CHAPTER II

METHODOLOGY OF RESEARCH
The economic development of developing countries, particularly India, depends very much upon the performance of the agricultural and industrial sectors. Majority of the population in our country depends upon agriculture which has vast employment potential but it has not been able to absorb the fast multiplying population of the country. This situation calls for developing alternatives to meet the needs of the ever growing population. India has a vast reservoir of natural and human resources. The basic needs of the people can be met only when the latent energies, skills and the resources of the country are fully utilised. This can be done only through a quick but systematic growth and development of industrialisation. Consequently, our planners and economists have focused their attention on accelerating the economic growth through rapid industrialisation since independence. Soon after attaining independence, a number of measures were undertaken to foster industrial development by enunciating a number of new industrial policies and launching five year plans. Despite all these hectic efforts the industrial sector has been lagging far behind our expectations. One of the possible reasons is the failure of the human factor in the management of the industrial sector.

In the process of industrialisation, the small-scale sector assumes a pivotal role in the developing countries like India where there are chronic problems of unemployment, serious dearth of capital, shortage of
technical know-how, and certain inherent structural imbalances in the economy. Because this sector has a high potential for generation of employment, dispersal of industrial units, narrowing down of regional imbalances, utilisation of hitherto untapped locally available resources and promotion of entrepreneurship. In view of the specific problems of our economy, the small-scale sector has been assigned high priority in the development of economy and accorded top priority in the successive five year plans for achieving the avowed socio-economic objectives, particularly growth with equity. A plethora of measures have been taken up and in conformity with the industrial policy of the government, several developmental banks have been set up to cater to the financial and managerial needs of the small entrepreneurs. Inspite of all these measures, the small-scale units are still plagued with a number of problems. The crux of the problem is the entrepreneur who is found lacking in initiation, motivation, innovation and spirit of encountering and handling risk and returns which are closely associated with all business operations.

Despite the measures taken by the government to create a congenial atmosphere to encourage the entrepreneur, the development of entrepreneurship in our country is still far from satisfactory. The success of any entrepreneur in any enterprise depends on his capacity for leadership, the extent of his skill, competitiveness, self-reliance and
financial resources. In other words the success of any business depends upon its entrepreneurial talents. In this regard the situation in our country is discouraging particularly in the small industrial sector, where a majority of the units are in a moribund state. There is a conspicuous lack of entrepreneurial skill, innovative and managerial skills. What is more, the entrepreneurs are afraid that all small units will land in troubles due to industrial sickness, which is one of the knotty problems not easy to solve. Therefore, prospective entrepreneurs feel discouraged. It is the dire need of the day that the entrepreneur is properly motivated, encouraged and equipped with the requisite technical, managerial skills and financial resources which would enable him to succeed, and thus help the process of rapid industrialisation.

The Present chapter endeavours to present first a review of literature pertaining to the problem chosen for inquiry, then state the problem, defining its scope and limits, and then give an account of the methodology adopted for investigation.

REVIEW OF LITERATURE (ON ENTREPRENEURSHIP)

(As the present inquiry is concerned with the structure and problems of entrepreneurship, an attempt is made here to review the earlier studies on entrepreneurship so that greater insight into the subject is obtained, land
the bearings of the present study taken. As a matter of fact, academic discussion of entrepreneurship began to take place only in the late 'fifties. Since then many renowned writers, eminent scholars have examined the different aspects of it. Some of the important studies pertaining to entrepreneurship are summarised below under three broad categories, viz.:

(a) Studies in other countries,
(b) Studies in India and
(c) Studies in Andhra Pradesh.
They may be considered one after another.

Studies of Entrepreneurship in Other Countries
Many studies of entrepreneurship have been conducted in different countries of the world like Greece, Japan, African Countries, Lebanon, France, Indonasia, Phillipines, and Pakistan. There have been a few studies made in some Asian countries, without special reference to any particular country.

A.P. Alexander\(^1\) has conducted a study of 354 Greek industrialists, pertaining to the supply of entrepreneurs, and the nature of their policies. He observes that "the reforms of Kemal Ataturk, inflicted damage to the prestige and status of some groups of Greek people. These groups were

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well attracted by the lure of large profits and new opportunities". He identifies the following as some of the root causes for the low success rate of Greek entrepreneurs', high cost of production, inability to tackle problems effectively, unsympathetic attitude towards workers, reluctance to share with others ownership and control of enterprise, influence of Greek cultural values and lack of proper educational base for their role as managers. Alexander also notices that there was considerable upward mobility in entrepreneurial activity among those whom he studied.

Hirsschmeier and Zazuo Noda describe the Japanese entrepreneur as "Community Centred". Watanabe finds that in Japan, small entrepreneurs have to overcome various barriers in order to set up business. Competition appears to be very severe, the difficulties and risks one encounters are much onerous. Gustav Ramis says of the community centred entrepreneur that he lies, "somewhere between the Schumpeterian autocentred entrepreneur and the


caricature of government officials\(^1\), Koizo Yamamura questions this view.\(^2\) He points out that the revolutionary reforms introduced by the Meiji emperor disappointed the lesser Samirai of their status and substance and they, obeying the Hasenian Law of subordinate group, provided economic leadership in entrepreneurial garb.\(^3\) A combination of strong will power, thriftiness, hardwork, determination to succeed, all have produced an abundant supply of entrepreneurship in Japanese manufacturing.\(^4\)

The entrepreneurs of Japan belong to a developed economy. But their counterparts in some of the African and Asian countries are not so fortunate.

