

An Economic Appraisal of Entrepreneurship in Small Scale Industries - A Study on Nellore District

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Abstract: The economic prosperity of India mainly depends upon the success of industrial as well as agricultural sectors. Owing to the limitations of the agricultural sector in contributing adequately to the economy, the industrial sector, which is affluent with resources, has assumed greater importance in this regard in our country. Realizing the importance of industrial sector to economic development, our planners have aimed at accelerating industrial development through rapid industrialization by exploitation and effective utilization of the rich, natural and physical resources our country is endowed with. Moreover, the planners have also realized that the roles of the people and their abilities have to play in these stupendous endeavors are supremely important and that any negligence of the human factor would only enfeeble the economic prosperity of the country. Consequently, the industrial policies of the government and the successive five-year plans reiterate the government's intention to stimulate and promote the human factor in industrial development. Thus, the entrepreneur has come to assume an important place and become the nerve-center of all economic activity. The development of entrepreneurship, which is a human activity, has become imperative in view of the economic development and prosperity of our country.

The developed as well as the developing countries today rely much upon speeding up industrialization on which their economic development depends. In this process man stands at the center as organizer of human and material resources, as worker, as consumer, and as exchange agent. Of various roles he has to play, his function as an organizer of human material resources is the most important and pivotal to ensure progress. Without his role, the resources of production remain stationary and can never be transformed into products or services¹.

I. INTRODUCTION

The economic prosperity of India mainly depends upon the success of industrial as well as agricultural sectors. Owing to the limitations of the agricultural sector in contributing adequately to the economy, the industrial sector, which is affluent with resources, has assumed greater importance in this regard in our country. Realizing the importance of industrial sector to economic development, our planners have aimed at accelerating industrial development through rapid industrialization by exploitation and effective utilization of the rich, natural and physical resources our country is endowed with. Moreover, the planners have also realized that the roles of the people and their abilities have to play in these stupendous endeavors are supremely important and that any negligence of the human factor would only enfeeble the economic prosperity of the country. Consequently, the industrial policies of the government and the successive five-year plans reiterate the government's intention to stimulate and promote the human factor in industrial development. Thus, the entrepreneur has come to assume an important place and become the nerve-center of all economic activity. The development of entrepreneurship, which is a human activity, has become imperative in view of the economic development and prosperity of our country.

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Human beings have been enterprising since the dawn of history. The spirit of enterprise makes man a spry entrepreneur. It is this spirit, which has transformed him over the centuries from a nomad into a cattle-rearer, an agriculturist, a trader, and an industrialist. Entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit, which combines the factors of production to supply goods and services². They are the nucleus of economic activity and propellers of economic development. In a developing economy such as India, entrepreneurs should be competent to perceive new opportunities, willing to take risks in exploring them and undergo, if necessary, rigorous hardships of the business. Entrepreneurship and economic development are closely bound with each other. Entrepreneurs are a dynamic force in the economic life of a society and are organizers of its productive resources. The development of right entrepreneurship is one of the most acute problems of the developing countries, and the lack of the right kind of entrepreneurs in our country in sufficient number is a factor hindering economic development.

II. CONCEPT OF ENTREPRENEUR

The word 'entrepreneur' is derived from the French word 'entreprendre' which means 'to undertake'. Thus, a human being who undertakes the economic process in the dynamic world of trade, industry and commerce can be called an 'entrepreneur'.

The term 'entrepreneur' has an interesting history. At first, it appeared in the French language much before the emergence of the concept of entrepreneurial function. It was applied to those who were engaged in military expeditions in the early 16th century. Its scope was extended to architects and contractors of public works like roads, bridges, harbors and fortification in 17th century⁴. Richard Candlon [an Irish man who lived in France in the early 18th century] first identified and used 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 their product at 'uncertain' prices in future. He conceived the entrepreneur as a non-insurable risk bearer⁵. J.B.Say gave the 'classic' definition of entrepreneur, which was to survive for almost two centuries. According to him, an entrepreneur is the most important agent of production who provides continuing management and brings together all factors of production. Say's entrepreneur must have judgment, perseverance and knowledge of the world as well as of business. He must also possess the art of superintendence and administration⁶. Say further elaborates that in the course of undertaking a number of complex operations like surmounting obstacles, repressing anxieties, repairing unfortunates and devising expedients, the entrepreneur must have three more qualities, viz., [1] moral qualities for work- such as judgment, perseverance and knowledge about the business world; [2] command over sufficient capital; and [3] awareness of uncertainty of profit⁷.

According to Frank Knight, entrepreneurs belong to a specialized group of persons who take decisions under conditions of certainty and risk. The entrepreneur meets risks, which are incalculable. Knight made a distinction between risk and uncertainty. To him the entrepreneur is the economic functionary, who undertakes such responsibility as by its very nature who cannot be insured, or capitalized or salaried. He also guarantees specified sums to others in return for assignments made to them⁸.

Schumpeter defines entrepreneur as an innovator who is characterized by potentialities of doing new things or doing things in a newer way. He is an economic leader with atavistic will power and sets a creative response to a situation and acts as a chief conducive factor in the process of development⁹.

To Mc Clelland entrepreneur is one who likes to take reasonable risk, wants to know how he can turn out the inputs as quickly as possible and has high degree of need for achievement motivation¹⁰.

Lelbenstein defines an entrepreneur as an individual or as a group of individuals having four major characteristics; connection with different markets; capability of market deficiencies [gap-filling]; input completing and creation and expansion of time-binding input transforming entities [i.e., firms]¹¹.

In the words of Meredith, Nelson and Neck 'entrepreneurs' is people who have the ability to see and evaluate business opportunities to gather the necessary resources to take advantage of them, and to initiate appropriate action to ensure success¹².

Casson opines that an entrepreneur is one who is specialized in taking judgmental decisions about co ordination of scarce resources¹³.

Carland, Frank, and William defined entrepreneur as an individual who establishes and manages a business for the principal purpose of profit growth¹⁴.

According to Francis Walker, the entrepreneur's role is to furnish technical skills, commercial knowledge and powers of administration, to assume responsibilities and provide against contingencies, to share and direct production, organize, and control the industrial machine¹⁵.

According to Udal Parek and T.V Rao, psychological stress is a natural concomitant of any creative activity. It is much more so if the activity relates to an intensely competitive area like business. Entrepreneurs, being creative individuals, often experience such stress at various stages of the development of their enterprises¹⁶.

All the above definitions of "entrepreneur" emphasized in varying degrees about the functions of an entrepreneur such as uncertainty, co-ordination of productive resources, introduction of innovation and provision of capital. They had taken a very restricted view of entrepreneurial functions. They did not visualize the possibility of entrepreneurial functions evolving and changing with change of time and place. Today, the entrepreneur is regarded as the most active propeller in the process of social-economic development and reformation. The essence of an entrepreneur is that he can react to changing circumstances and cope with all activities involved in promoting and running any service, commercial profitably.

The term entrepreneur is still in the process of development, reformation and renovation due to the innovative attitude and behavior of the entrepreneur himself. This characteristic of the entrepreneur places him in a unique position. The entrepreneurial behavior demonstrated by him under the changing environment gives every time a new flavor, style, and attitude. This is the peculiar quality of the entrepreneur, which is replenishing his role, image and functions. Entrepreneurs choose to run the race with conviction and confidence to achieve their desired economic and commercial goals. They are always busy in searching out new combinations and new methods of production with full command on judgmental decisions despite the problems of co-ordination of scare resources.

III. CONCEPT OF ENTREPRENEURSHIP

Entrepreneur and entrepreneurship are quite separate from each other. Entrepreneur is a human being and entrepreneurship is his quality. The entrepreneurship is a golden practice and excellent discipline, a dynamic and continuous process of economic development and social reformation. Entrepreneurship demonstrates the inner quality, a creative and innovative response of the entrepreneur to the changing environment¹⁷.

