CHAPTER - VII

SUMMARY AND FINDINGS
7.1 INTRODUCTION

This chapter is organised into two sections. The summary of the thesis is presented chapter-wise, serially, in Section I. The findings of the study are presented in Section II.

SECTION I

SUMMARY OF CHAPTER

7.2 SUMMARY OF CHAPTER I

This is an introductory chapter devoted to emphasise the soci-economic significance of the topic of thesis, namely, "An analytical study of the problems of small scale industrial units in and around Poona"

The chapter defines both the scope and objectives of the study and discusses the sources of data, as well as the methodology of the study. The hypothesis to be tested are stated and the chapter arrangement is outlined.

7.3 SUMMARY OF CHAPTER II

This chapter is devoted exclusively to the discussion of the concept of entrepreneurship in all its dimensions. The discussion is organised into three sections. Section-I discusses the meaning, content and significance of the concept. Section II deals with the "Influence of environment on entrepreneurship while Section III discusses the issue of development of a meaningful concept of entrepreneurship which is relevant and significant in the context of the economic development of developing countries.

Section I The meaning, content, and significance of the concept of entrepreneurship:

Growth of entrepreneurship leads to growth of SSI sector
which in its turn leads to growth of industry and economy. It is this crucial role of entrepreneurship which makes it necessary to analyse the meaning, content and significance of the concept of entrepreneurship.

The meaning and definition of "Entrepreneur" have undergone changes over time to suit the changing macro environment. "Entrepreneur" is universally recognised as an "organiser" of an enterprise. Later his role as "bearer of risk" and as inventor and innovator came to be recognised. Much later the other functions of an entrepreneur such as planning, control, evolution of strategy of growth etc also came to be recognised. However it is the Schumpeterian concept of entrepreneur as an innovator which put him in a class apart from more managers. However, the concept of entrepreneurship most relevant, significant and meaningful in the context of development of developing countries is seen to be the synthetic concept of an entrepreneur as a planner, organizer, risk bearer, innovator and leader. This section also deals with the human qualities needed to become a successful entrepreneur.

Section II Influence of Environment on entrepreneurship:

Entrepreneurship is a function of environment - micro (internal) and macro (external) and as such varies with change in environment. Further, macro environment which is conducive to the growth of entrepreneurship and industry are one and the same. This section examines the effect of both non economic and economic elements of the macro environment on entrepreneurship. In particular the effect of different economic systems such as
capitalistic, socialistic and mixed economic systems, on growth of entrepreneurship have been discussed. A detailed discussion of socio cultural environment concludes that high achievement is possible only in a climate of cultural freedom and social mobility. The influence of religion and social recognition of entrepreneurs (status of entrepreneurs) on growth of entrepreneurship have also been discussed. While considering the politico-legal from work of society and its effect on growth of entrepreneurship, the effect of such factors as political system (e.g. Dictatorship) and political instability have been brought out clearly. It is shown how political instability colonization and dictatorship inhibit growth of entrepreneurship.

Section III Definition of a concept of entrepreneurship relevent to the development of developing economics:

A review of the macro environment in developed and developing countries shows that the macro environment in developing countries is not conducive to rapid growth of entrepreneurship. The developing economies are characterised by dominance of agriculture, lack of industrialisation, mass poverty, massive unemployment, discouragement of native entrepreneurs to colonial governments or apathy of government in non-colonial countries, lack of capital, lack of trained manpower, lack of educational and training facilities and lack of economic and said infrastructure. The social and political climate characterised by a society dominated by custom and status, political instability and underdemocratic government regimes, was positively hostile to development as it acted as a barrier to entry of entrepreneurs of non-business communities.
into trade and industry. Of late, there is a radical change in the political climate. New democratic governments have come into power and they are trying to bring about a socio-economic transformation of society so as to create a new socio-economic climate conducive to growth of industry and entrepreneurship. Consequently the climate has changed. However, the new climate is favourable to the growth of SSI units and not large industrial giants. Further the growth of SSI has great significance for the growth of entrepreneurship, industry and the economy. The SSI sector has provided a testing ground for entrepreneur. It has provided greater opportunities for growth of employment and entrepreneurship than the factory sector. There is growing realisation of the cause effect relationship between the growth of entrepreneurship and SSI sector on the one hand and growth of SSI sector and growth of industry and economy on the other. This is followed by an account of the growth of entrepreneurship in pre and post independence India to illustrate how the policy of Government of India has transformed Indian society to bring about rapid growth in entrepreneurship in India. It emphasises the importance of human resource development and the significance of "Fabian or Drone" type of entrepreneurs in the economic development of a developing country. This section brings out the fact that the "Schumpeterian concept" of entrepreneur as innovator is not relevant to the context of the macro climate prevalent in developing countries. The synthetic concept of entrepreneur is found to be more relevant and significant under conditions of developing countries.
7.4 SUMMARY OF CHAPTER III

This chapter deals with the significance of entrepreneurship as well as the role of entrepreneurship in the development of the SSI sector. Thus it discusses the effect of entrepreneurship on growth of SSI sector, industry and economy in the context of world experience and the experience of India in pre and post independence era. The chapter has been organised into three parts as follows:

Part I : Changing role of entrepreneurship: The International experience.

Part II : Role of entrepreneurship in India: Pre independence era.

Part III : Role of entrepreneurship in India: Post independence era.

The summary of these three parts has been presented in the following 3 sections in that order.

SECTION I : International Experience

The external environmental and entrepreneur re-act to each other. The external environment influences the entrepreneur by providing opportunities and reward for entrepreneurship and by limiting the scope of his activities. The entrepreneur in his turn strives to transform society, increase social mobility and cultural freedom so that better opportunities and rewards became available to entrepreneurs. The inter-action compels the entrepreneur to change his role so as to adjust to the changing macro environment. Thus inevitably the role of entrepreneur changes. This is seen in the change in the meaning of entrepreneur as given by the Oxford English Dictionary in its
various editions. Similarly the definition of entrepreneurship as
given by different economists also reflects the evolution in the
role and significance of entrepreneurs. The definition of
entrepreneur by Richard cantillon, J.B. Say, and Joseph
Schumpeter all emphasise different functions of entrepreneurship
such as organisation, risk bearing, innovation etc. However, in
the context of a developing country adopting a mixed economic
system, the role of entrepreneurship, to be meaningful and
significant has to be defined as a synthetic role combining all
the major functions of an entrepreneur. The international
experience indicates that:

1. In 18th and 19th century entrepreneur remained primarily an
organiser of an enterprise, as risk bearing was not a very
important function then as there was little risk in
organising production in that era.

2. Immediately after World War I the macro environment became
highly conducive to growth of entrepreneurship as both
opportunities and rewards were available in plenty and the
Schumpeterian concept of innovatorship became the dominant
characteristic of an entrepreneur. Also this period
witnessed the blossoming of entrepreneurship and the effect
of growth of entrepreneurship on transformation of the
society and the economic system.

3. The period 1935-1955 saw the rise of capitalism and of
corporate giants, cartels and syndicates in developed
western countries as the macro climat there was highly
favourable for the growth of industrial giants.
Simultaneously, in Russia and Eastern Europe an alternative economic system centrally planned economics emerged and functioned successfully in opposition to the capitalistic system. The role of entrepreneur in these two economic systems is radically different.

Section II: Indian experience in pre-independence era

A study of the Indian experience with regard to growth of indigenous entrepreneurship in pre and post independence era is highly instructive. The study of pre independence period demonstrates that the socio cultural conditions were not conducive to growth of entrepreneurship. The lack of social mobility and caste and community barriers to entry in trade and industry, lack of capital, mass poverty, mass unemployment, high rate of illiteracy, inadequate technical man power lack of tradition of large scale manufacturing all tended to discourage growth of entrepreneurship. The lack of social mobility and caste and community barriers to entry to trade and industry, lack of capital, mass poverty, mass unemployment, high rate of illiteracy, inadequate technical manpower, lack of tradition of large scale manufacturing all tended to discourage growth of indigenous entrepreneurship. The colonial rule also discouraged indigenous entrepreneurship and favoured European entrepreneurship. Consequently the European entrepreneur flourished and laid the foundation for subsequent rapid growth of indigenous entrepreneurs, who acquired practical experience of organising and managing industries by working for European entrepreneurs and their enterprises in India. The European entrepreneurs were pioneers in raid transaportation, coal, jute,
textile and steel industry, still later they organised cement, paper, news paper, banking, hotel and tourist industries in India. However, the European entrepreneurs were interested in developing only these industries which were supplementary or complementary to the economic interests of Great Britain, as such industries received support from the colonial government. That such an industrial policy was harmful to the country and to the war effort dawned on the Government during the 1st World War. Consequently the Government revised its industrial policy and began to encourage industrial development and growth of indigenous entrepreneurship. This was a major change in the macro environment. As a result, the traditional business communities in India viz. the Parsi, Gujarati, Marwari and Bania communities and the castes of artisans and craftsmen began to participate in the process of industrial development and thus the indigenous entrepreneur class began to grow and multiply. The members of the artisan and craftsmen communities and castes became principally either Fabian or Drone type entrepreneurs. They also became skilled labour in European factories. Subsequently those who had received technical education and training and those who had acquired technical skills and work experience in large factories at themselves up small engineering units and became engineer manufacturers. At the same time the members of the business communities who were traditionally traders, money lenders or real estate brokers, developed contact with European companies and began to provide them marketing, financial and administrative services. Soon they were able to develop an organisational
innovation, namely, the "Managing Agency System". Through this system, a partnership firm of indigenous entrepreneurs takes over on contractual basis the marketing, finance and administrative function of the company of an European/entrepreneur who concentrates on production function. This managing agency system provided training ground for Indian entrepreneurs who had organisational ability and capacity to mobilise capital, and consequently, when the macro business climate turned favourable they emerged as big industrialists and founded large business houses. The Swadeshi movement, which was very strong and had caught the imagination of the public was another major element in the macro environment which favoured growth of indigenous entrepreneurship and big business in India, by opening up the vast domestic market exclusively for them by boycotting foreign goods.

