

A Minor Research project on
“ENTREPRENEURSHIP IN SMALL-SCALE INDUSTRIES : A CASE
STUDY OF DAKSHINA KANNADA AND UDUPI DISTRICTS”

Submitted by

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SUMMARY

Development economics tells us that the level and rate of economic growth depends on natural resources, physical capital accumulation, human resources and technological progress provided the socio-cultural environment is favourable to growth. The study of the role of human resources in economic development includes aspects not only like educational levels and productive skills acquired by labour force but also aspects like social response to economic opportunity and readiness to undergo economic change on the part of people. In this context, besides economic factors, socio-cultural aspects assume considerable importance. Entrepreneurship is a form of human resource and like others, it is influenced by socio-cultural factors apart from economic variables.

Although the phenomenon of entrepreneurship appeared in economics in 1930's, it got recognition as an important factor of social change in 1960's. For more than a decade studies in entrepreneurship confined to large-scale business and then to small industrial sector and later it percolated to artisans and farmers. Normally, there has been increasing interest among researchers in understanding the complex phenomenon of entrepreneurship, in recent years.

The present study is an attempt to understand the emergence, sustenance and performance of small entrepreneurs of Dakshina Kannada and Udupi Districts.

Objectives of the study:

The study sets forth the following objectives:

1. To trace the socio-economic origin of the entrepreneurs and to analyze the advantages or constraints associated with the socio-economic background of the entrepreneurs.
2. To study the constraints faced by the entrepreneurs i.e., the factors which contribute to or hampered the sustenance of the entrepreneurs.
3. To evaluate the performance of the entrepreneurs and establish the relationship between such a performance and causative factors.

4. To suggest policy changes towards better entrepreneurship development.

At the theoretical level an attempt is made to understand the various theories of entrepreneurship and the factors which influence entrepreneurship in small-scale industries.

The analytical part of the study is based on primary data collected from a sample of 54 small-scale units of the study region.

Major findings

- Entrepreneurship has emerged largely from socially dominant sections of the society because of their access to resources, education and contacts. The significant presence of OBCs (Other Backward Castes) among the entrepreneurs indicates social mobility and their ability to make use of business opportunities. Religious minorities like Muslims and Christians have not lagged behind in setting up enterprises. The entry to industrial activity is not confined to particular communities because except for SC/STs the caste and religious profiles of the entrepreneurs is evidently diversified.

- The study brings out high degree of correlation between education and entrepreneurship in this progressive region of the state. It refutes the generally held notion that school drop outs become successful entrepreneurs and educated and qualified youngsters prefer the comfort zone of employment rather than the risky terrain of setting up business enterprises.
- The modal age of group of the entrepreneurs at which they are entering the industry is 31-35 years. It is evident from the study that majority of the entrepreneurs started their ventures at an early age.
- The details of the occupational background of the entrepreneurs' shows that majority of them had business experience. Besides, significant number of entrepreneurs emerged from private service with the intention of doing something on their own or in search of better prospects.
- The study supports the hypothesis that business background exerts a strong impact on entrepreneurial orientation. It also reveals that younger generation is averse to the idea of taking up traditional occupations which are caste-based.
- The habitational background of the entrepreneurs reveals that more people from urban and semi-urban areas have taken up entrepreneurship when compared to rural areas.

- The Entrepreneurship Development Programs (EDPs) conducted by DICs and NGOs have not made significant contribution to the creation of first generation entrepreneurs.
- The presence of large number of first generation entrepreneurs as compared to those who have inherited the enterprises indicates that more youngsters are willing to set up business enterprises.
- Among the motivational factors which prompted the entrepreneurs to take up industrial activity, the desire to make money and gain social prestige top the list.
- The other internal factors motivating entrepreneurship in order of importance are strong desire to do something independently, business experience, support from parents and relatives and availability of finance and technical knowledge.
- The important external factors which encouraged venture launching are high demand for the product, availability of raw-materials, allotment of industrial sheds and plots and financial assistance from institutions.
- Personal ambitions coupled with opportunities thrown open by macro-economic development facilitated the growth of entrepreneurship in the region.

- An analysis of the structural characteristics of the enterprises under study reveals
 - 43% of the units are located in rural areas and 57% in urban areas.
 - 80% of the units are engaged in the production of consumer goods and 20% in capital goods.
 - 52% of the units are owned and managed by individual proprietors, 39% are partnership concerns and 9% private limited companies.
 - The median and modal sizes of industrial groups as measured by employment are 2.27 and 6.67 respectively.
 - All the industrial units come under the category of small scale industries as per official definition.
- An evaluation of the performance of entrepreneurs taking into consideration the average annual growth in sales in the preceding 5 years reveals that 72% of the units performed well recording a growth of more than 10%.
- Entrepreneurial performance by caste and religion does not establish any correlation between caste and religion of the entrepreneurs and their performance.
- The study does not establish significant correlation between education level of the entrepreneurs and their performance.

- Those entrepreneurs who had previous experience in business performed well which brings out the correlation between occupational background of the entrepreneurs and their performance.
- Industrial units located in urban areas, particularly those located in industrial areas/estates performed better than those located in rural areas.
- Scarcity of labor both skilled and unskilled is an important difficulty faced by industrial units in the region. Retention of skilled workers and absenteeism among workers are some of the problems faced by the enterprises.
- The welfare measures provided to workers are not adequate.
- Commercial banks constitute the major source of working capital to small enterprises under study.
- The approach of the commercial banks in providing working capital loans was not appreciated by many entrepreneurs.
- The difficulties mentioned by the entrepreneurs are conservative estimate by commercial banks while sanctioning the working capital loans, no consideration of the needs of the units, difficult evaluation procedures and non-consideration of the recommendations made by promotional agencies.

- The major constraints faced by the enterprise in marketing are inadequate demand and competition.
- Globalization and entry of MNCs have created difficulties for the units engaged in food products in the form of competition and fall in sales.
- The other problems faced by the entrepreneurs are shortage of good quality raw- materials, power shortage and unnecessary interference by agencies of the government.

Suggestions: -

It would not be very appropriate to make sweeping macro-economic policy suggestions on the basis of this study which is essentially of micro nature with a limited scope. However, in the light of the findings of the study, certain suggestions can be made.

- A strong infra-structural base is of prime significance for the growth of small industries. Setting up of new industrial area/estates particularly in semi-urban and rural areas is essential to create a better industrial climate in the region.
- The Entrepreneurship Development Programs should be strengthened so that they become successful in creating first generation entrepreneurs.

- The commercial banks should become more responsive to the working capital needs of the small units so that their dependence on private financiers is reduced.
- The concerned agencies of the government should ensure that the interest of the workers in small enterprises is protected as provisions under the Factories Act are often violated by the employers.
- The trade and Industry Associations should ensure that small entrepreneurs do not suffer for want of information regarding government policies, incentive schemes, market research and new developments at the national and international level.

The present study is a modest attempt to understand entrepreneurship in small-scale industries in the progressive region of the state of Karnataka. It is evident that globalization has created both opportunities and challenges for small entrepreneurs. The old maxim “Small is Beautiful” is not always true. Only those entrepreneurs who are resourceful enough to face the challenges thrown upon by the competitive industrial atmosphere have been successful. Entrepreneurship is not just a ‘risk bearing’ business; it is more a function of ‘innovations’. Naturally, those who ‘keep the lead, reap the profits’.