John Harris\(^5\) has conducted a study of 269 Nigerian entrepreneurs, engaged in different industrial activities like saw-milling, manufacture of furniture, printing, rubber processing, garment-making and banking. Harris finds that the Nigerian entrepreneurs are almost successful in identifying opportunities and gaining command over

1. Koizo, Yamamura, (ed) op.cit, pp.144-145.
2. Ibid.
3. Ibid.
4. Susumu, Watanabe, op.cit.
resources, but they are relatively unsuccessful in the management of enterprises. Harris\(^1\) has listed some of the factors hindering entrepreneurial development in Africa, as identified by some others too: difference between the social world in which an African entrepreneur lives and economic world in which he has to operate\(^2\), undeveloped and uninstitutionalised way of gaining knowledge, recruiting skills and borrowing money; lack of inter-regional mobility; lack of commercial experience; oligopolistic market conditions;\(^3\) shortage of viable projects;\(^4\) absence of business environment;\(^5\) management deficiency resulting in


low level of capacity utilisation; lack of prudent financial management and little propensity to innovate\(^1\).

Peter Kilby\(^2\) observes that in Lagos, another African country, socio-cultural factors hinder the development of entrepreneurial characteristics. According to Peter Marris, African entrepreneurs have been able to reach great heights because of their ability to separate domestic matters from business matters. Development of contacts, widening the horizon of experience, and breaking the vicious circle of isolation can foster entrepreneurship in African countries, which are struggling to develop.

Yousif, A. Sayigh\(^3\) studied in 1956, 207 Lebanese entrepreneurs engaged in manufacturing, agricultural, financial and service sectors. In Lebanon, christians constituted a disproportionate share of innovating entrepreneurs. The major occupation of the entrepreneurs prior to their present activity was trade which together with industry comprised about two-thirds of their previous

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occupations. They viewed their own economic and social statuses as higher than those of their fathers. In a subsequent analysis of the Arab World made in the sixties, Sayigh stressed that through cultural values did pose some resistance to development, they were not as strong as they are believed to be by the sociologists.

Hoselitz's study of the French and British entrepreneurs gave prime importance to capital formation and work experience, among factors influencing entrepreneurship among them. The French entrepreneur is conservative, security-minded, valuing independence in preference to growth, cautious thrifty and Calvinist.

With reference to Indonesia, which had been under the occupation of the Dutch, Higgins notes that entrepreneurship developed on the Indonesian islands where the impact of Dutch destruction of entrepreneurial motives was not deep rooted. While Bajans had a 'group focused


image of change', the Japanese has an 'ego focused image of change'.

In another study of Indonesian entrepreneurs, Kroef considered the entrepreneurs in relation to the middle class of the country. He emphasised that the economic development of the country was impeded by political factors and he did not consider the religious or cultural factors as impediments to the entrepreneurial development in Indonesia.

Carroll, in his survey of 92 industrial entrepreneurs in the Philippines, a developed economy identified the causes for the entrepreneurs originating disproportionately from big cities. He also found that their culture contributed to entrepreneurial success. Further, he observed that there was a very impressive amount of mobility in the family of the entrepreneurs.


Gustav Papanek, conducted in 1959 a survey of 250 industrialists in Pakistan, each employing twenty or more workers. With the 'partition' of the former united India, and the dominant Hindu businessmen leaving the country, all opportunities for development in Pakistan remained exclusively with the Muslim business community. Papanek identified that economic incentives, conditions of acute scarcity in the country, contraction of foreign trade, import of machinery at liberalised terms, contributed significantly to develop and encourage a good number of industrial entrepreneurs. He argued that the findings of his study lend support to the view that entrepreneurship in manufacturing arose in response to powerful economic incentives rather than significant changes in socio-psychological variables. Further, he maintained that a responsive bureaucracy, favourable government policies, a value system and institutions not hostile to entrepreneurship, a group of responsive traders, and a stable political system contributed in favour of the growth and development of entrepreneurship in Pakistan.

In another study of entrepreneurship in Pakistan Zafar Altaf found that decentralised management practices, dispersal of location, family support, competitive spirit and change in motives from profit to patriotism, and independence were responsible for the success of the entrepreneurs. He also noticed that education was a modernising factor of Pakistani entrepreneurs and that occupational representation in entrepreneurship was growing.

Throwing his net wide Sharma conducted a comparative study of the promotion of small enterprises by institutions and agencies in the developing countries of Asia, such as Malaysia, Bangladesh, Thailand, Korea, Hongkong, India and Phillipsines. This study identified that the policy for the promotion of small industries in all these countries was defective, as it suffered from a lack of integration, organisation and exclusiveness. In some cases, the policy formulations were not clear and they needed constant revision. Sharma found hardly any coordination among the various support organisations to evolve an appropriate and integrated approach.


In a different comparative study Bhattacharya studied the industrial and agricultural entrepreneurs of eleven South-East-Asian countries, namely Brunei, Cambodia, Indonesia, India, Laos, Malaysia, North Vietnam, Singapore, South Vietnam, Philippines and Thailand. He evolved a model of entrepreneurial development for these countries based on his in-depth study of the problems and prospects of entrepreneurs. However, he felt that the model by itself would not work miracles, unless a sustained herculean efforts were taken to solve the complex and deep-rooted problems in each country.

Studies in Indian Entrepreneurship

There have been a number of empirical studies by Indian scholars in the various aspects of entrepreneurship in India. It would be appropriate to have a brief review of some of them.

