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Research Paper

Entrepreneurship in Kerala and the intensity of constraints for its Development

Economics

KEYWORDS :

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ABSTRACT

Entrepreneurship has been considered the backbone of economic development. It has been well established that the level of economic growth of a region to a large extent, depends on the level of entrepreneurial activities in the region. The myth that entrepreneurs are born, no more holds good, rather it is well recognised now that the entrepreneurs can be created and nurtured through appropriate interventions in the form of entrepreneurship development programmes. (Government of India 2007). In the pre industrialization economy, it was basically the cottage industry which was prominent. The system was self sufficient and had vertical integration. The skilled artisans produced the products, as per their skill and marketed the same in the nearby towns. As a result lot of artisanal guilds has evolved. However, the process of industrialization led to the emergence of 'capital' for doing the business. Presently, it is digital/information economy, where the core competency is' outsourcing'. This further advancement has given new vistas to entrepreneurship. Innovation and technology are playing a crucial role in entrepreneurship.

Introduction

Economic empowerment of the poor is the major concern for developmental agencies as well as governments. Since independence, various programmes -Integrated Rural Development Program (IRDP) to National Rural Livelihood Mission (NRLM) or Development of Women and Children in Urban Area (DWCUA) to Swana Jayanthi Sahari Swarozgar Yojana (SJSRY) were introduced by various Governments that came to power. All these programs are backed with subsidies, though it could make some ripples but could not achieve the desired result. Even the advent of micro credit/micro finance, where the credit flow has been introduced, as lack of financial access was considered as the major bottleneck for starting business by poor, the significant improvement in the result could not be achieved. This is mainly because, the developmental initiatives were confined to starting the units. However no support was given for the survival of the unit. Potential entrepreneurs might not have any business acumen, business orientation, motivation, and may be unaware about the environmental conditions. Due to the economic compulsion, they venture into entrepreneurship. It is therefore necessary to provide proper escort/mentoring support even after establishing the unit. Support for marketing, system development as also intermittent motivation may be provided to sustain these enterprises. One should initiate a poverty alleviation programme with livelihood and skill mapping of the locality. An appropriate questionnaire may be prepared for data collection. This will help the agency to understand the sources of their present livelihood, opportunities available in the area as well as skills of the individual to tap these opportunities. It may be advantageous for the agency, if they can identify potential buyers for the products to be manufactured.

One can identify business opportunity based on the existing skills available locally. For eg one with computer proficiency can start a software unit while those with tailoring know-how can start garment manufacturing unit. Once the business opportunities are identified, one may need to prepare probable business opportunities and understand its viability. A developmental agency who is involved in micro enterprise development for local economic development will have a basket of viable business opportunities. A workshop could be organised which can invite participation from different stakeholders such as Technical Institutions, potential buyers, developmental agencies, local body representatives, entrepreneurs etc. It will provide opportunity to explore possibilities of linking business with ones skill-set. An Entrepreneurship Orientation Program will help the participants increase their confidence level through making them understand the required managerial intricacies

The Entrepreneurial Ecosystem

19.5.1 The entrepreneurial ecosystem encompasses all the elements that entrepreneurs need to thrive on. This ecosystem has six elements

- ☐ Personal enablers,
- ☐ Financial enablers,
- ☐ Business enablers,
- ☐ Professional enablers.
- ☐ Economic enablers (economic policies and performance) and
- ☐ Social entrepreneurs.

Constraints for Entrepreneurship

Economic, political and legal institutions

Evidence suggests that entrepreneurship is negatively influenced by economic policies such as over-regulation, licensing procedures, burdensome bureaucracy in business registration and complicated licensing and permit requirements. Unfavourable business conditions, such as high costs of doing business, weak enforcement of property rights, poor capital markets, lack of access to credit and under-developed markets also impede entrepreneurship.

Further, it has been found that characteristics of the political system, such as instability or corruption, public action politics and delays in approvals may play an important role in impeding successful business endeavours. In a survey conducted by the Institute for Enterprise Culture and Entrepreneurship Development, Jaipur (2006), some entrepreneurs opined that sanctions which take just two or three weeks in other states take many months in Kerala. The entrepreneurs in Kerala don't feel that the single-window and green-channel schemes introduced by the Directorate of Industries of the government of Kerala have made any significant difference. Further, in other states, the number of offices that an entrepreneur has to visit for sanctions is much fewer than that in Kerala.

The labour scenario in Kerala is challenging for entrepreneurs because trade unions are still active there. Hartals and bandhs may not be violent but they have a financial and psychological impact on the entrepreneurs. If labour problems occur in the take-off stage of an enterprise, it harms the enterprise the most. Hartals, anywhere in the state affect the movement of finished products and raw materials throughout the state. Psychologically,' flash hartals' declared at short notice affect the morale of the entrepreneurs.

Kerala, according to the CII-World Bank study of 2002, is ranked 5th among major states in infrastructure penetration, but the quality and serviceability of its infrastructure leaves much to be desired. Though the entrepreneurs are generally positive about

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the road network of Kerala, most of them complained about the availability and quality of power during the survey. Kerala faces frequent electricity failures and gets power without the requisite voltage. This causes wastage of considerable raw materials and increased wear and tear of machinery, thereby adding to the overall cost of production.

Poor quality of higher education: Entrepreneurship, as it is defined here, is directly related to technical education. However, as discussed in Chapter 3, the quality of education, in particular, in higher education, is rather low in the state. It encourages passive learning. Students studying in educational institutions are motivated to learn only so as to get the grades and degrees required for jobs. There is therefore, a direct relationship between good quality education and entrepreneurship.

Organisational structure: Social welfare and livelihood approach underline the organisation of most economic activities in the state. The share of the public sector is rather large. The public sector can also follow economic principles, but in Kerala this is not so. The underlying principle is employment security. This is offered even at the cost of losing out on technological advancements. In such a scenario, there is no motivation for entrepreneurship.

Cultural factors: It is believed that entrepreneurial behaviour is strongly guided by the culture of the people. There are social and cultural factors that discourage people from starting a business. In Kerala's society, high social status is attached to jobs. Most Keralites aspire for high-status government jobs. There is entrepreneurship, but it is necessity-driven and not opportunity-driven. This could also be due to the fact that the economy is stuck in low-productivity vicious circles. Policymakers need to find ways to adjust policy and programmes which will change attitudes about taking risks and entrepreneurship.

Conclusion

Entrepreneurship is the engine for economic growth. Hitherto, promotion of entrepreneurship, especially for poverty alleviation program, was concentrating only in setting up of the unit. This first generation entrepreneurs, without any experience in business, find it difficult to successfully manage the same. Follow up support with market linkage will provide additional advantage

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