CHAPTER 1

INTRODUCTION
The economic prosperity of India mainly depends upon the success of industrial as well as agricultural sectors. Owing to the limitations of the agricultural sector in contributing adequately to the economy, the industrial sector has assumed greater importance in this regard in our country which is affluent with resources. Realising the importance of the industrial sector to economic development, our planners have aimed at accelerating industrial development through rapid industrialisation by exploitation and effective utilisation of the rich natural and physical resources, our country is endowed with. Moreover, the planners have also realised that the role the people and their abilities have to play in this stupendous endeavour, is supremely important, and that any negligence of the human factor would only enfeeble the economic prosperity of the country. Consequently, the industrial policies of the Government and the successive Five Year Plans reiterate the Government's intention to stimulate and promote the human factor in industrial development. Thus, the entrepreneur has come to assume an important place and become the nerve centre of all economic activity. The development of entrepreneurship which is a human activity has become imperative in view of the economic development and prosperity of our country.

The developed as well as the developing countries today rely much upon speeding up industrialisation on which
their economic development depends. In this process man stands at the centre as organiser of human and material resources, as worker, as consumer and as exchange agent. Of these various roles he has to play, his function as an organiser of human and material resources is the most important and pivotal to ensure progress. Without his role the resources of production remain stationary and can never be transformed into products or services.¹

Human beings have been enterprising since the dawn of history. The spirit of enterprise makes man a spry entrepreneur. It is this spirit which has transformed him over the centuries from a nomad into a cattle-rearer, an agriculturist, a trader, and an industrialist. Entrepreneurs are persons who initiate, organise, manage and control the affairs of a business unit which combines the factors of production to supply goods and services.² They are the nucleus of economic activity and propellers of economic development. In a developing economy such as India, entrepreneurs should be competent to perceive new opportunities, willing to take risks in exploring them and undergo, if necessary, rigorous hardships of the business. Entrepreneurship and economic development are closely bound

² Ibid.
with each other. Entrepreneurs are a dynamic force in the economic life of a society and are organisers of its productive resources. The development of right entrepreneurship is one most acute problems of the developing countries, and the lack of the right kind of entrepreneurs in our country in sufficient numbers is a factor hindering economic development.¹

THE CONCEPT OF ENTREPRENEUR AND ENTREPRENEURSHIP

The concept of entrepreneur emerged some centuries ago. The word 'entrepreneur' has an interesting history. It was first coined in the French language, and dates back to the emergence of the concept of an entrepreneurial function. In the early 16th century it was first applied to those who were engaged in military expeditions. After about 1700 A.D., the term came into wider usage and applied to architects and contractors of public works like roads, bridges, harbours and fortification.² The Oxford English Dictionary (in 1897) defined entrepreneur as "the director or manager of a public musical institution, one who 'gets up' entertainment,


especially musical performance". In one of its supplements which appeared in 1933 the dictionary explained that the word had a place in business and would mean "one who undertakes an enterprise especially a contractor.... acting as intermediary between capital and labour". The Concise Oxford Dictionary defines entrepreneurship as "readiness, initiative and daring for an undertaking".

The concept of entrepreneurship in the analysis of economic development first appeared in the 18th century. Since then the concept has been analysed and defined by economists, psychologists, sociologists, social psychologists, anthropologists and historians from their respective points of view, but no consensus has so far emerged and it still remains controversial elusive and vague. Different views have been expressed regarding the qualities and skills that one should have to become an entrepreneur, the roles and functions that he is expected to play in economic development, and how an entrepreneurial class can be developed and so on.

It was Richard Cantillon, an Irishman living in France, who early in the 18th century first identified the entrepreneur and his unique risk-bearing function.

He defined an 'entrepreneur' as a person who buys factor services at 'certain' prices with a view to selling their product at 'uncertain' prices in future. Cantillon conceived the entrepreneur as a non-insurable risk-bearer.

Entrepreneurship appears in the writings of Adam Smith, but it is not made explicit. For him, an entrepreneur is an undertaker, and master of the merchant. To Smith, accumulation of capital was the essential function of the undertaker, the master or merchant. He accumulates capital and with this capital acquires command over land, and then hires labour to work on land. This roundabout process of accumulation and production involves risks.

An aristocratic industrialist, J.B. Say, in the 19th century developed the 'classic' definition of 'entrepreneur', which associates the entrepreneur with the function of co-ordination, organisation and supervision. According to him the entrepreneur is the most important agent of production who provides the management and brings together all the factors of production. The entrepreneur should possess judgement, perseverance and knowledge of the world as well as of business. He must also know well the art of superintendence and administration. Say, further

1. Ibid. p.2.
elaborates that in the course of undertaking a number of complex operations like surmounting obstacles, repressing anxieties, repairing misfortunes and devising expedients, the entrepreneur must needs have three more qualities. They are:

1. moral qualities for work - such as judgement, perseverance and knowledge about the business world,
2. command over sufficient capital, and
3. awareness of uncertainty of profits.¹

Joseph Schumpeter, a pioneer in the field of the theory of entrepreneurship has made a significant contribution to a theoretical discussion of the concept. He published for the first time, his major work in German, in 1911, and later on an English version of it came out in 1934. He identifies the human agent at the centre of the process of economic development and regards the entrepreneur as one who, through new combinations of means of production, carries out several functions such as the introduction of new goods, introduction of a new method of production, opening of a new market, conquest of a new source of supply of raw materials or half-manufactured goods, and management

of the new organisation.¹ For Schumpeter, entrepreneurship is essentially a "creative activity", and it consists of doing such things that are generally done in the ordinary course of business. It is essentially a phenomenon that comes under the wider aspect of leadership.²

Schumpeter's concept of entrepreneurship denotes at once a broad and a narrow sense. It is broad in the sense that for him entrepreneurs are not only those "independent" businessmen, but all those who are "dependent" employees of a company, like managers, members of Boards of Directors and others, as they may also bring about changes in production and function by carrying out new combinations. On the other hand, it is narrow in the sense that it does not include all heads of firms or managers or industrialists who may merely operate an established business². It refers only to those who actually perform innovative functions. By nature, an entrepreneur is neither a technician, nor a financier but he is an 'innovator'. And entrepreneurship is not a profession or a permanent occupation. Therefore, entrepreneurs cannot form a social class as capitalists, or wage-earners. Psychologically, entrepreneurs are not solely motivated by


2. Ibid, pp.74-75.
profit. According to Schumpeter, both interest and profit arise from progress, and do not exist in a static society. Schumpeterian 'innovation' is a creative response to a situation.

The Schumpeterian theory of economic development was conceived in the context of the Industrial Revolution. Therefore, his theoretical explanation for economic development is significantly conditioned by the experience of that period.¹

A.H. Cole defines entrepreneurship as "the purposeful activity of an individual or group of individuals, undertaken to initiate, maintain, or augment a profit-oriented business unit for production and distribution of economic goods and services."² The definitions of Schumpeter and Cole differ in the scope of entrepreneurship.

Frank Knight describes entrepreneurs to be a specialised group of persons who take decisions under conditions of 'uncertainty' and risk. The entrepreneur meets risks which are incalculable. To Knight, the entrepreneur is

the economic functionary, who undertakes such responsibility as by its very nature cannot be insured, nor capitalised, nor salaried. He also guarantees specified sums to others in return for assignments made to them.¹

Schumpeter's innovating entrepreneur represents the most vigorous type of enterprise. But such an entrepreneur is rarely found in the developing countries and the paucity of entrepreneurship, both in quality and quantity, has been hindering their development. Prof. Dupriez says that this type of entrepreneur is needed in developing countries.² The type of entrepreneur as envisaged by J.B.Say, who exploits possibilities as they present themselves within a limited time, and mostly on a small-scale, can only produce limited results. Society must produce Schumpeterian innovations that are capable of widening the horizons of the field and achieving substantial transformation.