In the early fifties Mc Crory studied small-scale firms, 14 in Chopur and 3 in Moradabad towns in Uttar Pradesh, with the objective of finding out whether there


were typical patterns of growth in the small machine industries, and if so, to isolate, by comparing the case histories of individual enterprises, the common factors that were associated with growth, decline or stagnation. He considered family background in crafts as a necessary source of 'good' industrial entrepreneurs. He analysed the causes for the high mortality rate among the firms and lack of growth in them. He recommended that an opportunity to grow be given to them through provision of capital.

Gadgil, in his historical study of India's industrial evolution observed that the economic development of the country was mangled by the colonial rule; otherwise the craft-based industries had been flourishing well at the beginning of the eighteenth century. He also listed the communities involved in trade, finance and handicraft industries in the different geographical regions of India during the seventeenth and eighteenth centuries.


Andrew Brimmer\(^1\) conducted an intensive and analytical study of the impact of the managing agency system on the setting of entrepreneurship in India. In his study he explains the origin and growth of the system and indicates its contributions to economic development. He argues that the managing agency system of industrial organisation was the result of efforts by the British and Indian entrepreneurs to overcome the hardships caused by the lack of capital and business acumen. This system gave more scope for such scarce factors as finance and management but it led to extensive concentration of wealth in a few and malpractices.

Amlendu Guha\(^2\) reviews in his articles the growth of the Parsi business community, in particular in its transitional phase, over a period of 100 years till 1850. He holds that religion puritanism cannot considered as wholly responsible for the success of the Parsi entrepreneurs. He believes that neither religion nor puritanism explains the achievement-orientation of the Parsis. Their interest in


European forms of business organisation, exploration of new markets, business acumen and acquisition of a working knowledge of the English language are major contributory factors to their commendable success in business and industry.

Berna\textsuperscript{1} conducted an in-depth study of 52 medium-scale manufacturing units engaged in light engineering production in and around the Madras and Coimbatore cities. His study purports to review the occupational and socio-economic background of a group of entrepreneurs, their origin, the way in which they became entrepreneurs, and the hardships they faced in the establishment and development of their enterprises. This study, reveals that 85 per cent of the enterprises established as small-scale units were developed over the years into medium-scale units. He observes that many entrepreneurs have been diversifying production activity and shifting it into new lines of activity, but their performance in technological improvement has not been impressive. Dr. Berna feels that if a certain package of help in techniques of production process and management could be provided to the entrepreneurs, their performance could be considerably improved.

Ramakrishnan undertook a study of 94 small-scale units in urban Delhi, each employing five or more persons in 11 important industry groups, which mostly covered non-traditional items of manufacture. His study focused attention on the units which came into operation in 1965 or after, considering them as 'new units' and those who operated them as 'new entrepreneurs'. Ramakrishnan has analysed in detail, the number of units in each group covered, the labour employed and its output, information relating to the entrepreneurs themselves, their socio-economic, educational and technical background, their motivations and the results achieved by them, and the like.

Krishan Lal Sharma studied the entrepreneurial performance in role perspective in Uttar Pradesh, covering a sample of 100 small-scale units of Kanpur, Agra, Firozabad, Varanasi and Meerut. The study revealed that most of the entrepreneurs in Uttar Pradesh had a considerably higher degree of entrepreneurial orientation than entrepreneurial commitment and achievement. Sharma considered the entrepreneurs, the Government officials concerned with

entrepreneurial activities, the trade union leaders and secretaries of the employees' associations as prescribers of entrepreneurial roles, also termed as members of entrepreneurial role set.

Further, Sharma¹ made an exploratory attempt to examine the inter-state patterns of entrepreneurial performance of Punjab and Uttar Pradesh. He observed that entrepreneurship relied much upon the prevailing entrepreneurial climate and interstate variations in the entrepreneurial milieu.

In a different study Sharma², covered 245 small entrepreneurs from Punjab and Uttar Pradesh and evolved a model for entrepreneurial growth. In his model growth is envisaged as a process with four stages viz.,

i) entry (into manufacturing unit)
ii) expansion,
iii) perception of stability (in business), and
iv) commitment to sustained growth.


Another scholar R.A. Sharma\(^1\) conducted a study to evaluate the performance of promoters of 315 non-government manufacturing companies which were incorporated on or after April 1, 1947 in terms of entrepreneurial growth after Independence. The study identified and explained in detail the environmental factors affecting entrepreneurship, institutional finance and other resources of the entrepreneurs and locational mobility of entrepreneurs. \(^/\)

Gupta\(^2\) recently studied entrepreneurial performance of 60 small entrepreneurs, taking 20 each from Kanpur, Allahabad and Gorakhpur, in Uttar Pradesh. In his study he deals in detail with the essential qualities and functions of entrepreneurs, policy framework and support systems to develop entrepreneurship in the small sector. He makes recommendations for framing policies in future and outlines the role of the government in developing entrepreneurship in the small industry sector. \(^/\)

Singh\(^3\) made a study of 25 small units in Agra engaged in light engineering with the objective of analysing

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the socio-economic factors affecting the entrepreneurs, important motivational forces, and the impact of government assistance on entrepreneurship.

Bhatia\(^1\) examines in relation to the history and present situation, 50 small units located in Punjab. He studies the socio-economic background of the entrepreneurs, their attitudes towards industry, ways of entry into industry and the problems faced at the time of establishing and building up their enterprise.\(^1\)

Three scholars, Moulik, Patel and Basu\(^2\) made a study of 100 non-agricultural entrepreneurs drawn from a dozen villages of the Anand Taluka in Gujarat. They grouped these entrepreneurs under three broad categories of manufacturing, processing and trade or services, and found that the entrepreneurs of these groups needed three different sets of traits for their success.

