CHAPTER I

INTRODUCTION
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The spirit of enterprise makes man an entrepreneur. Such a spirit transformed him from a nomad to a cattle-rearer to a settled agriculturist, to a trader and to an industrialist. Thus, entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit that combines the factors of production to supply goods and/or services, whether the business pertains to agriculture, industry, trade or profession\(^1\). Entrepreneur is the central figure of economic activity and propeller of development under

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free enterprise. Agricultural or industrial development is brought out by entrepreneurship. The development or underdevelopment is the reflection of the development or undevelopment of entrepreneurship in the society. Hence entrepreneurship assumes considerable importance.

REVIEW OF LITERATURE:

Many economists have carried out research on innovation and entrepreneurship. Some of the studies on innovation and entrepreneurship have been reviewed here under.

Singh's (1963) study focuses on empirical findings pertaining to indigenous entrepreneurship after independence. In this work, the contribution to economic development by the entrepreneurs (irrespective of their status) was highlighted. He stated that entrepreneur can adopt the footsteps of institutions developed in other countries - he need not necessarily be an innovator.

In Shetty's (1964) study - "initiative" was emphasised as opposed to "innovative". According to him, entrepreneurial talent was found more in case of small enterprises in most of the countries.

Gaikwad and Tripathy (1970) found initiative, drive and hardwork among the entrepreneurs of the Tanuku region of West Godavari district in A.P. Technical knowledge, economic base and political connections were absent among the majority of entrepreneurs, who were studied by them.

The study of Subbi Reddy and Murthy (1979) provides a strategy for the development of background


areas through small scale industries. According to study of 18 units in Anantapur district, the success of entrepreneurs was not based on educational and family background.

Shivaramu's (1982) study centres round the characteristic features of successful entrepreneurs, motivation to start own business, causes for failure, deciding factors in selecting a business and skills and weaknesses to be self assessed. In this study, he gave a list of agencies and people to be contacted by the entrepreneur and a gist of for entrepreneurs in backward/ rural industrial project areas.

Entrepreneurship is also conditioned by political forces and administrative system and its commitment to economic development was pointed out by Manohar U. Deshpande (1982). The study also mentioned that most


of the benefits created by Governmental agencies were enjoyed by the upper strata of the society and as such they enjoyed a better socio-economic position in the society.

The role of socio-economic factors influencing the starting of a small scale industry was studied by Sobha Rani (1983)\(^8\) in her work. She gave a profile of the selected entrepreneurs, influencing factors, encouraging and discouraging factors, role of financial and non-financial organisations, and the socio-economic factors associated with the success of small entrepreneurs.

In their study entitled "Entrepreneurship Development Programmes - an Evaluation of the suitability of the candidates selected", Subbi Reddy and Appa Rao (1986)\(^9\) discussed the impact of such a

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programme on selected candidates. They attempted to study the profile, problems, perceptions and aspirations of 30 candidates selected under Entrepreneurship Development Programme.

Peter F. Drucker (1985)\(^{10}\) in "Innovation and Entrepreneurship - Practice and Principles" discussed at length the sources for innovative opportunity. He classified such sources into two types, such as sources lying within the industry (The unexpected, The Incongruity, The process need, and The changes in the industry structure) and sources outside the industry (Demographics, changes in perception, and the new knowledge).

Lakshmana Rao (1986)\(^{11}\) in his work entitled "Industrial Entrepreneurship in India" highlighted the role of human factor in economic development and

reviewed economic and non-economic theories of entrepreneurship. He presented results of his statistical analysis of data collected through a sample survey (Krishna and Guntur districts). He gave a detailed account of policies and programmes of the state and central governments for promoting industrial entrepreneurship with focus on small scale sector.

Gangadhara Rao (1986)\textsuperscript{12} in "Entrepreneurship and Growth of enterprise in industrial estates" attempted to evaluate the origin, evolution and growth of entrepreneurship with reference to entrepreneurship in industrial estates in the coastal region of Andhra Pradesh. The study tried to ascertain and evaluate the impact of the programme of industrial estates on the emergence of entrepreneurship in coastal Andhra. In his study, he discussed at length the socio-economic bases of entrepreneurship against the variables of community, time of entry, production preferences, occupation,

educational level, industry groups, domiciliary aspects, rural-urban background, pattern of families etc.

