

## ENTREPRENEURSHIP IN MICRO INDUSTRIES (with special reference to Kerala state, India)



### Management

**KEYWORDS :** Entrepreneurship, Entrepreneurial Development, MSME

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### ABSTRACT

*Entrepreneurship plays a pivotal role in any industrial development. Micro, small and medium industries are considered as the engine of growth of an economy because it can create a lot of job opportunities and also provide raw materials to large industries. Recognizing the importance of small and medium enterprises in the growth of Indian economy, both the central and state governments undertake several measures for the development of these enterprises. These Entrepreneur development programmes aim to create new entrepreneurs by cultivating entrepreneurship qualities in them and enlightening them on various aspects which is necessary for the development of new enterprises. But still there is problem with the entrepreneurship of micro industries. The success rate of these industries showed a decline trend, even though they are managed by trained entrepreneurs. The new entrepreneurs face difficulties in availing full benefits from the government and also unable to comply with the formalities of financial institutions. The researcher has taken this topic to identify the factors that motivate the people to become an entrepreneur, and also to identify the factors that contributing to the success of entrepreneurs and to identify the relationship between industry related factors and success of entrepreneurs. The researcher has been selected 150 respondents from the state of Kerala by convenience sampling method. The Percentage analysis, weighted average rank analysis and Chi-square statistical method are used for the study.*

### INTRODUCTION

An Entrepreneur is a business leader who organizes and operates the business and also takes the financial risk involved in it. He is also the person who undertakes the task of bringing together various resources and manages them to achieve desired goals. Entrepreneurship plays a prime role in industrial development. India is considered as a land of Entrepreneurs and should have a strategic position in Indian economy. In India 45% of the total industrial production is from MSME units, 30% of the country exports and employed 96 million persons through 26 million units which spreads throughout the country.

### STATEMENT OF THE PROBLEM

Entrepreneurship requires special skills and knowledge for arranging resources, exploring opportunities, managing employees and should have a clear vision about the business future. In case of a micro unit all these things should be done by the Entrepreneur alone. For this, the Government of India is organizing several "Entrepreneur development programmes" for the development of Entrepreneurs. But still the success rate of the Entrepreneurs is very few in India. One of the major reasons behind this failure is the difficulty in facing legal formalities of the Government and of the Financial Institutions. With relevant education, work experience, improved economic condition and financial opportunities given to the Entrepreneurs, surely they will be successful in their business.

### OBJECTIVES OF THE STUDY

- To identify the factors motivating an entrepreneur.
- To identify the factors contributing to the success of entrepreneurs.
- To analyze the relationship between industries related factors and success of entrepreneurs.

### HYPOTHESIS

HO: There is no significant relationship between industrial related factors and success level of entrepreneurs.

HI: There is significant relationship between industrial related factors and success level of entrepreneurs

### METHODOLOGY

Kerala state is selected for the present study. The statistical tools used for the study are percentage analysis, weighted average rank analysis and chi-square test. The primary data was collected using survey method and interview schedule.

### ENTREPRENEURSHIP DEVELOPMENT IN INDIA

India has been witnessed a dramatic change because of the new policies of the government viz, liberalization, privatization and

globalization during the mids of 1990's. India have great entrepreneurial potential but majority of them are concentrated on unorganized sector and less skilled jobs.

The factors which contribute to the growth of Entrepreneur are different in nature. According to the famous environmental economist Robert Owen "the environment to which a person is exposed has a strong influence in shaping his character". Therefore social and cultural variables such as family background, rapport with leading personalities, political affiliation, investment climate, individual skills etc should have strong influence over Entrepreneurship. Some other social scientist have a view that the Entrepreneurship is affected by a number of factors including social, psychological and economic factors. Therefore we can conclude that Entrepreneurship is affected by a multitude of factors than any single factor.

According to Joseph A Schumpeter a social climate is essential for the emergence of Entrepreneurs. The social climate refers to the social, economical, political and psychological climate on which the Entrepreneur operates. In most of the entrepreneurs, the entrepreneurial ability is mainly driven by two factors. The desire to make money and the desire to work independently. But in lower economic levels, the entrepreneur had disposed jewels, land building etc in order to enter into the business. In india the financial support, technological knowledge and education plays a major role in the success of any business.

The entrepreneur should have a multiple role in business and also had to perform a lot of functions viz, tapping market opportunities, gaining command over scarce resources, purchasing inputs and marketing the outputs, management of supplier, customer and employee relationships, financial, production and maintenance management and most importantly changing the business according to the technological advancement. The contribution of an entrepreneur for the development of an economy is incomparable. They create vast employment opportunities, introduce new products, find out new source of raw materials, export earnings, increasing production and thereby increase the national income of the country.