Hazlehurst\(^3\) studied Ramnagar (a fictitious name for a town on India - Pakistan border) entrepreneurs and


examined the impact of migration on the entrepreneurial structure and observed that the entrepreneurial continuity was augmented by the migrant entrepreneurs and also that the refugee entrepreneurs proved to be more innovative than the local entrepreneurs.

The UNESCO Research Centre,¹ in its study on a metal industry of Howrah in West Bengal observed that the industrial entrepreneurship sprang up gradually owing to a shift in the entrepreneurs from their traditional occupations to industry. This might have been due to their educational attainment which stimulated prospective entrepreneurs to come out with a resolve to succeed.

Rao and Sumithra² identified some of the factors which stimulated and others which impeded the growth of entrepreneurship. They made an attempt to study the role of government policies and programmes in promoting entrepreneurship. They felt that, though the policies of the government in some cases foiled entrepreneurship, they played a positive role in most cases. They assessed this


role in terms of the abilities of the entrepreneurs to increase their assets, to diversify their products and to widen their market.

In his study of entrepreneurial development in Marathwada, Deshpande has observed that backwardness of the Marathwada region is mainly due to a lack of prospective entrepreneurs in the region. According to him the policies of the government, the upper strata of society, social and political leadership, occupational background, family aspirations, and general infrastructure are important factors which contribute to the development of entrepreneurship. His study also indicates that the emergence of entrepreneurship is not merely a psychological or socio-psychological phenomenon but it is also conditioned by the political milieu and the administrative system and the commitment to economic development.

Shetty has examined the role of 'imitative', as opposed to 'innovative' entrepreneur - managers in the newly industrialising countries. He points out that in the developing countries smaller firms mostly belong to private entrepreneurs. Taking Indian examples, he generalises that


these smaller firms which are operated at the household level have the advantage of nurturing the necessary entrepreneurial talents.

P.N. Singh's study based on some cases of successful entrepreneurs aims at identifying factors for success and for developing entrepreneurship for economic growth in a country. He examines the social values related to entrepreneurship, importance of entrepreneurship in economic development, governmental efforts to encourage entrepreneurs, factors influencing entrepreneurship, and suggest a model for entrepreneurial development.

Subramanian, Shivakumar and Palanisami conducted a modest survey of 150 small-scale entrepreneurs in the Madurai city and its environs, with a view to delineate the characteristics of entrepreneurs in small-scale industries in a particular locality, Madurai and its environs, and the influential factors of entrepreneurship.

Hadimani conducted a survey of 200 traditionally trading entrepreneurs belonging to the weaving and


non-weaving castes, in the handloom industry of Mahantapur. His study indicates that caste attachment to the caste occupation was strong, but interestingly it promoted entrepreneurship in the case of the trading caste and hindered it in the case of the weaving caste. He is of the view that, this dual role of caste in entrepreneurship is mainly due to the presence or lack of several social, economic, political, educational and human resource factors.

Bisht and Sharma¹ have studied the entrepreneurial planning and setting by surveying 150 entrepreneurs of the Faridabad district in Haryana. Their study entails a wide spectrum of a carefully planned investigative entrepreneurial dimensions involving entrepreneurial setting and some empirical evidences. The investigators find that in the modern setting the caste factor is not so important as the family factor, and that the inter-generational/intra-generational influences are the dominant factors deciding the course of entrepreneurial history and its repetitive nature. An important finding of the study is that majority of the entrepreneurs surveyed have hardly any business or traditional background.

Bhanushali\textsuperscript{1} has made a study of 125 light engineering industries of Kolhapur in the Maharashtra State, with particular reference to the economic, social, educational and occupational backgrounds of the entrepreneurs. He has also examined the organisational set-up, personnel production, finance, marketing and entrepreneurial creation on the basis of which the development of entrepreneurs' personality is charted. He concludes that persons from the minority or marginal groups trained in the art of engineering and having long contact with engineering industry have better capabilities to achieve success.

Khanka\textsuperscript{2} studied 50 small-scale entrepreneurs in a notified backward region of the Kumaun division of Uttar Pradesh regarding the emergence, performance and problems of entrepreneurship. A guiding assumption of this study is that true display of the entrepreneurial role and attributes can be well seen only in the case of small-scale entrepreneurs. The study brings under its purview entrepreneurial setting, entry into entrepreneurship, financing of entrepreneurship, entrepreneurial performance and their problems. Khanka lays stress on the policy implications to provide liberal

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incentives and concessions to the entrepreneurs to encourage, promote and strengthen the small units in backward areas.

Studies of Entrepreneurship in Andhra Pradesh

This section makes an attempt to provide an overview of entrepreneurial studies in Andhra Pradesh to which the study area of the present inquiry belongs. There have been some attempts to study various aspects of entrepreneurship in the state.

Two decades ago Gaikwad and Tripathy\(^1\) studied in detail the enterprises of the well-known family of Mullapudi Harichandra Prasad in the West Godavari District. In addition they also examined the small entrepreneurs of the Tanuku region in the same district. For the main focus of their study, they selected ten other entrepreneurs who had started industries after 1947 and a purposive sample of 15 entrepreneurs in Trade. The study revealed that all the entrepreneurs were persons with initiative, drive, hard-work, resolved on success though the majority of them had hardly any technical or economic base, or political connections. One interesting finding of their study was that even after realising the scope for industrial development in

the region, the traders of the area did not take to industrial entrepreneurship because, in their view, it required a large capital outlay, high managerial and organisational skills and technical knowledge. Moreover, they were not prepared to wait for returns as industries generally have a long gestation period.