All the definitions of an entrepreneur hitherto considered, are made in terms of his functions. From Cantillon, who coined the term entrepreneur early in the 18th century, to the social scientists of today, the


emphasis in varying degrees has been on one function or the other of the entrepreneur. All the definitions are associated with uncertainty, co-ordination of productive resources, introduction of innovations and provision of capital. The various definitions of 'entrepreneur' came from the academicians of the developed nations at a time, when the problems of the third world had received little attention. Therefore, the theoreticians took a very restricted view of the entrepreneurial functions. They did not visualise the possibility of entrepreneurial functions evolving and changing with change of time and place.

A comprehensive view of the functions of an entrepreneur began to emerge only when some of the social scientists undertook to study in depth development in some economies, including the developing ones. In this connection, Hoselitz remarked that in a developing economy even imitators, not to speak of the Schumpeterian innovators, have a distinct role to play and they provide the much needed fillip to the process of economic growth\(^1\), a detailed account of the potential scope of the entrepreneurial task in a developing economy has been

recently provided by Kilby. He compares the entrepreneur with an imaginary large animal, for which he gives the name "Heffalump", hunted after by many individuals, none of whom has been able to capture him. All claim to have seen him and variously describe him, but wide disagreements still persist among them on his particulars.\textsuperscript{1} Certain tasks demand the entrepreneur's particular attention, whereas others call for less attention, and can be safely delegated to subordinates. Hence, different settings may warrant markedly different entrepreneurial personalities. At present entrepreneurship is viewed as a human activity which involves finding and exploiting opportunities, and venturing into new activities. Further, it organises production activities and undertakes risk and is ready to face uncertainty associated with all enterprises.

An enterprise needs such factors of production as land, labour and capital for its very existence and success. These should be procured and channelised towards production process to obtain the final product. To achieve this objective one has to strive hard, and take risks to co-ordinate, assemble and transform all inputs into the final product for getting an uncertain price for it. To initiate this process one has to take the lead to start, organise,

\textsuperscript{1} Kilby, Peter, (Ed), Op.cit., p.40.
supervise and execute the long-term plans of the enterprise not withstanding the risks he is open to. Further, he has to search for alternative ways and means to get opportunities for adopting a new product, a new technology, a new form of organisation, a new market for his product which leads to finding new horizons. He has to go through all this strenuous process for realising the products at uncertain market prices in future. Thus entrepreneurship is characterised by three essential elements: organising, innovating and risk-bearing. Eventually, to be an entrepreneur one must be able to innovate, organise production activity, undertake risk and confront economic uncertainty associated with the enterprise.

ENTREPRENEURIAL THEORIES

Entrepreneurial theories have been advanced by different social scientists. They naturally differ from one another in their point of view. They may be broadly classified into (i) economic, (ii) sociological, and (iii) psychological.

The economist considers the structure of economic incentives found in the market environment as most relevant to entrepreneurial activity. The sociologist emphasises society's value and status hierarchy as the main force governing entrepreneurial activity. On the other hand, the
psychologist stresses certain inner, psychic concerns as the prime movers of risk-taking and innovation. However, these approaches, based on each scholar's particular field of specialisation, together focus on the prime determinants of entrepreneurial supply. (They may be considered briefly one after another.)

1) The Economist's View

The economist's view is a counter-hypothesis to all the theories on entrepreneurial supply and may be seen in empirical studies such as those of G.P. Papanek and J.R. Harris. According to this view, while psychological drives for pecuniary gain are present in all societies, what really matters is the economic environment. Economic incentives are sufficient conditions for the emergence of industrial entrepreneurs. The political-economy paradigm of Flavia Derossi holds political power as the paramount factor in entrepreneurial development in all the developing countries. Proximity, not necessarily in the geographical sense, or access to the sources of power, is the determining factor of private investment.

1. Ibid., pp.317-329.
2. Ibid., pp.331-355.
ii) The Sociologist's View

The sociologist views entrepreneurship differently. There is more than one sociological view. For Max Weber the driving entrepreneurial energies are generated by the adoption of certain religious beliefs. These beliefs, it is contended, produce intensive effort in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets.¹

A second sociological theory of entrepreneurial supply, as expounded by Thomas Cochran, emphasises cultural values, role expectations, and social sanctions. The entrepreneur represents society's model personality and the individual's performance as a businessman is influenced by three factors: his own attitudes towards his occupation, the role expectations of sanctioning groups, and the operational requirements of the job. Society's values are the most important determinants.²

Frank young, another sociologist is mainly concerned with inter-group relations and his theory of change is based on society's incorporation of reactive

subgroups. A group becomes reactive when two conditions coincide: the group experiences low status recognition and denial of access to important social networks, and it possesses a greater range of institutional resources than other groups in society at the same system level.¹ Hoselitz emphasises the importance of culturally marginal groups in promoting economic development.² Stokes, explain in detail how economically transitional societies produce industrial entrepreneurs and holds the social and cultural values which regulate economic action to be of great importance.³

iii) The Psychologist's View

Here too, there is more than one view. The entrepreneur of Schumpeter's conception possesses three qualities. They are: (a) an instinctive capacity to see things as they are in themselves; (b) effort of will and mind to overcome fixed attitudes of thinking; and (c) capacity to surmount social opposition to doing something new.⁴

1. Kilby, Peter, (ed), op.cit, pp.139-149.


Laying special stress on the importance of childhood, in the growth and development of personality, Mc Clelland holds that the need for achievement is formed during early childhood through family socialisation and child rearing practices which stress standards of excellence, material warmth, self-reliance training and low father dominance.\(^1\) He disagrees with Weber's assumption that entrepreneurs are motivated by profit.\(^7\)

Hagen regards group subordination, withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of a particular social group perceive that their purposes and values in life are not respected by others in their society whom they respect and whose esteem they value.\(^2\) Kunkel's behavioural model is concerned with the overtly expressed activities of individuals and their relations to the previously and presently surrounding social structures and physical conditions.\(^3\):


The preceding account of the entrepreneurial theories, reveals how every theorist has looked at entrepreneurship from the point of view of his field of specialisation, and how each theory at best provides only a limited view of the entrepreneurial phenomenon. No view is either wholly right or wholly wrong. And each has its own usefulness though limited. The various factors which bring about the emergence of entrepreneurship are integral and not additive. They are interlinked, interdependent and mutually reinforcing.

In addition to those mentioned there are others who have made significant contributions to theory-building on entrepreneurship. Among them are J.B. Say, J.E. Stepanek, B.C. Tandau, and J.J. Berne.

FUNCTIONS OF AN ENTREPRENEUR

From the foregoing account of entrepreneurial theories, it is obvious that the different theorists have defined entrepreneurship in terms of entrepreneurial functions. And hence a detailed analysis of entrepreneurial functions would provide a better insight into the nature of entrepreneurship. Some writers have thought of the entrepreneur as owner of the business and 'co-ordinator'. Economists like Cantillon, J.B. Say and others stress risk-taking as his specific function. Prof. Knight regards
entrepreneurship as a dual function of risk-taking and control. J.S.Mill lists superintendence, control, and direction as entrepreneurial functions. He emphasises managerial and administrative functions. According to Schumpeter,\(^1\) innovation is the sole function of an entrepreneur. To Alfred Marshal, organisation and superintendence are the main functions of an entrepreneur, and Organisation building capacity is the most essential skill expected of him. He also assigns to the entrepreneur the functions of risk-bearing, innovation and management.\(^2\)

Redlich makes a threefold division of functions:

1. Capitalist - employing factors and buying raw material, setting up the organisation;
2. Managerial - innovation, supervision and organisation of productive activity; and
3. Entrepreneurial - decision-making.\(^3\)

B.C. Tandon lists the functions of an entrepreneur in a developing economy in the context of its economic, legal, political and cultural environment. According to him, the entrepreneur must possess -

1. Capacity to take risks and self-confidence,
2. Technological knowledge, alertness to discern opportunities, willingness to accept change, and ability to initiate,
3. ability to marshal resources, and
4. ability for organisation and administration.

Tandon views the entrepreneur as an 'Ideal-type' rather than a 'Social-type'.