Venkatachalam and Saleendran (1990) have given a conceptual framework and importance of innovation in their paper entitled "Innovation and Entrepreneurship". According to them, innovators have an undying need to make inroads into something new which others will take years to attempt, the product being technologically (or) geographically new. The innovations that an entrepreneur is expected to carry out are introduction of new goods, new methods of production, creating new markets, finding new sources of raw materials or manufactured goods and building a new organisation as of any industry.


Pradesh. They also presented at length the empirical studies conducted by many scholars in their paper. They concluded that the entrepreneur was a local young man with secondary education, he had precious experience in industry, business, or government service. That the entrepreneurs of Kurnool district had set up proprietary and partnership concerns. Nearly two-thirds of them were Hindus and a majority of them belonged to Vysya community. A sizeable proportion of entrepreneurs came without a business or industrial background.

In his welcome speech delivered at All India Seminar on Entrepreneurship Development in Small Scale sector at New Delhi, P.C.Alexander (1975) gave a historical perspective of the strategy for entrepreneurship development in the last two decades. He called for devoting special attention to the criteria for selection of trainees, the contents of training courses and the arrangements for continuing training.

even after a unit comes into existence. He stressed that industrially backward states should take special steps to encourage local entrepreneurial talents.

Bhattacharjee and Akhouri (1975)\textsuperscript{16} analysed the profile of a small industry entrepreneur surveying the characteristics based on empirical evidence, mentioned on the basis of planned observation, and casually mentioned characteristics. Their study has shown that handworking artisans and factory workers tend to become small industry entrepreneurs, though not the first-rate ones. Graduate engineers and previously experienced employed engineers also do very well as entrepreneur-managers. Some of the better educated and equipped among the traders also acquit themselves well.

Choudary\textsuperscript{17} made an attempt to ascertain the characteristics related to the success of the entrepreneur. He pointed out education and experience in


\textsuperscript{17} K.V.R.Choudary, "Successful characteristics of Rural Entrepreneurship", \textit{SEDME}, June 1980.
business or an agricultural venture and affiliation with social organization and good contacts in the line lead towards success. With this in view, he suggested that better educational facilities proper encouragement of agricultural and business ventures in the rural areas as to achieve success.

Personality study of successful and unsuccessful entrepreneurs was conducted by Tahera Mashauddin. An interesting finding of the study was that most of the unsuccessful entrepreneurs reported a steep fall from initial high level of expectations (8.4) to the present level of expectation (4.1). This perhaps is due to the fact that while most of the successful entrepreneurs tend to make a realistic estimate of their future expectations based on their present experiences, the unsuccessful entrepreneurs apparently do not do so. Personality is an important factor besides economic

Rao\textsuperscript{19} presented a model of entrepreneurial development outlined some of the findings of researches on Indian entrepreneurs and raised several questions to set directions for future research and training for the development of entrepreneurship. He categorised entrepreneurs on the basis of behaviour such as innovative entrepreneur, imitative entrepreneur, fabian entrepreneur and drone entrepreneur etc. His model related to sales, service and manufacturing only. His study centred round the behaviour variables of need, long-term involvement, resources, socio-political system, additivity of factors, professional socialisation and function of areas. His model had implications for identifying entrepreneurial potential, encouraging and developing it through systematic training programmes.

Chitra Rao and Mishra (1985) attempted to make the selection procedure more systematic and scientific. A group planning exercise was added in order to test leadership abilities, learn spirit, commitment to task, planning and organising ability and decision making. They suggested multi-stage screening method. They advocated designing simpler selection methods for such groups.

In their study on discouraging factors in starting a small industrial unit, in Kurnool, Subbi Reddy and Sobha Reddy (pertaining to 105 respondents) selected eight discouraging factors, which are competition, labour, capital shortage, Govt. nepotism, lack of experience, scarcity of raw materials, lack of


demand, and lack of technical knowhow and calculated weighted scores according to the rankings given by the respondents. They found "Competition" as the most discouraging factor.

After having analysed the magnitude of the problem of unemployment and the rich resource-base of the rural area, Kondaiah\textsuperscript{22} calls for group approaches to entrepreneurship in his paper on entrepreneurship development in rural areas. According to him - panchayats, mahila mandals, voluntary service organisations and banks have to be pressed into service.

Venkatapathy (1980)\textsuperscript{23} in his paper attempted to test the notion the entrepreneurs share a separate class of psychological characteristics. He identified the differences between entrepreneurs and non-entrepreneurs with regard to extraversion, psychoticism, neuroticism and fatigue. His result in general stated that

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a separate class share different behavior in one way or the other.