Entrepreneurial Development of a country basically depend on the entrepreneur environment that created by the government. Keeping this in view India government has made enormous effort in developing Entrepreneurship in the country. India is basically a agricultural country and the government is always is tried to convert the agrarian economy into an industrial economy. By suitable policies and programmes the government encourages

its people to take up entrepreneurial activities. The state and central governments frequently organize Entrepreneurial Development Programmes (EDP) throughout the country in regular intervals. Also central government financial institutions like IFCI, IDBI, ICICI, SIDBI etc are operating throughout the entire nation for giving financial assistance to the entrepreneurs. Almost all commercial banks in India have "Entrepreneurial cell" for providing assistance and support to the new entrepreneurs. The promotional institutions like SIDCO, NSIC, ITCOT etc provides basic infrastructural facilities like raw materials, work sheds and machinery. The "National Institute of Small Industry Extension Training (NISIE)" conducts national wide training for the entrepreneurs on fund management, quality management, inventory control, marketing strategies and also cover all the major aspects of business. The commercial banks, Small Industries service Institute (SISI) and District Industries centre (DIC) either jointly or individually will also contribute to this.

**MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)**

The India government has constituted an act called "The Micro, Small and Medium Enterprises Development Act,2006" for the development of micro, small and medium enterprises in India. A declaration had been issued by the central government for this purpose under section 2 of the Industries (Development and Regulation) Act, 1951. According to this act a manufacturing enterprise having investment upto 25 lakhs is called a micro enterprise, 25 lakhs to 5 crores is called small enterprises and investment from 5 crores to 10 crores is called as a medium enterprise. After the introduction of MSMED Act,2006, the Central government, by way of notification establish a Board called the National board for Micro, Small and Medium Enterprises to look after the affairs of the MSME.. The Board is headed by the Central minister in charge of the MSME's and consists of 46 members from different departments. In addition to this National board an Advisory Committee is also constituted headed by the Central government secretary in charge of MSME's and also includes officials from both the central state governments and representatives from the Association of MSME's.

The micro small and medium enterprises (MSMEs) have been accepted world wide as the engine of economic growth and for creating vast job opportunities. Over 90% of the total enterprises are MSME's and labour intensity of the MSME sector is much higher than that of the large enterprises. The major advantage of the MSME sector is its high employment potential with low capital cost. The MSME's also plays a vital role in overall industrial production and exports. As per the latest statistics, it is estimated that MSME contributes about 45% of the manufacturing output and around 40% of the total export of the country.

**SMALL AND MEDIUM ENTERPRISES IN KERALA**

Kerala is one of the well developed states in terms of human resources. It is the first 100% literacy state in India and having well educated and skilled people. Since Kerala is a land of limited area with high density of population it is not suit for large industries. But it is well suit for small scale industries. In post-liberalization era, Kerala focuses largely on small scale sectors and a lot of new enterprises are registered in this sector. Kerala is gifted with natural resources, backwaters, rubber and tea plantations, which can provide raw material to the small scale industries. The food processing industry and rubber based industries are the front runner in this sector. Nearly 80% of the nations natural rubber production is from Kerala alone. Moreover the head quarters of the "Rubber Board of India" is situated in Kerala.

The food processing sector is growing year by year since there is a huge demand for processed and packaged food. Entrepreneurs set up cold storages and export frozen vegetables and fruits.

**IMPORTANCE OF MSME IN KERALA**

The MSME sector has contributed significant contribution to the economy of Kerala. The trend in growth of SSI's for the last ten years in employment, investment and production is given below.

**TREND IN GROWTH OF SSI IN KERALA**

Year	No. of Permanent Regd. Units	Investment (Rs. in Crores)	Production (Rs. in Crores)	Employment (No.)
1991-92	138404	3210.20	16747.00	1176700
1992-93	157892	3757.50	20219.00	1310500
1993-94	178114	4332.00	24048.00	1425300
1994-95	207357	5184.00	29436.00	1638200
1995-96	234409	5977.00	35161.00	1828600
1996-97	263845	6912.00	41687.00	2033000
1997-98	295004	7966.00	48675.00	2250900
1998-99	324627	9350.00	58432.00	2451000
1999-00	354939	10623.00	70987.00	2667200
2000-01	387597	11567.22	78261.66	2902122

Source: Directorate of Industries and Commerce, Kerala.

The statistics of the group-wise classification of SSI shows Rubber based industries and Food processing industries are at the top list with 89,464 units. Others are around 22.2% of the total number of units. Other Manufacturing industries are far behind, except the coir industry. Coir Industry is closely followed by Food Products with 37,152 units which is close to 10%. Share of all other groups are of single digit. The share of Jute, Hemp and Mesla Products and Beverages, Tobacco & Tobacco Products together is below 1%.

