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A STUDY ON ENTREPRENEURSHIP AND SMALL SCALE INDUSTRIAL DEVELOPMENT IN HYDERABAD KARNATAKA REGION

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ABSTRACT :

   The entrepreneurs of the small industry have a prominent role in a developing economy, as the success of these industrial enterprises depends largely upon the capabilities and the talents of the entrepreneurs and there by promotes the industrialization process. To make the small scale industry more dynamic in accelerating industrial development for facilitating larger employment generation and output expansion, there is an imperative need to promote the entrepreneurial talents as inadequate supply of entrepreneurs, constrains the process of rapid industrialization and that of sustaining the economic development.

KEYWORDS : *Entrepreneurship, SSIs, Employment, Investment. Income.*

INTRODUCTION

   Industrialization has been considered as one of the strategies for accelerating the process of economic development particularly in the developing countries, and this in turn depends on the availability of a large number of innovative and dynamic entrepreneurs and it is necessary to promote the entrepreneurial base in the economy through expansion and diversification of the entrepreneurial talents since they generate employment opportunities and thereby reduce the regional imbalances and the concentration of economic power.

   Small industry development has been aimed at bringing about decentralized development and promoting balanced economic growth, reducing regional disparities, while generating additional employment opportunities and to facilitate the redistribution of income and assets, minimizing the levels of inequalities in a developing economy. The small enterprises are more labour intensive and they use the appropriate techniques of production in order to achieve efficiency. The development of these enterprises/industry facilitates the growth and development of the entrepreneurial talents particularly in a developing economy.

STATEMENT OF THE PROBLEM:

   Entrepreneurial development has a vital role in accelerating the pace of small scale industrial development so as to achieve higher levels of employment and income generation, efficient utilisation of local resources and that of the attainment of efficient industrialisation. The inadequate supply of entrepreneurs being a critical input not only constrains the growth of the small scale industries development but also hinders the operational efficiency. Several factors contribute to the development of entrepreneurs and their abilities such as the motivation and the aptitude to undertake risk-bearing industrial activities, level of education, economic and socio-cultural, background, training assistance

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and other facilities provided by the promotional agencies etc. Despite the pursuit of the promotional policies rapid strides in the entrepreneurial development have not been achieved in order to bring about the strengthening of the small scale industries development. In this study an attempt is made to examine the entrepreneurial and small industrial development in Hyderabad Karnataka Region.

OBJECTIVES OF THE STUDY:
The specific objectives of the study are
1. To study the theoretical framework of Small Scale Enterprises in general and in particular with reference to India and Karnataka.
2. To discuss the structural and organizational aspects of small scale industries
3. To analyse, the relationship between entrepreneurial development and industrialization.
4. To study, the economic performance of small scale industries in respect of generation of output, income and employment, profitability of units and utilisation of capacity.

METHODOLOGY:
The study is undertaken by collecting both Secondary and Primary sources of data and information. However, the main focus of the study is on primary source of data and information. Accordingly, multi stage sampling method has been followed in the collection of Primary data. The stages are as follows:

Data source:
1. Primary Data:
Stage-I: Selection of the district:
One of the main objectives of the study is to evaluate the role and contribution of small scale-industries and entrepreneurship development of Hyderabad Karnataka Region. In order to attain the objectives, Hyderabad Karnataka region of Karnataka state has been selected for the in-depth study.

Stage-II: Selection of the Study Area:
The Hyderabad Karnataka comprising 6 districts has been selected for the purpose of the study. Furthermore, as per the data available from DICs in Hyderabad Karnataka Region, it is observed that, all types of small scale industries, are found to be operating in HK Region. The region covered in the six Districts is Ballari, Bidar, Kalaburagi, Koppal, Raichur and Yadagiri.

Stage-III: Selection of the Industrial Units:
For the selection of the industrial units from the H K Region, simple random sampling method has been adopted. However, the sample size of industries falling in each category varied from 5 per cent to 10.0 percent. This is done in order to make a fair representation of industries from different categories. Thus, taking all the categories together, 8 types of small Industries are considered for the purpose of the study (Dall Mills, Rice Mills, Flour Mills & Chili Powder, Edible Oil Industry, Cotton Ginning & Pressing, Manufacturing of Agri. Implements and Service Industry). The number of total available registered units in 6 districts, covering all the categories is 1365, out of which 234 units were selected for the study in table-1.1.