The Small Industries Extension Training (SIET) Institute, Hyderabad\(^1\) conducted a survey of 61 small entrepreneurs situated in the twin cities of Hyderabad and Secunderbad, to investigate into the reasons which made them to start their units. The study revealed that "economic gains" was the most important reason for starting small industrial units, and "ambition", "Social Prestige", and "Social responsibility", came next in order. Apart from this, "High demand" for the product perceived was the most encouraging factor. "Capital Shortages" and "Government red-tapism" were identified by the study as the most inimical factors. The study further revealed that younger age, formal education, urban background, experience in industry, high scores in levels of aspirations, risk taking and adoption propensity were some of the positively associated characteristics with entrepreneurship.

1. SIET, Socio-Psychological Factors Influencing and Adoption of the Innovation of Starting a Small Industry Unit, SIET Institute, Hyderabad, 1974.
Nafziger\(^1\) conducted a study of 54 entrepreneurs of small-scale manufacturing enterprises in Visakhapatnam. He analysed extensively the distribution of entrepreneurs by caste and class (parental, economic and occupational status) in relation to the total population of the city, and related the performance of the entrepreneurs to their educational attainment, occupational background, managerial and entrepreneurial experience, initial capital, access to governmental assistance, and business success of the entrepreneurs. He used the value added of the firm and the income class of the entrepreneurs as the major indicators for business success. He arrived at two conclusions: Firstly, rich families succeeded as entrepreneurs due to education, work experience, access to capital and availability of government assistance. And secondly, the socio-economic status of businessmen was generally higher than that of the general population in the non-socialist countries.

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\begin{align*}
\text{Rs} & \quad 33.64 \\
\text{N} & \quad 6.17
\end{align*}
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Fifty one entrepreneurs of the Krishna and Guntur districts were studied by Lakshmana Rao\(^2\) with a view to finding out how far programmes and the policies of the


government fostered industrial entrepreneurship. He was of the view that the government schemes did certainly give a boost to entrepreneurship in Andhra Pradesh.

Sarveswara Rao and Lakshmana Rao\(^1\) conducted a study of commercial and industrial establishments in two areas of coastal Andhra Pradesh namely the Vijayawada - Guntur and the Visakhapatnam - Anakapalli areas. They focused attention on important socio-cultural variables like social community, regional origins, educational levels and family background as well as working of industrial and commercial enterprises. The study found that the average size of enterprises in the industrial estate was bigger than that of the enterprises outside the industrial estate.

Reddy and Murthy\(^2\) conducted a study of 18 entrepreneurs in the Industrial Estate in the Ananthapur district. Their study revealed that an entrepreneur's family and educational background did not contribute significantly to the success of the enterprise. The study suggested a strategy for the development of backward areas.


To study entrepreneurs operating in Indian industrial estates, with special reference to those in the coastal regions of Andhra Pradesh, Gangadhara Rao selected 87 entrepreneurs operating in 13 estates of Coastal Andhra Pradesh. It was his observation that educational and income levels were important factors in motivating entrepreneurship. He found that, money making was the major ambition of the entrepreneurs he surveyed. He came to the conclusion that the impact of industrial estates on the emergence of entrepreneurship in coastal Andhra Pradesh was marginal. Other and effective steps had to be taken at an accelerated pace to germinate entrepreneurship.

Narasimha Murthy conducted a study to evaluate the growth of enterprises in Anakapalle and Gudivada, which are two small towns of Coastal Andhra Pradesh. On the basis of the entrepreneurial activities like farming, trading, manufacturing, profession etc., he sought to identify the socio-economic origins, to ascertain entrepreneurial process and promises, to analyse occupational and geographical mobility through generations and to high-light their problems. Murthy holds the view that the Indian society is


witnessing a slow and gradual but sure transformation and
the seeds of entrepreneurship are sprouting even in the
hitherto less enterprising social segments. He finds that
the process of entrepreneurship has certainly accelerated.

The studies in the sphere of entrepreneurship
surveyed hitherto appear to have focused attention on
general aspects at the Macro level without covering any
specific problems of entrepreneurship encountered in the
backward districts of the nation. Moreover, these does not
seen to be any research study so far which covers all the
related aspects of entrepreneurship *(in the industrial sector)*
in general and the *(small-scale sector)* in particular,
especially in the notified industrially backward districts
of the state. Hence, the justification for the present study
on "entrepreneurship *(in the small-scale sector)* in the
Chittoor district, which is one such.

**STATEMENT OF THE PROBLEM OF INQUIRY**

As noted already, for a developing economy like
India's, which is faced with the challenging task of solving
innumerable socio-economic problems, the supreme importance
of industrialisation in all sectors, large-scale and small-
scale alike, and the urgent and imperative need to develop
competent entrepreneurship adequate to meet the needs of the
nation's enterprise, can never be over-emphasized. It may be
taken as axiomatic that there can be no industrial
development at all without a simultaneous and commensurate
development of entrepreneurship in all sectors. It may even be asserted that industrial growth and expansion hinges very much on efficient entrepreneurship. The entrepreneur is like a master charioteer who confidently guides and skillfully drives his steeds safely through all kinds of terrain to reach his destination in time. There is a dearth of entrepreneurship in the industrial scene of India today, inhibiting the process of rapid industrialisation. While the government has become aware of the need to develop entrepreneurship and has taken several steps to promote it, the expected results have yet to be achieved. Part of the blame should lie with the prospective entrepreneurs themselves, and part with the milieu in which they find themselves. If lack of will-power, self-confidence, proper motivation, foresight, lack of awareness of opportunities, of managerial skills, technical and financial support, and want of family and community support etc., stand in the way of an entrepreneur, cumbersome formalities in starting an industry, lack of infrastructural facilities, lack of assured marketing, absence of proper training and encouragement from the government, financial and other agencies etc., discourage one from entrepreneurship. This situation has to be remedied. The powers that be are aware of the situation and steps and measures are afoot to promote entrepreneurship. But a great deal remains yet to be done. Potential individuals, on their part, should motivate
themselves properly, acquire the necessary skills, come forward to take with courage calculated risks in their enterprise, to achieve the desired results, and thus contribute their mite to the economic and industrial prosperity of the nation.

