CHAPTER VIII

FINDINGS, OBSERVATIONS

&

CONCLUSIONS
This has been a study of industrial entrepreneurship in Andhra Pradesh, restricted to Coastal Andhra region viz. Guntur, Krishna, West Godavari, East Godavari, Vizag and Vizianagaram districts.

The main issues examined have been based on ways in which they have made the transition to industry from previous activities, their problems in establishing and developing their enterprises, the quality of their performance in the light of the particular needs and conditions in coastal Andhra attempting to industrialise rapidly.

The major findings in respect of origin of units is that the entrepreneurs have sprung from extremely varied economic and social backgrounds. Agriculturists who have agricultural background, constitute the largest single operational group i.e. 41.7 percent, businessmen 22.7 percent, graduate Engineers 3.9 percent, former employees 8.9 percent, industrialists 8.9 percent on co-operative
sector (supported by the Government) 5 percent and rural artisans 8.9 percent. The presence of many agricultural entrepreneurs was unexpected and indicates a widening of the base of industrial entrepreneurship in Coastal Andhra. Other important occupational groups from which entrepreneurs have been drawn are businessmen, rural artisans, industrialists, former employees and the like.

Entrepreneurs have been drawn from nine social communities - 31.8 percent Kammans, 15.1 percent Brahmins, 7.6 percent Vaiyans, 7.6 percent Kapus, 7.6 percent Padmasalees, 5.1 percent Bengali and Gujarati, Devanga 1.2 percent, Telaga 1.2 percent, Reddy 1.2 percent and the rest others.

In general, the findings indicate greater freedom of entry into industry, than is generally supposed to exist in one of the less developed areas of the country where traditional occupation and caste are important in determining economic status. The background suggests that sociological factors such as caste, attachment of traditional activities of the social group to which a potential entrepreneur belongs are less important than economic factors such as access to capital and possession of business experience and technical knowledge. The prevailing social structure and community relationships have great influence in determining who obtains access to capital and knowledge.
It is very difficult to enter into an agro-based industry with little capital. Very few entrepreneurs established small units by investing less than Rs. 50,000/-. Except a few, all the entrepreneurs invested huge amounts of capital. Many entrepreneurs have succeeded in establishing themselves with very little technical knowledge. The fact is that buyers are not quality-conscious in a country which is just beginning to industrialise. This situation changes as economic development gathers momentum. However, an improvement of quality and technical advance have become urgent needs in the area studied. Growth of units will take place slowly, so that expansion can be financed out of earnings. All these factors have contributed to the success of the units under study.

As a group, the entrepreneurs under study have been eager to expand operations and develop their units into larger ones. Fifty nine percent were established as small scale units, seven percent as cottage industries, thirteen percent as medium-sized units and the rest on large size. As mentioned in previous chapters they began with more than 50 workers.

The growth of industries took place gradually, except units 54, 56, 57 and 69, involving a re-organisation of the enterprise at some points in its career, by taking the help of outside capital i.e. by taking financial assistance from financial institutions, banks, money-lenders
and friends/relatives. In general, re-investment of earnings and fresh capital supplied by entrepreneurs have been major sources of capital growth. Outside capital has played a more important role among the units. A relatively large amount of capital needed for purposes of making the transition into agro-based industries, loans are borrowed from financial institutions. Some of the units established on large scale are by men who already owned a trading and other business. These entrepreneurs have found it easier to finance their growth out of earnings of one or another of their earlier enterprises and are less handicapped by the difficulty of obtaining outside capital.

The fact, that re-investment of earnings has played a very important role in the growth of enterprises, generally suggests that the character of the economic environment in which these units are operating has been a major factor in entrepreneurs' success. All are located in areas currently undergoing considerable economic development. The entrepreneurs nevertheless should be credited with the initiative and enterprise needed to exploit the opportunities presented and with the willingness to plough back earnings and assume the risks involved in expansion.

Growth of enterprises has been achieved in the face of formidable obstacles. Major among these have been an acute shortage of basic raw materials, non-availability of skilled labour and technicians and chronic shortage of
working capital. The labour problem is serious only in a few cases. Employer-employee relations continue to be very cordial and harmonious in almost all the units with the exception of units 20, 36, 65 and 73. Major work stoppage problems are not frequent. Though there is labour trouble, the managements are trying to maintain good relations with the leaders of labour unions. Low wages and poor working conditions are important causes of worker discontent. The situation is complicated by the fact that unions are led by "out-siders" who are politicians more interested in advancing their political careers by agitating among workers and in securing solid gains for labourers through realistic collective bargaining.