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Category-Wise Distribution of Total Small Industries and Sample Units selected in Hyderabad Karnataka Region

S N	Category of the Industrial units	No of units existed	No of units covered	Percentage of share covered units to existing units
1	Ballari	1152	98	41.88
2	Bidar	128	11	04.70
3	Kalaburagi	615	51	21.79
4	Koppal	487	40	17.09
5	Raichur	148	12	05.13
6	Yadagiri	266	22	09.40
	HK Region	2796	234	100.00

Source: Karnataka At a Glance-2013-14

LIMITATIONS OF THE STUDY:

1. The study is restricted to only selected districts of Hyderabad Karnataka Region.
2. The study covers only 8 types of small scale industries in Hyderabd Karnataka region, namely Dall mills, Rice mills, Flour mills and Chilli powder, Edible oil, Pepper, Cotton Ginning, Manufacturing of Agricultural implements and Service industries.
3. Sample size is 234, from six selected districts viz., Ballari, Bidar, Raichur, Koppal, Kalaburagi and Yadagiri
4. All care was taken to collect accurate and reliable data. However, data collected during survey, could not be fully free of response error as respondents were not cooperative in many cases and also because they had not detailed records. Such limitations and difficulties are to be taken care of.
5. The research is mainly based on primary data and so it would be depending on awareness and readiness for the study.

Analysis of Statistical Tools:

Correlation between Income & Output

		Output	Income
Output	Pearson Correlation	1	.604**
	Sig. (2-tailed)		.000
	N	115	115
Income	Pearson Correlation	.604**	1
	Sig. (2-tailed)	.000	
	N	115	115

**. Correlation is significant at the 0.01 level (2-tailed).

In the table, Correlation Coefficient for income and output is .604**. Since .604**is not relatively close to 1 or -1 this indicates that, income and output are strongly correlated.The correlation, coefficient for income and output is .000.Since .000 is relatively close to 1 or -1 this indicates that, income and output are strongly correlated.The significance of each correlation coefficient is also displayed in the correlation table.The correlation coefficient for income and output is 0.604**The significance level or p-value is 0.000 which indicates a very high significance.The high significance level indicates that income and output are significantly positively correlated. As income increases output also increases. And as income decreases, output also decreases.

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Correlation between Income & Employment

		Income	Employment
Income	Pearson Correlation	1	.014
	Sig. (2-tailed)		.888
	N	115	101
Employment	Pearson Correlation	.014	1
	Sig. (2-tailed)	.888	
	N	101	103

In the table, Correlation Coefficient for Income and Employment is 0.014 since 0.014 is not relatively close to 1 or -1 this indicates income and employment are strongly correlated.The correlation coefficient for income and employment is 0.888.Since 0.888 is relatively close to 1 or -1 this indicates that, income and employment are correlated.The significance of each correlation coefficient is also displayed in the correlation table.The correlation coefficient for income and employment is 0.014. The significance level or p-value is 0.888, which indicates a very low significance.The small significance level indicates that, income and employment are significantly, negatively correlated. As income increases employment also increases. And as income decreases, employment also decreases.

Correlation between Output & Employment

		Output	Employment
Output	Pearson Correlation	1	.063
	Sig. (2-tailed)		.533
	N	115	101
Employment	Pearson Correlation	.063	1
	Sig. (2-tailed)	.533	
	N	101	103

In the table, correlation coefficient for output and employment is 0.063. Since 0.063 is not relatively close to 1 or -1 this indicates that, output and employment are strongly correlated.The correlation coefficient for output and employment is 0.533.Since 0.533is relatively close to 1 or -1 this indicates that, output and employment are strongly correlated.The significance of each correlation coefficient is also displayed in the correlation table.The correlation coefficient for output and employment is 0.063. The significance level or p-value is 0.533 which indicates a low significance.The low significance level indicates that, output and employment are significantly negatively correlated. As output increases employment also increases in a diminishing rate.

ANOVA Test:
The null hypothesis in this case

H_{01}: The average of income increase as much as output increase of Small scale Industries in the Study Area.

We will also explain multiple comparisons by testing for the   following null hypothesis

H_{02}: The average income increases of Small scale Industries, same as in the employment also increases

H_{03}: The average output of Small scale Industries increases, as much as in employment also increases.