Section III: The Indian Experience in Post Independence Era

The rise of indigenous entrepreneurship and the entrepreneur communities of India have been closely studies by eminent economic researchers like Prof. D.R. Gadgil, Mr. Medhora, Mr. James Barna, Mr. K.L. Sharma, Dr. B.C. Tandon and others. Gadgil and Medhora have studied the business communities and artisan and craftsmen castes and their contribution to the growth of Indian industry. The rise of big business in India has been traced by Dr. Gadgil, who has also emphasised the contribution of artisan and craftsmen communities to the growth of SSI sector in India. James Barna’s study of entrepreneurs of South India has shown that the breakdown of the joint family system and the caste barriers to entry into trade and industry has increased social
mobility and has contributed to the growth of an entrepreneur class drawn from non-business communities and having technical education and skills and these entrepreneurs from non-business communities were more dynamic, and enterprising than entrepreneurs drawn from traditional business communities. Dr. Tandon's draws attention to the role and significance of small entrepreneurs to the growth of the SSI sector and the significance of the SSI sector for growth of industry and economy. All studies, directly or indirectly, indicate and emphasise the transformation of Indian society and the role of entrepreneurs in bringing about such transformation of society as is favourable to the growth of entrepreneurship. Significance of entrepreneurship has been taken cognisance of and the growth of entrepreneurship and types of entrepreneurship have been noted. The presence of large number of Fabian or Drone type of entrepreneurs is noted and their role in industrialisation of the country and generation of employment and meeting consumer's needs is appreciated. It is also noted that SSI sector provides much greater scope for generating employment than the large scale factory sector. That the number of enginee manufactures is growing rapidly in the SSI sector. Finally it is remarked that if the small scale industrial units have not grown into large corporate giants it is not because of lack of initiative, enterprise or talent on the part of entrepreneurs but because the macro climate was not favourable and the limitation of market did not permit generation of massive profits and accumulation of capital on a large scale.
7.5 SUMMARY OF CHAPTER IV

This chapter discusses the impact of external environment on the growth of entrepreneurship. It emphasises that the external environment consists of many elements (see Table 4.1) and the relative strength and influence of these elements depends largely upon certain key variables, namely,

1. The economic system adopted by a country,
2. The system of Government adopted by a country
3. The stage of economic growth reached by a country
4. The economic character of national economy
5. The socio cultural environment
6. The role of Government as accepted by the society
7. The policies/programmes adopted for promoting entrepreneurship and their effective implementation.

1. Influence of economic system: Six economic systems have been discussed the focus being on how the systems enlarge or limit the scope and opportunities of entrepreneurs and recognise and reward entrepreneurship and this either encourage or inhibit the growth of entrepreneurship. Free market systems are seen to provide maximum opportunity and scope as well as rewards for entrepreneurs and this encourage rapid growth of entrepreneurship. On the other hand centrally planned economics provide least scope and opportunities for entrepreneurs to secure private profits and grow. A mixed economy is seen as favouring growth of entrepreneurship particularly if the Government plays an active role in promoting entrepreneurship as is being done in India. The military distabrships like Facison and Nazism
are also seen to favour rapid growth of indigenous entrepreneurship.

2. **Influence of political system (system of Government):** This influences growth of entrepreneurship by influencing (i) choice of economic system to be adopted by a country and (ii) the determination of the role of Government in the economy and in promoting growth of entrepreneurship.

3. **Stage of economic development:** The stage of economic growth of a country exercises a profound influence on the pace of industrialisation and growth of entrepreneurship. The more economically advanced a country the greater is the pace of economic development and growth of entrepreneurship. Under development which is characterised by:
   
   (i) Mass poverty which is chronic;
   (ii) Obsolete methods of production;
   (iii) Lack of infrastructure;
   (iv) A traditional society inhibiting social mobility and cultural freedom and trying to retain traditional social stratification and finally.
   (v) Traditional pattern of foreign trade. Comes very much in the way of growth of entrepreneurship and industrialisation.

4. **Economic character of the National economy:** National economies differ in the extent of growth of infrastructure. Unless infrastructure is developed it is not possible to accelerate the pace of growth of industrialisation and hence entrepreneurship.
5. The socio-cultural environment: The influence of socio-cultural environment is considered under four different heads as follows:

(A) Impact of demographic profile of the society;
(B) Social feature influencing entrepreneurial ability;
(C) Social stratification and its implications for growth of entrepreneurship;
(D) Cultural values and beliefs and their influence on the growth of entrepreneurship.

(A) Impact of demographic profile of society: In any society experiencing shortage of capital due to low labour productivity and low per capital income and savings, pressure of population on land and rapid growth of population are inimical to growth of industry and entrepreneurship because of scarcity of investible funds for growth.

(B) Social features inhibiting growth of entrepreneurship: Traditional societies resist social change and thus influence the supply of critical inputs like entrepreneurial ability, and technical manpower and capital.

(i) Supply of entrepreneurial ability: Rigid social stratification as typified by the caste system in India, and the value which society attaches to different kinds of economic activity, constitute barriers to growth of entrepreneurship. Similarly factionalism (i.e., caste and class cleavage of society) tends to limit growth of entrepreneurship by closure of opportunities to large sections of the population.
(ii) Supply of technical manpower: Low rate of literacy not only constitutes an obstacle in acquiring technical skills but also in the way of adjustment of workers to the urban factory conditions. Also workers' attachment to traditional form of social security and confidence in their efficacy, come in the way of their occupational mobility and their migration to urban areas and identification of their life interest and future with a career in industry.

(iii) Supply of capital: The traditional society is caught in a vicious circle of low productivity, low income, low savings, low investment and hence low productivity. Further in traditional societies the savings of the societies accumulate in the hands of a small wealthy class which may "dissipate" this capital on conspicuous consumption or invest it in acquisition of land, real estate or in gold and jewellery. Thus only a small amount of the savings flow back into industry resulting in shortage of investible funds.

Inspite of these inhibiting factors the Government if it decides to play an active role to promote entrepreneurship, may succeed in doing so by bringing about social transformation, by raising general standard of education by introduction of technical education and training programmes, entrepreneurship development programmes, and through creation of infrastructure facilities and provision of financial, marketing and technological assistance to entrepreneurs. Government can also provide greater opportunities to new entrepreneurs by regulating monopolies and curbing restructive trade practices and ensuring
competitive market conditions.

In this context it is necessary to note that the modern world is economically well integrated. Hence, the national economy is affected directly by conditions of prosperity or depression in the rest of the world. Through trade, aid, balance of payment system and technology transfer, the external world can and does influence the national economy and can enlarge or contract opportunities for entrepreneurs to grow.

(C) Social stratification: All societies are stratified.
However stratification may be by caste, by estate, or by an open class system, the last being most flexible and conducive to growth of entrepreneurship.

(D) Cultural environment: Being members of the society, the entrepreneurs too are "culture bound". Their motivations, their aspirations, their opportunities, their recognition and rewards are all very much subject to cultural influences. Consequently the success or failure of an entrepreneur is greatly influenced by the culture of society in which he lives and works, both directly and indirectly.

6 THE ROLE OF GOVERNMENT

The Government can play four important roles in an economy, namely,

(i) The regulatory role,

(ii) The promotional role,

(iii) The entrepreneurial role,

(iv) The planning role.

The regulatory role is played by Government in all economic systems and under all forms of Government systems. Similarly the
planning role of Government is being accepted by all countries of the world. However, how active Government should be and whether, if at all, it should play the entrepreneurial and promotional roles depends upon the economic and political situation in the country.

In the underdeveloped countries where a democratic form of government prevails and a mixed economy is adopted the Government has to play necessarily both the entrepreneurship and the promotional role to accelerate economic growth and industrialisation and growth of entrepreneurship. The extent to which Government is committed to play the role of entrepreneur and promoter and evolves and implements policies and programmes for that purpose determines the influence Government on growth of industry and entrepreneurship.

GOVERNMENT POLICIES

The basic policy goal is to remove impediments in the desired factor flow for economic and industrial growth and for growth of entrepreneurship. The policies are examined under five heads as follows:

(i) Fiscal policy,
(ii) Credit policy,
(iii) Tariff policy,
(iv) Industrial policy and planning.

These policies are designed to enlarge the opportunities available to entrepreneurs, promote and assist entrepreneurship and provide rewards for entrepreneurs.
INTERNATIONAL ENVIRONMENT:

The national economy is also affected by the international environment. The effect of international environment is brought out clearly by focussing on two important elements in the international environment, namely, (i) The advanced industrial countries and (ii) The international agencies.

(A) **Role of industrial countries**: The advanced industrial countries influence the economic development and entrepreneurial growth in the developing countries through (i) International trade (ii) International migration (iii) international flow of capital and (iv) technical assistance.