The Chittoor district is endowed with rich natural, mineral and agro-based resources which make for industrial development. Its mineral resources, however, are meagre. But yet it has remained essentially an agricultural district without any worth mentioning industrial development though it has been listed among the industrially backward districts. Inspite of many efforts made to boost the process of industrial growth, there has not been any substantial change in the economy of the district through industrialisation. It seems obvious that no adequate steps have been taken to promote entrepreneurship (in industry) by way of encouraging, training and providing managerial, financial and technical assistance to those who might venture of these come forth. Therefore, there is an urgent need to know where entrepreneurial characteristics are, what should be the environment where in an entrepreneur can function successfully and what are or ought to be the promotional measures that the government and allied agencies should undertake for this purpose. There has not been so far any in-depth study of the problems of entrepreneurship development in the Chittoor district.
The present inquiry is a modest (but earnest) attempt (in that direction, and it hopes to remedy, in however a humble measure, the lacuna identified). It differs from the earlier studies on entrepreneurship in terms of its objectives, nature, scope, (coverage and period of study).

OBJECTIVES

(The present study of entrepreneurship in the Chittoor district with particular reference to the small-scale sector has before it the following objectives:)

1. to examine the socio-economic characteristics of entrepreneurs;
2. to enquire into all the possible factors influencing entrepreneurship;
3. to assess the entrepreneurial role and the growth of enterprise;
4. to examine the problems and difficulties confronted by the entrepreneurs in developing their industrial units; and
5. to suggest feasible ways and means to promote successful entrepreneurship.

HYPOTHESES

The following hypotheses regarding the theme of inquiry are tested and verified in the course of this study:

1. Entrepreneurship in the (Chittoor district) is confined
mostly to the socially and economically forward communities.

2. While entrepreneurs belonging to the socially and economically forward communities are influenced more by ambitions, entrepreneurs belonging to the socially and economically backward communities are influenced more by compelling factors in taking up entrepreneurial activity.

3. The performance of the entrepreneurs depends on their educational background.

4. Governmental encouragement to entrepreneurial activity in this district is found more in precept than in practice, and

5. Highly successful units are found in the chemical-based and mineral-based industries.

SAMPLE FRAME

The Chittoor district comprises three divisions, viz., Tirupati, Chittoor and Madanapalle. There are 172 (small-scale units) (excluding) tiny sector units) in the Tirupati division, 163 units in the Chittoor division and 80 units in the Madanapalle division belonging to different industry groups (9) and they are effectively functioning. A detailed study of all the 415 units is a herculean task for an individual researcher. Therefore, to keep the inquiry within manageable but yet reliable limits, the stratified sampling method was adopted and a sample of 25 per cent of
the total number of units was taken for study (Table 2.1). Different units are chosen from different divisions covering different industry groups of keeping in view the definition of small-scale units, "A small-scale unit is that unit where the total investment made in terms of plant and machinery does not exceed Rs.35,00,000 and in case of ancillary units Rs.45,00,000". The samples selected and data collected for this research study pertain to the period prior to the New Industrial Policy notification dated 2nd April 1991. Consequent upon the new policy, the upward revision of the investment limits in fixed assets in plant and machinery does not exceed Rs.60,00,000 in case of small-scale industrial units and Rs.75,00,000 in case of ancillary units. As the data for the present investigation was collected well before the announcement of the New Policy, 1991, it adheres to the classification of small-scale industries as it prevailed before the New Policy. In order to ensure equal representation to all the geographical regions of the Chittoor district, adequate care has been taken to distribute the samples proportionately among all the areas in the district. Thus, this study covers 104 small-scale units in it.
TABLE 2.1
INDUSTRY GROUP/DIVISION-WISE DISTRIBUTION OF SMALL-SCALE INDUSTRIAL UNITS AND SAMPLE UNITS IN CHITTOOR DISTRICT

<table>
<thead>
<tr>
<th>Industry groups</th>
<th>Divisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tirupati</td>
<td>Chittoor</td>
</tr>
<tr>
<td>Agro based</td>
<td>49</td>
<td>12</td>
</tr>
<tr>
<td>Forest based</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Mineral based</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Textile based</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Engineering &amp; Allied</td>
<td>37</td>
<td>9</td>
</tr>
<tr>
<td>Chemical (incl. Rubber)</td>
<td>33</td>
<td>8</td>
</tr>
<tr>
<td>Animal Based</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Building Material</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>172</td>
</tr>
</tbody>
</table>

I.U. = No. of Industrial Units.
S.U. = No. of Sample Units.

Note: Sample Units can be calculated from the following formula.(Among industry groups)

\[ \frac{n \times Nh}{N} \]

where \( Nh \) = Sample units for \( h \) stratum.

\( n \) = Total sample units.