Though there are many studies on entrepreneurship, none of them have been exclusively denoted to the problem of entrepreneurship in Anantapur district. Mention of Anantapur district invokes on everybody’s lips the term ‘drought’. Several efforts were made to undo the effects of the chain of famines, which have not only hit agricultural productivity but also imposed natural restraints in achieving overall economic upliftment of the people of the district. Lack of irrigation facilities, insufficient and uncertain nature of the rainfall, frequent failure of monsoons etc., in a way led to deficits in the agricultural progress of the district. So, future of the district depends upon industrial development, which in turn depends upon availability of entrepreneurs, who can recognise the needs of the hour, mobilise the resources and organise them. Hence the need for a study on entrepreneurship in the manufacturing sector in the district need not be overemphasised.
OBJECTIVES:

Major objectives of the study can be stated thus:

1. To examine the socio-economic background of the entrepreneurs in the district.
2. To study the reasons for entrepreneurs in the district to setup manufacturing units.
3. To identify the factors which generally discourage the entrepreneurs from taking up industrial entrepreneurial activity.
4. To find out the problems faced by the entrepreneurs in the district.
5. To study, if possible, whether there is any innovation in the industrial entrepreneurial activity in the district or not.

HYPOTHESES:

For the purpose of the study, the following hypotheses have been formulated. These hypotheses give direction to the study.
(i) Certain business communities still dominate in the field of entrepreneurship.

(ii) Many of the entrepreneurs have business or industrial background.

(iii) Entrepreneurs are educated but not well educated.

(iv) Many manage the units established by them.

(v) Monetary and employment related factors are the main reasons for starting the units.

(vi) Non-availability of enough finances is the most common discouraging factor for starting the industrial unit.

(vii) Finance is the most important problem area for entrepreneurs.

(viii) Innovation among the entrepreneurs in the district is at a low ebb.

METHOD OF STUDY:

The present study covers the district of Anantapur. Nativity of the researcher, backwardness of the district, need for entrepreneurial development and
absence of area-specific studies on entrepreneurship are the reasons responsible for selecting the district. All the manufacturing units registered with the district industries centre have formed the universe.

It is not possible to an individual researcher, with limited means, to cover all the industrial units. So it was decided to select a representative sample on random basis. A list of the manufacturing units, registered, was prepared from the District Industries Centre. The total number of units in the list ran upto 1000 approximately. The number is ever changing but not constant. Moreover the names of the units closed were not deleted, hence it cannot be said that the list was complete in all respects. That is why the term approximately was used.

It was further decided to select 20 per cent of units. Consequently every fifth unit was selected from the list. Whenever the entrepreneur of the selected
unit could not be contacted, the next one was included in the sample.

Collection of data:
For the purpose of collection of data from the selected entrepreneurs, a schedule was prepared, tested and finalised. The schedule consists of 56 questions/statements/tables with sub-questions in many a case. The schedule was personally canvassed on the entrepreneurs.

Analysis:
The data so collected were condensed and presented in the form of tables. In the process of analysis percentages, Karl Pearson’s rank correlation and weighted scores were extensively used.

Limitations:
It cannot be said that the study is free from limitations. The first limitation is regarding preparation of the schedule and structuring the
questions. No amount of experience and imagination are sufficient and exhaustive for structuring the questions on attitudinal and behavioural aspects. The second limitation is regarding collection of data. Entrepreneurs are busy, some are reluctant but many were kind enough and cooperated. Thirdly, all the data collected could not be utilised. Some data have remained unutilised because of varied reasons. However, care has been taken to see that the sample is representative, information elicited is accurate and analysis is reasonable.

LAYOUT OF THE STUDY:

The present study is organised into seven chapters. They are:

1. Chapter one deals with introduction, review of literature, statement of problem, objectives, hypotheses, methodology, limitations and layout of the study.
(ii) In the second chapter main concepts - innovation and entrepreneurship have been discussed.

(iii) The third chapter gives a bird's eye view of profiles of the district and the respondents, which forms backdrop for main discussion relating to the subject.

(iv) Reasons for starting the industrial units have been given in the fourth chapter.

(v) The fifth chapter speaks of discouraging factors for starting the units.

(vi) Problems encountered by the entrepreneurs are highlighted in the sixth chapter.

(vii) Summary, conclusions and suggestions are given in the last chapter.