(B) **International Agencies**: The international agencies play a very important role in the economic development and modernisation of the under developed economics by:

(i) furnishing them directly the necessary financial and technical aid;

(ii) facilitating exchange of ideas;

(iii) disseminating the lessons learnt by the individual countries in the course of their development,

(iv) engaging in comparative research,

(v) balance of payments support in times of crisis.

Thus it is seen that external (macro) environment exercises considerable influence on the growth of industry and economy of developing countries as well as on the growth of entrepreneurship in those countries.

7.6 SUMMARY OF CHAPTER V

Since the era of planning, as part of its industrial policy, Government has taken a policy decision to promote the growth of
SSI sector and evolved suitable policies, launched appropriate programmes and has set up agencies to promote the growth of SSI sector and lend them support and assistance. The necessary regulatory agencies have also been created.

For the purpose of promotion and assistance the SSI units have been divided into four classes as follows:

1. The tiny units
2. The village industries
3. Modern SSI units
4. Ancillaries

The four classes serve different policy goals. The tiny units are meant to enable members of the low income families to work in their own cottages and in their spare time to manufacture traditional items of local demand and thus provide part-time employment to family members of poorer classes so that they may supplement their meagre incomes.

The village industries are meant to revive and modernise traditional art and crafts and encourage rural artisans and craftsmen to ply their own trades in their own villages and thus become self-employed and earn reasonable income. Thus it is meant to generate non-agricultural employment in rural areas. They too manufacture traditional items not only for local consumption but also for the urban market and for export.

The modern SSI units use modern machinery, power and technology and produce either independent products or manufacture components or undertake machining and fabrication jobs. The objective is to generate employment in urban areas and achieve
decentralised growth of industry simultaneously. These SSI units produce consumer goods as well as intermediate products both for the national and the international market.

The ancillary units are also modern SSI units but they mainly or wholly work for a big factory either accepting machining job or manufacturing some component or assembly or sub-assembly of components. The ancillaries policy is part of Governments' policy to harmonise the interest of large scale and small scale sector. And provide scope for SSI sector to expand through ancillarisation. The ancillary units generate employment and allow fuller mobilisation of local resources of capital and manpower.

Thus the SSI sector is not a homogeneous group of SSI units but consists of four different classes each serving a district policy goal. Hence the package of support, assistance and incentives would be necessarily different for each class as their needs and purposes are totally different.

The Central Government is fully aware of the benefits from what are known as Khadi and village industries. They provide both regular and off-season employment in rural areas to weaker sections of society (such as women and children members of backward classes and scheduled castes and tribes, and physically handicapped persons), with their own households or in the vicinity of their households in areas characterised by chronic unemployment and under employment. They are well dispersed and are labour intensive and capital saving and hence contribute to non-inflationary growth. They help conserve resources, do not upset ecological balance and do not pollute land, water or air.
They are primary instruments of rural industrialisation and rural employment. The Government attaches so much importance to the promotion and development of these industries that a statutory corporation the Kadi and village industries commission was set up to promote and assist these industries.

The Government is fully aware of the role and significance of the other three classes of SSI units and is keen to promote and assist them. They have realised the obstacles in the path of their progress. These are (i) lack of infrastructure facilities (ii) lack of availability of industrial sites and sheds of reasonable cost, (iii) lack of availability of material inputs and machinery and equipment (iv) leave of technical manpower (v) lack of educational and training facilities for workers, managers as well as entrepreneurs (vi) lack of credit facilities (vii) lack of availability of technical consultancy, guidance and assistance, (viii) marketing assistance and support (ix) export assistance and (x) commercial intelligence on viable products and projects.

Consequently Government policies and programmes are directed at removal of these obstacles and special agencies and organisations have been created for this purpose.

(A) Lack of infrastructure facilities and industrial sites and sheds: The Government policy in this area is to develop industrial estates which have all necessary infrastructure facilities and allot industrial sites and sheds in the industrial estate to would be entrepreneur to set up new SSI units there. Industrial development corporation have been
set up in each state for this purpose and the state industrial development corporations have done a commendable job in developing industrial estates and allotting industrial sites and sheds.

(B) **Lack of availability of material inputs and machinery**: The Government policy in this area is to allot to needy SSI units on the basis of the recommendation of DIC’s quota of scarce raw materials as well as controlled raw materials like cement and steel. Small scale industries development corporation have been set up in every state for this purpose. A national level organisation National Small Industries Corporation (NSIC) has been set up to supply machinery and equipment to SSI units on hire purchase. The scheme is operated through nationalised banks and state small scale industrial development corporations. Currently NSIC is operating through DIC’s.

(C) **Human resource development**: To promote entrepreneurship and augment supplies of trained managers and supervisors, and skilled workers, a variety and workmen’s training programmes, management training programmes and entrepreneur development programmes have been organised. A number of organisations like SIDO, MCED, MITCON have been created.

(D) **Lack of availability of technical consultancy, guidance and assistance**: The responsibility for overcoming this obstacle is also assigned to the SIDO at the national level and to MCED and MITCON at the state level in Maharashtra State. However such state level organisations do not exist all states of the union.
Lack of adequate credit: Government has directed the banking and financial institutions—both central and state—to treat SSI sector as a priority sector for the purpose of leading and to extend credit to sector at concessional rate of interest. Further commercial or cooperative banks advancing projects finance to SSI units are provided refinance facilities by IDBI, NABARD, ARC, IFC, SIDBI, etc.

Market support: The Government extends market support to SSI sector in various ways such as reservation of items/industries exclusively for the SSI sector, preference to products of SSI sector in purchases of Government through DGS, and 15% price preference to SSI units selling to public sector enterprises. In addition KVIC and State Small Scale Industries Development Corporations arrange for marketing the products of SSI units, both at home and abroad. They also help the SSI units to export their products.

Commercial Information: Government, in order to promote new SSI units, furnished would be entrepreneurs information on viable projects and products.

Thus it is seen that Government has a comprehensive and multi-dimensional policy to promote and develop growth of SSI sector and SSI units.

The Government is also aware of the problem of ancillaries and has taken special steps to help these units. The ancillary units linked with 26 specified major industries are extended such facilities technical assistance, supply of machinery on hire purchase through NSIC and allotment of factory sites and sheds in industrial estates and all other facilities to which an SSI units
is entitled. The policy of ancillarisation is followed by all public sector undertakings to accelerate the growth of such units. The degree of ancillarisation varies from industry to industry.

The Government also helps SSI units to modernise. Also in view of the creation of large number of agencies and organisations to promote and assist SSI units, it has become both necessary and urgent to provide a single window clearance for all application by SSI units for assistance. For this purpose a new agency District Industrial Centre (DIC) was created, however the agency has not proved as effective as it was expected to be.

7.7 SUMMARY OF CHAPTER VI

As part of this research study a purposive sample of 11 SSI units had been selected for indepth study. The names of selected units and their entrepreneurs are furnished in Appendix III.

Of these 11 units 9 were located in "A", one in "B" zone and the remaining one in "C" zones. All 11 were engineering units. Of these 11 units, 3 were manufacturing their own products, 4 were manufacturing sub-assemblies and the remaining four were engaged in either machining or fabrication on contractual basis. There were no "tiny or village industries" in the sample. All were modern SSI using power and automatic machines. Of these 4 were ancillary units. All the units except one started with a narrow capital base. 8 of them started with Rupees 2 lakhs or less capital; 2 others started business with Rs. 2 to 4 lakhs of capital. The remaining unit was a large one and commenced business with as Rs. 20-25 lakhs investment in fixed assets. of
these 11 units, 4 were less than 10 years old; 4 others were 10-20 years old and the remaining 3 units were more than 20 years old. It is thus seen that the SSI sector in Poona is young and has developed mostly in the past 3 decades. Of the 11 units 4 were private limited companies and the rest were partnership firms. Of the 11 units 2 were managed by engineering graduates, 2 by Engineering diploma holders, 1 by a trained and experienced person and the remaining six by college graduates employing technically qualified managers. A questionnaire had been canvassed in respect of each of these 11 units to throw light on the various problems faced by them.

As separate questionnaire had been canvassed in respect of the main entrepreneur of each of the selected 11 SSI units. The respondents to this second questionnaire were the real decision makers invariably the senior partner of the partnership firm or the Chief Executive of the Private Limited Company owning/operating the selected SSI unit. The respondents to the two questionnaires were not always the same though many members were common to both the groups.

Of the 11 decision makers (entrepreneurs) interviewed 10 were hindus and one was a muslim. None of them belonged to the traditional business community or the artisan/craftsman castes. Further 6 of them were arts/science graduates, 2 were engineering graduates, 2 held engineering diplomas and one was a skilled worker having technical training and ob experience. This indicates that caste barrier to entry is slackening and education general and technical, is encouraging the rise of a new breed of young entrepreneurs. An income analysis of these 11 entrepreneurs
revealed that 5 had an annual income less than 1 lakh (mean annual income Rs. 69,000), 4 had an annual income ranging from 1 to 2 lakh rupees (mean income Rs. 1,44,000), the remaining 2 had an annual income in excess seen that these entrepreneurs hails from upper middle class and well to do families.

AWARENESS OF ROLE OF ENTREPRENEURSHIP:

Out of the 11 entrepreneurs interviewed only six were fully aware of their role and functions. The other five visualised a very limited role for the entrepreneur; of the 5, one visualised the entrepreneur as a capitalist performing the finance function only. Two other visualised the entrepreneur as an organiser of new enterprises. The remaining two visualised entrepreneur as organiser and manager of production of goods/services. This demonstrates the need to organise orientation courses for entrepreneurs.

