CHAPTER I

SIGNIFICANCE OF THE STUDY AND METHODOLOGY
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1.1 SIGNIFICANCE OF THE STUDY

Industrialisation is the *sine qua non* of economic progress. The objectives of industrialisation are high growth rates, employment generation and equitable distribution of income and wealth. The effect of it is to raise the per capita income and standard of living of the people of any country. The third world countries are trying to solve their endemic problems of poverty, inequality and unemployment through a systematic process of industrialisation. The development experience of the past indicates that industrialisation has played a crucial role in the over all economic development of any country. Countries with rapidly growing industrial sectors have been able to manage the development problems particularly employment, poverty and income levels more effectively than those countries in which industrialisation has lagged behind. Thus there is a world wide acceptance to solve their economic and social problems. India is no exception to this.

Small scale industries play an important role in the developing economies like India. Apart from providing employment they help in reducing regional disparities and in improving the living standards of the lower strata of population. Keeping this in view various policies,
provisions, procedures, schemes and programmes have been initiated from
time to time. But the performance of small scale industry could not be
improved. There is a growing tendency of small scale industries becoming
sick. The reasons may be numerous. One of the causes for sickness in
the small scale industrial sector in India is ineffective management/
leadership. Most of the failures can be attributed to leadership failures.
Bigger industries can afford to hire the services of professionals whereas
the small industries can not do so because their economies do not permit
them to employ professionals who have to be paid huge sums of salaries
and therefore, owner-managers must naturally combine in themselves the
qualities of a professional manager to run the industries successfully.
Those owner-managers who are able to lead their industries on scientific
lines flourish whereas industries not run on scientific lines fall sick.

Many studies have been undertaken on leadership styles adopted
in bigger organisation. But relatively only a few attempts have been
made to study the leadership styles in small scale industries. A study
of this nature is necessary to understand the leadership styles because
many of the small scale industries are being managed by owner-managers.
Since there are regional differences in the development of small scale
industries in India, more specific studies are needed in these areas. An
attempt is made to examine the leadership styles in small scale industries
in Kurnool Town of Andhra Pradesh.
1.2. **OBJECTIVES**

The specific objectives of the study are as follows:

1. To present theoretical background of leadership and a review of literature in leadership styles;
2. To know the attitudes of owner-managers of small scale industries in Kurnool Town towards classical and modern leadership approaches;
3. To study various leadership styles in small scale industries among the owner-managers; and
4. To assess how far the age, education, experience and family background will influence the leadership styles of owner-managers.

1.3. **HYPOTHESES**

The following hypotheses are tested in this study:

1. The attitudes of the majority of owner-managers of small scale industries in Kurnool town are in favour of modern approaches of leadership,
2. In all categories of small scale industries in Kurnool town the owner-managers are in favour of modern approach of leadership,
3. There is a significant relationship between the attitudes of owner-managers and their demographic characteristics,
4. The owner-managers adopt different types of leadership styles depending on situations, and
5. Leadership styles of owner-managers vary with the age, education, experience and family backgrounds.

1.4. **SAMPLE DESIGN**

Kurnool town is purposively selected for this study because of considerations of proximity and familiarity. It is the headquarters of Kurnool district. It is given a City status for development purpose. It is industrially backward. It is located in the Rayalaseema region of Andhra Pradesh. Rayalaseema region is considered to be a backward area in Andhra Pradesh.

There were 492 small scale industrial units in Kurnool town in 1994-95 which were registered with District Industries Centre, Kurnool. The classification adopted by District Industries Centre, Kurnool is followed for stratification of small scale units. Accordingly the registered small scale industrial units are classified into 9 categories as shown in the table given below:
NUMBER OF SMALL SCALE UNITS REGISTERED WITH
DISTRICT INDUSTRIES CENTRE, 1994-95 IN KURNOOL TOWN

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category</th>
<th>Number of units</th>
<th>Sample units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agro based</td>
<td>82 (16.67)</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Mineral based</td>
<td>10 (02.03)</td>
<td>02</td>
</tr>
<tr>
<td>3.</td>
<td>Engineering based</td>
<td>143 (29.06)</td>
<td>29</td>
</tr>
<tr>
<td>4.</td>
<td>Forest based</td>
<td>67 (13.62)</td>
<td>13</td>
</tr>
<tr>
<td>5.</td>
<td>Food based</td>
<td>20 (04.06)</td>
<td>04</td>
</tr>
<tr>
<td>6.</td>
<td>Chemical based</td>
<td>39 (07.93)</td>
<td>08</td>
</tr>
<tr>
<td>7.</td>
<td>Leather based</td>
<td>05 (01.02)</td>
<td>01</td>
</tr>
<tr>
<td>8.</td>
<td>Textile based</td>
<td>06 (01.22)</td>
<td>01</td>
</tr>
<tr>
<td>9.</td>
<td>Miscellaneous</td>
<td>120 (24.39)</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>492 (100.00)</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: General Manager, District Industries Centre, Kurnool

Sample units are selected by using stratified proportionate random sampling technique. 20 per cent of the units in each category are selected for the purpose of the study. The study is confined to 98 units in total.

