CHAPTER VI

CONCLUSION

Needless to say development of entrepreneurship in the small scale sector is vitally important in a developing country like ours, as this sector involves relatively simple technology and small investment, and has immense potential for generating large employment opportunities, speed economic growth and equitable distribution of wealth. The present study is, therefore, undertaken to explore the structural bases of entrepreneurship development in the state of Uttar Pradesh. In recent years the government has made deliberate efforts to boost entrepreneurship in the small scale sector. Hence, the most important objective is to examine the effectiveness of the system of government support. The problem is analysed both in theoretical and applied perspectives.

The study is conducted in the state of UP because it is one of those states which are industrially and economically underdeveloped. In order to analyse the pattern of entrepreneurial growth five industries were selected for this study. Of these industries, one (chemical) was highly progressive, two (leather and glass) were ordinarily progressive and two (steel safe and furniture, and cycle) were non-progressive. The classification of industries in terms of progressive and non-progressive was based on the latest data regarding production available from the Directorate of Industries,
Kanpur. One hundred eighty-five entrepreneurs were selected from these industries. Comparatively, a large sample was drawn from the non-progressive industries so as to have a deeper understanding of their major problems. Since the selected industries were localised in Kanpur, Agra and Firozabad the data were collected only from these cities. Besides, to assess the impact of formal training upon the entry and performance of the manufacturing entrepreneurs, 40 trained entrepreneurs who had received training from the SISI, Kanpur, were also included in the sample. Thus, the study is based on the information collected from 225 small entrepreneurs including 40 trainees.

The literature reviewed in Chapter 1 presents three models of entrepreneurship growth i.e., the community psyche model, the formal institutional support model and the environment model. The first one is based on the theories of Weber, Hagen, McClelland and others who aver that community is the major source of generating the entrepreneurial psyche in individuals and support its members to achieve success in business. The main implication of the community psyche model is that only certain communities can supply successful entrepreneurs because they help their members in business ventures. Such traditional business communities have comparatively more solidarity, extend greater help to their people in terms of capital, business know-how, marketing etc., and
have a higher entrepreneurial orientation. For instance, the Marwaris in India and the Chinese in the Philippines, due to their community solidarity and group support, could provide the leading entrepreneurs (Sharma, K.L., 1984).

According to the community psyche model, the traditional pattern of entrepreneurship i.e., dominance of a few communities in this field, cannot be disturbed. But since this traditional model was inadequate to meet the new economic challenges, a necessity was felt to refurbish this process through the formal support systems. It was presumed that the entrepreneurial inputs including achievement motivation and capital which were supplied up to now by the family and the community could be made available to the people of varied strata through formal institutions. Thus, the formal support system model was envisaged. Many scholars, like Staley and Morse (1971), M.C. Mishra (1966), Mohammad Hashim Awad (1971) and others expressed the view that by creating adequate formal and political support systems members of non-business communities could be induced to take up industry as their career.

Many recent studies which were conducted to evaluate the performance of entrepreneurship development programmes highlighted the ineffectiveness of formal support systems in developing entrepreneurship in the small scale sector. They suggested environment perspective to analyse entrepreneurial growth.
Akhouri (1977) and S.V.S. Sharma and others (1980) suggested that some internal environmental factors like imbalances in activities, mismanagement, non-coordination etc., have made the formal support systems ineffective. Recently K.L. Sharma (1984b) has concluded that the institutional support system is almost completely ineffective in providing entrepreneurs and solving the problems of the small sector. According to him, the successful performance of entrepreneurs largely depends on the external environment generated through the interaction of various sectors. Since they depend on the same resources, it results in the unhealthy inter-sectoral competition.