Entrepreneurs as a group have thus shown little awareness of the need for closer contact with workers of the need for improving working conditions. The management simply blames outside "meddlers" and "Government coddling" of workers through social legislation and restrictions on employers' right to discharge. But they are not prepared to admit that the workers will have any just grievances. There is a possibility that too much emphasis has been placed on law as a means of protecting workers' rights, and the prevailing conditions indicate some degree of entrepreneurial failure. Labour is a primary productive resource and its integration with other factors of production in smooth running, efficient production in units, is
a major part of the entrepreneur's function. Almost all
the entrepreneurs under study have succeeded in achieving
such integration, with the exception of few, but they also
realised the importance of labour and take the initiative
in establishing the closer contact between management and
workers which should precede the growth of mutual under-
standing - the ultimate solution to the problem.

The labour problem faced by the units under
study is not a serious one. But generally it is a nation-
wise problem in the country. If the management fails to
secure whole-hearted co-operation from labour the growth
of industry and productivity improvement will be impeded.

Inspite of the difficulties they have encountered
the entrepreneurs under study have succeeded in expanding
their enterprises by creating jobs and supplying the needed
industrial products. Entrepreneurs have performed well in
promoting the business, their interest in growth of units
made them successful.

Technological improvement is not impressive in
the area under study. Lack of technical knowledge,
inability to secure the co-operation of workers and a
defeatist attitude with regard to the labour problems are
the main reasons. Andhra Pradesh Industrial and Technical
Consultancy Organisation was sponsored by the Industrial
Development Bank of India and several Central and State
organisations three years ago. By this way the interest in technological improvement is growing. Due to the enactment of Land Ceiling Act, most of the agriculturists entered into manufacturing industry, and competition is growing as industries became more crowded. Many entrepreneurs are trying to improve quality of output through private study of technical books and a few have hired technicians. The findings with respect to entrepreneurial mobility show that none of the entrepreneurs in the present study have diversified their production in shifting into new lines of activity but diversified on the same pattern by changing their products.

As a group they are certainly far removed from the picture, often presented by a typical medium-scale industrialist— the opportunistic businessman with very short time-horizon, interested only in fast turnover and quick profits completely unconcerned with technology, unwilling to invest more than the bare minimum in fixed capital and the like internal and external forces. The great majority appear definitely committed to manufacturing industry and within the limits of their abilities and resources are working for the permanent establishment and growth of their enterprises.

It has not been possible to correlate entrepreneurs' performance with social or economic background. Enterprising and capable industrialists are found in all
groups. They are found in larger numbers in the ranks of
the agriculturists. It is very difficult to support this
statement with tangible statistical evidence, but such is
the impression conveyed by many talks with entrepreneurs
of all types and first-hand observations of their
establishments.

**OBSERVATIONS AND CONCLUSIONS**

In general the importance of agro-based industries
are playing a vital role in programmes aimed at the indus-
trialisation of India. The high degree of freedom of entry
discovered in the course of the present study suggests that
these industries will improve the economy of the region in
which potential entrepreneurs can make transition to industry
Developing entrepreneurs are badly needed in under-developed
countries. This fact gives the industries an importance
for economic development over and above their contribution
to employment and industrial production. Cottage, small
scale, medium and large scale enterprises should be
strengthened and helped to grow in every possible way.
For the speedy development of industries in the large,
medium as well as small scale sectors, the State has set
up various promotional Corporations which not only provide
financial aid to prospective entrepreneurs but also act as
a "think tank" to identify opportunities and impart techni-
cal advice. The State Financial Corporations which have
been set up by Central and State Governments have not been
singly a satisfactory answer to this problem. These Corporations which have been pre-occupied with the needs of units larger than those included in the present study, presumably they are judged as a better financial risk and can be more easily investigated. On the side of entrepreneurs, the smaller entrepreneurs are reluctant to approach these institutions for aid because of long delays and "red-tape" involved, the wide-spread feeling that "influence" is needed, and fear that excessive interference and inspection will follow upon a loan by Government. Direct local contact is difficult to achieve, which makes it difficult for the Corporation to appraise the credit-worthiness of applicants for loans and supervise effectively the use to which loans are put.