Entrepreneurship refers to the functions performed by an entrepreneur in establishing an enterprise. Entrepreneurship is regarded as what entrepreneurs do. Entrepreneurship is a process involving various actions to be undertaken to establish an enterprise. Innovation and risk bearing are regarded as the two basic elements involved in entrepreneurship. Entrepreneurship is concerned with the performance and co-ordination of the entrepreneurial functions.

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 services¹⁸. The definitions of Schumpeter Cole differ in the scope of entrepreneurship.

‘Entrepreneurship’ appears in the writings of Adam Smith, but it is not made explicit. For him, an entrepreneur is an undertaker or, the master or the merchant. To Smith, accumulation of capital was the essential function of the undertaker, the master or merchant. He accumulates capital and with this capital acquires command over land, and then hires labor to work on it. This roundabout process of accumulation and production involves risks¹⁹.

Liebenstein distinguishes two broad types of entrepreneurial activity. First, the ‘routine’ entrepreneurship is associated with the managerial function of the business. The second is the new type of entrepreneurship, which is of Schumpeterian type²⁰.

Stepanek observes that entrepreneurship is the capacity to take risk, ability to organize and desire to diversify and make innovation in the enterprise²¹.

Pathak regarded the term entrepreneurship as co-existence with setting up and managing a small unit. This involves a wide range of areas on which a series of decisions are required. This can be broadly grouped into three categories, relating to

1. Perception of an opportunity;
2. Organizing an industrial unit and
3. Running the industrial unit as a profitable, going and growing concern²².

Venkateswara Rao and Prayag Metha described entrepreneurship as a creative and innovative response to the environment. Such responses can take place in any field, social endeavor, business industry, agriculture, education, social work and the like, doing new things that are already being done in a new way, is therefore, a simple definition of entrepreneurship²³.

Galkwad says, in India, today the term entrepreneurship appears to connote a much-restricted meaning. It covers only a limited sphere of enterprising endeavor. Here the thinking generally veers round the efforts, which result in establishing and running factories and industrial enterprises alone. Moreover, there is a marked tendency to relate it over operations, which exceed a particular size²⁴.

Bowen and Hisrich state that entrepreneurship is a process of creating something different with value by devoting necessary time and effort, assuming and accompanying financial, psychic and social risk, receiving the resulting rewards for monetary and personal satisfaction²⁵.

Gupta states that entrepreneurship involves a whole range of aptitudes and capabilities of an enterprising person like the capacity to bear risks, to forecast prospects of an enterprise, to organize various factors of production, to manage various affairs of the business, to innovate or initiate new things, confidence and competence to meet the unforeseen and adverse situations²⁶.

From the above definitions, we can conclude that entrepreneurship is a potential and perpetual process of development and reformation in every field of socio-economic endeavor. The entrepreneurial history also reveals that entrepreneur, entrepreneurship and enterprise creation are the integral parts of the same thing having separate and distinct features and characteristics. All are supplementary and complementary to one another. It must also be noted that entrepreneurship is concerned with the performance and coordination of entrepreneurial functions. This indicates that entrepreneur precedes entrepreneurship.

IV. DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

Sometimes the two terms ‘entrepreneur’ and ‘manager’ are considered as synonyms. But these two terms have different meaning. An entrepreneur differs from manager. At times, an entrepreneur can be a manager, but a manager cannot always be an entrepreneur. An entrepreneur is an owner while a manager is a servant. The following are the major points of difference between these two terms.

Distinction between Entrepreneur and Manager:

Sl.No.	Points of difference	Entrepreneur	Manager
1	Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He undertakes the venture for his personal gratification.	But the main motive of a manager is to render his services in an enterprise already set up by someone else.
2	Status	An entrepreneur is the owner of the enterprise.	A manager is the servant in the enterprise owned by the entrepreneur.

3	Risk-bearing	An entrepreneur being the owner of the enterprise assumes all risks and uncertainty involved in running the enterprise.	A Manager as a servant does not bear any risk involved in the enterprise.
4	Rewards	The reward an entrepreneur gets for bearing risks involved in the enterprise is profit, which is highly uncertain.	A Manager gets salary as reward for the services rendered by him in the enterprise. Salary of a manager is certain and fixed.
5	Innovation	Entrepreneur himself thinks over what and how to produce goods to meet the changing demands of the customers. Hence he acts as an innovator.	But, what a manager does is simply to execute the plans prepared by the entrepreneur. Thus, a manager simply translates the entrepreneur's ideas into practice.
6	Qualification	An entrepreneur needs to possess qualifications and qualification like high achievement motive, originality in thinking, foresight, and risk-bearing ability and so on.	On the contrary, a manager needs to possess distinct qualifications in terms of sound knowledge in management theory and practice.

V. DISTINCTION BETWEEN ENTREPRENEUR AND INTRAPRENEUR

Recently, a new breed of entrepreneurs is coming to the fore in large industrial organizations. They are called 'Intrapreneurs'. They emerge from within the confines of an existing enterprise. In big organizations, the top executives are encouraged to catch hold of new ideas and then convert these into products through research and development activities within the framework of the organization. The concept of Intrapreneur has become very popular in developed countries like America. It is found that an increasing number of Intrapreneurs are leaving their jobs in big organizations and are starting own enterprises; many of such Intrapreneurs have become exceedingly successful in their ventures. What more is that they are causing a threat to the organizations they have left.

The distinction between Entrepreneur and Intrapreneur can be stated as follows:

Sl.No.	Points of Difference	Entrepreneur	Intrapreneur
1.	Dependency	An entrepreneur is Independent in his operations.	However, an Intrapreneur is dependent on the entrepreneur, i.e., the owner.
2.	Raising of funds	An entrepreneur himself raises funds required for the enterprise.	The Intrapreneur does not raise funds.
3.	Risk	Entrepreneur bears the risk involved in the business	An Intrapreneur does not fully bear the risk involved in the enterprise
4.	Operation	An entrepreneur operates from outside	On the contrary, an Intrapreneur operates from within the organization itself.

VI. ENTREPRENEURIAL THEORIES

Entrepreneurial theories have been advanced by different social scientists. They naturally differ from one another in their point of view. They may be broadly classified into (i) Economic, (ii) Sociological, and (iii) Psychological.

The economist considers the structure of economic incentives found in the market environment as most relevant to entrepreneurial activity. On the other hand, the psychologist stresses certain inner, psychic concerns as the prime movers of risk taking and innovation. However, this approach is based on a particular field of specialization, together with focus on the prime determinants of entrepreneurial supply. They may be considered briefly one after another.

(i) The Economist's View

The economist's view is a counter-hypothesis to all the theories on entrepreneurial supply and may be seen in empirical studies such as those of G.F. Papanek²⁷ and J.R.Harris²⁸. According to this view, while psychological drives for pecuniary gain are present in all societies, what really matters is the economic environment. Economic incentives are sufficient conditions for the emergence of industrial entrepreneurs. The politico-economy paradigm of Flavia Derossi

holds political power as the paramount factor in entrepreneurial development in all the developing countries. Proximity, not necessarily in the geographical sense or access to the sources of power, is the determining factor of private investment²⁹.

(ii) The Sociologist's View

The sociologist views entrepreneurship differently. There is more than one sociological view. For Max Weber, the driving entrepreneurial energies are generated by the adoption of certain religious beliefs. These beliefs, it is contended, produce intensive effort in occupational pursuits, the systematic ordering of means to ends, and the accumulation of assets³⁰.

