CHAPTER – I
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Entrepreneur is one of the most important inputs in the economic development of the country. Entrepreneurial competence makes all the difference in the rate of economic growth through creation of utility and generation of employment. Success of entrepreneurial activity, in any country, depends on a number of factors such as affluent natural resources, good infrastructure, availability of skilled labour, availability of adequate finance, wide market, advanced technology, Government Policies in favour of entrepreneurs, talent, skill and ambitions of the entrepreneurs. This fact has been widely realised and accepted in the world today for the development of nations and it is an urgent need to find, nourish and develop competent entrepreneurship, if they want to achieve quick industrial development.

The need for a broad based entrepreneurial class in India, arises from the need to speed up the process of activating the factors of production leading to higher economic growth, dispersal of economic activities, creation of employment opportunities, improvement in the standard of living of the worker sections of the society and involvement of all sections of the society in the process of growth.
The role of entrepreneurship in economic development is not unknown to us because the farmer has been playing a significant role in the development of business in India from the days of Indus valley civilisation, with our merchants always ready with new products, entering new markets. With the gradual transformation of the society over the years, the economic scenario has also undergone a sea change. Intensified competition has become the order of the day and entrepreneurship is cited by many social scientists as the key variable, which links the socio-cultural milieu with the rate of economic development.

In the early days the rate of entrepreneurial participation depended on a number of socio-economic and cultural factors like caste, size of the family, economic status, level of education, training etc. Joint family system in India with its ability to mobilize large resources, facilitated the acquisition of entrepreneurial training and the establishment of firms. Besides joint family system in India also curtailed the expansion of firms by diverting the sources for current consumption, which might otherwise, have been reinvested in business. However, the Government having acknowledged the significance of entrepreneurship started taking an active part in creating conducive environment for entrepreneurship training and with this the scenario has changed a lot.
According to Joseph Schumpeter the rate of economic progress of a nation depends upon the rate of innovation which in turn depends upon the distribution of entrepreneurial talent in the population. Technical progress alone cannot lead to economic development, unless technological breakthrough is put to economic use by entrepreneurs. In other words an entrepreneur acts as a catalyst in the progress of industrialisation and economic development. How do they accomplish this? Entrepreneurs mobilize idle savings of the public and help capital formation, locate and convert the latent and idle resources into national income and wealth, generate employment both directly as well as indirectly, contribute to improvement in the living standards and facilitate establishment of forward and backward linkages.¹

However, entrepreneurial development in the country is still plagued by a number of problems like the absence of a concerted effort for entrepreneurship development. Managerial skills in terms of acquisition and allocation of resources and handling crisis situations are most often lacking in the current breed of Indian entrepreneurship.

1.1 Evolution of the Concept of Entrepreneurship:

The word ‘entrepreneurship’ has been derived from French word, which means to undertake. In the early 16th Century it was applied to persons engaged

in military expeditions. Its meaning was extended to cover construction and other civil engineering activities in the 17th Century. Richard Cantillon, an Irishman living in France, was the first person to use the term entrepreneur to refer to economic activities. He defined an entrepreneur as a person who buys factor services at certain prices with a view to sell his products at uncertain prices in the future. He conceived of an entrepreneur as a bearer of non-insurable risk. According to him, entrepreneurs carry on production and exchange of goods at some risk, facing the possibility of bankrupt when the demand for their products is depressed. He distinguished between the owner and an entrepreneur. Writers in the 17th and 18th Centuries opined that the essential characteristic of an entrepreneur was to take risk and create innovation.

According to J. B. Say, an entrepreneur is the economic agent who unites all means of production, the labour force on one hand and the capital or land on the other and who finds in the value of the products which results from their employment, the reconstitution of the entire capital that he utilises and the value of the wages, the interest and the rent which he pays as well as profit belonging to himself. He emphasised the functions of co-ordination,
organisation and supervision. Further it can be said that the entrepreneur is an organiser and speculator of a business enterprise. The entrepreneur lifts economic resources out of an area of lower productivity to an area of higher productivity and greater yield. Quesnay recognised a rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence and wealth. In the traditional sense of the French Word entrepreneur is a person who translates a profitable idea into a productive activity.

According to Francis A Walker, the true entrepreneur is one who is endowed with more than average capacities in the task of organising and coordinating the various factors of production. He should be a pioneer and a captain of industry. The supply of such entrepreneurship is however quite limited and enterprise in general consists of several grades of organisational skill and capability. The more efficient entrepreneurs receive a reward over and above the managerial wages and this sum constitutes true profit ascribable to superior talent. J.B Clark stated that entrepreneurial profits directly depended upon successful introduction into the economic process technological, commercial and organisational improvement.

7. Walker, Francis F. Wages Question 1876, P.No.47.
According to Joseph Schumpeter⁹, entrepreneurship is essentially a creative activity. It consists of doing such things as are generally not done in the ordinary course of business. An entrepreneur is one who innovates i.e., carries out new combinations or enterprise. Entrepreneurs are especially motivated and talented class of people and key figures in the process of development. They foresee the potentially profitable opportunity and try to exploit it. Innovation involves problem solving and the entrepreneur is a problem solver. An entrepreneur gets satisfaction from using his capabilities in tackling problems. According to him, innovation may occur in the following form such as introduction of new goods, the use of new method of production, the opening of new market, the conquest of new sources of raw materials and the recognition of industry.

Schumpeter’s views are particularly relevant to developing countries where innovation, need to be encouraged. The transformation of an agrarian economy into an industrial economy requires a great deal of initiative and changes on the part of business and managers. However Schumpeter’s theory puts too much emphasis on innovative functions. It ignores risk taking and organising aspects of entrepreneurship. An entrepreneur has not only to innovate but also to assemble the resources and put them to optimum use,

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while stressing the innovative function of entrepreneur, Schumpeter ignored the risk taking function, which is equally important. It is quite difficult to imagine an enterprise without risk and profit is the main force for undertaking risk. When an entrepreneur develops a new combination of factors of production there is enough risk involved.

Johan Kunkel has elaborated the theory of supply of entrepreneurship through behaviouristic model, and considers that minority group, but not all of them, supply larger proportions of entrepreneurs in a given society. He argues that industrial, entrepreneurship depends on limitation structures, demand structures, opportunity structures and labour structures.¹⁰

Frank W. Young accepts group or cluster of persons rather than individuals, of quality as entrepreneurs. Such a group combines the factors of production in new ways and are called entrepreneurs. He accepts Schumpeterian definition, but includes the family background, experience and membership of certain reactive groups and as reflection of general cultural values, as necessary ingredients.¹¹ Max Weber and Schumpeter, both being influenced by Marx, presented theories of development in post capitalist period. To both entrepreneurs were the forces that made advancement possible. But Weber saw in him an ideal type of the Protestant worldly ascetic, while Schumpetere regarded him as a

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supernormal person. Schumpeter’s was an analytical advance because it was more plausible to postulate appearance of supernormal ability as causes of change than to postulate the appearance of some charismatic leader.\footnote{MacDonald; Ronah: Schumpeter and Max Weber Control Visions and Social Theories, Quarterly Journal of Economics, Aug.1969, P.P. No.379-80.}