The present study has examined the pattern of entrepreneurship growth in the above mentioned three perspectives. Supporters of community psyche model assume that the traditional pattern of entrepreneurship cannot be interrupted and persons coming from business castes and families are still dominating the field. On the other hand, some scholars have challenged this model. About the Marwaris in India and the Chinese in the Philippines, K.L. Sharma (1984) expressed the view that both these communities had migrated from their original society and it was not the community which generated group solidarity but some external conditions like competition with the local people, the level of affluence and the limited possibilities of their return to the place of their origin. He also found that the Marwaris and the Gujaratis became
entrepreneurs only at selected places and at these places also rose many Brahmin entrepreneurs (Sharma, K.L., 1975). Further, some studies conducted in UP indicate a gradual increase in the entry of the members of non-business community into the field of industry. According to the above study the number of entrepreneurs hailing from non-business castes was only 19 per cent and from non-business families only 17 per cent. His next study (1980) reveals relatively a large percentage from non-business castes and families (40.9 and 31.5 per cent respectively). This suggests a change in the pattern of entrepreneurial growth. The present study also supports this finding. A sizeable number of entrepreneurs hail from non-business communities like the Brahmins (34.3%) in glass industry and the Muslims (62%) in leather industry. The Brahmins have been engaged in glass making since very early times. Moreover, because of their strong hold on this industry, the immigrant business community, viz., the Khattris could not make any dent in glass industry. Here the assumption is that the Brahmins' dominance in this industry may be due to their numerical superiority in Firozabad city and its adjacent area. But in the absence of caste-wise data on population the validity of this assumption cannot be tested. The dominance of the Muslims in leather industry is explainable in terms of pollution which restrained the entry of the Hindu upper castes in this industry. The traditional occupational background of some Muslims provided them with an opportunity to enter the modern leather industry.
The data on the occupations of grandfathers and fathers of the entrepreneurs indicate great mobility from agriculture and other occupations to industry. The engagement of the family in business, however, continues to be a very encouraging and helping factor for entrepreneurs at the initial stage because it provides experience, business guidance, capital and other inputs. Comparatively, a large number of respondents was motivated and helped by their families which were already exposed to business or industry. Advice and consultancy for setting up one's own ventures were obtained from the family in case of 52.4 per cent respondents. More than one-third of the trained and non-trained entrepreneurs were motivated to enter the industry because their families were engaged in business and manufacture. A majority (53.4%) of the respondents depended on their own or the family funds for the initial capital. Another motivating factor was high technical qualifications which provided the small entrepreneurs with proper guidance and help in setting up and running their enterprises. Relatively large sections of trainees (40%) and chemical manufacturers (46.7%) succeeded in industry as they had high and relevant technical education and knowledge about their product. Thus, family business and high technical education significantly contribute to the development of entrepreneurship.
McClelland and others assumed community as the major source to generate the entrepreneurial orientation. But like many others, the present study rejects this assumption. The inter-caste and inter-religion comparison did not show any variation in the degree of the need for achievement motivation. The entrepreneurs from all backgrounds had a considerably high degree of motivation which may be attributed to mass media exposure and the inter-community contacts of the people.

To examine the relevance of the community psyche to the entrepreneurial performance, data were collected about the growth pattern of the five selected industries. These indicate the success of these industries in terms of investment, growth and expansion of business. The chemical, leather and glass industries were progressive while the steel safe and cycle industries were quite non-progressive. Though the entrepreneurs hailing from business castes and families had highest investment and highest average annual growth in investment, the data and statistical analysis identify the type of industry as the most effective determinant of entrepreneurial performance and growth. Even the entrepreneurs from non-business castes had high growth rates in terms of investment and had quite extensive markets in the three progressive industries. For instance, the Kayasthas and the Muslims in leather industry had national and international markets. In glass and chemical industries the Brahmins were also successful in terms of investment. On the other hand,
in steel safe and cycle industries even the entrepreneurs hailing from business communities like the Vaisyas and the Khattris could not achieve such a remarkable success. The Jains could attain great success only in chemical and glass industries but not in the steel safe industry. Thus, entrepreneur performance does not seem wholly dependent on the community structure. Some other social, political and infrastructural factors appear to be the major sources of such successes. An evaluation of government support programmes is also made to find the structural bases of development of entrepreneurship.