Modern economists recognize that the entrepreneur of today has to perform multiple functions to operate successfully an enterprise. They include provision of capital, taking risks, strategic administration and day to day technical management.

Peter Kilby has drawn up the following long list of the several functions an entrepreneur has to perform, if he wishes to succeed in his enterprise:

1. Perception of market opportunities (novel or imitative);
2. Gaining command over scarce resources;
3. Purchasing inputs;
4. Marketing of the product and responding to competition;

5. Dealing with the public and bureaucracy (concessions, licenses, taxes);
6. Management of human relations within the firm;
7. Management of customer and supplier relations;
8. Financial management;
9. Production management (Control by written records, supervision, co-ordinating input flows with orders, maintenance);
10. Acquiring and overseeing assembly of the factory;
11. Industrial engineering (minimizing inputs with a given production process);
12. Upgrading processes and production quality; and
13. Introduction of new production techniques and products.¹

Arthur H. Cole describes an entrepreneur as a decision-maker and assigns the following functions to him:
1. determination of the business objectives of the enterprise and the charge of those objectives as conditions require or make advantageous;
2. development of the organisation including efficient relations with subordinates and all employees;
3. securing adequate financial resource, establishing relations with existing and potential investors;

4. requisition of efficient technological equipment and replacement of it with new and improved machinery when it appears;
5. development of market for the products and the devising of new products to meet or anticipate consumers' demand; and
6. maintenance of good relations with public authorities and with society at large.¹

Modern writers on entrepreneurship outline broadly three functions of the entrepreneur:
1. Innovation,
2. Risk-taking and
3. Organisation and management of business so as to have leadership and control over it.

"Innovation" means "doing new things or the doing of things that are already being done in a new way".² It includes introduction of new process of production and of new products, creation of new markets, discovery of a new and better form of industrial organisation.³ 'Risk-taking' means provision of capital for establishing the enterprise

and running it. An important function of an entrepreneur is to reduce uncertainty in his plan of investment as well as expansion of the enterprise.¹

In a small-scale enterprise, the entrepreneurial functions may be performed by a single person, i.e., entrepreneur himself. But in a large concern, with large scale equipment, a larger number of workers and personnel, more complex technical and industrial functioning, and involving a more complex network of relationships among suppliers, customers and government, the entrepreneur has to 'multiply himself' by effective delegation of other persons having specialised knowledge in their respective fields to attend to the several functions of the enterprise. Apart from big enterprises, there are governments in many countries, including India, which have been playing a direct and active role in promoting industrial development and thus acting as entrepreneurs. However, in these cases the ownership may be separated from the management.

In large industrial corporations the functions are somewhat different from those of small-scale concerns. In them, the functions are performed by the managerial personnel of different cadres, specialisation and division

of labour. Sometimes the owners may only invest capital and organise factors of production, and the remaining work is done by hired executives. Sometimes, the paid managers bear the responsibility of controlling the industrial enterprises. However, a check is held on their activities, since the ultimate control as well as overall responsibility lies in the hands of the entrepreneurs. Managers can only make suggestions regarding decision-making and formulation of policies but these are finally decided upon by the entrepreneurs themselves without any managerial interference. The entrepreneur is the captain of the enterprise, for he commands the industrial forces, and on him more than on any one else rests the responsibility for success or failure of the unit.

The entrepreneur is in essence an institution which comprises all those who have to perform different functions. He has to do with innovations as well as with understanding and implementing the adjustments that are essential for productions, when they have to be expanded on account of change in demand and in market conditions. He must foresee the opportunities that are inherent or when they arise in a given situation, and at times he must be in a position to create opportunities out of a given situation. Some entrepreneurs, however, always make innovations or
create opportunities, and are content to be simply good leaders and excellent administrators.

In a nutshell, the functions of an entrepreneur, whether he is an individual or a group of people, both in privately and publicly owned enterprises, may be classified thus:

1. Innovation in relation to production and technology,
2. Planning the structure of enterprise and business,
3. Co-ordination, administration and control of the organisation,
4. Overall supervision of the organisation, and
5. Undertaking business which involves future economic uncertainty.

CLASSIFICATION OF ENTREPRENEURS

On the basis of his study of American agriculture, Clarence Danhof has classified entrepreneurs into the following four categories:

1. Innovating entrepreneurs,
2. Imitating or adoptive entrepreneurs,
3. Fabian entrepreneurs, and
4. Drone entrepreneurs.¹

Each of these categories of entrepreneurs may be looked at closely for their distinguishing characteristics:

I. Innovating Entrepreneurs

Innovating entrepreneurs are characterised by aggressive assemblage of information and analysis of results deriving from novel combinations of factors. They are generally aggressive in experimentation and exhibit their intelligence in putting good (attractive) possibilities into practice. They introduce something new into the economy which may be a product (commodity) with which consumers are not yet familiar, employ a new technique of production not yet tested, discover a new market, exploit a new source of raw materials and reorganise the whole enterprise.

Schumpeter’s entrepreneur is of this kind. It is important to note that such an entrepreneur can work only when a certain level of development has already been achieved, and people look forward for change and progress. Such innovating entrepreneurs are normally found in the developed countries.

II. Imitative or Adoptive Entrepreneurs

These are characterised by a readiness to adopt successful innovations made by other entrepreneurs. They follow the other innovators only after they have observed how they fare. They are also revolutionary entrepreneurs
like the others but they do not innovate the changes themselves. They prefer to imitate and adopt the techniques and technology already innovated by others and which are found to be useful.

Imitating entrepreneurs have a significant role to play in the economic development of a country. They are particularly suitable for the developing regions to bring about new combinations of factors of production already available in the developed regions. It is, therefore, better for them to imitate technological and other changes of the developed countries which have proved successful. However, they enjoy more or less the same benefits as are enjoyed by the original innovators.

III. Fabian Entrepreneurs

The third kind of entrepreneurs whom Danhof calls 'Fabian Entrepreneurs', are very cautious and sceptical in adopting and implementing any change. They are guarded, and imitate and implement a change only when it becomes perfectly clear to them that failure to do so would result in a loss of the relative position of the enterprise. Such entrepreneurs are shy and rather over cautious. They have neither the will to discover new changes nor the desire to adopt at once the new techniques innovated by other entrepreneurs. Their dealings are determined by custom,
tradition, and past practices. They would not take any risk and prefer rather to prefer to go along the well-trodden path of their predecessors which appears safe and secure.

IV. Drone Entrepreneurs

'Drone' is the male of the honey-bee which is stingless and makes no honey. It does not labour at all. Danhof uses 'Drone' as a very suggestive analogy to describe such entrepreneurs as refuse to exert themselves to use opportunities to make changes in the production formulae even at the cost of severely reduced returns relative to other producers. They are prepared even to suffer losses but are not ready to make changes in their methods of production.

At present the developing countries are in great need of imitative and adoptive entrepreneurs. In these countries, capital is scarce, investors are hesitant to invest, markets are limited due to low purchasing power, and entrepreneurs do not have any experience in the field of industry. Therefore, they need primarily imitators who can adopt the technological and other changes made elsewhere which suit the particular conditions prevailing in their countries. Entrepreneurs of the developing countries generally start with small-scale operations as they cannot afford to make innovations involving huge investments and time.
INDIAN ENTREPRENEURSHIP: A BRIEF SKETCH

As one of the developing countries of the world today, India with her ambitious plans and programmes for industrialisation, naturally faces all the challenges and hazards of entrepreneurship. It shall be noted however that entrepreneurship is not new to India.

(The beginnings of Indian industrial entrepreneurship dates back to the times of the Rigveda, when there were metal handicrafts in the society. This drives home the fact that handicraft entrepreneurship in India is as old as human civilisation itself, and has been nurtured by the craftsmen of the country as a part of their duty to their society. Before India came into contact with the West, Indian society was organised as an economic and social system based on the self-sufficient village community as the unit. The village community was the most important feature of India's social and economic life. In ancient India, the compact system of the Indian village community effectively protected artisans from the pressures of external competition and made localisation of industry impossible.