A second sociological theory of entrepreneurial supply, as expounded by Thomas Cochran, emphasizes cultural values, role expectations, and social sanctions. The entrepreneur represents society's model personality and the individual's performance as a businessperson is influenced by three factors; his own attitude towards his occupation, the role expectations of sanctioning groups, and the operational requirements of the job. Society's values are the most important determinants³¹.

Frank Young, another sociologist, is mainly concerned with inter-group relations and his theory of change is based on society's incorporation of reactive subgroups. A group becomes reactive when two conditions coincide; the group experiences low status recognition and denial of access to important social networks, and it possesses a greater range of institutional recourses than other groups in society at the same system level³². Hoselitz emphasizes the importance of culturally marginal groups in promoting economic development³³. Stokes explains in detail how economically transitional societies produce industrial entrepreneurs and holds the social and cultural values which regulate economic action to be of great importance³⁴.

(iii) The Psychologist's View

Here too, there is more than one view. The entrepreneur of Schumpeter's conception possesses three qualities. They are: (a) an instinctive capacity to see things as they are in themselves; (b) effort of will and mind to overcome fixed attitudes of thinking; and (c) capacity to surmount social opposition to doing something new³⁵. Laying special stress on the importance of childhood, in the growth and development of personality, Mc Clelland holds that the need for achievement is formed during early childhood through family socialization and child rearing practices, which stress standards of excellence, material warmth, self-reliance training and low father dominance³⁶. He disagrees with Weber assumption that entrepreneurs are motivated by profit. Hagen regards group subordination, withdrawal of status respect as the trigger mechanism for changes in personality formation. Status withdrawal occurs when members of a particular social group perceive that others do not respect their purposes and values in life in their society and whose esteem them value³⁷. Kunkels behavioral model is concerned with the overtly expressed activities of individuals and their relations to the previously and presently surrounding social structures and physical conditions³⁸.

The preceding account of the entrepreneurial theories, reveals how every theorist has looked at entrepreneurship from the point of view of his field of specialization, and how each theory at best provides only a limited view of the entrepreneurial phenomenon. No view is either wholly right or wholly wrong. And each has its own usefulness, though limited. The various factors, which bring about the emergence of entrepreneurship, are integral and not additive. They are interlinked, interdependent and mutually reinforcing. In addition to those mentioned, there are others who have made significant contributions to theory building on entrepreneurship. Among them are J.B.Say, J. E.Stepanek, B.C.Tadan, and J.J.Berna.

VII. FUNCTIONS OF AN ENTERPRENEUR

Different writers have explained functions of an entrepreneur in different ways. Some writers have thought of the entrepreneur as follows:

According to Schumpeter, Entrepreneur is the innovator who introduces something new into the economy. The innovation may be a method of production not yet tested by experience in the branch of manufacture concerned or a product with which consumers are not yet familiar or a new source of raw material or of a new market hitherto unexploited or other innovations in the strict sense of the term³⁹.

To Alfred Marshall, organization and superintendence are the main functions of an entrepreneur, and organization-building capacity is the most essential skill expected to of him. He also assigns to the entrepreneur the functions of risk bearing, innovation and management⁴⁰.

Harbison states that the 'organizations building ability' is the main function of the entrepreneur. He spots the crux of the entrepreneurship in his ability to 'multiply himself' by effectively delegating responsibilities to others. Unlike Schumper, Harbison's entrepreneur is not an innovator but an organization builder⁴¹.

Redlich makes a three-fold division of functions:

- Capitalist - employing factors and buying raw material, setting up the organization;
- Managerial-innovation, supervision and organization of productive activity; and
- Entrepreneurial-decision – making⁴².

B.C. Tondon lists the functions of an entrepreneur in a developing economy in the context of its economic, legal, political and cultural environment. According to him, the entrepreneur must posses:

- Capacity to take risks and self- confidence;

- Technological knowledge, alertness to discern opportunities, willingness to accept change, and ability to initiate;
- Ability to marshal resources and
- Ability for organization and administrations.

Tondon views the entrepreneur as an 'ideal – type' rather than a 'social type'⁴³.

Modern writers on entrepreneurship outline broadly three functions of the entrepreneur. Innovation, Risk taking and Organization and management of business. 'Innovation' means, "doing new things or the doing of things that are already being done in a new way"⁴⁴. It includes introduction of new processes of production and of new products, creating of new markets, and discovery of a new and better form of industrial organization⁴⁵. 'Risk taking' means provision of capital for establishing the enterprise and running it. An important function of an entrepreneur is to reduce uncertainty in his plan of investment as well as expansion of the enterprise⁴⁶. Thus, entrepreneur performs all the functions necessary right from the genesis of an idea up to the establishment of an enterprise. These can be listed in the following sequential manner:

- Idea generation and scanning of the best suitable idea;
- Determination of the business activities;
- Product analysis and market research;
- Determination of the form of ownership/organization;
- Completion of promotional formalities;
- Raising necessary funds;
- Procuring machinery and material;
- Recruitment of men;
- Understanding business operations.

VIII. CHARACTERISTICS OF AN ENTREPRENEUR

A successful entrepreneur should have perseverance and hard working habit, risk-taking ability, high aspiration, willingness to learn, dynamic and creative nature, adaptability, innovativeness, good salesmanship, ability to win friends and overcome crisis, initiative, self-confidence, will power, determination to succeed, pleasing personality and tactfulness, high integrity, responsibility, excellence in work and perception of time. The success of an entrepreneur also depends on some personality factors such as self-knowledge, imagination, Practical knowledge or experience analytical ability, search skill, foresight computational skill, communication skills, delegation skills and organizational skills, the entrepreneurs who are suitable, adaptable, truthful, co-operative, logical, aggressive, persevering, practical, patient independent, tough minded, emotionally mature and free from anxiety to become highly successful in their ventures. The successful entrepreneur is a person or group of persons who have tact, patience, sagacity and power of observation, discrimination and forecasting, being a good judge of human nature and possessor of the qualities of leadership.⁴⁷

A true entrepreneur is he whose personality is gifted with the following Entrepreneurial endowments:

- Innovative, explorative and imaginative spirit;
- Ability to bear economic risk, social risk, technical risk and environmental risk;
- Entrepreneurial drive, trait, talent and temperament;
- Creative, promotional and pragmatic outlook;
- Organizing, administrative and managerial ability;
- Deep knowledge of social, political and economic world;
- Judgmental perseverance and foresightedness;
- Self-confidence and deep conviction;
- Capacity to assemble relevant inputs to translate a profitable idea into fruition;
- Ability to infuse dynamism in the organization;
- Ability to discover new combinations and new line of actions;
- Sharp acumen of adjusting to changing environment;
- Ability to work with scarce resources;
- Ability to wield entrepreneurial leadership;
- Sound Entrepreneurial behavior and inherent strength to deal with obstacles;
- Action- oriented and growth- oriented plans;
- Sound entrepreneurial mental health;
- Sound entrepreneurial education and training;
- Sound financial resources and political illusions;
- Strong cultural base, widespread sociological outlook and healthy family background.⁴⁸

Thus, an entrepreneur is a person well equipped with excellent skills of numerous characters such as human, social, entrepreneurial, legal, professional, political, fund-mobilizing, and environment skills etc., but it is the eternal law of nature that such entrepreneurs of skills, experience, dexterity and flair are scarce in number.

IX. TYPES OF ENTREPRENEURS

Clarence Danhof, based on his study of American agriculture, observed that entrepreneurs could be classified into:

- (i) Innovating Entrepreneurs;
- (ii) Imitative or Adoptive Entrepreneurs;
- (iii) Fabian Entrepreneurs and
- (iv) Drone Entrepreneurs.⁴⁹

(i) Innovating Entrepreneurs

An Innovating entrepreneur is one who introduces new goods, inaugurates new methods of production, discovers new markets and recognizes the enterprise. It is important to note that such entrepreneurs can work only when a certain level of development is already achieved, and people look forward to change and improvement.