A. H. Cole, defines entrepreneurship as the purposeful activity of an individual or group of individuals, undertaken to initiate, maintain or augment a profit-oriented business unit for production and distribution of economic goods and services.\footnote{Cole A. H.: Business Enterprise in its Social Setting, Harvard University, Cambridge.} The definition of Schumpeter and Cole differ in the scope of entrepreneurship. Bert F. Hoselitz considers managerial skills and leadership as the primary factors, and financial skills as of secondary importance for entrepreneurship. However, subsequently he added risk bearing also as the quality of entrepreneurship.\footnote{Kilby, Peter (Ed.) Op cit P.14.}

David McClelland shifted the focus from socio-economic factors to socio-psychological factors. Achievement motivation (Need for Achievement-N-ach in short) was the most distinguished feature of an entrepreneurial personality. In developed countries, people were evaluated in terms of achieved status rather than in terms of ascribed status. N-ach was traced to child-rearing practices and to parent-child relation. The estimates of N-ach were found to have a significant positive correlation with economic growth.\footnote{McClelland D.C.: The Achieving Society Dyan Norstand Co. Inc. New York 1961, P.P. 210-16.}
Thomas Cochran tried to theorise that entrepreneurs were a model personality in the society. They represented certain ascertainable levels of education, social status and types of cultural conditioning that produced roughly definable model personality. The individual’s performance as a businessman is influenced by three factors: his own attitude towards occupation, the role expectations held by sanctioning groups and the operational requirements of the job. Society’s values are the most important determinants of the two facts.¹⁶

Frank Knight describes entrepreneurs as a specialised group of persons who take decisions under conditions of uncertainty and risk. The entrepreneur meets risks, which are incalculable. To Knight, the entrepreneur is the economic functionary, who undertakes such a responsibility as by its very nature cannot be insured nor capitalised, nor salaried. He also guarantees specified sums to others in return for assignments made to them.¹⁷

There are some unresolved differences in the definitions of entrepreneurship, but there is agreement that the term includes at least a part of the administrative function of making decisions for the conduct of some type of organisation. One group of scholars would restrict the term to strategic or innovating decision and an overlapping group would apply it only to

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¹⁶ Kilby Peter (Ed.) Op Cit P.13.
business organisations. The basis for these differences can be understood from the foregoing discussion on the history of the concept of entrepreneurs.

1.2. Entrepreneurial Theories:

Entrepreneurial theories have been evolved over a period of more than two and half centuries. There are different opinions on the emergence of entrepreneurship. The opinions may be classified as under;

i) The economic.

ii) The psychological and

iii) The Sociological.

The economist considers the structure of economic incentives found in the market environment as relevant. The psychologist emphasises certain non-materialistic, inner, psychic concerns as the Prime movers for risk bearing and innovation. However, the sociologist stresses the society's value and status hierarchy as the main force governing entrepreneurial activity. These, approaches, based on each scholar's field of specialization focus on the Prime determinants of entrepreneurial supply. They may be considered briefly one after another.

i) The economists view:

According to economists entrepreneurship and economic growth will take place in those situations where particular economic conditions are most
favourable. The main advocator of this view is G. P. Papnek and J.R. Harris. According to them, economic incentives are the main factors responsible for entrepreneurial activities. Sometimes this statement is not so convincing but the person's inner drives have always been associated with economic gains. Therefore these incentives and gains are regarded as the sufficient condition for the emergence of industrial entrepreneurship. If there is lack of vigorous entrepreneurial response in manufacturing it is due to various kinds of market imperfections and inefficient policy making. The Political economy Paradigm of Flavia Derossi hold political power, as a paramount, factor in entrepreneurial development in all new developing countries. Proximity though not necessarily in the geographical sense, or access to the sources of power may be the determinant factor of private-investment.

ii) The Psychologist’s View:

According to the advocates of this theory entrepreneurs are most likely to emerge when a society has sufficient supply of individuals possessing particular psychological characteristics.

According to Schumpeter, entrepreneurs possess three qualities.

First an institutional capacity to see things in a way which afterwards proves to be true; second a kind of effort of will and mind to overcome fixed habits of thinking; and third, the capacity to surmount social opposition against doing something new. Such individuals, who occur randomly in any ethnically homogenous population, are motivated by the dream and the will to find a private kingdom, the will to conquer and the joy of creating or simply of exercising their energy and ingenuity.

According to McClelland it is the high need for achievement, which drives people towards entrepreneurial activities. The achievement motive is uncalculated through child rearing practices, which stress standards of excellence, maternal warmth, self-reliance, training and low father dominance. Individuals with high achievement motive tend to take keen interest in situations of high risk, desire for responsibility and a desire for a concrete measure of task performance.\textsuperscript{22}

Kunkel's behavioural model is concerned with the overtly expressed activities of individuals and their relations to previously and presently surrounding social structures and physical conditions. The determinants of an individual's activities are to be found largely in the conditioning procedure; both deliberate and accidental to which he has been subjected in the past, and in the sets of reinforcing and discriminating stimuli which have become part

\textsuperscript{22} McClelland D.C.: Op Cit P. 257-260.
of his behavioural chains and are part of the present social context. The selected elements of societal environment are amenable to change.\textsuperscript{23}

Hagen considers withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal is the perception on the part of the members of some social group that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem they value.\textsuperscript{24}

iii) The sociologist’s view:

Sociologists argue that entrepreneurship is most likely to emerge under specific social cultures. According to them social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. In the words of Weber religious beliefs produce intensive exertion in occupational pursuits, the systematic ordering of means to end, and the accumulation of assets. It is these beliefs which generate a drive for entrepreneurial growth.\textsuperscript{25} According to Cochran the entrepreneur represents society’s model personality. His performance depends upon his own attitudes towards his occupation, the role expectations of sanctioning groups and the occupational requirement of the job. Society’s values are the most important determinant of the attitudes and role expectations.\textsuperscript{26}

\textsuperscript{23} John H. Kunkel: Op Cit P. 257-258.
\textsuperscript{25} Kilby Peter (Ed.) Op Cit P. 6-7.
Berter F. Hoselitz underlines the importance of culturally marginal groups in promoting economic development. He assumed that marginal men, because of their ambiguous position from a cultural or social standpoint, are peculiarly suited to make creative adjustment in situations of change and in the course of this adjustment process, to develop genuine innovations in social behaviour.²⁷

According to Stokes, sociocultural values channel economic action. He suggests that personal and societal opportunity and the presence of the requisite psychological distributions may be seen as conditions for an individual's movement into industrial entrepreneurship.²⁸

Each of the above theories is incomplete and none of them is right or wrong. Entrepreneurship is influenced by a multitude of factors and therefore, no single factor by itself can generate entrepreneurship. Thus, entrepreneurship is the outcome of a complex and varying combination of socio-economic, psychological and other factors.