\( N \) = Total Universe.
SOURCES OF DATA

The data for this study has been collected both from primary and secondary sources. The primary data has been collected from the sample units with the help of pre-tested schedules administered to the small-scale enterprises to elicit first hand information. The secondary data for this study has been collected from the records and the published reports of the District Industries Centre (DIC), Indian Bank (Lead Bank), and Chief Planning Officer, Chittoor; Andhra Pradesh State Financial Corporation (APSFC), Branch office, Tirupati; Head Office, Hyderabad; Commissioner of Industries (A.P.), Andhra Pradesh Industrial & Technical Consultancy Organisation (APITCO), National Institute of Small Industry Extension Training (NISIET), Bureau of Economics & Statistics, Hyderabad; and Development Commissioner (Small-scale Industries), Ministry of Industries, New Delhi.

In addition to the above, relevant information has also been collected from the following institutions, offices and libraries. They are, Entrepreneurship Development Institute of India (EDII), Indian Institute of Management (IIM), Sardar Patel Institute of Economic and Social Research, and Gujarat University, Ahmedabad; Andhra Pradesh Small Scale Industrial Development Cooperation (APSSIDC), Andhra Pradesh Industrial and Technical Consultancy Organisation (APITCO), Andhra Pradesh Industrial Development
Corporation (APIDC), Andhra Pradesh Industrial Infrastructure Corporation (APIIC), National Institute of Small Industry Extension Training (NISIET), Andhra Pradesh State Financial Corporation (APSFSC), Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), Commissioner of Industries, Osmania University and University of Hyderabad, Hyderabad; Centre for Entrepreneurship Development (C-END), Madras; and District Industries Centre (DIC), Chittoor.

Several structured and unstructured interviews have also been conducted with experts on the subject and with a number of other persons connected directly or indirectly with the theme of the research work.

TOOLS OF ANALYSIS

Both the primary and secondary data collected are meaningfully analysed by using appropriate statistical tools such as (Growth rates, Percentages, Averages, Analysis of variance, co-efficient of contingency and co-efficient of variance etc. Some of the tools used are described below:)

1. Growth Rates

To study the growth of small-scale industrial units, fixed capital (investment), employment, production and exports, growth rates (linear and compound) have been used with the following formula:
a) Linear growth equation: \( Y_t = a + bt \)

b) Compound growth equation: \( Y_t = ab^t \)

where \( Y_t \) = dependent variable

\( t \) = number of years

\( a \) = intercept

\( b \) = regression co-efficient

The constants 'a' and 'b' are estimated by the method of least squares.

Further, linear growth rate is defined as

\[
\text{LGR} = \frac{\hat{b}}{\bar{y}} \times 100
\]

where \( \bar{y} \) is the mean value of the dependent variable.

For testing the significance of linear growth rate against zero growth rate, the student 't' statistic is used

\[
t = \frac{\hat{b}}{\sqrt{\frac{\sum (Y_t - \bar{y})^2}{(n-2) \sum (t-t)^2}}} \times \frac{1}{\bar{y}}
\]

where as, \( \hat{b} = \frac{\sum ty_t - n\bar{y}\bar{t}}{\sum (t-t)^2} \)

and \( \sum (Y_t - \hat{Y_t})^2 = \sum (Y_t - \bar{y})^2 - b^2 \sum (t-\bar{t})^2 \)
The 't' statistic follows students 't' distribution with (n-2) degrees of freedom.

Compound Growth Rate is defined as

\[ \text{CGR} = (\hat{b} - 1) \times 100 \]

For testing the significance of the compound growth rate against zero growth rate, the 't' statistic is used.

\[ t = \frac{B}{\text{S.E.} (B)} \]

where \( B = \log b \);

\[ \text{S.E.} (B) = \left[ \frac{1}{(n-2)} \left\{ \frac{syy}{\text{Stt}} - B^2 \right\} \right]^{\frac{1}{2}} \]

\[ \frac{\xi y^1 - (\xi y) (\xi y')}{\xi y^2 - (\xi y/n)^2} = \frac{1}{n} \]

\[ \xi y^2 - (\xi y')^2 / n \text{ and} \]

\[ syy = \xi y^2 - (\xi y')^2 / n \text{ and} \]

\[ \text{stt} = \xi t^2 - (\xi t)^2 / n \]

The 't' statistics follows student's 't' distribution with (n-2) degrees of freedom.

Regarding growth rates both linear and compound growth rates have been computed wherever necessary. Based on the statistical properties like R-square and the Standard
Error of Estimates the linear or compound growth rates only has been chosen, whichever is appropriate.

2. Analysis of Variance (Two-Way)

The Analysis of Variance (ANOVA) is a method of splitting the total variation of the data into constituent parts which measure different sources of variation. In order to study the variation in Socio-economic backgrounds of the entrepreneurs (Columns) and between divisions (Rows), the ANOVA of the following form has been employed.

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Degree of freedom</th>
<th>Sum of squares</th>
<th>Mean sum of squares</th>
<th>F ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between rows</td>
<td>$k_1 - 1$</td>
<td>SSR</td>
<td>MSR</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MSR</td>
</tr>
<tr>
<td>Between columns</td>
<td>$k_2 - 1$</td>
<td>SSC</td>
<td>MSC</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MSE</td>
</tr>
<tr>
<td>Error</td>
<td>$n - (k_1 + k_2) + 1$</td>
<td>SSE</td>
<td>MSE</td>
<td>---</td>
</tr>
<tr>
<td>Total</td>
<td>$n - 1$</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

where SSR = Sum of squares between rows

SSC = Sum of squares between columns

SSE = Sum of squares due to error

SST = Total sum of squares

MSR = Mean Sum of squares between rows

MSC = Mean Sum of squares between columns

MSE = Mean Sum of squares due to error.
Again: \( \text{SST} = \sum_{i=1}^{n} x_i^2 - \frac{T^2}{N} \)

\[
\text{SSR} = \frac{(\leq x_1)^2}{N_1} + \frac{(\leq x_2)^2}{N_2} + \cdots + \frac{(\leq x_n)^2}{N_n} - \frac{T^2}{N}
\]

\[
\text{SSC} = \frac{(\leq y_1)^2}{M_1} + \frac{(\leq y_2)^2}{M_2} + \cdots + \frac{(\leq y_m)^2}{M_m} - \frac{T^2}{N}
\]