To minimise the economic imbalances caused by concentration of the economic power in the hands of a few people coming from business groups and to give a breakthrough to the rapid and balanced growth of entrepreneurship, formal support system is accepted as a quick and sure method. Many developing countries have developed large networks of institutional support systems. India has given a lead in organising a number of institutions and programmes at national, state and local levels to motivate and assist small entrepreneurs belonging to varied origins. The discussion in Chapter 3 and the brief evaluation of the formal institutional support programmes made in Chapter 4 indicate the failure of the formal support systems in encouraging and helping small entrepreneurs. The training programmes organised by SIEF
and SISIs in different parts of the country show only partial success in inducing the people to manufacturing. Only 8.6 per cent of trainees in Assam, 17.9 per cent in Karnataka and 5.6 per cent in Andhra Pradesh could set up their units. In UP, 437 persons had been trained till 1979, but only 92 (21%) of them set up their ventures. One noticeable point here is that the government reports do not mention the number of units which discontinued or closed down. But the study reveals that some of the trained and non-trained entrepreneurs discontinued their units owing to capital shortage or some other environmental problems. Such training was utilised mostly by the people of business groups (55%) and the people with high technical education (75%) since these people got preference in the support programmes for one reason or the other. In the Gujarat training programme 85 per cent units were set up by experienced persons or engineers. It is surprising that most of the trained entrepreneurs have said that such training courses are not much helpful for providing technical knowledge for a particular type of industry. Generally, courses are of 3 to 12 weeks' duration and in such a short period laymen cannot be trained. That is why training was mostly used as a means to avail of the government favour and not considered a source of knowledge.

Also the role of formal agencies in offering finance and other inputs at the initial as well as the later stage was almost negligible. Most of the units were facing acute
problems of finance, infrastructure, marketing etc., but only a very small number of respondents were benefitted by the support programmes. At the initial stage only 19.5 per cent and at the operational stage only 7.6 per cent of units were partly financed by formal agencies; only 1.6 per cent got machines on the hire purchase basis; 1.1 per cent were provided technical consultancy and were helped in marketing their goods; and none was benefitted by the export programme. The main sources for initial requirements were family and friends. Mostly entrepreneurs preferred private institutional sources for credit, consultancy and marketing. Such a negative attitude on the part of small entrepreneurs towards the formal support systems is caused by their complicated procedures, inordinate delays, inadequate assistance, unfair treatment and mismanagement.

Some management scholars assume intra-agency and inter-agency factors, such as overlapping of functions, lack of coordination and motivational climate, the bureaucratic structure, red-tape etc., for the failure of the formal support programmes. They also developed scales for mapping the imbalances in their activities i.e., stimulatory, supportive and sustaining activities and the motivational climate. According to Akhouri (1977) each group of activities is supplementary to each other and over-emphasis on one type of services and omission of other services causes an imbalanced economic growth e.g., relatively great stress on supportive than on the stimulatory and sustaining services results either
in short supply of entrepreneurs or a high rate of mortality or sickness of the units. Mapping of the organisational functions in UP identifies a relatively great stress upon supportive services. The studies conducted in the north-eastern region of India, Bangladesh and Malaysia too were on almost the same pattern. The empirical data indicate that supportive services like finance, infrastructure, raw material, marketing etc., were the main needs. Thus, it seems reasonable, rather desirable, to give more importance to such services.

One major weakness of this mapping scale is that weightage to all types of services is not given in accordance with their relevance to the entrepreneurial problems which causes the mortality and sickness of the units. Further, some services which are very important for the growth and stability of the units are not considered under the sustaining activities. Still more important issues are those of the adequacy, quality and extent of the services offered. Evaluation of some programmes has already indicated the inadequacy of the assistance provided by formal agencies. For instance, the steel safe manufacturers could hardly get 10 per cent of their requirements of raw material. They were very much frustrated by the allocation procedure of the supporting agencies. In case of finance, according to government reports, 15,411 units were financed by SFCs during 1979-80. This figure may look very impressive in government records but actually only 3.6 per cent of the total number of registered units were financed.
and that too partly. This proves to be only a nominal help to small entrepreneurs. The number of agencies and activities by itself cannot be a satisfactory basis for evaluating the success of the support system. Subsequent studies may modify the scale on the line suggested here.