For instance, entrepreneurship was observable among the artisans in cities like Benaras, Allahabad, Gaya, Puri and Mirzapur which were established on river banks, because the rivers provided the means of transportation, Corals of Bengal, chintzes of Lucknow, dupattas and dhotis of Ahmedabad, silk-bordered clothes of Nagpur, Kashmiri shawls, brass, metal and copper wares of Benaras, Bombay, Poona and Hyderabad, all products of Indian handicrafts are World famous. During the days of British Rule in India, due to a lack of initiative from the colonial power, and the infrastructural difficulties the Indian artisanship could not develop properly.¹

¹There were several potent factors for the delayed growth of entrepreneurship in India in spite of these being excellently skilled artisans. Lack of capital created several problems for the artisans who depended upon money-lenders for capital. The money lenders, exploited the needy artisans by extracting from them exorbitant interest. The mercantile class would not take risk by manufacturing or reorganising and mobilizing Indian artisanship for industrial progress. Lack of political unity, network of custom barriers, existence of innumerable systems of currency

in the country, regional markets plagued by arbitrary political authority, particularly in the 17th and 18th centuries, taxation policies and low prestige of business, all inhibited against the development of entrepreneurship.¹

Indian industry traditionally was basically a cottage industry and belonged to the small sector. It could not but decline at the end of the 18th century owing to a combination of factors.² First the royal courts which provided patronage to the traditional arts and crafts declined in influence and authority. Secondly, with the consolidation of the alien British in the country as rulers, there was an influx of foreign influences working against the native Indian industry. As a consequence, European-made goods which flooded India reduced the competing capacity of the products of Indian handicrafts.

The British colonial rule in India, which roughly covered two centuries (from 1757 to 1947) did enormous damage to Indian Industry. During that period, there were revolutionary changes taking place in the techniques of production in England, which revolutionised the process of

2. Gadgil, D.R., op.cit., p.36.
manufacturing. The conquest of India provided the British with a big market, where they sold machine-made goods in competition with Indian handicrafts. Before the beginning of the Industrial Revolution in England, the East India Company concentrated on the export of Indian manufactured goods, textiles, spices etc., to Europe where these goods were in great demand. The Industrial Revolution reversed this trend. There was a tremendous expansion of the productive capacity of the industrial plants in England which resulted in increased demand for raw materials for them.¹ The East India Company gave new stimulus to Indian businessmen by inducting various changes into the Indian economy through export of Indian raw materials and import of finished goods.² Among Indian businessmen the Parsis in particular established a good understanding with the East India Company and were much influenced by the Company's commercial operations. The Company established its first ship-building industry in Surat where from 1673 onward the Parsis built vessels for the Company. The most important among them was shipwright Lowjee-Nushirvan, who migrated to Bombay around 1735. He was


a member of the Wadia family from which came many leading ship-builders of Bombay. As early as 1677, another Parsi called Manjee-Dhanjee received a contract for building the first large gun powder mill in Bombay for the East India Company. A Parsi foreman of a gun factory belonging to the Company started a steel industry in Bombay in 1852.

The actual emergence of manufacturing entrepreneurship in India can be found in the second half of the nineteenth century. Before 1850, there were some stray attempts made by the Europeans to set up factories in India. Cotton and Jute textile mills were the first modern factories to be established in India, and next in order came coal and paper. The history of modern industrial enterprise in India dates back to 1854 when the first successful textile mill was set up in Bombay by Cowsjee Nanabhoy Davar, a Parsi financier and trader having many British contacts. The mill was styled as the Bombay Spinning and Weaving Mill. He was soon followed by Ranchhodlal Chotalal, a Sathodra Nagar Brahmin, who established in 1859 the first textile mill in Ahmedabad, under the name the Ahmedabad


Spinning and Weaving Mills. In 1858 there were four cotton textile mills in India and within a period of 25 years their number increased to fifty eight. In this period Indian entrepreneurship was not confined to textiles only but efforts were also directed towards shipping, manufacture of iron and steel and establishment of hydroelectric systems.  

In the wake of manufacturing entrepreneurship in India except the Parsees all other entrepreneurs came from non-commercial Communities. Rather strangely, the well known commercial communities, the Jains and Vaishyas, lagged behind in entrepreneurial activity throughout the 19th century. The Jains and Vaishyas of Ahmedabad and Baroda refused to have any stake in the cotton industry when the pioneering Brahmin Ranchodlal Chotalal, approached them for money.  

With the gradual development of national consciousness in India and the people becoming aware of the sustained industrial and commercial exploitation practised by the colonial rulers, in 1905, the Swadesh movement was started. It stimulated Indian entrepreneurship and there was a slow but steady, development in the field of existing industries as well as new industries. Between 1890 and the  

outbreak of war in 1914, over 70 cotton mills and nearly 30 jute mills were set up in the country. Coal production doubled. It is no coincidence that Jamshedji Tata named the first mill he built after this movement, the Swadeshi Mill. The spirit of Swadeshi became so strong and pervasive in the country that the Krishna mills in its advertisement in Tribune of April 13, 1905 made it a point to state: "Our concern is financed by Native Capital and is under Native Management throughout." The Swadeshi movement definitely made a positive contribution to inducing Indians to invest in industrial activities and start industries under Indian Management. About this time a large number of new banks were also established.

The second wave of entrepreneurial growth in India began after the first world war. During the decades following the war, cement and sugar industries progressed fast. Secondly, the relative importance of the Parsis as entrepreneurs declined and the Gujaratis and Marwari Vaisyas emerged. Between the Gujaratis and the Marwaris, while the former took the initiative in manufacturing, the latter gave the lead in spreading manufacturing almost all over India, as they had a wide network. In addition to them a group of


self-made entrepreneurs began to emerge, who, by ploughing back their high profits into their small work-shops, built up large industrial establishment.¹

After Independence, the Government of India recognised the need for planned development of the country. It means spelling out the priorities and development of infrastructure to devise schemes for achieving balanced growth. To accelerate industrial growth in the country the Government came forward with various incentives and facilities. The first Industrial Policy Resolution of 1948 provided various guidelines for industrial and entrepreneurial development and it was revised from time to time according to changing needs and knowledge gained from experience. The Government identified the responsibility of the State to promote, assist and develop industries in national interest. It also recognised the role the private sector could play in accelerating industrial development and enough field was set apart for the private sector. The Government adopted three important objectives in its Industrial Resolution:

1. to encourage a proper distribution of economic power between public and private sectors;

2. to increase the tempo of industrialisation by spreading entrepreneurship from the existing centres to other cities, towns and villages; and

3. to spread entrepreneurship from a few dominant entrepreneurs to a large number of industrially potential people of varied social strata.\(^1\)

To achieve these objectives, the Government laid emphasis on the development of small-scale industries in the country. Under the Five Year Plans, particularly the Third Five Year Plan, the Government started providing incentives in the form of capital, technical know-how, markets and land to the potential entrepreneurs to set up industries in the industrially potential places to remove prevailing regional imbalances in economic progress. The Government took the major step of initiating interested people of different social strata to enter the small-scale manufacturing field.\(^2\)

Several institutions like Directorate of Industries,


Financial Corporations, Small Scale Industries Corporations and Small Industries Service Institute were established by the Government to facilitate new entrepreneurs to establish new enterprises.

The wave of entrepreneurial development in India gained sufficient momentum after the Second World War. Since then the entrepreneurs have increased rapidly in number in the country. There are examples that some entrepreneurs grew from small to medium scale and some from medium to large-scale industrial units during the second world war period. Family entrepreneurship Units like the Tatas, Birlas, Mafatlals, Dalmias, Kirloskars, and others extended the frontiers of their enterprises and expanded their units beyond the normally expected size. But all this happened without the diversification of the entrepreneurial base so far as its socio-economic stratification was concerned.}

PROBLEMS IN ENTREPRENEURSHIP

The many complexities involved in the starting on an entrepreneurial career and the problems faced by the existing entrepreneurs demotivate and discourage the unemployed from taking up an entrepreneurial career. They would rather prefer wage/salary employment to entrepreneurship. There is a common belief that 'all business is risky!', and there is much truth in it. Because the
entrepreneur has to take countless decisions from among several possible alternatives in performing his task successfully. If his planning or estimation about the future were to go wrong he will surely land in trouble.