1.3. The qualities of Successful Entrepreneur:

The following qualities are required to become a successful entrepreneur,

1) Capacity to take risk,


2) Capacity to work hard, above average intelligence and wide knowledge,
3) Self-motivation,
4) Willingness to differ consumption.
5) Initiative and Emulation.
6) Inventive ability and sound judgement.
7) Flexibility and Sociability.
8) Desire to take personal responsibility.
9) Desire to seek and use feedback.
10) Persistence in the face of adversity.
11) Innovativeness and future-orientation.
12) Mobility and drive.
13) Creative thinking.
14) Strong need for achievement,
15) High degree of ambition, and
16) Will to prove superior to others.

1.4. Functions of Entrepreneur:

There has been a great deal of confusion and contradiction in the literature on entrepreneurial functions. According to some writers, the functions of an entrepreneur are co-ordination of the business management of the enterprise, risk taking, controlling the enterprise, innovation for change, motivation and other related activities. In reality, an entrepreneur has to carry out a combination of these in keeping with time and environment. Truly, the entrepreneur has to react to new ideas and demands to exploit the
opportunities, and thereby contribute to technical progress. He is thus a nucleus of high growth of the enterprise.

According to B. F. Hoselitz reports. “The primary function of entrepreneurship is the investment of time, capital and energy in economically significant pursuits, the emphasis is on decision making in its various aspects.”

To Contillon, an entrepreneur is an uncertainty – bearer buying at a fixed price and selling at an uncertainty one.

Kilby, identified thirteen functions of an entrepreneur, which included some of the managerial functions also. These functions are as follows:

1. Perceiving market opportunities,
2. Gaining command over scarce resources,
3. Purchasing inputs,
4. Marketing of the products and responding to competition,
5. Dealing with the public bureaucracy (Concessions, licenses and taxes),
6. Managing human relations within the firm,
7. Managing customer and supplier relations,
8. Managing finance,
9. Managing production (control by written records, supervision, coordinating input flows with orders, maintenance),

10. Acquiring and overseeing assembly of the factory,
11. Industrial engineering (minimising inputs with a given production process),
12. Upgrading process and product quality, and
13. Introducing new production techniques and products,

Kilby\(^{31}\) has classified the above functions into four groups' viz., Exchange relationship (1-4) political administration (5-7) management control (8-9) and technology (10-13). He suggested that in the strict sense an entrepreneur will perform only the first two functions listed above and for the other eleven functions, he will employ experts in the related lines.

B. C. Tandon discusses the functions of an entrepreneur in a developing economy in the context of economic, legal, political and cultural environments. Accordingly the entrepreneur must possess (a) Capacity to assume risk and self-confidence (b) technological knowledge, alertness to know opportunities, willingness to accept change and ability to initiate, (c) ability to marshall resources, and (d) ability of organisation and administration. He has to have tact, patience, sagacity, power of observation and ability of discrimination. He should have perseverance to overcome obstruction and fear. He should have capacity to pick and choose associates and subordinates and wisely delegate authority to

\(^{31}\) Peter Kilby (Ed): Op Cit P.P. 1-20
inspire loyalty. He must be able to multiply himself effectively. Tandon describes entrepreneur as an “ideal-type” rather than as “social-type” Knight identifies entrepreneurship with control and responsibility. Rechich describes the threefold division of functions; (1) Capitalist – employing the factors and buying raw material, setting up the organisation (2) managerial – innovation, supervision and co-ordination of productive activities; and (3) entrepreneurial – decision making.

Arthur H. Cole has described the following functions of an entrepreneur.

1. The determination of those objectives of the enterprise and the change of those objectives as conditions required or made advantageous.

2. The development of an organisation including efficient relations with subordinates and all employees.

3. Securing adequate financial resource, the relations with existing and potential investors.

4. The requisition of efficient technological equipment and the revision of it as new machinery appears.

5. The development of market for the products and the devising of new products to meet or anticipate consumers demand.

33. McClelland, D.C; Op Cit P. 208.
6. The maintenance of good relations with public authorities and with society at large.

In view of the above opinions, of modern writers, one can classify the entrepreneurial functions into three broad categories;

1. Innovation;
2. Risk-bearing; and
3. Organisation and Management.

According to Schumpeter, the basic function of an entrepreneur is to innovate. He wrote “everyone is an entrepreneur only when he actually carries out new combination and loses that character as soon as he has built up his business, when he settles down to running it as other people run their business.”

An entrepreneur was never a risk-bearer, though the basic function of innovation must always appear mixed with other kinds of activity. Innovation implies doing new things or doing things that are already being done in a new way. It includes, introduction of new products; creation of new markets, application of new process of production, discovery of new and better sources of raw materials and developing a new and better form of industrial organisation.

Risk bearing means making provision for capital in order to enable the entrepreneur to establish and run the enterprise. An important function of an

35. Joseph A. Schumpeter; Op Cit, P.78.
entrepreneur is to reduce uncertainty in his plan of investment and expansion of the enterprise.\textsuperscript{37}

In the word of Alfred Marshall, organisation and management of the enterprise, is the main function of an entrepreneur. It implies bringing together the various factors of production. The purpose is to allocate the productive resources in order to minimise losses and reduce cost in production.\textsuperscript{38}

In addition to the above, an entrepreneur performed other functions such as to make efforts to run the unit by providing all the key inputs at the appropriate time, to arrange the funds for the daily expenses, to pay the suppliers of the raw materials and receive from the company from where the payments are due, to solve the internal problems including labour, power etc. to assume responsibility to execute the production schedules and deliver the finished products on time, and to monitor and supervise the overall activities of the unit with utmost care. Though to some extent these functions can be theoretically perceived, one can gain the true knowledge only through practice. Hence, entrepreneurial functions are to be practiced rather than preached.

1.5. Types of Entrepreneur:

In the study of American agriculture, Danhof\textsuperscript{39} has classified entrepreneurs in the following category.

\textsuperscript{38} Marshall Alfred; Principles of Economic EIBS and McMillan and Co. Ltd. London 1961. PP.334-35.
1. **Innovating entrepreneurs:** Innovating entrepreneurship is characterised by aggressive assemblage of information and the analysis of results derived from sound combination of factors. Persons of this type are generally aggressive in experimentation and cleverly put attractive possibilities into practice. An innovating entrepreneur sees the opportunity for introducing a new technique or a new product or a new market. He may raise money to launch an enterprise, assemble the various factors, choose top executives and set the organisation going. Schumpeter's entrepreneur was of this type. Such an entrepreneur introduces new products and new methods of production, opens new markets and re-organises the enterprise.

2. **Drone Entrepreneurs:** Drone entrepreneurship is characterised by a refusal to adopt and use opportunities to make changes in production. Such entrepreneurs may even suffer losses but they do not make changes in production methods. They are laggards as they continue to operate in their traditional way and resist changes. When their product loses marketability and their operations become uneconomical they are pushed out of the market. They are conventional in the sense that they stick to conventional products and ideas.

