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**Role of Entrepreneurship in the Development of Small-scale Industry Sector: a case study  
of Abedkarnagar district in Uttar Pradesh in India**

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**Abstract:** Entrepreneur is an agent and important part of growth and technical progress. The entrepreneurship is a process of creating a new product with value. It is about innovation, seeing problems as opportunities and about changing the world. It facilitates the transfer of technology and is powerful tool of job creation. Present study attempts to examine the role of entrepreneurship and the factors which have influenced its supply in the small-scale industry sector in one of district of Uttar Pradesh state of India. The study uses both primary and secondary data. The study found that entrepreneurship plays an important role in the development of small scale industry in the district. There are several factors which affects the small scale industry directly and indirectly for example availability of raw material or training of entrepreneurs for skill enhancement.

**Keywords:** Entrepreneurship, small-scale industries, development

**Introduction:**

History of industry in India dates back to the history of mankind. In Indian industries small and cottage industries have constituted the central element in the organic unit and culture of Indian people (Nasir, 1991). Small firms in the most developing countries must be encouraged because they form a seedbed for entrepreneurship (Nanjundan and Staley, 1962; Staley and Morse, 1965). There are also evidences such as quoted by Berna (1960) and Asian Development Bank (ADB, 1990) that several of medium and large firms originated as small firm. Asian Development Bank also shows that many of small firms themselves started as household industries.

According to Dhar and Lydall (1961) this probably is the most important argument in favour of small-scale industries. In developing country like India, there is a shortage of skilled entrepreneurs, managers and worker and also of capital. If the small-scale enterprises can bring to light or rapidly develop latent reserves of these scarce factors, then there is a strong case for advocating small scale enterprises. Schmitz (1982, p.429) has pointed out while the small entrepreneurs are often good in some area such as technical skill, or risk taking, they are deficient in some other areas such as marketing or administration.

Entrepreneurship is defined by Schumpeter as “introducing a new good method of production, opening of new market, identifying a new source of supply of raw material or half manufactured goods, or carrying out of the new organization of any industry all individually or in combination, have the potential to cause spontaneous and discontinuous change in an economy and spur economic development”. In Kirzner entrepreneurship, the primary effect of entrepreneurship is equilibration, i.e. the movement of a market towards an equilibrium state. Kirzner (1973) writes, “The changes the entrepreneur initiates are always toward the hypothetical state of equilibrium”. (cited by Rai, 2010, p.372).

Small-scale industries provide large scale employment next to agriculture in Ambedkarnagar district and have played a vital role in boosting the district economy by providing large-scale opportunities at relatively low cost, a wide entrepreneurial base, dispersal of industry in rural areas and concentration of certain industries at specific areas. Present study attempts to examine the role of entrepreneurship and the factors which have influenced its supply in the small-scale industry sector of Ambedkarnagar district.

### **Database and Methodology**

The present study is particularly empirical in nature. But in order to achieve the set objectives the study required both primary and secondary data. Accordingly, a field survey has been conducted to obtain primary data for analysing performance of entrepreneur and small-scale industry development in Ambedkarnagar district during 2015. This field survey has adopted a sampling design of ‘stratified random sampling’. Total 77 entrepreneurs were interviewed from 77 selected units for the present study. The entire nine blocks have been included in the sample according to the relative strength of their existing industrial units. The data have been analysed both quantitatively and qualitatively. In analysing data, simple statistical techniques such as

percentage, mean, average and EI Index have been used to deduce the association among variables, in order to reach conclusion. For showing the geographical location of study area base map prepared by GIS Arc-View (3.2).

### Study Area

Ambedkarnagar district is situated in the eastern part of Uttar Pradesh state, covering nine blocks i.e., Tanda, Akbarpur, Jalalpur, Bhati, Bhiyaon, Jahangirganj, Katehri, Ramnagar and Baskhari (Fig 1). Ambedkarnagar district is located at 26° 9' North and 26° 50' North latitudes and 81° 40' and 83° 8' East longitude. Total area of the district is about 2520 sq. km. The total population of the district is 2026876 comprising 50.57 per cent male and 49.43 per cent females (Census of India, 2011). The main occupation of the people is agriculture and small-scale industry.