1.5 DATA BASE

Both primary and secondary data are used in the study. Secondary data is collected mainly from the reports published by the Kurnool district authorities and the Government of Andhra Pradesh. Some of them are: Statistical abstracts of Andhra Pradesh, Kurnool District Gazette,
Handbook of Statistics, Kurnool district, District Credit Plans prepared by lead Bank of Kurnool district, Mandala Gananka Darshini, Kurnool District Industries Centre, Kurnool, Population Census, Kurnool district and Industrial Profile, Kurnool district. Literature available on this subject in the Libraries of S.V.University, Tirupati, S.V.University P.G. Centre, Kavali and National Institute of Small Industry Extension Training, Hyderabad is made use of.

Primary data is collected from the 98 owner-managers of small scale industries in Kurnool town. A structured schedule of questions is prepared for this purpose. The schedule is divided into four sections. They are: identification, characteristics, attitudes and method of making decisions. In the method of making decisions, five leadership styles and 21 situations are incorporated.

1.6. STATISTICAL TOOLS

The data collected from primary and secondary sources are subjected to statistical treatment for clear analysis and interpretation. Apart from simple statistical tools like averages, ratios, tables, Weighted Mean, Linear and Compound growth rates, Standard deviation, Correlation and t-test have been extensively used to analyse leadership styles. Maps, graphs and diagrams are also employed in this study. The process of computation of Weighted Mean, Linear growth rate, Compound growth rate, Standard deviation, Correlation coefficient and t-value are given
below:

a. **Weighted mean:**

\[
\bar{x}_w = \frac{\sum wi \cdot x}{\sum x}
\]

where,

\(\bar{x}_w\) = weighted mean

\(w_i\) = weightage

\(x\) = number of respondents

\(\Sigma x\) = total number of respondents

b. **Linear growth rate:**

\[Y = A + Bx\]

c. **Compound growth rate:**

\[Y = AB^X\]

Where,

\(Y\) = number of units / employment / investment

\(A\) = intercept of linear trend

\(B\) = Rate of growth per one year

\(X\) = Number of years

d. **Standard deviation:**

\[S.D. = \sqrt{\frac{\sum wi^2 \cdot x}{\sum x} - \left(\frac{\sum wi \cdot x}{\sum x}\right)^2}\]
where,

S.D. = Standard deviation

Wi = Weightage

xi = Number of respondents

\( \Sigma xi \) = Total number of respondents

c. Coefficient of correlation:

\[
    r = \frac{\Sigma dx \cdot dy}{N \sqrt{\Sigma dx^2 - \frac{\Sigma dx^2}{N} \cdot \Sigma dy^2 - \frac{\Sigma dy^2}{N}}}
\]

where,

\( r \) = coefficient of correlation

\( dx \) = Assumed mean of X series

\( X \) = Demographic variables

\( dy \) = Assumed mean of Y series

\( Y \) = Number of times the style used by the owner-managers

\( N \) = Number of pairs of observations

d. t-test:

\[
    t = \frac{r}{\sqrt{1 - r^2}} \sqrt{n - 2}
\]
where,

\[ r = \text{Correlation coefficient} \]
\[ n = \text{Number of industrial units} \]

1.7. **THE CONCEPT OF SMALL INDUSTRY USED IN THE STUDY**

The concept of Modern Small Scale Industrial Unit as used by the Government of India is adopted in this study. The definitions currently in force (1994-95) are:

a. **SMALL SCALE INDUSTRY:** Units having investment in plant and machinery not exceeding Rs.60 lakhs.

b. **ANCILLARY UNITS:** Undertakings having investment in plant and machinery not exceeding Rs.75 lakhs and engaged in:

- the manufacture of parts, components, sub-assemblies, tooling or instruments, and
- supply of 50% of the production to other units for the production of other articles.

c. **TINY UNITS:** Undertakings having investment in plant and machinery not exceeding Rs. 5 lakhs.

d. **SERVICE ESTABLISHMENTS:** Undertakings with investment in plant and machinery not exceeding Rs.5 lakhs.
1.8. LIMITATIONS OF THE STUDY

There are two main limitations in the study. They are:

a. Owing to financial constraints and time limit the study has been restricted only to 98 owner-managers in Kurnool town. The unregistered industries are totally excluded from the purview of the study and

b. Though leadership is interpersonal relationship between the leader-manager and followers, the study is focused on the former.

1.9. CHAPTER SCHEME

The thesis is presented in 8 chapters. The significance of the study and the methodology used in this study are presented in the first chapter. The second chapter is devoted to analyse the theoretical background of leadership. A select review of literature on leadership styles is exhibited in the third chapter. Fourth chapter deals with the different dimensions of Kurnool town which is the area of study. A detailed analysis relating to identification and characteristics of sample industrial units is given in chapter five. The sixth chapter attempts to trace out empirically the attitude of sample owner-manager towards the classical and modern leadership approaches. Leadership styles adopted by the sample owner-managers are placed in chapter seven. The last chapter is devoted to the presentation of main findings and suggestions.