3. **Fabian Entrepreneurs:** Entrepreneurs of this type are very cautious and skeptical while practicing any change. They have neither the will to
introduce new changes nor the desire to adopt new methods innovated by the most enterprising entrepreneurs. Such entrepreneurs are shy and lazy. Their dealings are determined by custom, religion, tradition and past practices. They are not much interested in taking risk and they try to follow the footsteps of their predecessors.

4. Adoptive or imitative entrepreneurs: This kind of entrepreneurs are ready to adopt successful innovations created by innovative entrepreneurs. Instead of innovating the changes themselves, they just imitate the technology and techniques innovated by others. Such entrepreneurs are particularly important in underdeveloped countries because they contribute significantly to the development of such economies. Imitative entrepreneurs are the most suitable for underdeveloped nations because in these nations people prefer to imitate the technology, knowledge and skill already available in more advanced countries.

Some times, this kind of entrepreneurs needs to adjust and adopt the new technologies to their special conditions. Imitative entrepreneurs help transform the system with the limited resources available. However, these entrepreneurs face lesser risks and uncertainty than innovative entrepreneurs, while innovative entrepreneurs are creative imitative entrepreneurs are adoptive.
1.6. Importance of Entrepreneurship Development in the Indian Context:

In developing countries like India it has been recognised widely that the entrepreneurship development is essential not only to solve the problems of unemployment, imbalance in regional development, concentration of economic power, but also to achieve higher level of economic development.

In developing countries like India the traditional attitude of people towards new changes retards the optimum utilisation of human resources. The cost rigidities on the one hand and attitude towards geographical mobility, on the other affect the development of entrepreneurship. Gunnar Myrdal[^40] rightly points out that Asian Societies lack entrepreneurship not because they have lack of money or raw materials, but because of their attitudes.

1.7. Role of Entrepreneurship in Economic Development:

Entrepreneurial Development in any country is a key to achieve overall economic development of their economy through higher level of industrial activity. Entrepreneurial development is a process in which persons are injected with motivational drives of achievement and insight to tackle uncertain and risky situations especially in business undertaking.

The word development is used in so many ways that its precise

connotation is often baffling. Nevertheless, economic development essentially means a process of upward change whereby the real per capita income of a country increases over a long period of time. Then, a simple but meaningful question arises; what causes economic development? This question has absorbed the attention of scholars of socio-economic changes for decades. In this area, the researcher attempts to shed light on an important aspect of that large question, the phenomena of entrepreneurship. The one major issue we address here is; what is the significance of entrepreneurship for economic development? Does it have an important independent influence, to that of other factors, widely agreed to promote economic development?

Adam Smith\textsuperscript{41} the foremost classical economist, assigned no significance to entrepreneurial role in economic development in his monumental work "An Enquiry into the Nature and Causes of the wealth of Nations" published in 1976. Smith extolled the rate of capital formations as an important determinant of economic development.

The problem of economic development depends largely on the ability of the people to save more and invest more in any country. According to him the ability to save is governed by improvement in productivity due to the increase in the dexterity of every worker resulting from division of labour. Smith

regarded every person as the best judge of his own interest, who should be left to pursue it to his own advantage: According to him, each individual is led by an invisible hand in pursuing his/her interest. He always advocated the policy of laissez-fair in economic affairs.

Thus, in the classical theories of economic development, there is no room for entrepreneurship and economic development seems to be automatic and self-regulated. Thus, the attitude of classical economist was very cold towards the role of entrepreneurship in economic development. They took the attitude; “the firm is shadow entity, and entrepreneur even shadower or at least is shady when he is not shadows.\textsuperscript{42}

The economic history of the present developed countries, i.e., America, Russia and Japan tends to support the fact that the economy is an effect for which entrepreneurship is the cause. The crucial role played by the entrepreneurs in the development of the western countries has made the people of under-developed countries too much conscious of the significance of entrepreneurship for economic development. Now, people have begun to realize that for achieving the goal of economic development, it is necessary to increase entrepreneurship both qualitatively and quantitatively in the country. It is only active and enthusiastic entrepreneurs who fully explore the

potentialities of the country’s available resources—labour, technology and capital. Schumpeter visualised the entrepreneur as the key figure in economic development because of his role in introducing innovation.  

The role of entrepreneurship in economic development varies from economy to economy depending upon its material resources, industrial climate and the responsiveness of the political system to the entrepreneurial function. The entrepreneurs contribute more in favourable opportunity conditions than in the economies with relatively less favourable opportunity conditions. Viewed from opportunity point of view, the underdeveloped regions, due to the paucity of funds, lack of skilled labour and non-existence of minimum social and economic overheads are less conducive to the emergence particularly of innovative entrepreneurs. In such regions, entrepreneurship does not emerge out of industrial background with well developed institutions to support and encourage it. Therefore, the entrepreneur, in such regions may not be an “innovator” but an “imitator” who would copy the innovations introduced by the “innovative” of the developed region.

In these areas, according to McClean’s concept of personality aspect of entrepreneurship, some people with high achievement motivation come forward to behave in an entrepreneurial way to change the stationary inertia, as they would not be satisfied with the present status that they have in the society.

44. Yale Baroures: Business Leadership and Technological Change, the American Journal of Sociology The University Chicago Press 1954-55. P. 14
Under the conditions of paucity of funds, and the problem of imperfect market in underdeveloped regions, the entrepreneurs are bound to launch their enterprises on a small-scale. As imitation requires less funds than innovation, it is realized that such regions should have more imitative entrepreneurs. And it is also felt that imitation of innovations introduced in developed regions on a massive scale can bring about rapid economic development in the under developed regions also. But, it does not mean that such imitation requires in any way lesser ability on the part of entrepreneurs. In this regard Berna\textsuperscript{45} opines: ‘It involves often what has aptly been called subjective innovation’ that is, the ability to do things which have not been done before by the particular industrialist, even though unknown to him, the problem may have been solved in the same way by the other”. These imitative entrepreneurs constitute the main spring of development of underdeveloped regions.

India which itself is an underdeveloped country aim at decentralised industrial structure to mitigate the regional imbalances in levels of economic development. Small-scale entrepreneurship in such industrial structure plays an important role to achieve balanced regional development\textsuperscript{46}. It is believed that small-scale industries provide immediate large-scale employment, ensure a more equitable distribution of national income and also facilitate an effective

\textsuperscript{45} James J. Berha Op Cit P.6.
mobilization of capital and skill, which might otherwise remain, unutilised. Lastly, the establishment of entrepreneurship plays a vital role in economic development.

The significant role that entrepreneurship plays in the development of an economy can now be put in a more systematic and orderly manner as follows.

1. It promotes capital formation by mobilizing the idle saving of the public.
2. Entrepreneurship development creates large-scale employment.
3. It promotes balanced regional development.
4. Entrepreneurship development encourages effective resource mobilisation of capital and skill, which might otherwise remain unutilised and idle.
5. It stimulates the equitable distribution of wealth, income and even political power in the interest of the country.

From the above discussion we may conclude that entrepreneurship serves as a catalyst of economic development. On the whole, the role of entrepreneurship in economic development of a country can best be put as "an economy the effect for which entrepreneurship is the cause".