In developing entrepreneurship, we are faced with several problems, which are of individual, group, and institutional nature. However, ultimately it rests on the individual because it is he who has to take the initiative to take a decision to start and manage his enterprise. But he also needs the approval and support of his kin, group or community. Some of the problems he is likely to encounter are lack of motivation, shyness and inhibition on his part, lack of finance for initial investment, lack of support from his family and community, lack of confidence in one's own abilities, ignorance of opportunities that he can avail himself of, lack of requisite managerial and technical skills to start and manage his enterprise. Understandably he is scared of the cumbersome and time-consuming process in establishing an enterprise. And even if he starts off on his enterprise, he is not sure of sustained support from the agencies mentioned above. Similarly, he may have to face some problems from the group to which he belongs such as, preference for traditional occupations and professions, lack of awareness or ignorance of his own potential, managerial and human, ignorance of alternative avocations; lack of
freedom to choose on account of the influence of the local elite or the dominant caste. Besides, the group is likely to be tradition-bound, and its values are likely to continue with its institutionalised familiar occupations.

The individual and the group together constitute the client system. The various institutions which are concerned with entrepreneurial development, such as governmental and autonomous agencies, have to stimulate the client system towards entrepreneurial activity and development. Their commissions and omissions may impede and slacken the process of entrepreneurial development. Some of the problems they pose are: Bureaucratic style of working; vague and unrealistic policies, and policies which are not supported by action, lack of teamwork and inter-agency coordination, lack of work motivation and commitment on the part of field level personnel overlapping and duplication of functions both at the apex and operational levels; lack of knowledge of technical know-how on the part of the personnel; and lack of relevant training on the part of the Entrepreneurship Development Programme personnel. Other problems of entrepreneurial development are in respect of provision of infrastructural facilities, including finance and marketing facilities, for the products and services offered by entrepreneurs.
The problems listed above are varied and many and belong to related fields. And therefore, a multi-pronged and interdisciplinary approach is required to find solutions to them.

There is abundant scope for entrepreneurial development in India today. The four important factors which matter in entrepreneurial development are:
1. resources - material and human;
2. organisations concerned with entrepreneurial development;
3. infrastructure; and
4. entrepreneurs.

In entrepreneurial development, man should be the focus. There are around him several opportunities and alternatives for his enterprises. We should try to build up the necessary machinery to promote and accelerate the growth of entrepreneurship among people today.

ENTREPRENEURSHIP DEVELOPMENT IN SMALL-SCALE SECTOR

Economies which are predominantly agrarian in character continue to remain backward economically because agriculture by itself cannot provide the necessary drive for economic growth. It is, therefore, widely recognised that industries are the key to rapid economic development of any country. Most of the developing countries have accepted industrialisation as an instrument of their development. In
the overall progress of industrialisation, the small-scale sector has remained complementary to the medium and large-scale sectors.

The promotion and development of small-scale industries leads indirectly to the development of entrepreneurship. The strategies appropriate to achieving industrial development may vary from those which are appropriate to entrepreneurship development. The strategies vary accordingly as emphasis is placed on either of the two. Industrial development cannot be dreamt of, let alone achieved, without a significant development of entrepreneurship. Those two - entrepreneurship and industrial development - are not only vital for accelerating economic development, but are invariably inter-dependent. They are so essential to each other, like the two sides of the same coin, that one cannot be thought without the other.

The growth of entrepreneurship, particularly in the small-scale sector, can be traced to the Second World War boom which brought many enterprising people from various fields including businessmen, artisans, etc., into it as entrepreneurs. During this period, quite a number of skilled workers established small firms with obsolete machines and with capital derived from private sources. At the time of partition of the country in 1947, a large number of
traditional village craftsmen known as "Ramgharias" (carpenters and blacksmiths) migrated from across the border into the Indian territory and reestablished themselves as modern small-scale entrepreneurs. After winning Independence, India launched many programmes for planned economic development in all sectors of the economy including the small-scale sector with a firm determination to develop the industrial sector as a means to push forward the economic development of the country. Consequently, the First Industrial Policy Resolution was passed in 1948. In the successive resolutions a prime place is assigned to the village and the small-scale sector in the industrial development of this country. Even in the 1948 resolution it was emphasised small-scale industries were particularly suited for better utilisation of local resources and for achieving local self-sufficiency in consumer goods.

Late in 1953, the Ford Foundation sponsored an international study group to inspect and assess the condition of small-scale industries in India. The study group observed that "the rate of development of small industries is very slow .... Many small industries are now facing a crisis, deteriorating in output and employment...". The study team recommended creating a specialised small-scale sector in industry and multipurpose institutes to serve it: establishing agencies to provide the small
producer, expeditiously and with minimal red-tape, with both credit and working capital; promoting industrial co-operatives and trade associations; and offering government assistance in marketing.¹ The Ford Foundation report served as a rallying point for officials in the Government of India who had been urging implementation of the policy propounded in 1948, and the programme was set in motion.

The Second Industrial Policy Resolution passed in 1956, emphasised the role of small-scale industries in the development of the national economy. The Policy Resolution stated "in relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large scale employment. They offer a method of ensuring a more equitable distribution of the national income as they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Source of the problems that unplanned urbanisation tends to create, will be avoided by the establishment of small centres of industrial production all over the country".²


The small industries assistance programme, like any other assistance programme, requires in advance a definition of a small industry which specifies its scope as well as its limits. The industrial policy statement of 1980 offers such a definition. An undertaking having investment in fixed assets in Plant and Machinery not exceeding Rs.20 lakhs was to be regarded as a small unit. For units engaged in manufacturing ancillary items (i.e., ancillary units), the ceiling was Rs.25 lakhs. For a tiny unit, the limit was Rs.2 lakhs. Since then the definitions of small and ancillary industries have been further revised. In March 1985 the ceiling of investment in Plant and Machinery for small-scale units was raised from Rs.20 lakhs to Rs.35 lakhs and the ceiling for ancillaries raised from Rs.25 lakhs to Rs.45 lakhs. In view of the all-round escalation of costs of plant and Machinery, the Government on 2nd April, 1991 again revised and enhanced the investment limit for small-scale undertakings from Rs.35 lakhs to Rs.60 lakhs, and for ancillary units from Rs.45 lakhs to Rs.75 lakhs. Investment ceiling in respect of tiny units was increased from Rs.2 lakhs to Rs.5 lakhs.

For strengthening the industrial base of the country the Government of India has evolved an assistance programme to stimulate the growth of entrepreneurship in small-scale sector. A plethora of measures have been taken
in terms of financial, technical and managerial assistance to develop the small-scale units. Apart from providing positive policy support, the Government has given several fiscal, financial and other incentives and initiated also many other special schemes to stimulate the entrepreneurship in small-scale sector. These include provision of developed industrial estates with all infrastructure facilities, supply of raw materials at reasonable rates, supply of machinery on hire-purchase basis, subsidised interest rate on loans, supply of power at concessional rates, capital subsidy on investment, etc. Some of the main schemes are the "self-employment scheme" for the educated unemployed people and the "Entrepreneurial Development Training Programmes".