Another weakness of the agencies which operate the entrepreneurial development programmes is that they lack a motivational climate. In view of Akhouri and others a favourable motivational climate is required to provide the clients (entrepreneurs) with adequate services. Such a motivational climate is developed under the dominance of two positive factors i.e., achievement and extension and avoidance of negative factors viz., power, affiliation and dependence. The mapping of the motivational climate in UP indicates a non-motivational climate dominated by dependence and power. Such a climate broadly results in low initiative, achievement and excellence. Under such a bureaucratic climate the welfare of entrepreneurs is given only the secondary importance; the procedure assumes prominence. The discussion in Chapter 5 has suggested that the bureaucratic structure is the major factor responsible for developing a non-conducive climate and making the support programmes ineffective. In fact, the administrative machinery which we have today is fashioned on the colonial model which was meant only for maintaining law and order. Such an administrative system is definitely not useful for achieving the goal of development. Weber's ideal
type of administrative machinery is only a theoretical concept and is not found in reality. What is really seen is over-centralisation of the decision-making power and a heap of procedural formalities. This in turn has made the officials more concerned with the procedure and has developed the tendency of paper shuffling, target-oriented ideology and red tape. Such an infatuation with the procedure kills the creative capacity of the officials. For developmental tasks officials should be more innovative, creative and ready to extend a helping hand to the clients. The mapping of organisational functions indicates that a different type of climate characterised by motives of achievement and extension is the main requisite for the effective implementation of the development schemes and formal support programmes.

The study in Malaysia presents a different scene. Though she had ideal combination of the motives of achievement and extension, there was a lack of coordination and integrated approach to growth and lack of assistance to small entrepreneurs. This implies that such mapping cannot provide a proper understanding of the actual problems of small scale sector although it throws light on some internal environmental factors. In fact, such internal environmental perspective is derived from the American approach of the closed system analysis which was rooted in pre-1960 years when the United States had an abundance of resources, a consensus in planning and a growth of organisations (Sharma, K.L., 1983). But in
the case of developing countries where scarcity of resources, conflicts and other environmental problems are in huge proportions, the internal system is subjected to external forces. Such internal management approach cannot be an effective measure to control the disturbed and turbulent environments. All the same, these agencies have not been able to deal with the crucial environmental problems.

The success or failure of selected industries in terms of environmental factors substantiates this point. The growth pattern of the five selected industries has projected some of the environmental problems which are the main hurdles for small manufacturers. The relative success of some of these industries identifies the type of industry as the major determinant of the entrepreneurial performance. Empirical data indicate that the main reasons for the success of three of the selected industries were easy availability of raw materials and a lesser marketing competition. The leather industry has no problem of raw material because of the ready markets of raw hides, skins and finished leather. The concentration of the glass industry in and around the city of Firozabad is mainly due to the local availability of the raw material 'reh'. The chemical industry easily gets its raw material in the open market and its ready market is provided by the local textile, leather and glass industries. Due to their concentrations in Kanpur, Agra and Firozabad the leather and the glass industries have no marketing problem. Further, they also have great demands in the overseas markets.
On the other hand the unsuccessful industries encounter some environmental problems. The cycle and steel safe manufacturers have problems of procurement of satisfactory raw materials at reasonable price, high sales tax and keen competition with big rival units in the procurement of raw material and marketing of goods. The steel safe manufacturers are facing an acute problem of non-availability of the raw material which is a controlled item. Bogus units and large units have made the procurement of raw material a big problem for small entrepreneurs. Because of a wrong allocation procedure they are forced to purchase the raw material in black market at higher prices which in turn adds to the manufacturing cost of their goods. The cycle manufacturers also sometimes do not get the required raw material in the local markets. Procurement of raw materials from distant places increases the transportation cost.