Output and Income:

	df	SS	MS	F	Significance F
Regression	1	18372272	18372271.97	15.49478347	0.01100014
Residual	5	5928534.6	1185706.919		
Total	6	24300806.6			

The table, labelled gives the result of the analysis. The results are given three rows. The first row between groups give the variability due to the income (between groups variability) second row

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labelled within group's gives viability due to random error, and third gives the total variability. In the table F-value is 15.49478347 and P-value is given as <0.0110014. Therefore we conclude that the average income of Small scale Industries is on increase, not in as much as output. Thus the result will be reported as the significance difference in the income of Small scale Industries F $(1, 5)$= 15.49478347, P < 0.01100014.So we reject the **Null Hypothesis(H_1).**

Income and Employment

	df	SS	MS	F	Significance F
Regression	1	187.313	187.3129721	0.002037441	0.965744567
Residual	5	459677	91935.40659		
Total	6	459864.3			

The table, labelled gives the result of the analysis. The results are given in three rows. The first row between groups give the variability due to the income (between groups variability) second row labelled within group's gives viability due to random error, and third gives the total variability. The table F-value is 0.002037441 and corresponding p-value as > 0.050 (0.9657445670). Therefore we can safely accept, the **null hypothesis (H_2)** and conclude that, the average increase of income not increases as much as increases of employment in Small scale Industries in the Study Area. There is non-significant difference in the income and employment of Small scale Industries, F $(1,5)$= 0.002037441, p >0.050.

Output and Employment

	df	SS	MS	F	Significance F
Regression	1	90520.74979	90520.74979	0.018694688	0.89658
Residual	5	24210285.82	4842057.163		
Total	6	24300806.57			

The table, labelled gives the result of the analysis. The results are given in three rows. The first row between groups give the variability due to the income (between groups variability), second row labelled within groups labelled within group's gives viability due to random error, and third gives the total variability in the above table, F-value is 0.018694688, and corresponding p-value is given 0.89658. Therefore we can safely accept the **null hypothesis (H_3)** and conclude that, the average increase of output of Small scale Industries is not increase in much of employment in all such industries in the Study Area. There is no significant differences between the output and income i.e., F $(1, 5)$ = 0.018694688, p > 0.050.

Regression Analysis:

	Output and Income	Income and Employment	Output and Employment
Multiple R	0.869503008	0.020182226	0.061032861
R Square	0.756035481	0.000407322	0.00372501
Adjusted R Square	0.707242577	-0.199511213	-0.195529988
Standard Error	1088.901703	303.20852	2200.467487
P value	0.389539307*	0.113512131*	0.335366722*
P-Value	0.01100014**	0.965744567**	0.896580269**

*Output, ** Income   *Income **Employment   *Output **Employment

This table displays R, R squared, adjusted R squared, and the standard error. R, the multiple correlation coefficients, is the correlation between the observed and predicted values of the dependent

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variable. The values of R for models produced by the regression procedure range from 0 to 1. R, the multiple correlation coefficients, is the correlation between the observed and predicted values of the dependent variable; larger values of R indicate stronger relationships. R squared is the proportions of variation in the dependent variable, explained by the regression model Small values indicate that, the model does not fit the data well. The sample R squared tends to optimistically estimate how well the models fit the population. Adjusted R squared attempts to correct R squared to more closely reflect the goodness of fit of the model in the population. Use R Squared to help you determine which model is best. Choose a model with a high value of R squared that does not contain too many variables. Models with too many variables are often over fit and hard to interpret.

In the case of output and income R value for assessing the overall fit of the model is 0.869. the adjusted R square value in this case is 0.707. This tells us that, in our model account for 17.7) variance of performance of small scale industries. Clearly this is a very good model, as there are factors other than output and income of small scale industries which should also use the Firm performance.

In the case of income and employment R value for assessing the overall fit of the model is 0.020. The adjusted R square value in this case is -0.199. This tells us that in our model account for 19.9) variance performance of Small scale Industries. Clearly this shows that, this is not a very good model as there are factors like income and employment of small scale industries which should also use the firm performance.

In the case of income and employment, R value for assessing the overall fit of the model is 0.061. The adjusted R square value in this case is -0.195. This tells us that in our model account for 19.5) variance performance of Small scale Industries. Clearly this shows that, this is not a very good model as there are factors like output and employment of Small scale Industries which should also use the firm performance.

The important findings have been outlined below.