AWARENESS OF NEED FOR TRAINING AND DEVELOPMENT:

The entrepreneurs were unanimous that they need ED programmes and would greatly benefit by them. 3 of them were fully aware of the ongoing EDP’s but were unable to participate in them for a variety of reasons. The remaining 8 stated that they would welcome EDP’s and participate in them provided they are held in MIDC area and more frequently. Strangely enough they saw more benefit in EDP’s in developing useful contact with bankers and officials of regulatory agencies rather than in the knowledge and training imparted by the EDP’s. The entrepreneurs demand that Government should take initiative in organising EDP’s and do so jointly with a trade association/chamber of commerce or
a professional management institute if they want the EDP’s to be effective. While all the 11 entrepreneurs agreed that they needed EDP’s only 5 of them felt that training in functional areas and technical training were not necessary for entrepreneurs. The remaining 6 favoured technical training for entrepreneurs also. The entrepreneurs were unanimous that they and they alone have the sole right to manage their SSI unit and solve its problems. They were highly emotional on this issue.

ROLE OF ENTREPRENEURS IN SOLVING THE PROBLEMS OF THEIR SSI UNITS:

The case study of SSI units had focussed on the various problems faced by the SSI units. These problems have been classified and presented under the following heads:

1. Choice of product
2. Choice of site/shed
3. Acquisition of land and building
4. Choice of machinery and equipment and their acquisition
5. Choice of technology
6. Capacity utilisation and scale of operation
7. Selection of personnel
8. Procurement of raw materials
9. Arranging finances
10. Marketing
11. Exports

The study of entrepreneurs focussed on how they solved the above mentioned problems, how they planned for growth and what human qualities contribute to the success of an entrepreneur. The results of this study have been presented in the following paragraphs.
Choice of product: Of the eleven entrepreneurs 8 were entrepreneurs by choice and 3 had been persuaded to become entrepreneur. All of the 11 had chosen the engineering industry because Poona business climate was highly favourable to growth and success of Engineering units. Out of the 11, five had become entrepreneurs because they had failed to secure employment and hence decided to become self employed by organising an engineering unit. Three others started their SSI unit because they felt that this was the best way to earn high income and profit. The remaining three were persuaded by others to enter business. As regards choice of products, 4 units chose to become ancillaries and accept machining job. 3 others decided in favour of job work whether machining or fabrication. Hence only the remaining 4 really chose a product. The criterion of choice was to choose a product offering maximum profit and minimum competition from large scale factory sector.

Choice of site/shed: Out of 11 entrepreneurs 9 located themselves in "A" zone and 2 in "B" zone. out of 9 units in "A" zone 8 were located in industrial estates - Got. or cooperative. Thus the entrepreneurs clearly favoured sites/sheds having complete infrastructure facilities. Choice of "B" zone was by ancillary units who wanted to be close to the large factory in "B" of which they were ancillaries.

Acquisition of land and buildings: Being highly cost conscious the entrepreneurs preferred to buy ready made sheds to reduce gestation period of their unit. They chose to buy land and construct their own shed only when this was found to be more
Choice of machinery and equipment: The units had to choose either high priced machinery of reputed manufacturers or relatively less expensive machinery manufactured from less well known units. The entrepreneurs by and large expressed preference for less expensive machinery rather than machinery carrying reputed brands. The SSI units commenced business with 4 or 5 machines initially.

Choice of technology: The entrepreneur generally preferred to employ and advance technology and compromised on technology only under financial constraints. Out of the 11 units 8 employed very advanced technology, one employed advanced technology and the remaining 2 units were aware of the need for modernisation of technology and were anxious to modernise at the first available opportunity.

SCALE OF OPERATION, NO. OF SHIFTS AND CAPACITY UTILISATION:

Out of 11 entrepreneurs 6 operated one shift (i.e. 33% capacity utilisation), 4 operated 2 shifts (66% capacity utilisation) and only 1 unit operated all the three shifts (100% capacity utilisation). Entrepreneurs claimed that running the third shift was not profitable because of low productivity of labour and poor quality control in the third shift (night shift).

Choice of personnel: All the 11 unit used power and employed automatic machinery and equipment. 4 of them employed 20 or less number of workers and the remaining 7 units employed more than 50 workers. The units enjoyed industrial peace, and preferred to recruit raw hands and train them in their own unit. This was considered less expensive and also conducive to the growth of
espirit decorpse within the organisation.

**Material Management**: This is an important area for cost saving and quality control. The entrepreneurs had to depend on MSSIDC for supply of scarce raw materials and raw materials subject to controlled distribution like cement and steel. They complained that the supply of raw materials by MSSIDC was irregular, inadequate, untimely and the quality of material supplied was unsatisfactory.

**Marketing Problem**: This is a major problem inhibiting growth of SSI units. In fact, marketing and finance are considered as major constraints both for the success and growth of SSI units. The Government has many programmes for extending marketing support to SSI sector e.g. reservation of industries and items, preference in Government purchases, 15% price preference to SSI units, arranging distribution of products etc. However barring reservation of items for SSI sector, none of the other measures are found to be satisfactory by the entrepreneurs. As regards market competition, 2 entrepreneurs reported that they had no competition as the employed the most advanced technology; 2 ancillary units reported facing severe competition in securing high value added machining jobs; the remaining 7 units had to face stiff competition and the entrepreneurs stated that cost control was the only way to beat competition.

**Exports**: Since the domestic market was relatively more profitable most of the SSI units has no inclination to export particularly as the export formalities were cumbersome and export business was relatively more risky. Only 1 unit was engaged in
export and it reported that Government agencies were not of much help to it in its export drive.

**Financial Management**: Out of the 11 entrepreneurs initially only 3 received bank finance; 5 depended entirely on owned funds and 3 others on own funds and help from friends and relatives. However at present the 5 entrepreneurs who were initially self sufficient financially continued to remain financially self sufficient inspite of tripling of their production capacity. The other 6 units were now receiving bank assistance, none of them had to depend on friends or relatives for finance as banks were ready to assist them.

**Problems constraints and strategy of growth**: The entrepreneur - owner of an SSI unit has to face many problems and suffers from many constraints on success and growth of the unit. Though the problems and constraints remain the same their relative importance changes over time. Out of the 11 entrepreneurs initially 6 suffered from scarcity of technical manpower, 2 from lack of demand 2 from lack of finance and 1 from non availability of quality raw material. At the end of six years from their commencement business, the situation altered materially. 6 entrepreneurs were suffering from lack of finance, 2 from shortage of technical man power, 1 from lack of demand and 2 others from lack of quality raw material. At present all the 11 units feel that some technical improvement is called for by way product development or diversification. 5 of the entrepreneur feel confident that they have enough technical competence to introduce these changes themselves while the remaining 6 stated that they would need some external technical guidance in this
matter. However they expressed confidence they would easily be able to secure such technical guidance from private consultants. None indicated and preference whatsoever for government and or official agencies in the matter of technical consultancy. As regards human qualities that contribute to the commercial success of an entrepreneur, the entrepreneurs as a class emphasised hardwork, work experience, and financial ability in that order, as the most important factors of success. Finally it is seen that inspite of all the difficulties and constraints the entrepreneurs have managed to succeed and grow. Over the years the production capacity of the SSI units has tripled as seen by the increase in the number of machinery and equipment owned by them. The financial position of the entrepreneurs too has improved considerably over the years. Initially out of the 11 entrepreneurs 4 were financially weak, 3 were under financed and only the remaining 4 were financially sound whereas at present the financial position of all 11 entrepreneurs is sound. Of these 11 the financial position of 5 is good and 2 others is very good. Thus it is seen that the SSI units have emerged successful and the entrepreneurs have grown in financial strength and prosperity.

Results of case study of organisation: organisations studied:
Case studies were made of the following 9 official organisations/agencies:

1. MIDC
2. MSSIDC
3. SISI
4. DIC
5. WMDC
6. MSFC
7. MCED
8. MITCON
9. MCCI

Their working has been assessed and presented in that order.

**Assessment of MIDC**: The case study indicated that MIDC was the best known and most effective of all the agencies. Because of successful development of industrial estates and zones and the development of satisfactory infrastructure facilities and allotment of Industrial sites and sheds at reasonable prices, MIDC has made its presence felt everywhere. The entrepreneurs were by and large satisfied with the working of MIDC. They suggested that the organisation would be much more effective if it were to streamline its procedures and reduce paperwork and red tapeism.

**Assessment of MSIDC**: The main activities of MSIDC were:

(A) Supply of scarce and/or controlled raw materials.
(B) Marketing and export assistance
(C) Supply of machinery on Hire purchase through NSIC
(D) Extending warehousing facilities

The case study indicated that:

(A) The SSI units were generally dissatisfied with the MSIDC function of supplying raw materials. According to entrepreneurs, the supply of raw materials was inadequate, irregular, untimely, and of unsatisfactory quality.
(B) The record of marketing assistance rendered to SSI units in
our sample is very poor and unsatisfactory.

(C) As regards the supply of machinery on hire purchase, the volume of business is too meagre to make any visible impact on the SSI sector.

(D) Extending of warehousing facilities: The SSI units are not at all satisfied with this service. They feel that the warehouses are not conveniently located.

Assessment of SISI: The activities of SISI are:

(A) Providing technical consultancy services;
(B) Providing workshop facilities;
(C) Training programme for workes and supervisory staff;
(D) Economic information service;
(E) Development of ancillaries.