With the initiation and the efforts of the Government, small-scale industries during the last four decades have made rapid and impressive strides and progress. Reliable figures regarding the small-scale sector for 1954 were not available when the Small Industries Development Organisation (SIDO), the primary institution engaged in the development of small industries in the country, was established. A system of voluntary registration of small units was initiated only in 1960 when 42,000 small units registered themselves. Since then small industries have taken many strides of development, which can be observed from the Table 1.1.
TABLE 1.1

GROWTH OF SMALL-SCALE INDUSTRIES IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units (in lakhs)</th>
<th>Employment (in lakh persons)</th>
<th>Production (at current prices) (Rs. in Crores)</th>
<th>Exports (at current prices) (Rs. in Crores)</th>
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<td>1979-80</td>
<td>8.05</td>
<td>67.00</td>
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<td>1980-81</td>
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<td>1,543</td>
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<td>119.60</td>
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<td>1990-91</td>
<td>19.38</td>
<td>124.30</td>
<td>1,55,340</td>
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</table>

C.G.R     8.44                5.94                      19.27                                      17.20
't' value 57.44                79.93                    45.16                                      13.77
R square  0.997               0.998                    0.995                                      0.955
S.E. of Estimates 0.0169        0.0086                   0.0467                                    0.1209

Table 1.1 shows that the number of small units has increased from 8.05 lakh units in 1979-80 to 19.38 lakhs in 1990-91, i.e. an increase of nearly two and half times and at the same time 5.78 per cent increase over the previous year 1989-90. Similarly, the level of employment recorded shows an increase from 67 lakh persons in 1979-80 to 124.30 lakh during 1990-91, recording a rise of 3.78 per cent over the preceeding year i.e., 1989-90. Production in the small-scale sector too marks a rapid increase in recent years. It rose from Rs.21,635 crores in 1979-80 to Rs.1,55,340 crores in 1990-91 and as compared with Rs.1,32,320 crores (14.82 per cent) during 1989-90. The value of exports from the small-scale sector rose from Rs.1,226 crores in 1979-80 to Rs.7,626 crores at current prices in 1989-90.

The compound growth rate of Production (19.27 per cent) was substantially higher and this provided impetus to the growth of Employment, Exports and Investment of small-scale industries. Exports grew at a compound rate of 17.20 per cent and employment rose at the rate of 5.94 per cent. Consequently, the number of small-scale units in this sector registered a growth rate of 8.44 per cent. The 't' values in all the dimensions are significant at 5 per cent level of significance.
This spectacular growth of small industries in the past four decades is the direct outcome of ever increasing outlays earmarked for the small-scale sector by the Government during the plan periods. Table 1.2 gives details of the public sector outlays on small industries during the various Five Year Plans. It discloses that the plan

**TABLE 1.2**

**THE PLAN OUTLAYS FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES**

(Rs. in crores)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Plan period</th>
<th>S.S.Is (including industrial estates)</th>
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<td>First</td>
<td>1951-56</td>
<td>5.20*</td>
</tr>
<tr>
<td>Second</td>
<td>1956-61</td>
<td>56.00*</td>
</tr>
<tr>
<td>Third</td>
<td>1961-66</td>
<td>113.06</td>
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<td>Fourth</td>
<td>1969-74</td>
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</tr>
<tr>
<td>Fifth</td>
<td>1974-79</td>
<td>199.66</td>
</tr>
<tr>
<td>Annual</td>
<td>1979-80</td>
<td>104.81</td>
</tr>
<tr>
<td>Sixth</td>
<td>1980-85</td>
<td>616.10</td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
<td>1120.51</td>
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</table>

* Excluding industrial estates.

expenditure has increased from Rs.5.20 crore in the First Five Year Plan (1951-56) to Rs.1120.51 crores in the Seventh Plan (1985-90) recording a phenomenal increase of 215 times.

Similarly, the growth and distribution of small-scale industries (SIDO units) in different States and Union territories between 1979 and 1988 are presented in Table 1.3. It shows that the total number of units functioning as on December, 1979 was 3.92 lakhs and it increased to 11.59 lakhs by 1988 showing a growth of 196 per cent. Out of the 30 States and Union Territories of the country, the recorded growth is above the national average in 13 States and 3 Union Territories (includes Goa). The growth in the other 11 States and 3 Union Territories is below the average level during the period. Among the States the growth is substantially higher in Mizoram (546 per cent), and next in order are Madhya Pradesh (463 per cent), Sikkim (448 per cent) and Uttar Pradesh (401 per cent). It is lowest in West Bengal (37 per cent). Likewise, among the Union Territories the highest growth is in Andaman & Nicobar (636 per cent) and the lowest in Delhi (145 per cent). As noticed earlier the states which were in a better position in 1979 experienced a decline, consequent upon the development of industries in the backward states.
<table>
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<td>1183</td>
<td>1489</td>
<td>1715</td>
<td>1400</td>
<td>2062</td>
<td>2392</td>
<td>3136</td>
<td>3523</td>
<td>0.30</td>
<td>254</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

contd..
|    |    |    |    |    |    |    |    |    |    |    | 11 | 12 | 13 | 14 | 15 |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| 21 | Uttar Pradesh | 29380 | 7.42 | 33364 | 38853 | 49276 | 58374 | 73111 | 58126 | 105746 | 124336 | 145797 | 12.58 | 401 |
| 22 | West Bengal | 96288 | 24.59 | 100919 | 105972 | 110526 | 113802 | 117117 | 120692 | 125057 | 128438 | 131656 | 11.35 | 37 |
| 23 | Arunachal Pradesh | 145 | 0.04 | 168 | 189 | 210 | 262 | 246 | 262 | 248 | 278 | 374 | 0.03 | 158 |
| 24 | Mizoram | 289 | 0.07 | 471 | 298 | 423 | 539 | 628 | 326 | 1191 | 1566 | 1866 | 0.15 | 546 |
| 25 | Goa, Daman & Diu | 1313 | 0.34 | 169 | 1686 | 2528 | 2820 | 3180 | 2288 | 3700 | 4045* | 4679* | 0.04 | 208 |
| 26 | Pondicherry | 886 | 0.23 | 714 | 902 | 1054 | 1223 | 1389 | 1595 | 1840 | 2102 | 2380 | 0.21 | 169 |
| 27 | Andaman & Nicobar | 73 | 0.02 | 95 | 130 | 157 | 89 | 244 | 340 | 424 | 487 | 537 | 0.05 | 636 |
| 28 | Chandigarh | 811 | 0.21 | 948 | 1090 | 1581 | 1620 | 1782 | 1997 | 2135 | 2277 | 2401 | 0.21 | 196 |
| 29 | Dadra & Nagar Haveli | 93 | 0.02 | 114 | 132 | 157 | 167 | 192 | 208 | 217 | 238 | 272 | 0.02 | 193 |
| 30 | Delhi | 5732 | 2.48 | 11006 | 16206 | 17090 | 17981 | 18094 | 19957 | 21240 | 22434 | 23817 | 2.06 | 145 |

TOTAL: All States | 378842 | 96.70 | 433775 | 503059 | 584382 | 663521 | 731491 | 826997 | 932135 | 1021571 | 1129368 | 97.45 | 198 |

All Union Territories | 12908 | 3.30 | 14046 | 20126 | 22667 | 23097 | 25611 | 27465 | 29556 | 27538 | 29407 | 2.55 | 128 |

All India | 391750 | 100.00 | 447821 | 523185 | 607049 | 667418 | 757092 | 854483 | 951691 | 1049109 | 1158775 | 100.00 | 196 |

Source: Government of India, Annual Reports of SIDO of Various Years (1979-80 to 1986-89), Development Commissioner, Small Scale Industries (DCSSI), New Delhi.

* Goa has been divided into a state since 12th Aug., 1987, therefore, the figures in the years 1987 & 1988 were calculated in states total.
Andhra Pradesh is one of the industrially backward states in the country. In view of the urgent need of rapid industrialisation, many steps have been initiated to accelerate the industrial development of the state, particularly in the small-scale sector. As a result, there has been a rapid growth of small industries in the state in recent years, as is evident from the Table 1.4.

It can be noticed from Table 1.4, that in the district-wise and region-wise analysis of the small-scale industrial units, fixed capital and employment are used to study the variations in the growth of these variables in a decade. As on March 1979 there were 30,342 small-scale units functioning in the state. By March 1988 the number of units rose to 65,832, showing an increase of 117 per cent. Fixed capital increased more rapidly from Rs.150.62 crores to over Rs.479.44 crores increasing by 218 per cent. The employment increased from 3.30 lakh persons to 5.93 lakh persons, recording an increase of 80 per cent.