1.8. History of Entrepreneurship in India:

A sound understanding of the entrepreneurial history of any underdeveloped country must evolve itself within the context of the general economic history of the particular country. In the historical past Indian Communities consisted of four main castes viz., the Brahamins, the Kshatriyas,
the Vaishays and the Shoodras. The caste groups were rigidly separated on a function basis. The Brahamins were the learned men who assisted the Kshatriyas (rulers) in administration and the Shoodras were involved in agricultural occupation. The Vaishya community was engaged in Trade and Commerce and Industrial production activities. The brief description of entrepreneurship during the past is as follows.

1. The industrial activities were influenced by the caste system.
2. The skill for any enterprise was inherited from ancestors.
3. The Trading mercantile class used to take care of providing forward and backward linkage to craftsmen and skilled artisans.
4. There were formal organisation units. All family members used to associate themselves with production process of an enterprise.
5. Supply of product was mainly on the basis of demand for the same.

The mercantile class used to help in getting orders from buyer and communicate it to the producer.

The Industrial activity, which consists of small and cottage industries in India received a blow during the British regime. But Trade and Commerce were prevalent in India especially in western parts. There were instances in which the entrepreneurs achieved success in opening textile mills at Bombay, (Cowsjee Davar 1854) and Ahmedabad, (Ranchodlal Chotalal 1861) during

1850-1880. Indian entrepreneurship was extended to textile, shipping, Iron and Steel and Hydro Electric Systems.49

The Swadesh Campaign launched by the Indian political leaders gave an impetus to the growth of entrepreneurs in the country. As a token of nationalism people preferred domestic products and rejected foreign made goods. This, paved the way for the entry of a new breed of entrepreneurs to set-up industrial enterprises having domestic resource base.50

After independence the Govt. of India has evinced interest to develop entrepreneurship in the country in order to develop the economy as a whole. The production policy as well as the liberal subsidy schemes encouraged the entry of new entrepreneurs in several industrial enterprises.

To accelerate the industrial growth the Government came forward with various incentives. The First Industrial Policy Statement of 1948 Provided major guidelines for industrial and entrepreneurial development. It identified the responsibility of the state to promote, assist and develop the industries in the national interest. It also assumed that industrial entrepreneurs have an important role to play in industrial development by demarcating the industrial field for private sector. But the acceptance of the socialistic pattern and nationalisation of life insurance business created a doubtful atmosphere in the

private sector and new investment in the industrial field exhibited restrain on account of the governments' suspicious economic policies. Therefore, the Government again came out with a new Industrial Policy Resolution in 1956. In this resolution the Government, again accepted the overall responsibility for industrial development. The resolution pronounced mixed economy with a division of the sphere of activities with complete co-ordination and mutual help as its goal.

During the period of 1960-1970 the efforts of the Government to encourage entrepreneurship include fiscal and financial incentives for promotion of entrepreneurship in backward regions, promotion of industrial estates in rural areas and less developed regions and preferential treatment to backward regions in providing training facilities. The Government had set-up Pande Committee and Wanchoo Committee (1968) for the purpose of identifying backward areas and disbursement of fiscal and financial incentives to entrepreneurs respectively.

An important entrepreneurship promotion policy was framed during the period of 1970-1980. It include institutional reforms to encourage entrepreneurship, emphasis on Techno-economic surveys in backward areas, Establishment of District Industrial Centres and encouragement to small, cottage and ancillary industries. A centre for entrepreneurship development (1970) at Ahmedabad was set-up during this period. The important financial
institutions viz., IFC, ICICI and IDBI were started to set-up Technical Consultancy Organisations to promote entrepreneurship. Research chairs have been set-up in Universities and Research Institutions. Industrial Licensing Policy (1973) and Industrial Policy Resolution (1977) were reviewed for checking regional imbalance and encourage entrepreneurship in backward regions. This period has been described as a “Catalytic and Promotional Decade in the Entrepreneurial History of Modern India” 51.

The salient features of policies related to entrepreneurship development during 1980-90 include establishment of Entrepreneurship Development Institute of India (EDII) at Ahmedabad in 1983, National Institute for Entrepreneurship and Small Business Development (NIESBD) at New Delhi in 1983, Rural Entrepreneurship Development (REDI) at Ranchi in 1983, Rural Management and Entrepreneurship Development Center (RMEDC) at Maharashtra in 1983, National Entrepreneurship Board (NEB) in the ministry of industrial development etc., In this period the operational network of Technical Consultancy Organisation’s (TCO’s) increased from 6 to 17.

Further, national award scheme was introduced by the Government to encourage entrepreneurs to achieve higher level of performance. In the year 1984-85 Entrepreneurs Merchant Export Scheme (EMES) was introduced to

encourage small entrepreneurs to export their products. Educational institutions were asked to teach various aspects of entrepreneurship to the students in colleges and universities.

1.10. Small-Scale Industries and Entrepreneurial Development in India:

Small Scale industries occupy a strategic position in Indian economy. They have been playing a vital role in fulfilling the socio-economic objectives of the nation. The sector has emerged as a powerful tool in providing relatively large employment potential for a given unit of investment, equitable wealth distribution and removal of regional economic disparities. The definition of small scale industries varies from one country to another and changes from time to time in the same country. In Indian also, the definition of small-scale industry has undergone frequent changes over the years. At present more than 95 percent of small industries are having investment in plant and machinery to the tune of Rs. 5.00 lakhs and below. However, the Abid Hussain Committee report has recommended that the investment limit of SSI Units be raised from Rs. 60 Lakh to 3 Crore. Nevertheless, it has been reduced from Rs. 3 Crores to Rs.1 Crore by the Government.

52. Dr. H. Y. Kamble; Evaluation of DIC Programme in Karnataka State, SEDME Vol. No.27 November 1, 2000 P.41.
There is a close relation between the development of small-scale industries and the development of entrepreneurship. The entrepreneurial development paves the way for the development of small enterprises. This not only enhances employment opportunities but also reduces the concentration of economic power among few industrialists. An enthusiastic entrepreneur helps the process of development through optimum utilisation of available resources. The encouragement of entrepreneurs in setting up of enterprises enables the use of human capital more efficiently and also reduces the problem of unemployment. Special schemes are there to stimulate the entrepreneurship in small-scale sector. These include provision for development of industrial estate with all infrastructure facilities, supply of raw materials at reasonable rates, supply of machinery on higher-purchase basis, subsidised interest rate on loans, supply of power at concessional rates, capital subsidy on investment etc. Some of the main schemes are the self-employment schemes for the educated unemployed people and the entrepreneurial training programmes.

With the initiation and the effort of Government small-scale industries during the last four decades have made rapid and impressive strides and progress.