(ii) Imitative Entrepreneurs.

These are characterized by readiness to adopt successful innovations inaugurated by innovating entrepreneurs. Imitative entrepreneurs do not accept the changes themselves, they only imitate techniques and technology innovated by others. Such types of entrepreneurs are particularly suitable for the undeveloped regions for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed regions.

(iii) Fabian Entrepreneurs

Fabian entrepreneurs are characterized by very great caution and skepticism in experimenting change in their enterprise. They imitate only when it becomes perfectly clear that failure to do so would result in a loss of the relative position of the enterprise.

(iii) Drone Entrepreneurs

'Drone' is the male of the honeybee, which stings less and makes no honey. It does not labor at all. Danhof uses Drone as a very suggestive analogy to describe such entrepreneurs. They are characterized by a refusal to adopt opportunities and make changes in the production formulae even at the cost of severely reduced returns relative to other producers. They are prepared even to suffer losses but are not ready to make changes in their methods of production.

At present, the developing countries are in great need of imitative and adoptive entrepreneurs. In these countries, capital is scarce, investors are resistant to invest, markets are limited due to low purchasing power, and entrepreneurs do not have any experience in the field of industry. Therefore, they need primarily imitators who can adopt the technological and other changes made elsewhere, which suit the particular conditions prevailing in their countries. Entrepreneurs of the developing countries generally start with small-scale operations, as they cannot afford to make innovations involving huge investments and time⁵⁰.

X. TYPES OF ENTREPRENEURS ON THE INDIAN SCENE

The developing horizons of entrepreneurship in various sectors of the Indian economy depict the scene of Indian entrepreneurs. Today, an adequate supply of fabricated entrepreneurs is also increasing every year in India on account of the massive entrepreneurship development programs conducted by various promotional agencies at national, state and regional levels. Hence, the available entrepreneurs can be classified on the basis of numerous factors as shown in table 1.1.

Table 1.1
The Profiles of Indian Entrepreneurs

Sl. No	Basis of Classification	Types of Entrepreneurs
1.	Entrepreneurial qualities	Innovative Imitative Fabian Drone
2.	Types of Business	Commercial Trading Industrial Agricultural Export-Import making
3.	Forms of Business	Single (Sole traders) Partnership-based Corporate Sector (i) Public (ii) Private (iii) Joint Co-operative Family based

4.	Natural Instincts	Inborn Fabricated Subsistence type Trade type Innovative type Progressive type Greedy type Wavering type
5.	Use of Technology	Technician Non-technician
6.	Motivation	Pure Induced Motivated Spontaneous
7.	Growth	Growth-oriented Super growth-oriented
8.	Stages of Development	First generation Modern Classical
9.	Skills and Profession	Professional Non-professional
10.	Sex	Male Female
11.	Residence	Urban Rural National International
12.	Nationality	Foreign Indigenous
13.	Education	Educated Un-educated
14.	Ownership	Private sector State Sector

INDIAN ENTREPRENEURSHIP: A BRIEF SKETCH

As one of the developing countries of the world today, India, with her ambitions, plans and progress for industrialization, naturally faces all the challenges and hazards of entrepreneurship. It shall be noted, however, that entrepreneurship is not new to India. The beginnings of Indian industrial entrepreneurship dates back to the times of the Rig-Veda, when there were metal handicrafts in the society. This drives home the fact that handicraft entrepreneurship in India is as old as human civilization itself. It has been nurtured by the artisans of the country as part of their duty to their society. Before India encountered the West, Indian society was organized as an economic and social system based on self-sufficient village community as the unit. The village community was the most important feature of India's social and economic life. In Ancient India, the compact system of the Indian village community effectively protected artisans from the pressures of external competition and made localization of industry impossible.

For instance, entrepreneurship was observable among the artisans in cities like Benares, Allahabad, Gaya, Puri and Mirzapur which were situated on river banks, because the rivers provided the means of transportation, Corals of Bengal, chintzes of Lucknow, dupattas and dhotis of Ahamadabad, silk-bordered clothes of Nagpur, Kashmiri shawls, brass, metal and copper wares of Benares, Bombay, Poona and Hyderabad, all products of Indian handicrafts are World famous. During the days of British Rule in India, due to lack of initiative from the colonial power, and the infrastructural difficulties the Indian artisanship could not develop properly⁵¹.

There were several potent factors for the delayed growth of entrepreneurship in India in spite of there being excellently skilled artisans. Lack of capital created several problems for the artisans who depended upon moneylenders for capital. The moneylenders exploited the needy artisans by extracting from them exorbitant interest. The mercantile class would not take risk by manufacturing or reorganizing and mobilizing Indian artisanship for industrial progress. Lack of political unity, network of custom barriers, and existence of innumerable systems of currency in the country, regional markets plagued by arbitrary political authority, particularly in the 17th and 18th centuries, taxation policies and low prestige of business, all inhibited against the development of entrepreneurship⁵².

Indian industry traditionally was a cottage industry and belonged to the small sector. It could not but decline at the end of the 18th century owing to a combination of factors⁵³. First, the royal courts, which provided patronage to the traditional arts and crafts, declined in influence and authority. Secondly, with the consolidation of the alien British in the

country as rulers, there was influx of foreign influences working against the native Indian industry. Therefore, European-made goods, which flooded India, reduced the competing capacity of the products of Indian handicrafts.

The British colonial rule in India, which roughly covered two centuries (from 1757 to 1947), did enormous damage to Indian Industry. During that period, there were revolutionary changes taking place in the techniques of production on England, which revolutionized the process of manufacturing. The conquest of India provided the British with a big Market, where they sold machine-made goods on competition with Indian handicrafts. Before the beginning of the Industrial Revolution in England, the East India Company concentrated on the export of Indian manufactured goods, textiles, spices etc., to Europe where these goods were in great demand. The Industrial Revolution reversed this trend. There was a tremendous expansion of the productive capacity of the industrial plants in England, which resulted in increased demand for raw materials for them.⁵⁴ The East India Company gave new stimulus to Indian businessmen by inducting various changes into the Indian economy through export of Indian raw materials and import of finished goods⁵⁵. Among Indian businessmen, the Parsis in particular established a good understanding with the East Indian Company and were much influenced by the company's commercial operations. The company established its first shipbuilding industry in Surat where from 1673 onward the Parsis built vessels for the company. The most important among them was shipwright Lowjee-Nushirvan, who migrated to Bombay around 1735. He, was a member of the Wadia family from which came many leading ship-builders of Bombay⁵⁶. As early as 1677, another Parsi called Manjee-Dhanjee received a contract for building the first large gunpowder mill in Bombay for the East India Company. A Parsi supervisor of a gun factory belonging to the Company started a steel industry in Bombay in 1852.

The actual emergence of manufacturing entrepreneurship in India can be found in the second half of the 19th century. Before 1850, there were some stray attempts made by the Europeans to set up factories in India. Cotton and Jute textiles mills were the first modern factories established in India and next in order came coal and paper. The history of modern industrial enterprise in India⁵⁷ dates back to 1854 when Cowasjee Nanobhoy Davar, a Parsi financier and trader having many British contacts, set up the first successful textile mill in Bombay. The mill was styled as the Ranchodlal Chotalal, a Sathodra Nagar Brahmin, who established in 1859, the first textile mill in Ahmedabad, under the name the Ahmedabad Spinning and Weaving Mills. In 1858, there were four cotton textile mills in India and within a period of 25 years, their number increased to fifty-eight. In this period, Indian entrepreneurship is not confined to textiles only. Efforts were also directed towards shipping, manufacture of iron and steel and establishment of hydroelectric systems.