### Functions of the Entrepreneurs

Generally, the functions of the entrepreneur become start from setting up of a unit to sale of products. The defining functions of the entrepreneurs have been divided into three broad categories: initiation, management and innovation. Initiation concerns to setting up of an enterprise and include functions such as perceiving market opportunities, getting finance and

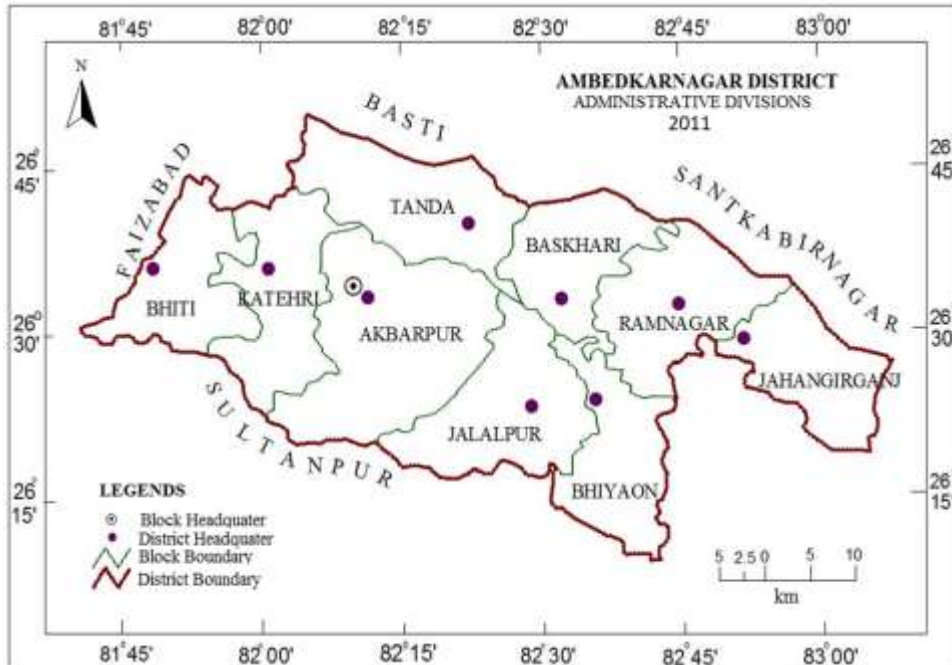


Fig-1: Location of the study area

bringing together all factors of production. Management involves organisation of all aspects including productions, sale and finance. Organisation is an association of human being in term of family, group, a community, a society etc. for attainment of a common purpose. It is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives (Lowis, 1958, p.47). The success of any commercial business activity mostly depends upon the organisational structure. Innovation refers to improvement in production process and quality of products and introduction of production technique/mechanisation and products.

First of all, the study examines the extent to which these diverse entrepreneurial functions have been performed by the small-scale industrial entrepreneurs in Ambedkarnagar district. To evaluate the performance of entrepreneurs in various entrepreneurial functions, information has been collected regarding whether the activity was the entrepreneur's family tradition or not to assess the level of initiation. If entrepreneur involved in an activity which was not his family tradition and he established the enterprises himself, it defined as a highest form of initiation while in case of inherited enterprises; initiation would be a lowest order.

Managing is essential in all organised co-operation as well as all levels of organisation enterprises. To ascertain managerial involvement of the entrepreneur, data has been collected regarding the entrepreneur's involved in day-to-day management of the enterprise.

Innovative functions assess on the basis that entrepreneur whether introducing new or improved production process or product by adapting new techniques. If entrepreneur had undertaken any innovation, that had shown high enterprise. In contrast, if they failed to do so their score on innovativeness has been low.

The detailed methodology underlying the evaluation of entrepreneurial activity will be discussed in forgoing paragraphs. Before that it is necessary to present some broad findings in the above respects.

## **Initiative**

Table 1 gives the distribution of the enterprises by founder type. As is evident from the table about 74.02 per cent of the enterprises was founded by the present proprietors themselves and in

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25.97 per cent of the enterprises were inherited. Since the incidence of inherited enterprises has been observed low in sampled units, it is clear that a significant portion of entrepreneurs established their own enterprise.

**Table 1**  
**Distribution of Units by Founder Type**

<b>Founder Type</b>	<b>Number of Units</b>	<b>Percentage</b>
Entrepreneur himself	57	74.02
Ancestors	20	25.97
<b>Total</b>	<b>77</b>	<b>100.00</b>

**Source:** Based on Field Survey, 2015

### Management

Management structure of an enterprise partly depends on its organisational set up. Entrepreneurship is central to organisation, industries and economies (Aldrich, 1999). In the word of Haveman and Cohen (1994) “Organisation plays an important role in distributing life chances and determining individuals’ social standing and chances for upward mobility” (Cited by Phillip and et al., 2004, p.49). In case of individually own enterprises management is the privilege of the individual owner as in such type of organisation decision making is concentrated in one person. Table 2 gives distribution of small-scale industrial units by form of organisation. Data reveals that majority of enterprises (87.01 per cent) are based on individual ownership while only 9.09 per cent are organised as partnership. A little over 3.89 per cent is based on other form of organisation (joint family, cooperative etc.)