Due to variation in the tax structures of different states and greatest concentration of the industry in the adjoining state of Punjab, the cycle manufacturers face a great difficulty in locating markets. Competition with large and medium units in marketing similar products is also a major deterrent for small entrepreneurs. Besides, these big industrialists, due to the high publicity of their products, make it difficult for small units to introduce their new products in the markets, however, better in quality. Consequently, the small manufacturers sometimes have to sell their
goods to big houses who use to sell it under their own name and earn good profits at the cost of the small units. For external markets they have to face tough competition with big units in terms of quality and delivery. In case of export the new licensing policy of 1970 also has provided an opportunity to large and medium sectors to enter the area of small sector and create hard conditions for the small manufacturers.

Because of a weak economic base, lack of adequate additional finance, technical knowledge and testing facilities and unfair treatment by the government the small manufacturers are unable to compete with large and medium units. Unfair treatment of the small sector is very much evident by the fact that a very large share (67.4%) of government purchases is made from the large scale sector. Moreover, the reservation policy does not take into account the complementary role of the large, medium and small sectors, and the reservation by itself cannot provide the impulse for the growth of small industries. The Five Year Plan outlays also indicate relatively very small expenditure on the small industries (Table4.14). It shows how far the small scale sector is neglected in government policies and programmes.

Such environmental problems are beyond the control of small manufacturers. Government policies and programmes have largely failed to overcome these problems and to provide healthy and conducive environments. By and large, the
benefits of government policies and programmes go to the medium and large sectors. In the case of institutional finance too the big manufacturers get the maximum benefit by fulfilling the collateral condition and, in addition, offering commission. The Dutta Committee in 1967 also pointed out to the undue advantages and preferences of large sector over small sector.

To sum up, it follows from the study that neither the community psyche perspective nor the formal institutional support systems provide strong bases for the growth of entrepreneurship in the present situation. The gradual increase in the number of entrepreneurs coming from varied sections has weakened the traditional pattern of entrepreneurship. New economic opportunities, technical education, job experience, mass communication etc., have opened new channels of the growth of entrepreneurship. The community does not seem responsible even for achievement motivation and business style. Entrepreneurs from business as well as non-business communities have a uniformly high degree of achievement motivation but their performance is not satisfactory. The growth pattern of the selected industries identifies some environmental problems as the major determinants of entrepreneurial performance and success. Community is not helpful to overcome these problems. Moreover, the solidarity of business communities is minimised due to increased inter-community, inter-industry and inter-sectoral competitions. Family, however, still plays a crucial role in the supply of entrepreneurs.
On the other hand the formal support programmes do not cope with such environmental problems of the small scale sector. Some internal factors of support systems like overlapping in their functions, bureaucratic structure, lack of motivational climate etc., have made them unable to tackle these problems. The target-oriented ideology has no doubt increased the number of small units every year. But due to the lack of adequate and in-time assistance and favour either from community or formal institutions at the subsequent stages for dealing with these challenges, the small units are largely becoming sick and are showing a high mortality rate. It denotes only a quantitative and not a qualitative growth.

In nutshell, the structural bases of entrepreneurship development are quite weak in the state of UP. In such a critical situation the main question is: what can be done to strengthen the structural bases to control the environmental problems? Some scholars have suggested the possibility of effective role of voluntary associations of various sectors in solving these problems. But they are still doubtful about the success of these associations in countering the dominance of some sectors over others and to remove unhealthy competition and exploitation in a mixed economy where the public sector becomes competitor of the private sector in many ways and where the political elite emerges as an interest group and not as a caretaker of a balanced economic growth. Scarcity of resources, the non-federal structure of the associations
and the influence of some powerful pressure groups on the government stand in the way of tackling the entrepreneurial problems. Unless and until the pressure groups of all sectors are not made equally powerful and the government is not fair to all sectors, there is possibility of positive results. Such issues, however, need further exploration.