In the wake of manufacturing entrepreneurship in India except the Parsis, all other entrepreneurs came from non-commercial communities. Rather strangely, the well-known commercial communities, the Jains and Vaishyas, lagged behind in entrepreneurial activity throughout the 19th century. The Jains and Vaishyas of Ahmedabad and Baroda refused to have any stake in the cotton industry when the pioneering Brahmin Ranchodlal Chotalal, approached them for money⁵⁸.

With the gradual development of national consciousness in India and the people becoming aware of the sustained industrial and commercial exploitation practiced by the colonial rulers, in 1905, the Swadesh movement started. It stimulated Indian entrepreneurship and there was a slow but steady, development in the field of existing industries as well as new industries. Between 1890 and the outbreak of war in 1914, over 70 cotton mills and nearly 30 jute mills were set up in the country. Coal production doubled. It is coincidence that Jamshedji Tata named the first mill, which he built after this movement, the Swadeshi Mill. The spirit of Swadeshi became so strong and pervasive in the country that the Krishna mills in its advertisement in Tribune of April 13, 1905 made it a point to state; "Our concern is financed by Native Capital and is under Native Management throughout"⁵⁹. The Swadeshi movement definitely made a positive contribution to inducing Indians to invest in industrial activities and start industries under Indian Management. About this time, a large number of new banks were also established.

The second of entrepreneurial growth in India began after the First World War. During the decades following the war, cement and sugar industries progressed fast. Secondly, the relative importance of the Parsis as entrepreneurs declined and the Gujaratis and Marwari Vaisyas emerged. Between the Gujaratis and Marwari vaisyas, while the former took the initiative in manufacturing, the latter gave the lead in spreading manufacturing almost all over India, as they had a wide network⁶⁰. In addition to them a group of self-made entrepreneurs began to emerge who, by ploughing back their high profits into their small workshops, built up large industrial establishment⁶¹.

After Independence, the Government of India recognized the need for planned development of the country. It means spelling out the priorities and development of infrastructure to devise schemes for achieving balanced growth. To accelerate industrial growth in the country the Government came forward with various incentives and facilities. The first Industrial Policy Resolution of 1948 provided various guidelines for industrial and entrepreneurial development and it was revised from time to time according to changing needs and knowledge gained from experience. The government identified the responsibility of the State to promote, assist and develop industries in national interest. It also recognized the role the private sector could play in accelerating industrial development and enough fields were set apart for the private sector. The Government adopted three important objectives in its Industrial Resolution:

- To encourage a proper distribution of economic power between public and private sectors;
- To increase the tempo of industrialization by spreading entrepreneurship from the existing centers to other cities, towns and villages; and

- To spread entrepreneurship from a few dominate entrepreneurs to a large number of industrially potential people of varied social strata⁶².

To achieve these objectives, the Government laid emphasis on the development of small-scale industries in the country. Under the Five Year Plans, particularly the Third Five Year Plan, the Government started providing incentives in the form of capital, technical know-how, markets and land to the potential entrepreneurs to set up industries in the industrially potential places to remove prevailing regional imbalances in economic progress. The Government took the major step of initiating interested people of different social strata to enter the small-scale manufacturing field⁶³. Several Institutions like Directorate Industries, Financial Corporations, Small Scale Industries Corporations and Small Industries Service Institute were established by the Government to facilitate new entrepreneurs to establish new enterprises.

The wave of entrepreneurial development in India gained sufficient momentum after the Second World War. Since then, the entrepreneurs have increased rapidly in number in the country. There are examples that some entrepreneurs grew from small to medium scale and from medium to large-scale industrial units during the Second World War period. Family entrepreneurship Units like the Tatas, Birlas, Mafatlals, Dalmias, Kirloskars, and others extended the frontiers of their enterprises and expanded their units beyond the normally expected size. However, all this happened without the diversification of the entrepreneurial base as far as its socio-economic stratification was concerned.

XI. PROBLEMS IN ENTREPRENEURSHIP

The many complexities involved in the starting on an entrepreneurial career and the problems faced by the existing entrepreneurs demotivate and discourage the unemployed from taking up an entrepreneurial career. They would rather prefer wage/salary employment to entrepreneurship. There is a common belief that all business is risky, and there is much truth in it. Because the entrepreneur has to take countless decisions from among several possible alternatives in performing his task successfully. If his planning or estimation about the future were to go wrong, he will surely land in trouble.

In developing entrepreneurship, we are faced with several problems, which are of individual, group, and institutional nature. However, ultimately it rests on the individual because it is he who has to take the initiative to take a decision to start and manage his enterprise. However, he also needs the approval and support of his kin, group or community. Some of the problems he is likely to encounter are lack of motivation, shyness and inhibition on his part, lack of finance for initial investment, lack of support from his family and community, lack of confidence in one's own abilities, ignorance of opportunities that he can avail himself of, lack of requisites, managerial and technical skills to start and manage his enterprise. Understandably, he is scared of the cumbersome and time-consuming process in establishing an enterprise. And even if he starts off on his enterprise, he is not sure of sustained support from the agencies mentioned above. Similarly, he may have to face some problems from the group to which he belongs such as, preference for traditional occupations and professions, lack of awareness or ignorance of his own potential, managerial and human, ignorance of alternative avocations; lack of freedom to choose on account of the influence of the local elite or the dominant caste. Besides, the group is likely to be tradition-bound, and its values are likely to continue with its institutionalized familiar occupations.

The individual and the group together constitute the client system. The various institutions, which are concerned with entrepreneurial development, such as governmental and autonomous agencies, have to stimulate the client system towards entrepreneurial activity and development. Their commissions and omissions may impede and slacken the process of entrepreneurial development. Some of the problems they pose are; Bureaucratic style of working; vague and unrealistic policies, and policies which are not supported by action, lack of team work and inter-agency co-ordination, lack of work motivation and commitment on the part of field level personnel overlapping and duplication of functions both at the apex and operational levels; lack of knowledge of technical know-how on the part of the personnel, and lack of relevant training on the part of the Entrepreneurship Development Programmed Personnel. Other problems of entrepreneurial development are in respect of provision of infrastructural facilities, including finance and marketing facilities, for the products and services offered by entrepreneurs.

The problems listed above are varied and many and belong to related fields. In addition, therefore, a multi-pronged and interdisciplinary approach is required to find solutions to them. There is abundant scope for entrepreneurial development in India today. The four important factors, which matter in entrepreneurial development, are:

- Resources-material and human;
- Organizations concerned with entrepreneurial development;
- Infrastructure; and
- Entrepreneurs.

In entrepreneurial development, man should be the focus. There are around him several opportunities and alternatives for his enterprises. We should try to build up the necessary machinery to promote and accelerate the growth of entrepreneurship among people today.

ENTREPRENEURSHIP DEVELOPMENT – SMALL SCALE INDUSTRIES

Economies, which are predominantly agrarian in character, continue to remain backward economically because agriculture by itself cannot provide the necessary drive for economic growth. It is therefore, widely recognized that industries are the key to rapid economic development of any country. Most of the developing countries have accepted

industrialization as an instrument of their development. In the overall progress of industrialization, the small-scale sector has remained complementary to the medium and large-scale sectors. The promotion and development of small-scale industries leads indirectly to the development of entrepreneurship. The strategies appropriate to achieving industrial development may vary from those, which are appropriate to entrepreneurship development. The strategies vary accordingly as emphasis is placed on either of the two. Industrial development cannot dream of, let alone achieved, without a significant development of entrepreneurship. These two—entrepreneurship and industrial development are not only vital for accelerating economic development, but also are invariably inter-dependent. They are so essential to each other, like the two sides of the same coin that one cannot think without the other.