\( \frac{T^2}{N} \) = correction factor

T = The sum of all the items of various samples

N = Total number of sample units

\( \text{SSE} = \text{SST} - \text{SSR} - \text{SSC} \)

\( \text{MSR} = - - - - - - \)

\( (k_1 - 1) \)

\( \text{MSC} = - - - - - - \)

\( (k_2 - 1) \)

where \( k_1 \) = number of units due to rows

\( k_2 \) = number of units due to columns

\[
\text{MSE} = \frac{\text{SSE}}{n - (k_1 + k_2) + 1}
\]

F is the ratio of Mean Sum of Squares (\( \text{MSS} \)) and Error Sum of Square (\( \text{SSE} \)).
If the calculated value of $F$ is greater than the tabulated value with various degrees of freedom (df) at a certain level of significance, then the ratio is regarded as significant.

Calculation of the missing frequency:

$$X = \frac{aT + bB - S}{(a-1)(b-1)}$$

$a = \text{Number of treatments}$

$b = \text{Number of blocks}$

$T = \text{Sum of items with same treatment as missing item}$

$B = \text{Sum of items in same block as missing item}$

$S = \text{Sum of all observed items}$.

3. Co-efficient of Contingency

If the actual frequency of each of the cells of a contingency table is equal to the expected frequency of that cell, then two characteristics would be completely independent of each other. If there is a difference between the actual and expected frequencies, then there is association between the two characteristics.

With the help of the differences between the actual and expected frequencies of the various cells, chi-square is computed: Chi-square ($\chi^2$) is defined as follows:
\[ \chi^2 = \sum \left\{ \frac{(O_i - E_i)^2}{E_i} \right\} \]

Where \( O_i \) is the \( i \)th observed frequency

\( E_i \) is the \( i \)th expected frequency.

Co-efficient of contingency (C) would be computed as

\[ C = \frac{\chi^2}{\sqrt{N + \chi^2}} \]

where \( N \) is the total frequency.

If the calculated value of chi-square (\( \chi^2 \)) with various degrees of freedom (\( df \)) at certain level of significance is greater than the tabulated value of \( \chi^2 \), then the association between the two characteristics is significant.

4. Co-efficient of Variation (C.V.)

The co-efficient of variation can be employed for comparing the relative consistency of sales turn over in the group of industry, caste, occupation and level of education. Similarly, capital investment and employment can also be studied.

The co-efficient of variation would be computed as follows
C.V. = \frac{\sigma}{\bar{x}} \times 100

where Mean (\bar{x}) = \frac{\Sigma x}{n};

Standard Deviation (\sigma) = \sqrt{\frac{\Sigma x^2}{n} - \left(\frac{\Sigma x}{n}\right)^2}

A larger C.V. is an indicator of less consistency with respect to the chosen characteristic, when compared to others, group of industry, caste, occupation and level of education. Which are more consistent in the fluctuation of sales turnover, capital investment and employment are preferred.

5. Pareto Analysis

Pareto analysis helps to concentrate efforts in areas which need it most. It gives the most effective and rewarding control with the least amount of controlling. (See Table 5.6, calculation of opportunity factors). In case of vital, careful attention is paid, while non-vital items, less attention is paid for remaining opportunity factors.

SCOPE AND LIMITATIONS

The area of entrepreneurship covers initiation, stimulation, innovation, risk and the burden to be undertaken by the entrepreneur, and it forms the focal point in any study on entrepreneurship. And this study falls in line with such studies. It covers socio-economic characteristics
including educational background, occupational mobility, caste, age and also motivational factors, governmental support, agencies involved in supporting entrepreneurship and the causes inhibiting their performance.

This study is limited to entrepreneurship in the small-scale sector in the Chittoor district of Andhra Pradesh. Study of entrepreneurship in the tiny sector in the district is excluded from its purview.

PLAN OF THE THESIS

This study comprises Seven Chapters.

Chapter I which is Introduction, is concerned with conceptual clarifications - the concept of Entrepreneur and Entrepreneurship, Entrepreneurial Theories, Functions of an Entrepreneur, and classification of Entrepreneurs are dealt with. A brief Historical outline of Indian Entrepreneurship; Entrepreneurship Development in the Small-Scale Sector; and Entrepreneurship Development Programmes is presented here. Chapter II deals with the Methodology of Research adopted for this study. Review of earlier research works, the statement of the problem of inquiry, its objectives, hypotheses, sample frame, sources of data, statistical tools and techniques employed for analysing the data, scope and limitations of the study etc., are discussed in this chapter in detail. Chapter III provides a back-drop of the
Industrial Economy of the Chittoor District. Socio-economic Setting of entrepreneurship - covering the social setting of Entrepreneurs and their Economic Status are discussed in Chapter IV. Factors Influencing Entrepreneurship covering entrepreneurs' ambitions; Compelling factors; facilitating factors; Government facilities and incentives; and help expected from the Government promotional agencies etc., are discussed in Chapter V. Chapter VI - Progress and Problems of Enterprises - is in the nature of an exercise in evaluation of the enterprises selected for this study. Chapter VII contains Summary of Conclusions and Suggestions.