It may be seen that considerable progress has been achieved in all respects in all the districts/regions of the State. However, the progress in the different districts/regions has been uneven.
### Table 1.4
District-Wise and Region-Wise Small-Scale Units, Fixed Capital and Employment in Andhra Pradesh

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>District</th>
<th>as on March 1970</th>
<th>as on March 1988</th>
<th>Incremental percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Units</td>
<td>Fixed Capital</td>
<td>Employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rs.'000</td>
<td>Rs.'000</td>
</tr>
<tr>
<td>1</td>
<td>Srikakulam</td>
<td>575</td>
<td>17995</td>
<td>5045</td>
</tr>
<tr>
<td>2</td>
<td>Vizianagaram</td>
<td>426</td>
<td>18417</td>
<td>5170</td>
</tr>
<tr>
<td>3</td>
<td>Visakhapatnam</td>
<td>1044</td>
<td>48291</td>
<td>11264</td>
</tr>
<tr>
<td>4</td>
<td>East Godavari</td>
<td>1958</td>
<td>82079</td>
<td>19320</td>
</tr>
<tr>
<td>5</td>
<td>West Godavari</td>
<td>1640</td>
<td>68363</td>
<td>19919</td>
</tr>
<tr>
<td>6</td>
<td>Krishna</td>
<td>2861</td>
<td>128993</td>
<td>24461</td>
</tr>
<tr>
<td>7</td>
<td>Guntur</td>
<td>1947</td>
<td>101272</td>
<td>31159</td>
</tr>
<tr>
<td>8</td>
<td>Prakasam</td>
<td>1403</td>
<td>39121</td>
<td>15922</td>
</tr>
<tr>
<td>9</td>
<td>Nellore</td>
<td>1713</td>
<td>61056</td>
<td>13905</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>13587</td>
<td>568447</td>
<td>147646</td>
</tr>
</tbody>
</table>

*contd.*
<table>
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<th></th>
<th>1</th>
<th>2</th>
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<th>4</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Chittoor</td>
<td>1262</td>
<td>40925</td>
<td>9682</td>
<td>2210</td>
<td>17139</td>
<td>17034</td>
<td>75</td>
<td>318</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Cuddapah</td>
<td>1173</td>
<td>57051</td>
<td>11542</td>
<td>2521</td>
<td>121205</td>
<td>18306</td>
<td>115</td>
<td>113</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Ananthapur</td>
<td>1344</td>
<td>51241</td>
<td>11776</td>
<td>2298</td>
<td>127502</td>
<td>18191</td>
<td>71</td>
<td>149</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Kurnool</td>
<td>1044</td>
<td>50028</td>
<td>12062</td>
<td>2080</td>
<td>139237</td>
<td>20789</td>
<td>99</td>
<td>178</td>
<td>72</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4828</td>
<td>190225</td>
<td>45162</td>
<td>9109</td>
<td>599083</td>
<td>74329</td>
<td>89</td>
<td>181</td>
<td>65</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### III. TELANGANA REGION

|   | 14. Mahaboobnagar | 683 | 28052 | 4437 | 1920 | 170265 | 14661 | 81 | 507 | 158 |
|   | 15. Rangareddy | 865 | 113919 | 13910 | 3776 | 673525 | 44952 | 327 | 492 | 223 |
|   | 16. Hyderabad | 4666 | 331968 | 54753 | 7301 | 509573 | 71932 | 50 | 54 | 31 |
|   | 17. Medak | 613 | 75219 | 12994 | 2322 | 452174 | 28414 | 279 | 501 | 119 |
|   | 18. Nizamabad | 695 | 35885 | 14654 | 1895 | 106972 | 23614 | 173 | 198 | 61 |
|   | 19. Adilabad | 481 | 32190 | 9392 | 1916 | 74100 | 12599 | 111 | 133 | 34 |
|   | 20. Karimnagar | 1014 | 28775 | 7199 | 2449 | 154108 | 15608 | 142 | 436 | 117 |
|   | 21. Warangal | 788 | 27557 | 5695 | 1931 | 142427 | 15487 | 152 | 417 | 131 |
|   | 22. Khammam | 1017 | 33167 | 6075 | 2468 | 123502 | 14446 | 143 | 172 | 130 |
|   | 23. Nalgonda | 890 | 34900 | 7580 | 2268 | 201546 | 17821 | 155 | 477 | 135 |
| **Total** | 11932 | 741552 | 137690 | 27406 | 2609217 | 255374 | 130 | 262 | 86 |

**Andhra Pradesh** 30342 1506224 330430 65832 4794352 5938817 117 218 80

**Average (X)** 1319 66408 14370 2862 208450 28918 - - -

**Source**: Records of Commissioner of Industries, Government of Andhra Pradesh, Hyderabad.
ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPs)

That entrepreneurial resource is a crucial input in the process of economic development has now been widely recognised by all concerned. With the growing emphasis on the role of medium and small-scale enterprises in view of their contributions to economic growth and regional development and recognition of the fact that employment is generated at a relatively low capital cost, a wide range of schemes and programmes aimed at accelerating the tempo of new activities in the decentralised sector has been devised in many developing countries. It is found from experience that entrepreneurs do not respond spontaneously to available business opportunities despite various incentives and inducements. Therefore, an effective mechanism is sought to enlarge the pool of new entrepreneurs who will be helped to defy risks and uncertainties while establishing new ventures.

In order to quicken the forming of such new ventures, imaginative policies and programmes, backed by sound institutional support are called for to identify, motivate and strengthen the new breed of entrepreneurs. The new entrepreneurs should come from the non-traditional groups, thereby breaking the monopoly of dominant business castes and communities and diversifying the entrepreneurial resource base of a country. The programmes have to
contribute to individual growth as part of a national drive for human resource development. All this is being realised in India through the package and strategy of Entrepreneurship Development Programmes.

EDP Experiences of India

It was only in the post-independence years the Government of India realised fully the necessity of entrepreneurship development and decided on one hand to identify individuals from all communities who had entrepreneurial talent and train them through properly organised EDP programmes, and on the other set up various agencies/ institutions with different incentives and facilities for the development of small-scale industry.

In the sixties, the various programmes taken up by the Small Industries Service Institute (SISI) and Small Industries Extension Training (SIET) Institute tried to fill the information lacuna there was and provide information relevant to small entrepreneurs, who required a lot of information for setting up business units. These programmes rendered great service by disseminating knowledge on financial, technical and managerial aspects. To that extent, these programmes were not basically programmes towards entrepreneurship development, but were in the nature of supportive programmes for the existing and the new entrepreneurs.
The first major and systematic effort to identify and develop new entrepreneurs especially from non-conventional community backgrounds was first made in 1970 in Gujarat. Only one or two EDPs were organised in the initial years, as a sort of side activity by one agency; i.e. Gujarat Industrial and Investment Corporation in Gujarat. Later in May 1979, another dimension was added with the setting up of the Centre for Entrepreneurship Development (CED) in that State, by the State Government along with four other State-level institutions Gujarat Industrial Development Corporation (GIDC), Gujarat State Financial Corporation (GSFC), Gujarat Industrial and Investment Corporation (GIIC), Gujarat Small Industries Corporation (GSIC). The CEDs success in turn convinced India's national financial institutions about the relevance of the programme to other states and the need of a national agency.

Encouraged by the continued success of EDP activities in Gujarat and compelled by a growing national concern for generating self-employment among unemployed persons, a number of official and semi-official agencies, and having realised the dire need of entrepreneurship for the development of the country, took up similar EDPs in their respective areas. At present, the EDPs work is being undertaken by over 50 different agencies all over the country. The salient features of some of the agencies
which are actively engaged in EDP work are worth noting:

1) 27 Small Industries Service Institutes (SISIs) are set up by the Government of India. They conduct programmes primarily for fresh engineers, technical diploma-holders and unemployed science graduates.

ii) 17 Technical Consultancy Organisations (TCOs) are jointly sponsored by such financial institutions as Industrial Development Bank of India (IDBI) and or Small Industries Development Bank of India (SIDBI); Industrial Credit and Investment Corporation of India (ICICI); and Industrial Finance Corporation of India (IFCI); along with state level financial institutions and banks. The TCO programmes for entrepreneurship development are meant for young graduates, the educated unemployed, and in some cases, experienced employees, traders and women.

iii) Some 10 to 12 other agencies such as the nationalised banks, management institutes and voluntary organisations, universities and colleges also are now starting EDPs through a few elective papers as part of their regular courses of study.