Table 1.1 gives a brief sketch of the performance of S.S.I. Sector in India. The S.S.I. sector showed tremendous growth in all its areas of operation. Though there is substantial increase in the achievement of small-scale industries, the growth rates indicate a different story. The growth
### TABLE 1.1

OVERALL PERFORMANCE OF SMALL-SCALE INDUSTRIES IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Units</th>
<th>Employment (in lakhs)</th>
<th>Export (in crores)</th>
<th>Production (in crores)</th>
<th>Investment (in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-90</td>
<td>18.27</td>
<td>120</td>
<td>1990</td>
<td>132320</td>
<td>18196</td>
</tr>
<tr>
<td>1990-91</td>
<td>19.5 (6.73)</td>
<td>125 (4.16)</td>
<td>9664 (20.09)</td>
<td>155340 (17.39)</td>
<td>19302 (6.07)</td>
</tr>
<tr>
<td>1991-92</td>
<td>20.8 (6.66)</td>
<td>13.0 (4.0)</td>
<td>13883 (43.65)</td>
<td>178700 (15.03)</td>
<td>20438 (5.88)</td>
</tr>
<tr>
<td>1992-93</td>
<td>22.5 (8.17)</td>
<td>134 (3.07)</td>
<td>17785 (28.11)</td>
<td>200300 (12.08)</td>
<td>21816 (6.74)</td>
</tr>
<tr>
<td>1993-94</td>
<td>23.9 (6.22)</td>
<td>139 (3.73)</td>
<td>25307 (42.29)</td>
<td>241648 (20.64)</td>
<td>22934 (5.12)</td>
</tr>
<tr>
<td>1994-95</td>
<td>25.7 (7.53)</td>
<td>147 (5.75)</td>
<td>29068 (14.86)</td>
<td>293990 (21.66)</td>
<td>24874 (8.45)</td>
</tr>
<tr>
<td>1995-96</td>
<td>27.2 (5.83)</td>
<td>153 (4.08)</td>
<td>36470 (25.46)</td>
<td>356213 (21.16)</td>
<td>26726 (7.44)</td>
</tr>
<tr>
<td>1996-97</td>
<td>28.6 (5.14)</td>
<td>160 (4.57)</td>
<td>39248 (13.12)</td>
<td>412636 (15.83)</td>
<td>NA</td>
</tr>
<tr>
<td>1997-98</td>
<td>30.14 (5.38)</td>
<td>167 (4.32)</td>
<td>44437 (20.29)</td>
<td>465171 (12.73)</td>
<td>NA</td>
</tr>
<tr>
<td>1998-99</td>
<td>31.21 (3.55)</td>
<td>172 (2.99)</td>
<td>49481 (11.35)</td>
<td>527515 (13.40)</td>
<td>NA</td>
</tr>
<tr>
<td>1999-00</td>
<td>32.75 (4.93)</td>
<td>179 (4.06)</td>
<td>54382 (9.90)</td>
<td>587000 (11.27)</td>
<td>NA</td>
</tr>
</tbody>
</table>

| SGR     | 7.92         | 4.91                  | 58.06              | 34.36                  | 4.68                   |
| CGR     | 6.00         | 4.10                  | 21.20              | 16.10                  | 1.50                   |


Note:
1. Figures in brackets indicate percentage of increase or decrease over the previous year.
2. S.G.R : Simple Growth Rate.
3. C.G.R : Compound Growth Rate.
percentage in all the areas (i.e., number of units, employment, export of outputs) are found going down steeply from year to year. The erratic performance in the relative growth rates indicate a great degree of degeneration and retrograde growth in the SSI Sector leading to industrial sickness in this priority sector of the economy.

Small Scale units in India have out performed the overall industrial sector in terms of growth. In 1990-91, the small scale sector registered a growth rate of 6.73 percent, like wise in 1999-2000 S.S.I. Sector showed improvement though on a lower scale, at 4.93 percent. Again, according to SIDBI estimates, in 1999-2000, when the industry as a whole is estimated to have a growth of 6.4 percent, the small scale sector is estimated to register a higher growth of 8 percent.54

The employment grew by over 1.3 times during the period from 1990-91 to 1999-2000. It was 125 lakh to 179 lakh respectively. The total employment generation in S.S.I. units is 10 times that of large scale units for a given amount of capital. The total employment in the S.S.I. Sector was 167 lakhs in 1997-98 as against 6.14 lakhs in the medium and large units together. Rs.11391 is required to provide employment to one person in the tiny sector. Lower capital employment ratio enabled these units to absorb 15 lakh persons i.e. 16.6% of the total work force engaged in the factory sector.55

55. Quarterly Economic Report – What Ails the SSI Sector by Mr. V. Antony. P-20
1.10. Review of Select Literature:

Many scholars have shown great interest in studying the various aspects of entrepreneurship in India and other countries, they are as follows.

Buert: F. Hoseltz considers managerial skill and leadership as the primary factors, and source of financial as secondary factors responsible for entrepreneurship. However, subsequently he added risk bearing also to the factors responsible for successful entrepreneurship.

David McClelland shifted the focus from socio-economic factors to socio-psychological factors. Achievement motivation, (Need for Achievement-N-ach in Short) was the most distinguishing feature of an entrepreneurial personality. In developed countries people were evaluated in terms of ascribed status N-ach to parent-child relation. The estimates N-ach were found to have a significant positive correlation with economic growth.\textsuperscript{57}

E. E. Hagen put forth personality theory to show that, people, who had enjoyed social standing at some stage in their histories, fall into a retreatist phase and with an urgent desire to regain that lost status emerge as entrepreneurial personality Hagen calls this law of subordinate group.\textsuperscript{58}

Thomas Cochran\textsuperscript{59} tried to theorise that entrepreneurs were a model

\begin{flushright}
\textsuperscript{56} Hoseltz Bert F. Op Cit P.195.  
\textsuperscript{57} McClelland D.C: Op Cit P.208.  
\textsuperscript{58} E.E. Hagen, Op Cit P.3.  
\textsuperscript{59} Thomas Cochran: Op Cit P. 26-27.  
\end{flushright}
personality in the society. They represented certain ascertainable levels of education, social status and types of cultural conditioning that produced roughly definable model personality. The individual’s performance as a businessman is influenced by three factors: his own attitude towards occupation, the role expectations, held by sanctioning groups and the operational requirements of the job. Society’s values are the most important determinants of the above three factors.

Frank Young’s theory of supply of entrepreneurship was a group theory. A group or sub-group experiencing low status recognition or denial of access to important social network and being in possession of greater range of institutional resources than other groups in the society, becomes reactive to improve its symbolic position. Such reactivity brings a change in the economy. Such change is the essence of development and the change-agent is the entrepreneur. 60

Peter Kilby observes that Socio-cultural factors hinder the development of entrepreneurs have been able to reach great heights because of their ability to separate domestic matters from business matters. Development of contacts, widening the horizon of experience, and breaking the vicious circle of isolation can foster entrepreneurship in African countries, which are struggling to develop. 61

Gadgil 62 in his historical study of India’s Industrial Evolution

observed that the economic development of the country was mangled by the Colonial rule; the craft based industries had been flourishing well at the beginning of the eighteenth century. He also listed the communities involved in trade, finance and handicraft industries in the different geographical regions of India during the seventeenth & Eighteenth centuries.