A possible solution is the granting of long-term loans to creditworthy units by the Industrial Development Bank of India, State Bank of India and other Commercial Banks. Another important thing for future policy is that greater emphasis be placed on technical assistance to these industries. Even more than capital assistance, the enterprises included in the present study need help in solving their technical and labour problems. A clue to the way in which this problem can be tackled simultaneously by maintaining harmonious relationship between the management and labour i.e. by providing better working conditions, employer-employee relations and improvement of physical
productivity. Methods - study experts should be made available to small, medium and large sized plants to study working conditions and production methods and to train both proprietors and key personnel in ways of improving them.

The Chief Minister of Andhra Pradesh stressed the need for technical education, to be in tune with present day realities so that the youth received such skills as were required by the society. Inaugurating the first meeting of the newly constituted man-power planning committee at the Secretariat, he said that Universities and Colleges should constantly watch new and changing trends in society's occupational texture and evolve corresponding training courses. Emphasising the need to assess correctly the skills required for the present as well as the future he wanted that special short-term and regular courses should be organised using the facilities available in educational institutions. There is a special need for teaching entrepreneurs how to achieve greater accuracy or workmanship so that units can take on more ancillary production for larger enterprises. There is also a greater need for better equipment, retraining of workers, better testing methods in the smaller establishment.

In the matter of technological improvement exclusive reliance should not be placed on programmes organised by the Governments. Besides over-burdening a Government already faced with shortage of financial
resources and trained Administrative Personnel, such a policy runs the risk of smoothening initiative on lower levels and preventing the full utilisation of community's entrepreneurial resources. "Industrial Co-operatives" exist in Japan whose members are industrialists operating their own individual enterprises. These Co-operatives resemble trade associations, except for the fact that their functions are much broader, extending to co-operative marketing and technical assistance to members. Technicians employed by the co-operatives help individual units, improve technology and quality of products. This approach to the problems of large, medium and small scale industry might well be tried in Andhra Pradesh. Lack of a comprehensive programme for industrial extension workers, including their training, is perhaps the greatest weakness in the present efforts to assist smaller industry in India.

A comparative approach such as the one just outlined has the great merit of drawing on the initiative of industrialists themselves. It thus evolves a broader exercise of the entrepreneurial function and develops still further the entrepreneurial structure at all possible levels.

Looking to all the dimensions of the industrial units in the area of my study, I am reluctantly compelled to conclude that the state of the health of these units cannot be said to be very very satisfactory. Some of the units have been developed in an unsystematic way; some have
been undoubtedly strengthened adequately keeping into consideration the accepted business norms, while the others are not very much self-reliant. They lack in so many aspects which are essential for their successful functioning and as such these units put forward a very strong case for intervention. Most of the units have developed their self-balancing management pattern. There are immense potentialities of developing these units on rational and scientific bases. A rigid quality control device should be launched so that such units which waste their resources on uneconomic bases are ameliorated and may be reorganised on scientific lines. As far as possible all the products produced forth by these units should be compulsorily brought under rigid I.S.I. Quality Certificate Scheme or Agmark Scheme, as the cases may be. This will no doubt provide a vast opportunity to dying units to reshape their products in the light of "what the market demands?"

In order that the best products are brought to lime-light, periodical and specific exhibitions of the products should be arranged and competitive spirit be developed among them. This will help to identify the potential entrepreneurs and bring them in an open competitive market. Good units should be given awards to inculcate a habit of competition and promote social appreciation among the industrial enterprises.
The market mechanism is a delicate affair and should be attended to with a special outlook. In my opinion a marketing pool of such products produced by the entrepreneurs in Andhra Pradesh should be developed so that such enterprises whose products lag behind in the open competitive market could be provided with some type of special market subsidy and pool concessions. These pool-products should be recommended specifically to be purchased on priority quota-basis by the State Government/Semi-Government organisations/Co-operative Departments etc. This will popularise the products of these entrepreneurs and also maintain a smooth demand in a vast internal market of Andhra Pradesh. Special subsidies and concessions should be extended by the State and Central Governments (in addition to the present concessions) to the new industrial enterprises at least for a period of five years so that they could face the odds of new establishments with an added strength.

These enterprises deserve fully to get taxational reliefs and drawbacks in the State and Central taxes, as special incentives, so that they could reduce their cost of production and ultimately improve their qualitative standards. This should be done on identical lines as is being done for export-units. In order that these units get adequate foreign exchange for import of scarce machinery, they should be extended long term priority loans either through the Government exchequer or through the local banks with
facilities for refund on equated easy instalments and comparatively low rates of interest.