A case study indicated that the extension centre of SISI at Poona was terribly under manned, the technical staff were not considered by the SSI units to be professionally competent and that it had inadequate budget and resources and as such it had very little chance to succeed.

The organisation is so ineffective that majority of the entrepreneurs in our sample were unaware of its existence. The few who had heart about it were also unaware of its activities. None of the entrepreneurs in our sample had ever approached this organisation for kind of assistance.

Assessment of DIC: The DIC is engaged in the following activities:

(A) Registration of SSI units
(B) Acting as a 'single window' clearing agency for all requests and applications of SSI units e.g. request for raw
material quota or request for machinery on hire purchase.

(C) Sanctioning seed capital to educated unemployed for organising new SSI units.

(D) Recommendation to financial institutions to revive sick SSI units.

(E) Promoting industries in backward areas.

(F) Promoting cooperative industrial estates.

Our case study indicated that the DIC performed activities (A), (B), and (C) routinely. That is it is performing its regulatory functions. Activities (D), (E) and (F), the development activities are not at all being pursued vigorously.

The organisation is well known, every SSI is aware of its existence and activities. However the sample of entrepreneurs were of the view that the personnel of DIC were neither knowledgeable nor possessed of much expertise. Besides they were corrupt, and employed dilatory tactics. All those who had approached DIC as a single window clearing agency are disgested with it. The inordinate delay and the demand for illegal gratification have visibly discouraged entrepreneurs from seeking assistance from DIC in any matter.

This organisation too is suffering from inadequate budget and staff.

Assessment of WMDC: The main activities of WMDC are:

(A) To provide seed capital to educated unemployed to organise new SSI units.

(B) To encourage entrepreneurs to set up new SSI units in backward areas.
WMDC is well known and active. However it has taken a policy decision to help units which come up in backward areas. Since the SSI units in Poona are unaware of this policy of WMDC they approach WMDC and feel frustrated as their proposals do not materialise. WMDC should make its policy explicit and indicate that it does not intent to help SSI units in Poona. E.G. it is not helping "Sick" SSI units. The case study indicated that there is lack of co-ordination between WMDC, MSFC and DIC both in the matter of rehabilitating sick unit and in furnishing seed capital to educate youth to promote self employment. The inadequacy of resources, procedural develop and red tape also contribute to the poor performance of WMDC.

Assessment of MSFC : This is a term lending agency set up by the state Government. It has a strong equity base and expert personnel. It operates statewide and has a wide range of programmes of financial assistance. MSFC is active in -

(A) Industrial development of backward areas in its jurisdiction;

(B) Rehabilitation of sick units;

(C) Catering to financial needs of special target groups.

(D) Conducting executive development programmes.

The case study showed that MSFC was fairly successful in activities (B) and (C), partially successful in activity (A) and had abandoned activity (D) as it felt that newer organisations like MCED and MITCON are better placed to carry out that activity.

Out of our sample of 11 entrepreneurs, 7 felt that commercial banks offered better services, faster and cheaper and
preferred to go to them for financial assistance. Only 4 entrepreneurs applied to and received financial assistance from MSFC. They have made the following suggestions for improving the effectiveness of MSFC.

1. Out red tape and procedural delays
2. Increase the quantum of assistance to SSI units in general and export units on particular.
3. Introduce new scheme of its own to help educated unemployed persons.
4. Modify eligibility conditions to widen the class of beneficiaries.
5. Extend assistance to trade associations/chambers of commerce to conduct executive development programmes.

The case study showed that MSFC was operating state wide and offered really a wide range of financial services. MSFC was fully conscious of the procedural delay and red tapeism and felt that these can be overcome if it is permitted by the state Government to decentralise power of decision making. The MSFC has done a very good job of rehabilitating sick units. The scheme could have been widened if adequate financial resources are made available to MSFC. Also inspite of all its limitations MSFC has played crucial role in the development of the SSI sector in Maharashtra state, Goa, Daman and Diu.

Assessment of MCED: MCED, an organisation jointly sponsored by MIDC, MSSIDC, SICOM, MSFC, MITCON and MELTRON is set up primarily for promoting and developing entrepreneurship. It is well financed and well equipped and renders service on a commercial basis. The
The case study showed that the organisation was very efficient and professional. However, the regional office Poona came into being in October 1988; hence it was too premature to judge its performance. The author met and interviewed 3 students of the first batch of entrepreneur trainees of MCED and was impressed by the effect of training on the trainees. This organisation is poised for success and is likely to make major impact on entrepreneurship development in the state.

**Assessment of MITCON:** MITCON is promoted by the three premier national financial institutes - IDBI, IFCI, and ICICI - who together hold 51% of the equity of MITCON. The remaining equity is contributed by 8 leading nationalised banks. MITCON was organised primarily to provide quality consultancy services to industrial undertakings, large or small and whether private, public or co-operative.

The case study showed that MITCON had the necessary infrastructure facilities and competent and talented staff to function effectively as a high level consultancy organisation. It is particularly well placed to help foreign companies locate suitable partners in Indian and facilitate technical collaboration and technological transfer.

Also, it is the considered opinion of the author that SSI units cannot afford the services of MITCON which are too costly to suit the purse of SSI units. MITCON should therefore concentrate on assisting medium and large scale units rather than assist SSI units who cannot afford their services.

MITCON has been relatively successful in conducting executive development programmes (EDP’s) it is conducting...
separate EDP's for women entrepreneurs, and a substantial number of entrepreneurs have benefited from these programmes.

The entrepreneurs were of the view that MITCON was better placed to help organise new SSI units and was not very useful to existing SSI units.

The managing Director of MITCON who was interviewed claimed that it is able to help any unit which was willing to pay the stipulated service charges. The author is of the view that MITCON would be helpful to medium and large scale units and not to SSI units.

Assessment of MCCI: The MCCI is a regional chamber of commerce. It is a prestigious organisation and has been very efficient and effective. It has competent staff and all necessary infrastructure facilities. The chamber has rendered valuable services to the business community in the past and has emerged as a very effective and active regional chamber of commerce.

Two entrepreneurs in our sample of entrepreneurs are members of MCCI and are fully satisfied with its working. The others are aware of MCCI but not its role and functions. They expect it to act like a federal organisation of SSI which is not. They want MCCI to follow up the grievances of individual SSI units which is not its function. Hence the SSI units are not happy with the role played by MCCI. The author feels that the entrepreneurs need to be enlightened regarding the true role and functions of a regional chamber of commerce to avoid their dissatisfaction with MCCI, which is doing an excellent job.
VIEWS OF ENTREPRENEURS ON SOME MAJOR ISSUES

As part of the case study entrepreneur’s views had been sought on the following four issues:

1. What should be the definition of an SSI unit?
2. How can SSI units be strengthened to face competition from large scale factory sector?
3. What constitution is appropriate to an SSI unit?
4. Should the SSI sector be treated as homogeneous for the purpose of offering a package of assistance and incentives?

These have been presented in the following paragraphs.

Definition of an SSI unit: The entrepreneurs were unanimously of the view that an SSI unit should be so defined that a maximum number of units will be covered by the definition. They agreed that defining an SSI unit in terms of threshold limit on capital invested in plant and machinery was good idea. However, they felt that since cost of land, cost of construction and cost of machinery varied widely from region to region, prescribing a uniform threshold limit for the whole country was neither objective nor fair. Also they felt that ‘village industry” should be defined with reference to the character of the industry and with reference to the location of the unit in a “village”.

How can an SSI unit face competition from large scale factory sector:

The entrepreneurs opined that the ancillary policy and the policy of reservation of items for the SSI sector were good and should be pursued more vigorously and their scope should be widened. They felt that the policies of 15% price preference and preference in government purchases have not proved to be very effective as they are not being implemented faithfully. They feel
that if the Government is really keen to strengthen the SSI units it must arrange to supply them controlled and scarce raw materials of good quality regularly, timely and in quantities needed by the units. As regards the strategy for facing competition by the large scale factory sector.

(A) 4 units became ancillaries and thus avoided competition,
(B) 2 units selected a product with limited market so that it was uneconomic for a large scale factory to produce it, thus avoiding competition.
(C) 4 units adopted the most advanced and sophisticated technology and hence were able to compete successfully with the large scale factory sector.
(D) 1 unit decided to take up small fabrication jobs, an area in which large units were not operating.

CONSTITUTION APPROPRIATE TO SSI UNITS:

Among the 11 entrepreneurs 7 had chosen the partnership firm and 4 had formed private limited companies. The four who had adopted the form of private limited company had done so under pressure from their bankers who insisted on the form of private limited company. Otherwise they too would have preferred to partnership form. The partnership form as preferred because the main entrepreneur often finds that he is not able to raise the necessary financial resources by himself and hence needs a partner. They reported that often they faced difficulties in persuading friends relatives and other financiers to join as partners as they were afraid that if they became partners they would become jointly severally liable for the total liabilities.
of the partnership firm. They were unaware of any way out of this situation.

SHOULD SSI SECTOR BE TREATED AS A HOMOGENEOUS GROUP?

The entrepreneurs held that the SSI sector should not be considered as a homogeneous group. They maintained that the "tiny units", "village industries", ancillaries and other SSI units should be considered as differentiated and constituting separate classes. They serve different policy goals, perform district functions and need different type of packages of assistance and incentives. It would be erroneous to consider them as homogeneous and adopt a uniform policy towards them all.
SECTION II
FINDINGS OF THIS STUDY

7.8 IMPORTANCE OF ENTREPRENEURSHIP

This study clearly demonstrates that growth of entrepreneurship leads to growth of small scale industry which in its turn leads to growth of industry and the national economy. This crucial role of entrepreneurship in the growth of SSI units, industry and economy emphasises the need to study the meaning, content, and significance of the concept of entrepreneur.