With such burgeoning of the EDP activities, it was felt that the time was ripe for the emergence of some apex, all India institutions to help and guide the next phase of consolidation and development of EDP work in the country.
Accordingly the following two institutions were set up:

a) Entrepreneurship Development Institute of India (EDI) Ahmedabad, was set up in 1983, at the initiative of the IDBI with support from the ICICI, the IFCI, the SBI and also the state Government of Gujarat.

b) National institute for Entrepreneurship and small business Development (NIESBUD), New Delhi.

EDPs of Andhra Pradesh and Chittoor District

The EDPs in Andhra Pradesh today are recognised in India as comprehensive and successful. In this state the EDPs are conducted mainly by Andhra Pradesh Industrial and Technical Consultancy Organisation (APITCO), Andhra Pradesh State Financial Corporation (APSFEC), and a few programmes are conducted by commercial banks.

Andhra Pradesh Industrial and Technical Consultancy Organisation (APITCO)

The APITCO, having professional experience in counselling entrepreneurs, identifying project ideas and preparing detailed project reports, is conducting EDPs since 1979 and it has so far conducted 94 programmes in different places of the state.

Table 1.5 shows that the APITCO alone has identified and developed 2843 new entrepreneurs out of 94 programmes in the last thirteen years. Already 448
industrial enterprises are in operation and some other enterprises are expected to do so in the near future. Of the total EDPs, 2194 (77.17 per cent) entrepreneurs are trained from 69 (73.4 per cent) general programmes, 386 (13.58 per cent) women entrepreneurs from 16 (17.02 per cent) women EDPs, 227 (7.98 per cent) technical entrepreneurs from 8 (8.51 per cent) Science and Technology category Programmes and finally 36 (1.27 per cent) minority entrepreneurs from only one ED Programme. Out of these entrepreneurs trained

**TABLE 1.5**

**ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES CONDUCTED BY ANDHRA PRADESH INDUSTRIAL AND TECHNICAL CONSULTANCY ORGANISATION (APITCO) FROM 1979-80 TO 1991-92**

<table>
<thead>
<tr>
<th>Type of Entrepreneurship Development Programmes (EDPs)</th>
<th>No. of EDPs conducted</th>
<th>No. of candidates trained</th>
<th>No. of units set up*</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>69 (73.30)</td>
<td>2194 (77.17)</td>
<td>303 (67.63)</td>
</tr>
<tr>
<td>Women</td>
<td>16 (17.02)</td>
<td>386 (13.58)</td>
<td>94 (20.98)</td>
</tr>
<tr>
<td>Science &amp; Technology</td>
<td>8 (8.51)</td>
<td>227 (7.98)</td>
<td>42 (9.38)</td>
</tr>
<tr>
<td>Minorities</td>
<td>1 (1.06)</td>
<td>36 (1.27)</td>
<td>9 (2.01)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>94 (100.0)</strong></td>
<td><strong>2843 (100.0)</strong></td>
<td><strong>448 (100.0)</strong></td>
</tr>
</tbody>
</table>

Note: Figures in parentheses indicate percentages to totals

* In the financial year 1991-92, No of programmes were 8, No. of candidates trained are 214. But No. of units set up figures are not yet available.

Source: Records from APITCO and Commissioner of Industries, Hyderabad.
from these programmes, 303 (67.63 per cent) units from general category, 94 (20.98 per cent) units from women, 42 (9.35 per cent) from Science and Technology and 9 (2.01 per cent) units from minorities group entrepreneurs have been set up already. Besides, these units have gone into production, providing employment nearly to 2,000 members.

It may also be seen from Table 1.6 that the yearly EDPs conducted and the candidates trained since 1979 are 94 and 2843 respectively. On an average 30 candidates in each programme were trained. The organisation has conducted 17 (18.08 per cent) programmes which is the highest in which 532 (18.71 per cent) candidates were trained in the year 1983-84, followed by 13 (13.83 per cent) programmes covering 432 (15.19 per cent) candidates in 1985-86 and 10 programmes involving 236 candidates in the year 1989-90. It is obvious from the table that while in the initial years very few people were trained by APITCO, the number of trained people picked up considerably in the middle years. It may also be noticed that the number of trainees slightly declined in the later years.

Since then, the APITCO has conducted 5 programmes in the Chittoor district at different locations like Tirupati, Chittoor and Mandapalle Towns, of which 2 programmes were exclusively for women and the remaining 3 programmes were General Programmes. Altogether 50 women
candidates were trained in these two programmes. Among the trained women sixteen are about to start their small-scale enterprises. At the same time in the General category 97 candidates were trained, of whom 14 have started enterprises which are in operation.

**TABLE 1.6**

**EDPs CONDUCTED BY APITCO FROM 1979-80 TO 1991-92**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Programmes</th>
<th>No. of Candidates trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>1 ( 1.06)</td>
<td>30 ( 1.06)</td>
</tr>
<tr>
<td>1980-81</td>
<td>1 ( 1.06)</td>
<td>30 ( 1.06)</td>
</tr>
<tr>
<td>1981-82</td>
<td>2 ( 2.13)</td>
<td>72 ( 2.53)</td>
</tr>
<tr>
<td>1982-83</td>
<td>4 ( 4.26)</td>
<td>144 ( 5.07)</td>
</tr>
<tr>
<td>1983-84</td>
<td>17 (18.08)</td>
<td>532 (18.71)</td>
</tr>
<tr>
<td>1984-85</td>
<td>9 ( 9.57)</td>
<td>267 ( 9.39)</td>
</tr>
<tr>
<td>1985-86</td>
<td>13 (13.83)</td>
<td>432 (15.19)</td>
</tr>
<tr>
<td>1986-87</td>
<td>5 ( 5.32)</td>
<td>164 ( 5.77)</td>
</tr>
<tr>
<td>1987-88</td>
<td>7 ( 7.45)</td>
<td>229 ( 8.05)</td>
</tr>
<tr>
<td>1988-89</td>
<td>9 ( 9.57)</td>
<td>259 ( 9.11)</td>
</tr>
<tr>
<td>1989-90</td>
<td>10 (10.65)</td>
<td>236 ( 8.30)</td>
</tr>
<tr>
<td>1990-91</td>
<td>8 ( 8.51)</td>
<td>234 ( 8.23)</td>
</tr>
<tr>
<td>1991-92</td>
<td>8 ( 8.51)</td>
<td>214 ( 7.53)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>94 (100.0)</strong></td>
<td><strong>2843 (100.0)</strong></td>
</tr>
</tbody>
</table>

Note: Figures in parentheses indicate percentages to totals

Source: APITCO and Commissioner of Industries, Hyderabad.
Andhra Pradesh State Financial Corporation (APSFC)

The APSFC launched a new and unique ED Programme for the first time in the financial year 1989-90 in the state, the programme has been conceived the idea of picking up entrepreneurs from various classes and sections of the society at the grass-root level for offering them training in all aspects of a project.

During the financial year 1989-90 the corporation conducted 31 EDPs covering all the districts of the state for various categories training 841 candidates. Of those trained, 181 entrepreneurs have filed their loan applications and 130 applications were sanctioned and 29 are under process. In the year 1990-91, the corporation conducted 102 EDPs in which 3129 beneficiaries consisting of 2788 men and 341 women were trained.

During these two financial years the corporation has conducted 8 EDPs in the Chittoor district, of which 4 programmes have taken place in Tirupati town and two each in Chittoor and Madanapalle. In each programme on an average 30 candidates have been trained.