It has been generally noticed that most of the enterprises suffer greatly on account of paucity of requisite better quality raw materials on a regular basis. The prices of the raw materials are sky-rocketing. Under these circumstances, it will be in the fitness of things to establish a 'Raw Material Pool' from where regular quotas may be fixed for some of the very important scarce raw materials. This will help to stabilise the rising prices and above all reduce the ever-increasing cost of production.

In order to apply a check on labour problems, wages should strictly be linked with productivity. Certain norms for wage-rise based on realistic and practical assessment should be prescribed so that employer-employee relations could be maintained smoothly and an atmosphere of industrial peace could be developed. Provisions of labour laws in regard to social welfare activities should be more liberally, uniformly and practically applied, so that labour conditions could be improved and the internal atmosphere in and around the units is altogether changed.

The realistic problems of the entrepreneurs should be attended to more carefully by the Government at all levels. This will provide a climate for development of entrepreneur-ship and will prove a better and important tool for entre-
preneurial motivation. Researches for imparting training to prospective entrepreneurs should be undertaken so that motivational and managerial skill-development programmes are also completed in a nice fashion. The Government should come forward to execute plans of entrepreneurship-development in the area, and above all it should run follow-up measures to strengthen the bases of industrial entrepreneurship in Andhra Pradesh.

On the basis experiences of industrial entrepreneurships, the Andhra Pradesh Government should take a bold initiative in designing strategies of 'identifying, stimulating and reinforcing the inner psychological behaviour' for newer industrial enterprises in the State. In addition, there is much scope for the expansion of rural entrepreneurship in the State. This could be developed on the basis of dynamics of entrepreneurial development in consultation with the Schools of Management studies and the Indian Institutes of Management and Business Administration in the country. The support systems, the socio-cultural factors, and available environment and the potent individuals in general need to be attended to very seriously by all concerned with the management and development of industrial entrepreneurship in the State. In case the measures outlined above are attended to properly and rigidly, one can very strongly endorse that the case for long-term prospects/development of industrial entrepreneurship in the State of Andhra Pradesh has a clean bill of health.
A study of Industrial entrepreneurship in Andhra Pradesh.

PART I (a)

General Information

1. (a) Name of the Unit.
   (b) Address.

2. Year of Establishment.

3. Starting Production.

3. Organisation Structure:
   a) Proprietorship.
   b) Partnership Firm.
   c) Co-operative Society.
   d) Private Ltd. Company.
   e) Public Limited Company.
   f) Government enterprise.

4. Main line of activity (product manufactured)

5. Size of the unit.
   a) Cottage Industry.
   b) Small Scale Industry.
   c) Medium Scale Industry.
   d) Large Scale Industry.

PART I (b)

Personal Profile:

1. Name of the Proprietor/Chief Executive.

2. Place of birth:

3. Age:
   - Below 25
   - 25-35
   - 35-45
   - Above 45


5. Religion:
6. Background:

7. Educational Qualifications:

<table>
<thead>
<tr>
<th>Formal</th>
<th>College</th>
<th>Professional</th>
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<tbody>
<tr>
<td>Informal School</td>
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8. Technical Background:  
   i. Qualifications.  
   ii. Training.

9. What was your previous occupation before you entered the present line of activities.

10.  
   a) Former study. 
   b) Agriculture Trading. 
   c) Trading. 
   d) Professional. 
   e) Money lending. 
   f) Others (Specify)

10. Did you have any relative and friends in the present line of activity before you joined them?

PART II

1. Origin of the Unit:

   Kindly outline the story of establishment of the enterprise.

Name of the Entrepreneur/Chief promoter.

2. What major factors led to location in this area.

   Reason for location, availability of:

   a) Raw material. 
   b) Labour. 
   c) Power. 
   d) Market.
e) Transport facilities.
f) Government policy/Political consideration.
g) Other reasons (Specify)

3. What was the size of the unit when started, state:
   a) Capacity. in units.
   b) Employment in number.
   c) Investment in rupees.

4. What are the reasons you took into consideration to decide the size of the unit.

5. Kindly indicate the main problems that come in the way while establishing the unit.

PART III

Outline the important events in the history of the unit.