7.9 MEANING OF ENTREPRENEUR

A reference to the Oxford English Dictionary reveals that the definition of the word "entrepreneur" has changed over the years. "From a person putting up an entertainment" it has expanded into "an organizer of enterprises".

A review of the concept of "entrepreneur" as defined by economists brings this out in greater relief. Richard Cantillon emphasised the role of entrepreneur as an organiser; J.B. Say emphasised the risk function; Joseph A. Schumpeter emphasised the role of entrepreneur as inventor and innovator; Marshall emphasised the role of entrepreneur as one of the factors of production. The management theorists have emphasised the role of entrepreneur as co-ordinator, director, controller and leader of an enterprise, as well as an initiator of change and growth.

The entrepreneur is seen to play a role appropriate to the times and needs of the macro environment. The macro or external environment was seen to influence greatly the growth of entrepreneurship. Considering the various elements constituting the macro environment it is seen that:
(A) Economic system influence growth of entrepreneurship by expanding or limiting opportunities and rewards available to entrepreneurs.

(B) A study of socio-cultural environment suggests that high achievement by entrepreneurs is possible only in a climate of cultural freedom and social mobility. Barriers to entry in business created by social stratification, castes, communities etc inhibit growth of entrepreneurship.

(C) Religion was seen to influence saving and capital formation and social recognition of the importance of entrepreneurship was seen to motivate entrepreneurs and encourage growth of entrepreneurship.

(D) An analysis of the political environment indicated that political instability, dictatorship and colonial rule discouraged growth of indigenous entrepreneurship.

7.10 CONCEPT OF ENTREPRENEURSHIP RELEVANT TO CONDITIONS OF DEVELOPING COUNTRIES

The developing countries are characterised by dominance of agriculture, lack of industrialisation, mass unemployment, mass poverty, legacy of discouragement or apathy towards indigenous entrepreneurs by previous colonial Governments, scarcity of capital and trained manpower, lack of social and economic infrastructure and lack of educational and training facilities for entrepreneurs, supervisory staff as well as workers. The socio-economic environment is not conducive to growth of entrepreneurship as the society is dominated by custom and status, and there are social barriers to entry into business by entrepreneurs not belonging to
the business communities and artisan classes. The mixed economy provides opportunities but not rewards and protection to entrepreneurs. The political instability and undemocratic political regimes are not conducive to growth of entrepreneurship. However the situation is improving. The new governments which have come to power are determined to encourage planned economic development. A mixed economy is adopted. Social reforms are on the anvil and Government is ready and willing to play an active role to promote and assist development and growth of entrepreneurship and industry. At this juncture entrepreneurs have an important role to play in developing industry and economy and in accelerating economic growth. Hence, the entrepreneur has to play the role of planner, organiser, risk bearer, and successful manager of new enterprises, particularly SSI units. These are the "drone" type. There is also need for inventors and innovator type of entrepreneurs to accelerate economic growth. Consequently, considering the need of the times and of the developing economics, an entrepreneur to be successful must plan, organise, manage, bear risk and invent and innovate and also provide industrial leadership. Only when entrepreneurship do so, and become agents of change them only the concept of entrepreneurship becomes meaningful and significant in the context of industrial and economic development of developing economies.

7.11 THE ROLE OF ENTREPRENEURS

The role of entrepreneurs changes with the times with the macro environment and with the needs of the times. This has been
illustrated by citing international experience as well as the experience of India in the pre and post independence period.

7.12 THE CHANGING ROLE OF ENTREPRENEUR—THE INTERNATIONAL EXPERIENCE

(1) In the 18th and 19th centuries, the entrepreneur remained primarily an organiser of an enterprise. He was a "drone" type of entrepreneur producing traditional goods, using traditional raw materials and traditional techniques of production. The element of production and marketing risk was absent and hence entrepreneur was merely an organiser and not risk bearer.

(2) In the immediate post world war—I era, there was a dramatic change in the macro environment which offered immense opportunities and rewards to entrepreneurs but the situation was full of risk both production and marketing risks. Hence the function assumed importance. And invention and innovation were the need of hour. The entrepreneur rose to the occasion and played his role as inventor and innovator and risk bearer and emerged as an industrial giant setting up an industrial empire, and amassing a fortune in the process. The period 1935–1955 witnessed the rise of a large number cartels, syndicates and corporate giants due to a highly favourable macro environment. Simultaneously, the rise of communism and the centrally planned economics of Russia and East Europe, lead to the entrepreneurs in these economics playing an all together different role from that of an entrepreneur in a free market economy.
7.13 EXPERIENCE OF INDIA IN PRE AND POST INDEPENDENCE ERA

India provides a remarkably illuminating illustration of the role of government in stimulating growth of entrepreneurship and industry on the one hand and the role of entrepreneurs in transforming society and developing the industry and the economy on the other.

Pre independence India had all the characteristics of a backward and under developed economy. The macro environment both social, economic and political won non-conducive to the growth of entrepreneurship. The colonial government discouraged indigenous entrepreneurs and encouraged European entrepreneurs. Consequently the European entrepreneurs flourished, and in the process laid the foundation for subsequent rapid rise of indigenous entrepreneurs. This was because the growth of European entrepreneurship provided the indigenous entrepreneurs opportunity to gain valuable experience of organising and managing industries by working with them and for them in their India enterprises and operations. This later on helped the indigenous entrepreneurs to take over the European enterprises and decided to leave India in the Wake of independence.

Further, during world war I the colonial rulers of India, were shocked to realise that keeping the Indian economy backward would inhibit the war effort. Hence the colonial government changed its attitude towards the indigenous entrepreneurs and began to encourage them to develop the industry and economy of India to bolster their own war efforts. As Prof. D.R. Gadgil and other Indian scholars have noted, this led to the rise of the native business communities and artisan classes of India who
swelled the ranks indigenous entrepreneurs. Many of them chose to become "Fabian" or "drone" type of entrepreneurs. Even this contributed to the acceleration of industrial growth and growth of employment. The members of the artisan classes who gained experience of working with modern machinery and equipment by working in the European Factories later began to organise modern SSI units in the engineering industry. The members of the traditional business communities engaged in trading and financing evolved an organisational innovation - "the Managing Agency System and thereby gradually acquired a place in the management of large scale factories and thus gained valuable experience of "managing large manufacturing enterprises employing modern machinery and equipment" - an activity of which they had no previous experience. This valuable experience helped them to replace the European entrepreneurs when they decided to leave India in the wave of India's independence. Perhaps the swadeshi movement which was very strong and widespread may also have influenced the decision of many European Entrepreneurs to quite India. Thus the macro environment was gradually changing in favour of the indigenous entrepreneurs.

In the post independence era the Government played an active role to stimulate growth of indigenous entrepreneurship. The Government introduced social returns and tried to transform society so as to remove social barriers to growth of entrepreneurship. The Government also pursued industrial and economic policies that favoured growth of indigenous entrepreneurship. Special industrial policy resolutions were passed
and programmes initiated and organisation were created to promote and assist the growth of Indigenous entrepreneurship. Thus the economic environment too changed in favour of indigenous entrepreneurship. The political environment had already become highly favourable and the government had initiated a powerful programme of Human Resource development which envisaged EDP's as well as training programmes both general and technical for both workers and the supervisory staff. This has led to the rise of a new class of educated and trained entrepreneurs from non business and non artisan classes who have set up SSI units to become engineer manufacturers. These new entrepreneurs were more dynamic and innovative than entrepreneurs from the traditional business communities and artisan classes and these have contributed greatly to development industry and economy this testifying to the success of government policy in post independence era of encouraging growth of indigenous entrepreneurship. The entrepreneurs in their term have made a very valuable contribution both in transferring society and in winning an honoured place in society for the new class of entrepreneurs. Hence the opportunities and rewards for entrepreneurs have widened and the class of entrepreneurship is growing rapidly and is now drawn from all sections from society.

7.14 INFLUENCE OF MACRO ENVIRONMENT ON ENTREPRENEURS

The entrepreneurs and the environment react to and influence each other. To study the effect of environment on entrepreneurs, one has to differentiate between micro and macro environment. This is essential because the entrepreneur can substantially modify and control internal (micro) environment but is not able to do so
with macro (external) environment. Consequently one must study the influence of macro environment on the growth of entrepreneurship. To do this, it necessary to analyse the effect of the various elements constituting the macro environment separately. These elements are:

(i) The economic system
(ii) The system of Government
(iii) Stage of economic growth
(iv) Economic character of the national economy
(v) The socio-cultural environment
(vi) The role of Government
(vii) Policies, programmes and organizations created to promote and assist development of entrepreneurship.

7.15 THE ECONOMIC SYSTEM

The economic system influences growth of entrepreneurship by influencing the scope opportunities and rewards for entrepreneurs. While a free market economy provides maximum scope, opportunity and rewards for entrepreneurs, a centrally planned economy severely limits scope, opportunity and rewards for entrepreneurs. The other systems lie in between.

