Research Paper Economics

Development of Entrepreneurship And Smes in Karnataka

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ABSTRACT

Small and Medium Enterprises (SMEs) are very important in the development of any country particularly developing countries to which India is not an exception. Entrepreneurship has been focused on by the researchers in many countries where it is growingly considered as a paramount engine in economic development, economic growth, productivity, employment, and innovation. It has also been recognized as a key concept in economic dynamism around the globe. In this background, the present study made an attempt to study the development of entrepreneurship and SMEs and socio-economic conditions of entrepreneurs in Mysore district. The present study is based on primary and secondary data. Primary data were collected from entrepreneurs in Mysore district. Government could reduce the regulatory burden on smaller companies which can be one of the greatest boosts to entrepreneurship.

Introduction

Small and Medium Enterprises (SMEs) are very important in the development of any country particularly developing countries to which India is not an exception. Scholars (e.g., Zaidi, 2013) believe that SMEs play an essential role and are the backbone of the national economy. Entrepreneurship has been focused on by the researchers in many countries where it is growingly considered as a paramount engine in economic development, economic growth, productivity, employment, and innovation. It has also been recognized as a key concept in economic dynamism around the globe. Emphasizing the impact of entrepreneurship on the countries' development, it is seen as one of the important contribution in the economic development of countries. The business report reveals that entrepreneurship is only a newcomer in the field (Vesper & McMullan, 1987).

Karnataka, the seventh largest state in terms of Gross State Domestic Product (GSDP) and 6.9 percent of industrial cumulative annual growth rate (CAGR) for 2004-13 put it among the top 10 fastest growing state economies in the country. Bangalore, which has been ranked among eight largest technology innovation clusters globally by MIT Technology review, Massachusetts, the US, has earned the tag of India's start-up capital.

However, there is more to this growth than meets the eye. A report published by industry body ASSOCHAM and private sector lender, Yes Bank, entitled: «Karnataka's Industrial Ecosystem 2013» points out that the growth is highly concentrated in urban areas of Bangalore district with 51 percent of total registered factories and MSMEs in the state. This is followed by areas of Mysore and Belgaum with over 4 percent share each. Unfortunately, this means that the rest 90 percent of the districts have less than 40 percent of the total factories and MSMEs.

SMEs are not working to the extent of 70-80 percent of their capacity. They are functioning only 30 percent of their capacity. This is because there is no manufacturing order from companies. Furthermore, current local VAT (14.5 percent) has been the cause of worry, and ASSOCHAM, has been asking the state government to reduce it by 4 percent for SMEs to maintain their competitiveness.

In this background, the present study made an attempt to study the development of entrepreneurship and SMEs and socio-economic conditions of entrepreneurs in Mysore district. The present study is based on primary and secondary data. Primary data were collected from entrepreneurs in Mysore district. Secondary data were collected from various annual reports of DIS, Karnataka at a glance, books and journals.

Analysis and Discussion

In 2011Mysore has a population of 3,001,127among them, 1,511,600 are male and 1,489,527 are female respectively. Urban population in the district is 1,245,413 (41.50%) and the rest i.e. 1,755,714 (58.50%) is in rural area. Industries in Mysore are mainly concentrated around the city of Mysore. Karnataka Industrial Areas Development Board (KIADB) has established six industrial areas in this district to encourage development of these industries. These areas are at Belagola, Belawadi, Hebbal (Electronic City), Hootagalli, Nanjangud and Thandavapura.

The Mysore is situated at a distance of 146 kms from Bangalore. The cultural capital of Karnataka is situated between the Kaveri and Kabini rivers. This district is emerging as the next IT (information technology) hub of India with the presence of companies likes Infosys, a largest software exporter of Karnataka. Mysore is the second largest exporter of software. Bangalore district is the first. Mysore city was ranked as the 5th best city in India to conduct business by Business Today in the year of 2001. The total number of registered SMEs was 1007(2013) in Mysore, Karnataka. The non-availability of skilled labor is a major problem being faced by the small scale industries. However, the trend of the performance of SMEs shows a positive future growth.

Mysore is proving to be the next IT hub in Karnataka after the phenomenal success of Bangalore. The Government of India has recognized Mysore as the Number one, among the 20 tier II cities of India for the promotion of IT industry. Currently, all of the IT related industries are concentrated around the Mysore city. The Software Technology Park (STP) in Mysore was inaugurated in the year 1998 by the Prime Minister of India.

After Bangalore, Mysore has its Software Technology Park (STP), with the international gateway. Mysore has the Central Food Technological Research Institute, Defense Food Research Laboratory, Government Tool Room and Training Center, Central Institute of Plastic Engineering and Technology and Central Sericulture and Training Institute. These enterprises emphasize the potential for research and development in this

district.