The growth of entrepreneurship, particularly in the small- scale sector, can be traced to the Second World War boom which brought many enterprising people from various fields including businessmen, artisans etc. into it as entrepreneurs. During this period, quite a number of skilled workers established small firms with obsolete machines and with capital derived from private sources. At the time of partition of the country in 1947, a large number of traditional village craftsmen known as “Ramgharias” (carpenters and blacksmiths) migrated from across the border into the Indian territory and reestablished themselves as modern small-scale entrepreneurs. After winning Independence, India launched many programmes for planned economic development in all sectors of the economy, including the small-scale sector with a firm determination to develop the Industrial Policy Resolution passed in 1948. In the successive resolutions, a prime place assigned to the village and the small-scale industries were particularly suited for better utilization of local resources and for achieving local self-sufficiency in consumer goods.

Late in 1953, the Ford Foundation sponsored an international study group to inspect and assess the condition of small-scale industries in India. The study group observed, “The rate of development of small industries is very slow.... Many small industries are now facing a crisis, deteriorating in output and employment ...” The study team recommended creating a specialized small-scale industry and multipurpose institute to serve in establishing agencies to provide the small producer, expeditiously and with minimal red tape, with both credit and working capital; promoting industrial co-operatives and trade associations; and offering government assistance in marketing⁶⁴. The Ford Foundation report served as a rallying point for officials in the Government of India who had been urging implementation of the policy propounded in 1948, and the programme was set in motion.

The Second Industrial Policy Resolution passed in 1956, emphasized the role of small-scale industries in the development of the national economy. The Policy Resolution stated “in relation to some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large-scale employment. They offer a method of ensuring a more equitable distribution of the national income as they facilitate an effective mobilization of recourses of capital and skill, which might otherwise remain unutilized. Source of the problems that unplanned urbanization tends to create will be avoided by the establishment of small centers of industrial production all over the country⁶⁵.”

The small industries assistance program, like any other assistance program, requires in advance a definition of a small industry, which specifies its scope as well as its limits. The industrial policy statement of 1980 offers such a definition. An undertaking having investment in fixed assets in Plant and Machinery not exceeding Rs.20 lakhs was to be regarded as a small unit. For units engaged in manufacturing ancillary items (i.e., ancillary units), the ceiling was Rs.25 lakhs. For a tiny unit, the limit was Rs.2 lakhs. Since then the definitions of small and ancillary industries have been further revised. In March 1985, the ceiling of investment in Plant and Machinery for small-scale units raised from Rs20 lakhs to Rs 35 lakhs. And the ceiling for ancillaries rose from Rs25 lakhs to Rs45 lakhs. In view of the all-round escalation of costs of plant and machinery, the Government in August 1991 again revised and enhanced the investment limit for small-scale undertakings from Rs35 lakhs to Rs 60 lakhs, and for ancillary units from Rs 45 lakhs to Rs 60 lakhs. Investment ceiling in respect of tiny units increased from Rs 2 lakhs to Rs 5 lakhs.

For strengthening the industrial base of the country, the Government of India has evolved an assistance program to stimulate the growth of entrepreneurship in small-scale sector. A plethora of measures have been taken in terms of financial, technical and managerial assistance to develop the small-scale units. Apart from providing positive policy support, the Government has given several fiscal, financial and other incentives and initiated also many other special schemes to stimulate the entrepreneurship in small-scale sector. These include provision of developed industrial estates with all infrastructure facilities, supply of raw materials of reasonable rates, supply of machinery on hire-purchase basis, subsidized interest rate on loans, supply of power at concessional rates, capital subsidy on investment, etc. Some of the main schemes are the “self-employment scheme” for the educated unemployed people and the “Entrepreneurial Development Training Programs”.

With the initiation and the efforts of the Government, small-scale industries during the last four decades have made rapid and impressive strides and progress. Reliable figures regarding the small-scale sector for 1954 were not available when the Small Industries Development organization (SIDO), the primary institution engaged in the development of small industries in the country, was established. A system of voluntary registration of small units was initiated only in 1960 when 42,000 small units registered themselves. Since of development, which can be observed from the Table 1.2?

Table 1.2 shows that the number of small units has increased from 13.5 lakh units in 1985-86 to 128.4 lakhs in 2006-07, i.e. an increase of nearly ten times and at the same time 3.89 percent increase over the previous year 2005-06. Similarly, the level of employment recorded shows an increase from 96 lakh persons in 1985-86 to 312.5 lakh during

2006-07, recording a rise of 4.03 percent over the preceding year i.e. 2005-06. Production in the small-scale sector too marks a rapid increase in recent years. It rose from Rs. 61228 crores in 1985-86 to Rs. 587196 crores in 2006-07 and as compared with Rs.497847 crores (15.22 percent) during 2005-06. During the period 1985-86 to 2006-07 Investment increased from Rs. 9585 crore to Rs.94284 crore, recording a rise of 4.47 percent over the preceding year i.e. 2005-06. The value of exports from the small-scale sector rose from Rs. 2769 crores in 1985-86 to Rs. 150242 crores at current prices in 2006-07.

The compound growth rate of Exports (19.82 percent) was substantially higher and this provided impetus to the growth of Employment, Production and Investment of small-scale industries. Investment grew at a compound rate of 11.07 percent and employment rose at the rate of 5.56 percent. Consequently, the number of small-scale units in this sector registered a growth rate of 11.02 percent. The 't' values in all the dimensions are significant at 5 percent level of significance.

This spectacular growth of small industries in the past four decades is the direct outcome of over increasing outlays earmarked for the small-scale sector by the government during the plan periods. Table 1.3 gives details of the public sector outlays on small industries during the various Five Year Plans. It discloses that the plan expenditure has increased from Rs. 5.20 crore in the First Five Year Plan (1951-56) to Rs. 13520.30 crores in the Tenth Five Year Plan (2002-07) recording a phenomenal increase of 2600 times.

TABLE 1.2
GROWTH OF SMALL-SCALE INDUSTRIES IN INDIA

Sl. No	Year	No. of Units (In Lakhs)	Employment (In Lakh Persons)	Investment (Rs. Crores)	Production at Current Prices (Rs. Crores)	Exports (Rs. Crores)
1.	1985-86	13.5	96.00	9585	61228	2769
2.	1986-87	14.7	101.40	10975	72250	3617
3.	1987-88	15.8	107.00	12621	87300	4345
4.	1988-89	17.1	103.00	15229	106875	5681
5.	1989-90	18.3	119.60	18196	132320	7990
6.	1990-91	67.9	158.3	19302	78802	9664
7.	1991-92	70.6	166.0	20438	80615	13883
8.	1992-93	73.5	174.0	21816	84413	17785
9.	1993-94	76.5	182.6	22934	98796	25307
10.	1994-95	79.6	191.4	24874	122154	29068
11.	1995-96	82.8	197.9	26726	147712	36470
12.	1996-97	86.2	205.9	30250	167805	39250
13.	1997-98	89.7	213.2	33455	187217	44442
14.	1998-99	93.4	220.6	36216	210454	48979
15.	1999-2k	97.2	229.1	40000	233760	48500
16.	2000-01	101.1	240.9	45000	261297	54200
17.	2001-02	105.2	252.3	51479	282270	69797
18.	2002-03	109.5	263.7	64768	314850	71244
19.	2003-04	114.0	275.3	73475	364547	86013
20.	2004-05#	118.6	287.6	85848	429796	97644
21.	2005-06#	123.4	299.9	90067	497847	124417
22.	2006-07#	128.4	312.5	94284	587196	150242
	Mean	77.14	199.92	38524.45	209522.91	45059.41
	C.G.R	11.02	5.56	11.07	10.56	19.82
	L.G.R	41.13	10.71	40.00	34.00	212.53
	t-Value	13.92	36.75	11.63	9.70	11.79

- Note: 1. The estimates of employment for the period 2002-03 to 2005-06 have been revised. The Third All-India Census survey the units registered upto 2000-01, while its reference period was 2001-02. Adjustments have been made in the estimates using the number of units registered with State/ UTs Government after 31.3.2001.
2. The estimates of production for 2006-07 have been calculated from the previous year's growth by assuming that a 13 percent growth would be achieved in 2006-07.