7.16 THE POLITICAL SYSTEM

The political system influence growth of entrepreneurship by influencing (i) choice of the economic system and (ii) the determination of the Government to play an active role in developing the economy and in promoting and assisting growth of entrepreneurship and industry.
7.17 STAGE OF ECONOMIC DEVELOPMENT:

The stage of economic growth of a country influences the pace of industrialisation and growth of entrepreneurship. Economically developed countries provide a congenial atmosphere for growth of industry and entrepreneurship. In contrast, underdeveloped economics inhibit the growth of industry and entrepreneurship. This is because they suffer from mass unemployment and poverty which limit the market and narrow the base of savings and investment. Lack of infrastructure discourages growth of entrepreneurship and industry. The traditional society inhibits social mobility and cultural freedom, the traditional methods of production make industrial units non-competitive, and the traditional pattern of trade discourages export of manufactured goods and hence limits export market for the industry.

7.18 SOCIO CULTURAL ENVIRONMENT

The influence of social and cultural environment may be studied under four heads as follows:

(A) Demographic profile of the society.
(B) Social aspects influencing supply of entrepreneurship
(C) Social stratifications
(D) Cultural values and beliefs

(A) Influence of demographic Profile: In any society experiencing shortage of capital due to low productivity of labour and low per capita income and savings, pressure of population on land, and rapid growth of population are inimical to the growth of industry and entrepreneurship because of scarcity of investible funds for growth.
(B) **Social aspects influencing supply of Entrepreneurship**: In a traditional society social stratification and cleavages limit social mobility and hence limit opportunities for growth of entrepreneurship. Further, low rate of literacy and lack of facilities for development training of entrepreneurs and education of workers and supervisory staff limits the supply of entrepreneurs, and trained manpower. It also affects mobility of labour and rates of migration and urbanisation as lack of education limits a person's ability to adjust himself to a new situation.

(C) **Social Stratification**: All societies are stratified. The stratification may be by caste, by estate of by an open class system, the last being most flexible and conducive to growth of entrepreneurship.

(D) **Cultural Environment**: The success or failure of an entrepreneur is affected, directly or indirectly, by the cultural environment of the society in which he lives and works. The entrepreneur is as much "culture bound" as any other member of the society and his motivation, hopes and aspirations. Opportunities, risks and rewards are all conditioned by the cultural values and beliefs of the society, which may promote or inhibit entrepreneurship.

**7.19 ROLE OF GOVERNMENT**

The Government may play one or more of any of the four roles - regulatory, promotional, entrepreneurial or planning. The regulatory and planning roles of the Government are now accepted by all countries. How actively the Government plays the promotional and entrepreneurial roles, however, depends upon the
economic and political system of a country. In a mixed economy having a democratic form of Government, the Government has to play an active entrepreneurial and promotional role if it is keen to accelerate growth of industry and entrepreneurship.

7.20 INTERNATIONAL ENVIRONMENT

International agencies and advance industrial countries also influence development of industry and growth of entrepreneurship in developing countries through trade, aid and supply of technology, manpower and finance on soft terms.

7.21 ROLE OF GOVERNMENT IN DEVELOPING ECONOMICS

In developing economics, in order to accelerate growth of industry and entrepreneurship the Government has no alternative but to play an active promotional role. This is because of a deep conviction that entrepreneurs play a crucial role in the growth of SSI sector, industry and the economy. Hence all possible efforts are made to promote and assist growth of entrepreneurship and the SSI sector. The basic postulates of the Government policy in this area are:

(i) Entrepreneurs are not born but made.

(ii) Entrepreneurial qualities may be developed through education, and training.

(iii) Entrepreneurship may be encouraged and developed by transforming society, by removing social barriers to entry into business, by improving social mobility, by increasing cultural freedom and by providing appropriate rewards and incentives to entrepreneurs.

(iv) Growth of entrepreneurship may be accelerated by removing
obstacles in the way of setting up and operating new SSI units.

7.22 STRATEGY FOR PROMOTING GROWTH OF ENTREPRENEURSHIP

A multi-pronged strategy was developed by the Government to promote entrepreneurship. The strategy involved:

(1) Protecting SSI units from competition from the large scale factory sector. For this purpose (i) certain items/industries were reserved exclusively for SSI sector; (ii) SSI units were offered 15% price preference. (iii) Preference was given to the products of the SSI sector in purchasing by the DGS and D. (iv) Ancillary policy was vigorously pursued.

(2) Promoting growth of SSI units through (i) Development of entrepreneurs through EDP's and other H.R.D. programmes. (ii) Development of infrastructure facilities and allotment of industrial sites and sheds in well developed industrial estates. (iii) supply of seed capital to new units. (iv) counselling on new products/projects.

(3) Removing obstacles in the way of growth of SSI units: Government has followed a policy of existing SSI units to overcome their problems in various functional areas such as production, finance, marketing, procurement of raw materials, procurement of technical man power etc.

(4) Treating SSI sector as a heterogenous groups: The policy makers classify SSI units into 4 categories as follows:

(i) Tiny units

(ii) Village industries

(iii) SSI Units
(iv) Ancillary units

Each of these categories serves a different policy goal. Hence separate packages of assistance have been developed for each one of these categories. In particular, the Government is specially concerned about the village industries and has set up a special statutory commission KVIC to promote and assist these industries and the commission has done a highly commendable job.

(5) Creating a "single window" clearance of all requests of SSI units to eliminate red tape and ensure coordination among various agencies to set up to assist SSI units.

7.23 CASE STUDIES

As part of this research study case studies had been made of:

1. A purposive sample of 11 SSI units;
2. The main entrepreneur owner of these same 11 SSI units.
3. Case study of NINE organisations engaged in promoting and assisting SSI units in Poona metropolitan Area.
4. Views of 11 entrepreneurs had been ascertained in respect of 4 major issues of vital concern to SSI units.

7.24 FINDINGS OF CASE STUDY OF SSI UNITS AND THEIR PROBLEMS

The case studies have been carried out with the twin objectives:

(i) To gain an insight into the problems of SSI units and how they were solved by their owner entrepreneur.

(ii) To ascertain the effectiveness of Government policies and programmes to promote and assist entrepreneurs and the SSI sector.

These two topics have been discussed in the following in that order.
PROBLEMS OF SSI UNITS

7.25 (A) Choice of Product: Case study of entrepreneurs revealed that this was the most difficult question faced by the entrepreneur and there was no agency to guide him in this work. As a result, 3 entrepreneurs did not choose any product but opened a workshop and accepted any job that came their way. 4 entrepreneurs chose the way out of this problem by becoming ancillary units. Only 4 units out of 11 i.e. only 4 entrepreneurs had to choose a product and they did so by selecting a product which had little or no competition in the market.

(B) Choice of Location, Site and Shed: The case studies revealed that the overriding consideration in selecting location and industrial site/shed, was availability of necessary infrastructure facilities. Minimising cost of land and building was the major consideration of all those who choose to locate themselves out the industrial estate or in zones other than "A". An additional consideration with ancillaries was to be as near as possible to the large factory providing them machining job, in order to minimise the transport cost. Thus cost considerations appeared to dominate their decisions.

(C) Choice of Acquisition of Machinery: The entrepreneurs were seen to be highly cost conscious. They chose machinery of good quality even if they did not bear well known brand names. And they preferred to acquire them on hire purchase or instalment plan to avoid heavy initial capital
expenditure on machinery.

(D) Capacity Utilisation and No. of Shifts Worked: Most of the units (except one which worked full 3 shifts) which had adequate work orders worked only 2 shifts. Only units which did not have adequate orders on hand worked a single shift. The entrepreneurs, by and large, were reluctant to work the third shift because of their past experience that labour productivity was low and the quality of the product was poor in the third shift. Capacity utilisation was found to be quite satisfactory in relation to the order position.

(E) Choice of Technology: The entrepreneurs were fully conscious of the importance of technology. Most of them used it to improve their competitive advantage. Ancillaries used it to secure high value added machining jobs which are relatively more profitable, from the large factory of which they were ancillaries.

(F) Personnel: Initially, when they started their SSI unit, the entrepreneurs keenly felt the shortage of technical manpower. The situation is now considerably eased due to extensive government training programmes for workers, apprentice schemes and other educational programmes. None the less the units being cost conscious prefer to recruit raw labour and train them on the job.

(G) Procurement of Raw Materials: The SSI units have a serious problem in procuring scarce raw material like copper, aluminium, chrome, nickel etc and controlled raw material quota from MSSIDC. Their experience is that the supply is untimely, irregular, inadequate and of poor quality. All the
procedures are dilatory and suffer from red tapisim.

(H) **Marketing and Exports**: Marketing is a major problem. Competition from both large factories and other SSI units is quite stiff. A new units have avoided competition by adopting a highly sophisticated technology and manufacturing products for which there is little or no competition. Even the ancillaries have to compete with ancillaries for high value added machining jobs. The entrepreneurs expressed happiness at the Government policy of ancillarisation and reserving certain items/industries exclusively for the SSI sector. These policies have borne fruit. But the experience of entrepreneurs with regard to preference extended to SSI sector in the matter of purchase and payment of prices is not very happy. They feel that these policies are not implemented effectively. Only one of the entrepreneurs was engaged in export and his experience with the official agencies support to assist export units was highly unsatisfactory.

(I) **Finance**: The experience of the entrepreneurs is that initially they had serious difficulties in raising resources and that the situation has considerably eased since then. As a result of official credit policy more and more credit (institutional finance) is being made available to SSI units on concessional rate of interest and a priority basis. This policy has helped many an entrepreneur.

(J) The Government policy towards SSI units has proved fruitful. This is seen by the growth in the production capacity of the
SSI sector which has tripled in the last 3 decades.