Demographic features of the respondents

Table 1: Demographic features of the respondents and results of chi-square tests

Sl no	Variable	Sub variable	Frequency	Percent	X^2	P
1	Gender	Male	217	85.3%	125.73	.000
		Female	35	14.7%		
2	Age groups (in years)	20-30	168	6w6.7%	252.00	.000
		31-40	56	22.2%		
		41-50	14	5.6%		
		Above 50	14	5.6%		
3	Educational levels	Pre university	28	11.1%	74.667	.000
		Bachelors	140	55.6%		
		Master degree	84	33.3%		
4	Level of computer literacy	Below average	28	11.1%	90.222	.000
		Average	42	16.7%		
		Good	126	50.0%		
		Expert	56	22.2%		
5	Type of activity	Services	164	65.1%	132.952	.000
		Commercial	72	28.6%%		
		Producer	16	6.3%		
6	Enterprise	Small	173	68.7%	35.063	.000
		Medium	79	31.3%		

Source: Field data and SPSS output of chi-square tests

The table 1 shows that the majority of the respondents were found to be males (85.3%), followed by female respondents (14.7%). Chi-square test revealed a significant difference between male and female frequencies, with male respondents found to be significantly higher in number.

When age of the respondents was verified, it was found that majority of them (66.7%) were in the age group of 20-30 years, 22.2% of them were in the age group of 31-40 years and 5.6% of each of them were in the age groups of 41-50 years and above 50 years respectively. Chi-square test revealed a significant difference between groups of frequencies of age groups, with respondents in the age group of 21-30 years significantly high.

Majority of the respondents possessed the qualifications of bachelors (55.6%), followed by 33.3% of the respondents who have completed masters and remaining 11.1% of them studied up to pre university course. Chi-square test revealed a significant difference between groups of frequencies of educational level, having bachelors significantly high.

Fifty percent of the respondents opined that their level of computer literacy is 'good', 22.2% of them were experts, 16.7% of them were had average computer literacy and remaining 11.1% of them had poor computer literacy. Chi-square test revealed a significant difference between groups of frequencies of levels of computer literacy, having good response high.

Type of activity

When type of activity conducted was verified, it was found that 65.1% of them were involved in services, 28.6% of them were in commercial activities and remaining 6.3% of them indicated 'producer'. Chi-square test revealed significant difference between these groups of frequencies having services activity high.

Enterprises

Majority of the enterprises were found to be small (68.7%) and 31.36% of them were medium enterprises. Chi-square test revealed significant difference between these groups of frequencies having small enterprises significantly high. Further, the following table 2 shows the industrial scenario of Mysore.

Table 2: Industrial scenario of Mysore

No.	Head	Unit	Particulars
1	Registered Small and Medium industrial unit	No.	1007
2	Total industrial unit	No.	25447
3	Registered Large	No.	64
4	Estimated average no. of daily worker employed in small scale industries	No.	Not available
5	Employment in large and medium industries	No.	20428
6	No. of industrial area	No.	0.08
7	Turnover of small scale IND.	In lakh	-
8	Turnover of medium and Large scale industrial	In lakh	-

Source: DIC (District Industries Center), Mysore

The table 2 shows that 1007 industries registered as small and medium industries. Totally 25447 industries are located in Mysore. Further, the following table shows that year wise trend of units registered.

Table 3: Year Wise Trend of units Registered

Years	Number of registered unit	Employment	Investment (Lakh Rs.)
2001-02	1100	3447	2440
2002-03	563	1890	1554
2003-04	596	1784	1079
2004-05	445	1522	1715
2005-06	711	2613	3130
2006-07	574	2512	3286
2007-08	734	5042	4377
2008-09	771	4732	4352
2009-10	837	4692	4964
2010-11	847	5626	9409

Source: DIC (District Industries Center), Mysore

In the years 2013-14 the number of registered SMEs was 1007. According to the table 3 in the years 2001-02 there are 1100 companies which is the highest number of SMEs. The trend shows a decreasing direction after 2002 till 2005. After 2005 there is an increasing trend except 2006-07.

Summary and Conclusion

Majority of the respondents were found to be males (85.3%), followed by female respondents (14.7%). It was found that majority of them (66.7%) are in the age group of 20-30 years; 22.2percent of them are in the age group of 31-40 years and only 5.6percent of each of them are in the age groups of 41-50 years and above 50 years respectively. Chi-square test revealed a significant difference between groups of frequencies of age groups, having respondents in the age group of 21-30 years significantly high. The data clearly shows that the majority of the respondents possessed the qualifications of bachelors degree (55.6%), followed by 33.3 percent of the respondents who have complete masters degree and remaining 11.1 percent of them studied up to pre university course. It is observed that fifty percent of the respondents opine that their level of computer literacy is 'good', 22.2 percent of them are experts, 16.7 percent of them have average knowledge

of computer and remaining 11.1 percent of them have poor computer literacy. When type of activity conducted is verified, it is found that 65.1 percent of them were involved in services, 28.6 percent of them in commercial activities and remaining 6.3 percent as 'producer'. The data reveals that the majority of the enterprises are found to be small (68.7%) and 31.36 percent of them are medium enterprises. Chi-square test revealed significant difference between these groups with small enterprises being significantly high. Government should promote SMEs entrepreneurship, through firms to start up and expand, improve access to "Venture -capital» and other financial facilities. Government could reduce the regulatory burden on smaller companies which can be one of the greatest boosts to entrepreneurship.

Reference

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