Source: Reserve Bank of India.

Data downloaded from Indiastat.com 2008

TABLE 1.3
THE PLAN OUTLAY FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES

Plan	Plan Period	Total Outlay	SSIs (Including industrial estates)	Percent Share of SSI to Total Outlay
First	1951-56	1960	5.20	0.27

Second	1956-61	4672	56.00	1.20
Third	1961-66	8577	113.06	1.32
Annual	1966-69	6625	53.48	0.81
Fourth	1969-74	15779	96.19	0.61
Fifth	1974-79	39426	199.66	0.56
Annual	1979-80	12177	104.81	0.86
Sixth	1980-85	109292	616.10	0.56
Seventh	1985-90	180000	1120.51	0.62
Eighth	1992-97	434100	2862.14	0.66
Ninth	1997-02	859200	8088.70	0.94
Tenth	2002-07	1525639	13520.30	0.89

- Source: (1). Development Commissioner (SSI), SIDO Annual Report 1988-89, Small-Scale Industries in India- Facts and Figures, SIDO, New Delhi, July 1990.
(2). Government of India, Eighth Five Year Plan, Vol.I, 1992-97, Planning Commission, New Delhi.
(3). Economic Survey 2006-07.

STATE-WISE STRUCTURAL GROWTH OF SMALL SCALE UNITS IN INDIA

Table 1.4 gives details of State-wise distribution of small-scale industries SIDO (units) in India during 1992 and 2005. Between 1992 and 2005 the number of SIDO units increased from 1604615 to 6440594 showing an over all increase of 301.38 percent. In 1992, among the States in India, the largest number of units were located in Uttar Pradesh (247907), followed by Madhya Pradesh (184245), West Bengal (142508), Punjab (134337), Tamilnadu (133807), Andhra Pradesh (107372), Gujarat (94879), Karnataka (88513) and these eight States alone accounted for 68.13 percent of the total SIDO units. In the same way, in 2005, the largest number of units was located in Maharashtra (1324201) followed by Tamilnadu (749657), Gujarat (674221), Karnataka (468195), Andhra Pradesh (457531) Uttar Pradesh (415176) West Bengal (395598), Haryana (312879) and these eight States alone accounted for 74.49 percent of the total SIDO units.

The lowest numbers of units were seen in Andaman & N.Island (147), Manipur (398), Nagaland (683), Meghalaya (2258) and Tripura (2868) constituting 0.0983 percent of the 1324201) followed by total units in the year 2005. In the same year, these eight States, viz., Maharashtra, Tamilnadu, Gujarat, Karnataka, Andhra Pradesh, Uttar Pradesh, West Bengal, Haryana occupied the first eight places with regard to number of SIDO units accounting for 74.49 percent of the total units. Meghalaya, Nagaland, Manipur and Andaman & N.Island occupied the last four positions among the states in 2005 as well.

TABLE 1.4
STATE-WISE STRUCTURAL GROWTH OF SMALL SCALE INDUSTRIES

Sl. No.	State/ UT	Cumulative No. Of SIDO Units as on 31 st December				
		1992	Percentage	2005 #	Percentage	% Change in 2005 over 1992
1.	Andhra Pradesh	107372	6.6914	457531	7.1038	326.12
2.	Assam	14354	0.8945	56118	0.8713	290.96
3.	Andaman & N.Island	52	0.0032	147	0.0023	182.69
4.	Bihar	83982	5.2337	197346	3.0641	134.99
5.	Chattishgarh	--	--	128526	1.9956	--
6.	Chandigarh	2844	0.1772	10663	0.1656	274.93
7.	Dadra & Nagar Haveli	306	0.0191	46330	0.7193	15040.52
8.	Daman & Diu	440	0.0274	45394	0.7048	10216.82
9.	Delhi	26606	1.6581	95623	1.4847	259.40
10.	Gujart	94879	5.9129	674221	10.4683	610.61
11.	Goa	5381	0.3353	41005	0.6367	662.03
12.	Haryana	79973	4.9839	312879	4.8579	291.23
13.	Himachal Pradesh	12165	0.7581	33024	0.5127	171.47
14.	Jharkhand	--	--	28356	0.4403	--
15.	Jammu & Kashmir	2653	0.1653	18920	0.2938	613.15
16.	Karnataka	88513	5.5162	468195	7.2694	428.96
17.	Kerala	86595	5.3266	169603	2.6333	95.86
18.	Maharashtra	68003	4.2379	1324201	20.5602	1847.27
19.	Madhya Pradesh	184245	11.4822	169950	2.6387	-7.76

20.	Meghalaya	1617	0.1008	2258	0.0351	39.41
21.	Manipur	310	0.0193	398	0.0062	28.39
22.	Nagaland	642	0.0400	683	0.0101	6.39
23.	Orissa	16505	1.0286	126159	1.9588	664.37
24.	Punjab	134337	8.3719	215155	3.3406	60.16
25.	Pondicherry	3517	0.2192	27382	0.4251	678.56
26.	Rajasthan	64437	4.01573	173278	2.6904	168.91
27.	Tamil Nadu	133807	8.3389	749657	11.6396	460.25
28.	Tripura	665	0.0414	2868	0.0445	331.28
29.	Uttar Pradesh	247907	15.4496	415176	6.4462	67.47
30.	Uttaranchal	--	--	53950	0.8377	--
31.	West Bengal	142508	8.8811	395598	6.1423	177.59
Total		1604615	100.0000	6440594	100.00	301.38

Source: Small Scale Development Organization, Development Commission, Small Industries, Government of India, New Delhi.

Data downloaded from Indiatat.com 2008

XII. GROWTH OF SMALL SCALE / TINY INDUSTRIES IN NELLORE DISTRICT

Table 1.5 shows data relating to growth of small scale/ tiny industries in terms of number of units, employment and investment in Nellore district from 1985-86 to 2006-07. The numbers of units have increased substantially (142 times) from 180 to 25,502 units during the period 1985-86 to 2006-07. Employment increased by 108 times and investment by 1977 times. The number of persons employed during this period has gone from 1040 persons to 112798 persons. The amount of investment grew from Rs.17.19 lakhs in 1985-86 to Rs.33995.00 lakhs in 2006-07.

The compound growth rates for all three-growth dimensions are shown in the Table. For the period from 1985-86 to 2006-07 investment grew at rate of 35.82 percent, which was relatively higher than the growth rate of 28.9 percent for employment. The number of units in this sector has increased at the growth rate of 28.65 percent. The 't' values for all the variables are significant at five percent level of significance. The 'r' value and linear growth rate values are also presented in the table.

