour mobility has appeared from the “traditional” sector from far distant districts considering labour-intensive traditional methods of production to the “modern” informal sector which employs improved technologies as compared to traditional methods of production in the “traditional” sector.

A circular causation of all these appears there.⁷ It provides maximum individual interaction in the informal industrial periphery hinterland from the industrial ‘core’ with well-established social capital network. The functioning of the “spread effects” accrued from the ‘core’ eventually impedes development of the periphery areas through multiplier effect on employment and output and a “relay” function appears through urban hierarchy at the peripheries from the ‘core’. This has created an incentive among the producers to form localized industries at the periphery which has changed the spatial production pattern dramatically with its horizontal expansion.

The effect is the dominance of small and medium firms producing with individual interactions. Here, the Marshall-Arrow-Romer (MAR) externality suggests that an increased concentration of a particular industry within a specific geographical region facilitates knowledge spillovers across firms, thereby promotes incentives to innovative activity and inter-firm spillovers – which is not the case of our industry in which knowledge spillover is not a crucial factor. However, Jacobs externality and Porter externality suggest that local competition is suitable to extract knowledge externality. These do not work well for the Belgharia hosiery industry.

To analyze factor mobility of Krugman, it is to refer here that the informal workers of the industry enter into the job market not with any physical or financial capital but with a social capital⁸ the investment of which by a newly introduced worker of the industry gives him/her necessary knowledge endowment of work tricks and ethics that he/she receives from his/her senior community members who are experienced and expert enough in the sector. Moreover, social capital acts as an informal insurance in such an informal labour market to make him/her trustworthy to the recruiter.

However, a mere social capital coverage and informal form of bonding become insufficient to tie up (skill) labourer at a particular firm since a skilled informal labourer has always a tendency to flow across spaces in absence of much paper works. Such migration ‘networks’⁹ are renowned from where migration has become almost systematic by following a particular pattern or system (the ‘system migration’¹⁰). However, ‘networks’ formation, thereby inheriting ‘system migration’, is not much stronger in the Belgharia hosiery industry as compared to many other informal industries in West Bengal. This is because workers tend to move to formal hosiery firms within state and in other states to earn higher formal wages along with formal social security benefits. Higher is the skill and access to social capital network, higher is the probability for inter-state migration and mobility to the formal sector of the industry, thereby higher income earnings. This approaches a ‘stochastic’ pattern of skill-deterministic labour mobility to the informal sector of other states and formal sector of the state and other states. Such a labour earns much higher income. This higher income, saving, contacts, and long years’ experience they can invest and become small and medium independent entrepreneurs.

The core-periphery model of Venables (1996) of NEG school starts working herewith - which assumes that mobile workers spend their income at destination. This causes a circular causation in locational decisions at destination – which has acted as a strong influential factor to form this growing localized industry of hosiery at the local level. This immobility of income at destination has executed the Home Market Effect (HME) by which the geographically concentrated industry has generated an additional demand for the products, particularly in the peripheries of large urban locations in the peripheral hinterland of Nimta, Birati, Agarpara and Sodepur-Panihati. The ensured local demand for hosiery products by the low and middle income people of the region has executed successful exploration of this HME at the local level. This has attracted a large number of imperfectly competitive firms towards this large market of the region. The immobility of income at destination has executed the Home Market Effect (HME) in this growing cluster with larger volume of both income and employment generation.

In this way, there is a chance of vertical (hierarchical) labour mobility within the Belgharia hosiery industry in which previously labourers are working as individual entrepreneurs. The entrepreneur-cum-vertically-migrant worker now attracts a pool of investments at the local level and employs skilled and semi-skilled labourers from the peripheral areas. This has acted as an influential factor to make spread of the peripheries in the hinterland of the region in the past two and half decades. The effect is so strong that the region of Belgharia now refers weak product market linkages with Sovabazar than before. That is why the region gets work orders through the intermediation of influential contractors of several other regions of the state.

5. Conclusion

The theories on location economics refer that industries do not develop arbitrarily. The present study is an effort to explore factors influencing localized informal industry formation in the Belgharia hosiery industry. This exploration is based upon the classical syntax and new economic geography synthesis of Location Economics literature. To analyze why and how economic organization of this particular region is formed, the study is framed within the broader context of Regional Economics to include spatial dispersion and coherence of this particular informal industrial activity. Further, uneven distribution of agglomerated production units across space and time is also attempted in references to the evidences of several micro-level field studies conducted. What is crucial for this particular informal localized industry is that even the industry exhibits formal-informal linkage in both product and labour market processes within the industry, the closing down of other formal sector industries at the local level in the past few decades has caused expansion of this informal localized hosiery industry with extended employment generation.

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Appendix

1. The term ‘agglomeration’ of firms refers to decline in average costs in production as more production occurs within a specified geographic area [Anas, Arnott and Small 1998]. In other words, it relies strongly on increasing returns to scale, considering internal and external economies of scale.
2. Cluster of enterprises is a geographical concentration of micro, small, medium and large enterprises producing same or similar type of goods and services.
3. As referred by Brulhart (1998), while concentration analyzes location across space of a few well-defined sectors, agglomeration analyzes location across space for a larger part of economic activity, and specialization deals with share of a particular location in specific industry in comparison to share of other locations in that industry.
4. To Scitovsky(1954), incorporation of imperfect competition initiates internal economies of scale that implies market power. Scitovsky distinguishes between “pure” (technological) and “pecuniary” external economies. The former affects firm’s production function (e.g. Marshallian “information spillover”).
5. The Christaller model of central place is, however, inductive rather than deductive in the sense that the model is primarily based on observations rather than exploration of any schema constructed from first principles. To Parr (2002), the Loschian approach is completely deductive and a microeconomic foundation has been approached to understand the urban system. It shows that industrial concentration and urbanization may arise independently of local peculiarity and particularity.
6. In the Big Push theory (Rosenstein-Rodan, 1943), the solution to the insufficient size of the local market is referred to a co-ordinated (government-led) expansion of investment - hence big push enters into. This enables firms to reap the benefits of economies of scale, thereby promoting industrialization of a backward region. Without such a big push, the backward periphery cannot catch up with the core.
7. In 1957, Gunnar Myrdal introduced the concept of circular or cumulative causation. In this, once a region (or country) takes lead in the process of economic development, positive external economies of scale in the region (or country) appears there – which ensures that the location will become an attractive place to invest and more attractive location for the labourers to work. The existence of strong localized spillovers leads to the establishment of a core in the region with large market and a periphery [Dicken and Lloyd 1990].
8. Social capital is social organizations (such as trust, norms, reciprocity, co-ordination, interactions belongingness and networks) between producers and workers that facilitate better co-ordinated actions.
9. Ref: Djajic, 1986; Appleyard, 1992; Massey et al, 1993; Bocker, 1994; Waldorf, 1998; Levitt, 1998; Massey, 1999; Taylor, 1999; De Haas, 2003.
10. Ref: Mabogunje, 1970; Arizpe, 1981; Borcoz, 1987; Portes & Borcoz, 1987; McKee & Tisdell, 1988; Fawcett, 1989; Massey, 1990; Kritz et al, 1992; Martin, 1992; Gurak & Caces, 1992; Bohning, 1994; Martin & Taylor, 1996; Rotte et al, 1997; Vertovec, 1999; Olesen, 2002; van Dalen et al, 2005.