**Table 2**  
**Distribution of Units by Form of Organisation**

<b>Organisational Form</b>	<b>Number of Units</b>	<b>Percentage</b>
Individual ownership	67	87.01
Partnership	7	9.09
Others	3	3.89
<b>Total</b>	<b>77</b>	<b>100.00</b>

**Source:** Based on Field Survey, 2015

This evidence along with the finding that the average size of these enterprises is small (3.34 workers per unit) suggests that in the case of most of these enterprises, management is likely to be in the hands of the entrepreneur itself. Thus, we also find out the managerial involvement according to size of enterprise. There are three categories of size of enterprises based on number of workers in the enterprises i.e. 1-3 workers, 4-6 workers and 7-9 workers. Table 3 shows that about 57.14 per cent entrepreneurs managed the enterprises of the size 1-3 workers and 35.06 per cent 4-6 workers while only 7.79 per cent managed size of 7-9 workers.

**Table 3**  
**Distribution of Units by Size**

Size of Unit	Number of Units	Percentage
1-3	44	57.14
4-6	27	35.06
7-9	6	7.79
<b>Total</b>	<b>77</b>	<b>100.00</b>

**Source:** Based on Field Survey, 2015

### **Innovation**

In the case of innovation, the last entrepreneurial function the finding reveals least encouraging picture. Data shows that 88.31 percent of entrepreneurs did not carry any innovation whatsoever, only 5.19 percent reported that they had brought about product improvement while 6.49 percent stated that they had introduced new product (Table 4).

**Table 4**  
**Distribution of Units by Nature of Innovation**

Nature of Innovation	Number of Units	Percentage
No innovation	68	88.31
Product Improvement	4	5.19
New product/ use of new raw material	5	6.49
<b>Total</b>	<b>77</b>	<b>100.00</b>

**Source:** Based on Field Survey, 2015

## **The Entrepreneurial Involvement (E.I.) Index**

Bakht (1984) has been used this technique to compare the performance of the entrepreneurial functions between different entrepreneurial groups of rural industries in Bangladesh. The overall E.I. Index is a simple sum of the three indices constructed for (i) initiative taken by the entrepreneur, (ii) managerial involvement of the entrepreneur and (iii) innovativeness of the entrepreneur.

For initiative taken, if the entrepreneur established his unit without having any family tradition, then he has got highest score of 2. In case of units received by the entrepreneur through inheritance, entrepreneurs have been allotted lowest score of 1.

To measure the E.I. Index for managerial involvement two functions have taken i.e. form of organisation and size of units

Indexing the entrepreneurial involvement with respect to innovativeness has been simple one. If the entrepreneur introduced new product or use of new raw material then he has assigned the highest score.

The overall E.I. Index as has been mentioned is the simple sum of these three indices. The minimum aggregate score that an entrepreneur can have, therefore, is 4 while the maximum possible score is 11. Again, for each of the three indices, there is a high, medium and low score. If an entrepreneur has low score of less than 6 points, he may be said to have done rather poorly. Those who score between 6-8 points may be rated as moderate performer. The entrepreneur who scores 9 and above may be regarded as well performer.

### **E.I. Index and Small-scale Industrial Entrepreneurs**

Table 5 gives percentage distribution of the entrepreneurs by their score level for the three indices separately. Table 5 highlighted that about 75 per cent entrepreneurs show high level of initiative while only 25 per cent show low level initiative. Table 5 further reveals that entrepreneurs show medium level of managerial involvement and low level of innovative talent.

**Table 5**  
**Percentage Distributions of the Entrepreneurs by E.I. Index and Score Level**

Index of	Score Level			Total
	Low	Medium	High	
Initiative	25	0.0	75	100.00
Management Involvement	3	94	3	100.00
Innovation	90	4	6	100.00

**Source:** Based on Field Survey, 2015

Percentage distribution of entrepreneurs by aggregate E.I. Index score level shows that about 23.1 per cent entrepreneurs have low score of less than 6 points, 73.0 per cent have medium score i.e., between 6 and 8; and only 3.9 per cent show high E.I. Index level i.e., A score of 9 and above.

Thus, it is clear from above analysis that the performance of various entrepreneurs of small-scale industrial sector is moderate. Innovativeness seems to be the special area of deficiency.

### **Conclusion**

The paramount reason for the need to preserve and encourage the small-scale industry sector is the human factor involved in it; the large population depends on it for its bread and butter. The small-scale industry, in the age of machinery, has to be preserved not for its own sake, but for the sake of workers even as the country ploughs in an age of mechanisation for the sake of the small and marginal farmers. It is revealed that entrepreneurship play an important role in the development of small-scale industry in Ambedkarnagar district. However, a number of unfavourable factors in the course of time have led to the status of industry decline. Decline of native entrepreneurship, non-availability of raw material and lack of financial assistance were among the other important factors that brought about a decline of the industry. The results of present study suggests that training should be given to entrepreneurs through the special entrepreneurship courses for proper management of small-scale industries and better entrepreneurial skill.



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