John H. Kunkel’s was a behaviouristic model. Individuals perform various activities of which some are accepted by the society while others are not. The accepted are rewarded. The rewards act as reinforcing stimulus increasing the probability of repeating that behaviour pattern. This pattern of social behaviour is entrepreneurial behaviour.63

KrishanLal Sharma studied the entrepreneurial performance in role perspective in Uttar Pradesh, covering a sample of 100 small-scale units of Kanpur, Agra, Firozabad, Varanasi and Meerut. The study revealed that most of the entrepreneurs in Uttar Pradesh had a considerably higher degree of entrepreneurial orientation than entrepreneurial commitment and achievement. Sharma considered the entrepreneurs, the Government officials concerned with entrepreneurial activities, the trade union leaders and secretaries of the employee's associations as prescribes of entrepreneurial roles, also termed as member of entrepreneurial role set.64

Ramakrishnan\textsuperscript{65} undertook a study of 94 small-scale units in urban Delhi, each employing five or more persons in 11 important industry groups, which mostly covered non-traditional items of manufacture. His study focused attention on the units, which came into operation in 1965. Ramakrishnan has analysed in detail, the number of units in each group, covered by the labour employed and its output, information relating to the entrepreneurs themselves, their socio-economic, educational and technical background, their motivations and the results achieved by them, and the like Gupta recently studied entrepreneurial performance of 60 small entrepreneurs, taking 20 each from Kanpur, Allahabad and Gorakhpur, in Uttar-Pradesh. In his study, he deals in detail with the essential qualities and functions of entrepreneurs, policy framework and support systems to develop entrepreneurship in the small sector. He makes recommendations for framing policies in future and outlines the role of the Government in developing entrepreneurship in all the industry sector.\textsuperscript{66}

Singha made a study of 25 small units in Agra engaged in light engineering with the objective of analysing the socio-economic factors affecting the entrepreneurs, important motivational forces and the impact of Government assistance on entrepreneurship.\textsuperscript{67}

\textsuperscript{65} Ramakrishna P. New Entrepreneurship in Small Scale Industry in Delhi, Economic and Scientific Research Foundation, New Delhi, 1975, P-15.
Bhatia examines in relation to the history and present situation, 50 small units located in Punjab. He studies the socio-economic background of the entrepreneurs, their attitudes towards industry, ways of entry into industry and the problems faced at the time of establishing and building up their enterprise.\(^{68}\)

The UNESCO Research Center, in its study on a metal industry of Howrah in west Bengal observed that the industrial entrepreneurship sprang up gradually owing to a shift in the entrepreneurs from their traditional occupations to industry. This might have been due to their educational attainment, which stimulated prospective entrepreneurs to come out with a resolve to succeed.\(^{69}\)

Hazelehurst studied Ramanagar (a factitious name for a town on India-Pakistan border) entrepreneurs, examined the impact of migration on the entrepreneurial structure and observed that the entrepreneurial continuity was augmented by the migrant entrepreneurs and also that the refugee entrepreneurs proved to be more innovative than the local entrepreneurs.\(^{70}\)

Shetty has examined the role of imitative, as opposed to innovative entrepreneur managers in the newly industrialising countries. He points out that in the developing countries, smaller firms mostly belong to private entrepreneurs.


Taking Indian examples, he generalises that these small firms, which are operated at the household level have the advantages of nurturing the necessary entrepreneurial talents.\(^71\)

Hadimani conducted a survey of 200 traditionally trading entrepreneurs belonging to the weaving and non-weaving castes, in the handloom industry of Mahantapur. His study indicates that caste attachment to the caste occupation was strong, but interestingly it promoted entrepreneurship in the case of the trading. Caste and hindered it in the case of the weaving caste. He is of the view that, this dual role of caste in entrepreneurship is mainly due to the presence or lack of several social, economic, political, educational and human resource factors.\(^72\)

Bhanushali has made a study of 125 light engineering industries of Kolhapur in the Maharashtra state, with particular reference to the economic, social, educational and occupational backgrounds of the entrepreneurs. He has also examined the organisational set-up, personnel, production, finance, marketing and entrepreneurial creation on the basis of which the development of entrepreneurs' personality is charted. He concludes that persons from the minority or marginal groups trained in the art of engineering and having long contact with engineering industry have capabilities to achieve success.\(^73\)

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Khanka studied 50 small-scale entrepreneurs in a notified backward region of the Kumaun division of Uttar Pradesh. The issues studied are the emergence, performance and problems of entrepreneurship. A guiding assumption of this study is that true display of the entrepreneurial role and attributes can be well seen only in the case of small-scale entrepreneurs. The study brings under its purview entrepreneurial setting, entry into entrepreneurship, financing of entrepreneurship, entrepreneurial performance and their problems. Khanka lays stress on the policy implications to provide liberal incentives and concessions to the entrepreneurs to encourage, promote and strengthen the small units in backward areas.\(^74\)

Reddy and Murthy conducted a study of 18 entrepreneurs in the Industrial Estate in the Ananthpur district. Their study revealed that entrepreneurs' family and educational background did not contribute significantly to the success of the enterprise. The study suggested a strategy for the development of backward areas.\(^75\)

Entrepreneurial competence differs from place to place, region to region, district to district, etc. Most of the studies, in the sphere of entrepreneurship, surveyed up to this time appear to have focused attention on general aspects at the macro level. Moreover, no research so far, has been done on the


entrepreneurship in Belgaum District. In view of this the present study assumes lot of importance.

1.11. Need for the Study:

Entrepreneur is one of the most important segments of economic growth. Basically, an entrepreneur is a person who is responsible for setting up a business. Entrepreneur is a critical factor in the socio-economic change. He is a key man who envisages new opportunities, new techniques, new line of production, new products etc., For these reasons Government of India has become aware of the need to develop entrepreneurship and has taken several steps to promote it. However, entrepreneurial development in the country is still plagued by a number of problems. Viz., finance, raw materials, inadequate Government assistance, ineffective consultancy services provided by the Govt. agency, inadequate technological support of product identification and machinery utilisation, problem of skilled and unskilled labour, uncertainty of power, lack of education and information about entrepreneurial activity, lack of general management experience and slackness of demand etc.,

The Be'gaum District is endowed with affluent natural, mineral and agrobased resources, which are necessary for industrial development. Yet, it has remained essentially an agricultural district without any worth mentioning
industrial development. Inspite of many efforts made to boost the process of industrial growth, there has not been substantial change in the economy of the district through industrialisation. It seems obvious that no adequate steps have been taken to promote entrepreneurship in industry by way of encouraging, training and providing managerial, financial and technical assistance, to those who might venture to start their industrial units. In view of the above, a need was felt by the researcher to study the entrepreneurship in SSI units of Belgaum district in all its ramifications to ensure balanced industrial development of the district.