(K) Finally to secure coordination in the activities of a large number of official agencies promoting, assisting or regulating SSI units the Government has come up with the concept of "single window clearance" for all the proposals of an SSI unit. The entrepreneurs have welcomed the idea but insist that it has not proved very effective. They insist on strengthening and revamping the machinery of the agency entrusted with this work (viz DIC) and streamlining their procedures, cutting paper work and improving overall efficiency.

7.26 WORKING OF OFFICIAL ORGANISATIONS

In depth case studies had been made of the following organisations in order to assess their working and impact on SSI sector.

1. MIDC
2. MSSIDC
3. SISI
4. DIC
5. WMDC
6. MSFC
7. MCED
8. MITCON
9. MCCI

From the case studies it is clear that only five of them viz. DIC, MIDC, MSSIDC, WMDC and MSFC were familiar to the bulk of the entrepreneurs. Of these only the work of MIDC and MSFC are effective and are well appreciated by the entrepreneurs. MSSIDC is
both familiar and active but there was considerable
dissatisfaction with its working. WMDC’s role in financing scheme
for educated unemployed and their contribution to seed capital of
SSI unit is highly appreciated. However, there was a general
complaint about long procedural delays and the inadequacy of
resources at the disposal of WMDC. As regards DIC it was
looked upon merely as a regulatory and not as a promotional
agency. Their role as “single window clearance agency” has come
in for severe criticism at the hands of SSI units and
entrepreneurs. They allege that the organisation is corrupt and
in efficient and has staff which is neither expert nor
professional.

The remaining four organisation are less familiar to
entrepreneurs and have not really rendered much service to the SSI
sector.

7.27 EFFECTIVENESS OF GOVERNMENT POLICIES AND PROGRAMMES

The case studies prove that Government policies have been
successful in promoting growth of entrepreneurship and the SSI
sector, though some planks of government policy are weak or may
have failed. It is therefore necessary to assess the success or
failure of the various policy planes separately.

(A) Protective Policy : Two elements of the policy viz,

(i) reservation of item and/or industries for SSI sector;

(ii) ancillaristion policy, have been appreciated by the
entrepreneurs and have really benefited the SSI sector by
protecting them from competition. However, the policy of
preferential treatment of SSI units in the matter of price
and Government purchases has not proved to be very effective. Nor are they appreciated or welcomed by the entrepreneurs.

(B) Promotional Policy: The policy consisted of 4 elements:
(i) EDP's and other educational and training facilities;
(ii) development of infrastructure facilities; (iii) supply of seed capital to new SSI units; (iv) counselling on new products/projects.

(a) The EDP's and other educational and training programmes has led to human resource development and a new class of engineer - entrepreneurs has emerged and has contributed particularly to the development of ancillaries.

(b) The development of infra-structure facilities through setting up state industrial development corporations, state electricity boards, etc and allocation of industrial sites/shed has proved to be highly popular and successful and has contributed greatly to growth of entrepreneurship and the SSI sector.

(c) The supply of seed capital to educated unemployed through WMDC has caught the imagination of the educated youth and has led to an upsurge in growth of entrepreneurship and SSI sector. This effort should be encourage and more resources should be ear marked for this purpose.

(d) The counselling on new products/projects is an altogether new activity and is full of promise. It is premation to assess this activity now.

(C) Removing Obstacles in the way of growth of SSI Units: The Government has played a major role in encouraging growth of
entrepreneurship by removing obstacle in the way of their setting up new SSI units.

Thus it has developed infrastructure facilities, made industrial sites/sheds available, supplied seed capital, supplied machinery on hire purchase, supplied raw materials (scarce commodities and controlled commodities), extended credit facilities on concessional terms and on priority basis, developed technical as well as general educational facilities and programs to augment technical manpower and solve the problem of scarcity of technical personnel and finally provided marketing assistance to SSI sector. The cumulative effect of this policy package has brought about a transformation of society so that the macro socio economics environment has turned highly favourable to the growth of entrepreneurship, SSI sector and industry.

7.28 VIEWS OF ENTREPRENEURS ON SOME MAJOR POLICY ISSUES

The policy issues considered are: (i) definition of SSI unit. (ii) How to protect SSI units from competition from large scale factory sector. (iii) constitution appropriate to SSI unit (iv) differentiation among SSI units.

(i) Definition of an SSI Unit: The definition of an SSI unit in terms of threshold limit on the capital invested by an unit in plant and machinery is concrete, objective and measurable and highly appreciated by the SSI units and their entrepreneur owners.

Consequently the entrepreneurs realise that the threshold limit on investment has to be revised periodically to take inflation into account. The entrepreneurs feel that Government
should also recognise regional variation in costs of plant and machinery and prescribe not a uniform threshold limit to investment in plant and machinery for the country as a whole, but separate limits for each region.

(ii) **How to protect SSI units from competition by large scale Sector**: The policy of reservation of items/industry for SSI sector and the ancillaryisation policy have both proved to be effective and popular and those policies should be continued and reinforced.

(iii) **Constitution Appropriate to SSI Units**: The SSI units and their entrepreneur owners prefer the partnership form. However, they find the friends and relatives who are willing to assist the unit financially are very reluctant to join as partners as under the India partnership act all the liabilities of the partnership firm and this feature of unlimited liability discourages them from joining the form and financing the unit. They wish that Government/bankers should find a way out of this situation and not impose the constitution of a joint store company on them.

(iv) **Homogeneity of SSI Units**: The entrepreneurs as a class were unanimously of the view that SSI units should not be considered as a homogeneous group. They are happy that the Government distinguishes between the "tiny units", village industries, SSI units and ancillary units. However, they want these classes should be defined by taking into account not only the capital invested in plant and machinery but also the character of the units. They are opposed to the use of the location as a criteria for differentiation.
particularly in the case of "village industries".

7.29 TESTING OF HYPOTHESIS

As part of this research study the following hypothesis were tested:

(A) The role and significance of entrepreneurship varies with changes in external environment

(B) External environment is a critical factor influencing the success or failure of an entrepreneur in solving his problems.

(C) The development of SSI units depends to a large extent on the degree of success attained by entrepreneurs in solving the management problems of their SSI units.

(D) Entrepreneurship is a critical input in the development of the economy in general and the small scale industry in particular.

(A) Role and significance of Entrepreneurship: That the role and significance of entrepreneurship has varied over time, is seen from the difference in the definition of an "entrepreneur" given by the Oxford English Dictionary in its earlier and later editions. This may also be seen by the definition of the concept of "entrepreneur" as presented by distinguished economists at different points in history (e.g. Richard Cantillon, J.B. Say, Schumpeter, Marshall). The role and significance of entrepreneurship changes over time because, the macro environment keeps on changing and the entrepreneur has to adjust himself and his role to suit the changed environment. Consequently the significance of the role of entrepreneurship also changes. This is because
the scope, opportunities and changes. This is because the scope, opportunities and rewards available to entrepreneurs change with change in macro environment resulting in either enlargement or curtailment of the role and functions of an entrepreneur. It has been demonstrated that in a mixed economy, to play a meaningful and significant role, entrepreneurs must enlarge the scope of their activities and function in order to meet the development needs of developing countries. That the role and significance of entrepreneurship varies with changes in environment has been shown with reference to the international experience.

(B) Critical influence of macro environment on Entrepreneur:
The macro environment can either enlarge or limit the opportunities, the aspirations and rewards of entrepreneurs. And hence influence his success or failure in solving the problems of his SSI unit. Since the macro environment comprises of many elements, it has been demonstrated in Chapter IV how the different elements of the macro environment, namely, the economic system, political system, the stage of economic growth reached by a country, economic characteristics of the national economy, the socio-cultural environment, the role played by the Government and official policies and programmes adopted for promoting and assisting growth of entrepreneurship and their effective implementation, all contribute to enlarge or limit the opportunities, aspirations and rewards of entrepreneurs and this contribute to their success or failure.
(C) Contribution of Entrepreneurs to Development of SSI Units: This hypothesis emphasises the role of entrepreneur as a factor of production. It is obvious that entrepreneurs is the primary factor organizing the SSI unit, bering the risk and initiating change and planning the growth, because of his role as organiser of an enterprise, bearer of risk, inventor and innovator and as planner of growth of an enterprise the entrepreneur organises and manages SSI units and through their successful management helps the SSI sector to grow and expand. Hence through playing his true and by performing the various functions of an entrepreneur role as an entrepreneur, he contributes to the development of SSI units (see Appendix 2 for the role of entrepreneurs in solving successfully the problems of their SSI unit).

(D) Role of Entrepreneurship in Promoting SSI Sector and in Development of Industry are Economy: It is already seen that success of entrepreneurship contributes to the growth of SSI sector. Since SSI sector is relatively the more beyond and faster growing sector if the industry, its growth logically, leads to growth of industry and economy.

7.30 RECOMMENDATIONS

The author has a firm conviction that a Government which is determined to promote and assist growth of successfully provided it succeeds in transforming society, through manipulation of the various elements consisting the macro environment so that the macro environment becomes more conductive and favourable for growth of entrepreneurship in the country. The experience of India in pre and post independence era illustrates this most
forcefully. In paragraph 7.26 the assessment of Government policies is given. It is our recommendation that the policies which have been tested and proven to be right must be continued and enforced vigorously. The policies or policy planes which have proved to be weak and ineffective or those which have failed must be either scrapped or revised and enforced more effectively after examining the causes of their earlier ineffectiveness or failure. The approach of differentiating the various classes of SSI units is sound and must be continued. Also separate passages of assistance should be evolved for each one of these classes of SSI units.