**ANALYSIS AND INTERPRETATION**

**Percentage Analysis**

**Table-1 Industrial Profile of the Respondents**

Factors	Particulars	No. of respondents	Percentage
Nature of Industry	manufacturing	120	77.67
	Retailing	38	23.34
Experience in the Present Industry	Upto 10 years	64	46.00
	10-15 years	50	32.68
	Above 15 years	38	25.34
Type of Industry	Sole proprietorship	89	59.66
	Partnership	39	26.00
	Private limited company	24	15.34
Assets	Upto 10 lakhs	89	54.67
	10-20 lakhs	42	28.00
	Above 20 lakhs	20	13.34
Profit	Upto 2 lakhs	55	46.09
	2-5 lakhs	53	34.67
	Above 5 lakhs	45	29.35

Employment	Less than 30 member	55	36.08
	30 – 50 members	50	33.34
	Above 50 members	46	30.66
Capital Investment	Upto 10 lakhs	74	57.61
	10-15 lakhs	37	24.67
	Above 15 lakhs	46	26.69
Turnover	Upto RS.5 lakhs	67	52.93
	5-10 lakhs	42	26.69
	Above Rs. 10 lakhs	43	28.68
Marketing area	Locally	56	36.69
	Within the state	67	62.16
	Outside the state but within the country	19	12.08
	Outside the country	12	6.92

Data sources: Primary Data

- ❖ 77.67% of the entrepreneurs had their own manufacturing division.
- ❖ 46% of the entrepreneurs have minimum 10 years of experience in the present industry.
- ❖ 59.66% of the entrepreneurs are sole proprietors.
- ❖ 54.67 % of the entrepreneurs have assets worth Rs.10 lakhs.
- ❖ 46% of entrepreneurs falls under low profit category.
- ❖ 36% of members are less than 30 employee's category.
- ❖ Capital investment upto 10 lakhs accounted for 57.61%.
- ❖ 52.93% entrepreneur had a turnover of minimum Rs.5 lakhs.
- ❖ 62.16% of the respondents market their product within the state.

**Table: 2 Motivating Factors to become an entrepreneur**

Factors	Mean	Rank
Education and Previous Experience	37.89	1
Government policies or assistance incentives or subsidies	35	2
Authoritative/ independent/ creative	33	3
Social / economic independence	32	4
Pave the way for their children in the same business	28.34	5

Data sources: Primary Data

Most of the respondents are of the opinion that previous experience and government assistance are the major motivating factors for the business success which was ranked as top by them.

**Table -3 Success factors of Entrepreneurship**

Factors	Mean	Rank
Achievement motivation	36.68	1
Human relationship	34.67	2
Hard work	28.01	3
Honesty and openness	25.89	4
Authoritative Leadership	24.59	5

Data sources: Primary Data

Majority of the respondents commended that business success mainly depends on achievement motivation and human relationships.

**Table -4 level of Success**

Level of Success	No. of Respondents	Percentage
High	58	38.34
Medium	55	34.69
Low	37	27.01

**Table -5 Industrial profile and success of Entrepreneurship**

Ho: There is no significant relationship between industrial related factors and success entrepreneurs.

Factors	Calculated X <sup>2</sup> value	Table value	DF	Accepted/ Rejected
Nature of the Industry	47.62	5.89	2	Rejected
Business Experience	18.43	9.48	4	Rejected
Type of Enterprise	49.64	9.47	4	Rejected
Asset	17.89	9.48	4	Rejected
Employment	32.98	9.47	4	Rejected
Capital Investments	28.53	9.46	4	Rejected
Turnover	43.66	9.48	4	Rejected
Marketing factors	43.21	12.43	6	Rejected

Here the calculated chi-square value is more than table value so all the hypothesis are rejected. So there is significant relationship between the industrial related factors and success of entrepreneurs.

#### SUGGESTIONS

1. Entrepreneurs should be well trained and educated in order to make them successful in marketing, asset creation, capital formation as well as in production.
2. Nearly half of the respondents are marketing and selling their products with the state alone. Hence, necessary step should be taken to encourage entrepreneurs to exports their product in the overseas market.
3. Many of the entrepreneurs are lacking the access to information technology. If they are moving towards the international market the education of Information technology is essential for the overseas business success.
4. Many of the entrepreneurs are still unaware about the government funded training programmes, subsidies, Financial assistance Institutions and other Entrepreneur Development Programmes. Awareness programmes from the government side can solve this problem.

**CONCLUSION**

Entrepreneurship plays a crucial role in any industrial development. It can fulfill the socio-economic objectives of the nation. Expansion and registration of new MSME's can play a vital role in this aspect. The main reason behind the success of an entrepreneur is achievement motivation and human relationships. The government is doing a lot of things for the development of Entrepreneurship in MSMEs but a portion of the Entrepreneurs are still unaware of these things. Awareness programmes from government side will solve the problem and thereby Entrepreneurship can occupy a strategic position in the Indian economy.

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