1.12. Statement of the Problem:

The Indian economy has long been plagued by problems like vast unemployment, wide income inequalities, highly imbalanced regional development etc. In such case there is urgent need to develop competent entrepreneurship for solving the said problems through effective utilisation of available human and natural resources. Entrepreneur is a critical factor in the socio-economic change. He is the key man, who envisages new opportunities, new techniques, new line of production, new products, and co-ordinates all other activities. For these reasons, the Central and the State Governments have become aware of the need to develop entrepreneurship and have taken several steps to promote it.
However, entrepreneurial development in Belgaum district is not satisfactory and still plagued by a number of problems like absence of a concerted effort for entrepreneurship development, lack of infrastructure facilities, lack of assured marketing, absence of risk bearing capacity, inadequate financial assistance from the financial institutions, absence of proper training and encouragement from Government, lack of motivation and confidence and certain operational and marketing problems. In view of this the scholar felt the need to study the entrepreneurship in SSI Units of Belgaum district. Hence, the topic selected for research is “Entrepreneurship in S.S.I. Units of Belgaum district”.

1.13. Objectives of the Study:

The present study is undertaken with the following objectives in mind:

1. To study the economic, social, educational and occupational background of entrepreneurs;

2. To examine all possible factors that influenced them to take up business;

3. To assess the entrepreneurial role and growth of the enterprise;

4. To examine the problems and difficulties confronted by the entrepreneurs, in managing and developing their industrial units; and

5. To suggest measures, on the basis of the inquiry, for their well being and policy formulation;
1.14. Hypotheses:

The following hypotheses are proposed to be tested in the present study.

1. Entrepreneurship in Belgaum district is confined mostly to the socially and economically forward castes;
2. Majority of the entrepreneurs of Belgaum District have urban background;
3. The performance of enterprises depends upon the entrepreneurial experience and educational background;
4. Respondents having business and industrial background are more efficient than others.

1.15 Methodology:

Sample Design:

In Belgaum district, there are more than 23000 registered small and tiny units. Out of that 350 units are small-scale industries and the remaining (i.e., 22650) are tiny units.

Since detailed study of all the 350 small-scale units is difficult and time consuming and in order to keep the inquiry within manageable but reliable limits, the stratified sampling method is adopted and a sample of 40 percent of units is taken for in depth study. However, only 35.7 percent of the entrepreneurs took interest and filled the questionnaire, hence, the effective sample size is 125 units.
1.16. Sources of Data:

The data for this study are collected both from primary and secondary sources. The primary data is collected from the sample units with the help of the pre-tested schedules. The secondary data is collected from the records and reports of District Industries Centre, Director of Industries and Commerce, Government of Karnataka, Bangalore.

In addition to the above, relevant information is also collected from the textbooks, articles and journals like SEDME, Statistics from the department of D.S.O etc. Personal discussion is also held with each respondent to collect the data.

1.17 Tools and Techniques:

Both Primary and Secondary data are analysed by using appropriate statistical tools such as simple growth rate, compound growth rate, percentage, arithmetic mean, standard deviation, co-efficient of variation, changes in percentage and weighted score etc. Some of the tools used are described below:

1. Growth Rate:

   a. Simple growth rate

   \[ G1 = \frac{(u - x)}{x} \times \frac{1}{T} \times 100. \]
b. Compound growth rate.

\[ G_2 = \left( \frac{u}{x} \right)^{1/n} - 1 \] * 100.

Where \( u = \) present year is to be taken into consideration.
\( x = \) stands for starting year.
\( T = \) Total number of years.

2. Co-efficient of Variation:

\[ C.V. = \frac{\bar{x} - \mu}{\bar{x}} \times 100 \]

Where mean \( \bar{x} = \sum x/n; \)

Standard deviation \( (\sigma) = \sqrt{\frac{\sum x^2}{n} - \left[ \frac{\sum x}{n} \right]^2} \)

1.18 Scope and Limitation of the Study:

The scope of the study is limited to small units, where the investment in plant and machinery is Rs.1 Crore. In other words, the study does not cover the tiny units. A tiny unit is very small and is managed by the owner himself and therefore does not need maintenance of records. Moreover, the owners of the tiny units do not appreciate the importance of research studies and hardly co-operate. That is why the tiny units are excluded from the ambit and scope of the present study.
CHAPTER SCHEME

The overall study is divided into seven chapters.

Chapter-I: Introduction.

It covers Evolution of the concept of entrepreneurship, Entrepreneurial theories, Functions of entrepreneurs, Qualities of entrepreneurship, Classification of entrepreneurship, A brief historical outline of Indian entrepreneurship, Small-scale industries and entrepreneurial development, Need for the study, Statement of the problem, Objectives of the study, Hypotheses, Sampling, Sources of the data, Tools and techniques, Review of select literature, Scope and limitation of the study and Chapter scheme.

CHAPTER-II: Study Area.

This chapter covers, Origin of name, Location, Area and population, Topography, Rivers, Minerals and ores, Forests, Climate, Rainfall, Temperature, Humidity, Agriculture and irrigation, Industries, Industrial estate, Banking and co-operation resources mobilization, Co-operative banks, Transport, Railways, Airways, Communications, Education and culture, Literacy and educational infrastructure.

CHAPTER-III: Socio-Economic Background of Entrepreneurship.

This chapter deals with various aspects like Caste, Age, Earlier occupation of entrepreneurs, Educational background, Year of
commencement of enterprises, Nature of the family, Geographical background, Nature of the organisation, Sex of the respondents, Marital status, Annual income of respondents at the time of commencement of enterprises, Entrepreneurs caste by their industry group, Entrepreneurs caste and type of ownership, Entrepreneurs caste and year of commencement of enterprise, Occupation of the entrepreneurs and their parental occupation, Earlier occupation and type of ownership, Entrepreneur caste and their earlier occupation, Entrepreneur earlier occupation and year of commencement of enterprise, Level of education and industry group, Level of education and year of commencement of enterprise, Entrepreneurs education level and type of ownership, Entrepreneurs education level and their Caste, Age of the entrepreneurs and their caste, Age of entrepreneurs and type of ownership, Entrepreneurs age and industry group.

CHAPTER-IV: Factors Influencing Entrepreneurship:

Here a study is made of the entrepreneurial ambitions, Compelling factors, Supporting factors, Facilitating factors, Motivating factors to start an industrial unit, Ideas that helped to start the units, Reasons for selecting the industry, Desire of entrepreneurs parents, Background that helped entrepreneurs to start an industry, Places of sales of products, Sources of initial capital and sources of term loan.
CHAPTER-V: Progress and Problems of Enterprises:

It deals with sales turnover of enterprises in initial and latest year, Caste wise sales turnover of respondents in initial and latest year, Sales turnover and educational background of respondents, Sales turnover and occupational background of respondents, Industry wise sales turnover of respondents, Capital employed by respondents in initial and latest year, Capital of respondents and industry group, Capital employed and caste of the respondents, Capital employed by the respondents by level of education, Capital employed and entrepreneurs earlier occupation, Size of employment in initial and latest year, Size of employment and industrial group of respondent, Size of employment and caste of the respondent, Capacity utilisation of respondents in initial and latest year, Production of enterprises in initial and latest year and return on capital employed.

CHAPTER-VI: Findings and conclusions.

CHAPTER-VII: Suggestions and recommendations.