TABLE 1.5

GROWTH OF SMALL SCALE / TINY INDUSTRIES IN NELLORE DISTRICT OVER THE YEARS (UNITS, EMPLOYMENT AND INVESTMENT)

Sl. No.	Years	No. of Units	Employment (in persons)	Investment (Rs. In Lakhs)
1.	1985-86	180	1040	17.19
2.	1986-87	344	1172	111.38
3.	1987-88	368	1763	179.76
4.	1988-89	590	2249	612.99
5.	1989-90	647	2792	654.00
6.	1990-91	652	2895	692.00
7.	1991-92	705	2912	711.00
8.	1992-93	713	3011	715.00
9.	1993-94	1450	5425	1420.00
10.	1994-95	1520	5960	1525.00
11.	1995-96	1895	6475	1629.00
12.	1996-97	2574	10945	2230.00
13.	1997-98	4925	17420	2840.00
14.	1998-99	8650	25350	4320.00
15.	1999-2000	14238	48349	9478.00
16.	2000-01	15104	81408	18566.17
17.	2001-02	16279	85371	19478.09
18.	2002-03	18620	89470	21542.18
19.	2003-04	19472	91135	23543.00
20.	2004-05	20978	94541	26109.14
21.	2005-06	23847	101643	29736.02
22.	2006-07	25502	112798	33995.00
Mean		8147.86	36096.55	9095.68
C.G.R		28.65	28.90	35.82
L.G.R		717.93	562.63	9133.08

t-value	10.71	9.45	8.59
r-value	0.85	0.82	0.79

Source: General Manager, District Industries Center, Nellore.

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES (EDPs)

That entrepreneurial resource is a crucial input in the process of economic development has now been widely recognized by all concerned. With the growing emphasis on the role of medium and small-scale enterprises in view of their contributions to economic growth and regional development and recognition of fact that employment is generated at a relatively low capital cost, a wide range of schemes and programmes aimed at accelerating the tempo of new activities in the decentralized sector has been devised in many developing countries. It is found from experience that entrepreneurs do not respond spontaneously to available business opportunities despite various incentives and inducements. Therefore, an effective mechanism is sought to enlarge the pool of new entrepreneurs who will be helped to defy risks and uncertainties while establishing new ventures.

In order to quicken the forming of such new ventures, imaginative policies and programmes, backed by sound institutional support are called for to identify, motivate and strengthen the new breed of entrepreneurs. The new entrepreneurs should come from the non-traditional groups, thereby breaking the monopoly of dominant business castes and communities and diversifying the entrepreneurial resource base of a country. The programmes have to contribute to individual growth as part of a national drive for human resource development. All this is being realized in India through the package and strategy of entrepreneurship development programmes.

EDP Experience of India

It was only in the post-independence years, the government of India realized fully the necessity of entrepreneurship development and decided on one hand to identify individuals from all communities who had entrepreneurial talent and train them through properly organized ED programmes, and on the other set up various agencies/institutions with different incentives and facilities for the development of small-scale industry.

In the sixties, the various programmes taken by the Small Industries Service Institute (SISI) and Small Industries Extension (SIET) Institute tried to fill the information lacuna there was and provide information relevant to small entrepreneurs, who required a lot of information for setting up business units. These programmes rendered great service by disseminating knowledge on financial, technical and managerial aspects. To that extent, these programmes were not programmes towards entrepreneurship development, but were in the nature of supportive programmes for the existing and the new entrepreneurs.

The first major and systematic effort to identify and develop new entrepreneurs especially from non-conventional community backgrounds was first made in 1970 in Gujarat. Only one or two EDPs were organized in the initial years, as a sort of side activity by one agency; i.e. Gujarat Industrial and Investment Corporation in Gujarat. Later in May 1979, another dimension was added with the setting up of the center for Entrepreneurship Development (CED) in that state, by the state government along with four other state-level institutions Gujarat Industrial Development Corporation (GIDC), Gujarat State Financial Corporation (GSFC), Gujarat Industrial and Investment Corporation (GIIC), Gujarat Small Industrial Corporation (GSIC). The CEDs success in turn convinced India's national financial institutions about the relevance of the programme to other states and the need of a national agency.

Encouraged by the continued success of EDP activities in Gujarat and compelled by a growing national concern for generating self-employment among unemployed persons, a number of official and semi-official agencies, and having realized the dire need of entrepreneurship for the development of the country, took up similar EDPs in their respective areas. At present, the EDPs work is being undertaken by over 50 different agencies all over the country. The salient features of some of the agencies, which are actively engaged in EDP work, are worth noting:

- (i) The government of India set up 27 Small Industries Service Institutes (SISIs). They conduct programmes primarily for fresh engineers, technical diploma holders and unemployed science graduates.
- (ii) Such financial institutions jointly sponsor 17 Technical Consultancy Organizations (TCOs) as Industrial Development Bank of India (IDBI) and or Small Industries Development Bank of India (SIDBI); Industrial Credit and Investment Corporation of India (ICICI); and Industrial Finance Corporation of India (IFCI); along with state level financial institutions and banks. The TCO programmes for entrepreneurship development are meant for young graduates, the educated unemployed, and in some cases, experienced employees, traders and women.
- (iii) Some 10 to 12 other agencies such as the nationalized banks, management institutes and voluntary organizations, universities and colleges also are now starting EDPs through a few elective papers as part of their regular courses of study.

With such burgeoning of the EDP activities, it was felt that the time was ripe for the emergence of apex; all India institutions to help and guide the next phase of consolidation and development of EDP work in the country.

Accordingly, the following two institutions were set up:

- a) Entrepreneurship Development Institute of India (EDII) Ahmedabad was set up in 1983, at the initiative of the IDBI with support from the ICICI, the IFCI, the SBI, and the state Government of Gujarat.
- b) National Institute for Entrepreneurship and Small Business Development (NIESBUD), New Delhi.

EDPs of Andhra Pradesh and Nellore district

The EDPs in Andhra Pradesh to day are recognized in India as comprehensive and successful. In this State mainly Andhra Pradesh Industrial and Technical Consultancy Organization (APITCO), Andhra Pradesh State Financial Corporation (APSFC), conduct the EDPs and a few Programmes are conducted by Commercial Banks.

APITCO

The APITCO, having professional experience in counseling enterprises, identifying project ideas and preparing detailed project reports, is conducted EDPs since 1979 and it has so far conducted 22346 programmes in different places of the State.

Table 1.6 shows that the APITCO have identified and conducted 22346 programmes in the last twenty-six years. Of the total EDPs 211930 (81.82 percent) entrepreneurs are trained from 6927 (30.99 percent) general programmes, 34000 (13.13 percent) minority entrepreneurs from 12058 (53.96 percent) minority EDPs, 7080 (2.73 percent) technical entrepreneurs from 1440 (6.44 percent) science and technology category and finally 6000 (2.32 percent) women entrepreneurs from 1921 (8.59 percent) ED programmes.

ABLE 1.6

Entrepreneurship Development Programmes Conducted By Andhra Pradesh Industrial and Technical Consultancy Organization (APITCO) From 1979-80 To 2004-05

Type of Entrepreneurship Development Programmes (EDPs)	No. Of EDPs Conducted	No. Of Candidates Trained	Sponsoring Agency
General	6927 (30.99)	211930 (81.82)	SIDBI, NABARD & National BC Finance Corporation, Delhi.
Women	1921 (8.59)	6000 (2.32)	SIDBI
Science & Technology	1440 (6.44)	7080 (2.73)	Different Engineering Colleges, IDBI, SIDBI.
Minorities	12058 (53.96)	34000 (13.13)	Minority Welfare Dept., Govt. of A.P.
Total	22346 (100.00)	259010 (100.00)	--

Note: Figures in parentheses indicate percentages to totals.

Source: Records from APITCO and Commissioner of industries Hyderabad.

Since then, the APITCO was conducted 21 programmes in the Nellore district at different locations like Nellore, Kavali and Gudur towns, of which seven programmes were exclusively for women and the remaining fourteen programmes were general programmes. Altogether 156 women candidates were trained in these two programmes. Among the trained women twenty-seven are about to start their small-scale enterprises. At the same time in the general category 126 candidates were trained, of whom 32 have started enterprises which are in operation.

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