1. Did you effect the following changes since the time of establishment.
   a) Reestablishment of the new units.
   b) Expansion of the original unit.
   c) Improvements in design or lay out of plant.
   d) Installation of improved machinery.
   e) Introduction of new products or activities.
   f) Important changes in marketing arrangements.
   g) Other (Please specify)
2. Did you seek the technical assistance from outside agencies for making the above changes? Yes/No

3. If yes state the name of the agency:

4. State whether changes planned as above were given up.

5. If yes state the reasons for not carrying out.

6. Are you planning for any changes in future?

7. If yes state the changes you are planning for.

PART IV

Major Problems:

What are you the major problems faced by the unit.

1. Raw material.
2. Labour problems.
3. Shortage of capital.
4. Shortage of power.
5. Shortage of technical or managerial personnel.
6. The policy of the government.
7. Others (specify)

1. Economic relations:

State the place from which you get your raw material.

a) within state.
b) outside the state.

2. Are you getting the required quantity of raw material? Yes/No

3. If no state the reason.
4. Is there any change in the places from which you get your raw material?
   Yes/No

5. If yes what are the reasons for changes?
   1. Delay in supply.
   2. Inferior quality.
   3. High prices
   4. Non-availability of credit facilities
   5. Others (specify)

6. Did you get any raw material from foreign countries?
   Yes/No

7. If so, mention the countries from which you get.
   a.
   b.

8. Where from you get your machinery and spare parts?
   a.
   b.

II. Labour-

1. Did you come across any difficulty in recruiting skilled technical personnel
   Yes/No

2. If yes state the reasons

3. a) Is the industry of seasonal nature? Yes/No
   b) Number of working days.

4. Method of recruitment:
   a) Through employment exchange.
   b) Direct.
c) any other (specify)

5. Did you insist upon.
   a) Previous experience
   b) Qualification:
      i) General
      ii) Technical.

6. Payment of wages in kind/Cash.

7. System of payment:
   i) Daily
   ii) Weekly
   iii) Monthly.

8. Facilities provided by management to labour:
   a. Free housing /low rent.
   b. Canteen/Subsidised foods.
   c. Medical
   d. Educational
   e. Leave concessions.
   f. Co-operative provisions and credit societies.
   g. Others (specify)

9. Whether there is any recognised trade union for the unit.
   Yes/No

10. If yes state the following:
    a. Strength and membership
    b. Activities
    c. Political affiliations.

11. Is there any labour unrest in the organisation in the past three years
    Yes/No
12. If *you* state reasons and the period of unrest:
   a. Wage disbursement.
   b. Rate of bonus and gratuity.
   c. Political motivation
   d. Any other reasons (specify)

III. Sources of Capital:

1. Capital investments at the beginning
   a. Own /partners
   b. Friends/relatives.
   c. Banks.
   d. Financial investors.
   e. Government.
   f. Others (specify)

2. Invested in:
   a. Land and buildings.
   b. Machinery
   c. Other assets
   d. Working capital.

3. Did you expand your line since you started. Yes/No

4. If *yes* what were the principal resources of additional finance from.
   a. Property
   b. Loans
   c. Personal resources.
   d. Investment.
   e. Instrumental
   f. Others (specify)
IV. POWER:

1. Sources of power
   a. Electricity.
   b. Oil
   c. Coal
   d. Firewood
   e. Others (Specify)

2. Are you getting the required supply of power? Yes/No

2. If no state the reasons:
   a. Actual requirement of power kw
   b. Actual supply kw

V. Technical/Managerial Personnel:

VI. Government Policy:

1. Did you get any assistance or encouragement for the establishment of the unit from the Government.

2. What kind of assistance you are getting from the Govt. at present.

3. State what type of assistance from the Government would proper the industry.

4. Are you experiencing any difficulty in getting the things done at any level in the Government.
   a.
   b.
   c.

5. Any other information you wish to state.
6. Others: Market

1. Channels of distribution.
   a. Direct.
   b. Commission agent.
   c. Retail dealers.
   d. Wholesale retailers.

2. Indicate the places to which you are sending your products:

<table>
<thead>
<tr>
<th>Within the country</th>
<th>Outside the country</th>
</tr>
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<tbody>
<tr>
<td>quantity</td>
<td>places</td>
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Main Product

Subsidiary

Total

3. Is there any change in your customers since three years:

Yes/No

4. If so what are the reasons:
   a. 
   b. 

5. Whether your product confirm to I & I standards:

Yes/No

6. What is the profit or loss made during:
   a. 1976-1977
   b. 1977-1978
   c. 1978-1979
7. What are the reasons for loss or fluctuation in profits.

8. Do you incur any expenditure on advertisement? If so how much per year? Yes/No

9. Difficulties experienced in marketing (specify)

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