1. 90.6 percent entrepreneurs industries have no branches, while only 9.4 percent have branches in the Study Area. So, it is clear that, majority of Small scale industries were sole units.
2. Sole proprietorship form of organization was preferred by 93.2 percent Small scale industries and 6.8 percent have partnership firms.
3. 93.3 percent of the Small scale industries are perennial in nature and only 7.7 percent are seasonal industries.
4. The highest percentage of entrepreneurs i.e., 82.1 percent belonged to General category, 7.8 percent from SC/ST and 10.2 percent of the entrepreneurs are women entrepreneurs running the industry.
5. Small scale industries in the Study Area are set up by the age group of 40-50, (64.1percent) because at this age, they could accept suitable challenges. 34.9 percent of as women entrepreneurs in the age-group of 30-40 were comparatively much more enthusiastic to start the industry.
6. 72.6 percent of the small scale entrepreneurs are from, agriculture background, 16.2 percent from, business and only 0.9 percent are, from other family background in the H K Region.
7. In the Study Area, 95.7 percent of entrepreneurs were married and only 4.3 percent were unmarried, at the time of starting their business.
8. If was observed during field survey that, 40.2 percent of the entrepreneurs had pre-University education, 23.9 percent, high school education, 19.7 percent were graduates 8.5 percent, had completed primary education, 6.1percent, entrepreneurs were post-graduates and only 2.6 percent Small-Industrial entrepreneurs were illiterates in the Study area. It clearly indicates that, education level influences the growth of industries.
9. It is observed in the present Study that, majority of the entrepreneurs have started their industry recently and their development may be due to economic necessities, potentiality and the incentives and other facilities made available by the Government proved.

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10. The motivational factor behind the starting of the small scale industries is purely influenced by the availability of raw-materials, followed by good market condition and family business. Third hypothesis has stood the test.

11. In the H K Region, 81.2 percent of the entrepreneurs are non- migrant and only 18.8 percent are migrant from other states.

12. 87.2 percent of the entrepreneurs belonged to nuclear family and hardly 12.8 percent were from joint family.

13. During field survey, it is observed that, 71.8 percent of the entrepreneurs were not having previous experience, only 28.2 percent of the respondents were having experience.

14. Availability of raw-material was the major factor to choose the small scale industries in the Hyderabad Karnataka Region 7.7 percent were choosing marketability, 2.6 percent said about transport facilities and 0.9 present total other reasons to start their industry in this study area.

15. In the study area, 99.1 percent respondents are having opinion that, industry is more remunerative, only 0.9 percent said no remunerative in the H K Region. Small scale industry is suitable to promote entrepreneurial developmental activities and to remove the problem of poverty & unemployment.

16. Majority of the entrepreneurs have registered in DICs (District Industries Centre) i.e, 96.6 percent, only 3.4 percent have not registered their units in DIC in the H K Region.

17. 82 percent of the respondents have attended entrepreneurial development programmes organized by DIC and only 18 percent have not attended this programme in the Study Area.

18. In the H K Region, 71.4 percent respondents got training from DIC, 23.8 percent have trained from other agencies, and 4.8 percent have trained from SISI institutions.

19. With regard to total capital investment in the small scale industries capital fund is Rs. 11586.32 lakh in the Study Area. Average capital investment was Rs99.03 lakh, minimum was Rs1.21 lakh and maximum was Rs6774.74lakh in the Study area. The highest capital investment was in Jaggery Industry& lowest in case of Service Industry. Average highest working capital is Rs 44.87 lakh was as lowest in Service Industry i.e, Rs 0.69lakh.

21 Small scale industrialists are mobilizing their financial resource. 81.2 percent from both own saving and obtaining from financial institutions, 11.1 percent entrepreneurs are obtaining funds from financial institutions and 7.7 percent arranged their funds from own saving.

22 Small scale industrial entrepreneurs preferred, only 23.9 percent funds for modernization of the industry, but 76.1 percentages did not prefer in the Study Area.

23 The main source of finance for industrial units in the Study Region is 46.33 percent, SBI & group 39.63, Money Lenders 22.6 percent, cooperatives, 7.6 percent, commercial Banks, 4.9 percent, Relatives & friends and 1.6 percent from other sources. Majority of them have borrowed money from more than one agency, and only 18.5 percent of the entrepreneurs borrowed money in the names of their spouse.

24 Bank loan amount were disbursed to the industrialists 81.5 percent, in installment, 12.0 percent directly, 4.6 percent indirectly and only 1.9 percent of the loan amount through of the other sources. Small industrialists are depending upon Bank loan because of 88.0 percent said of low rate of interest, 3.7 percent total about accessibility, 1.9 percent about nearness and 0.9 percent expressed that, quick sanction was given.

25 Around, 75.00 percent respondents were repaying the loan amount quarterly, 22.2 percent annually, and 2.8 percent monthly, in the Study District.

26 While getting loan from the financial institutions, 39.8 percent, entrepreneurs were facing the difficulty of cumbersome procedure, 29.6 percent, time consuming, 19.4 percent other, 6.5 percent delay in sanction, 2.8 percent high down payment in the District.

27 Small scale industries in the study area, have contributed towards generation of output, income and employment, improving the profitability of the enterprise, and of attaining higher capacity utilisation during 2007-08 to 2011-12.

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28   Majority of the entrepreneurs have chosen small scale industries , because of easy availability of raw material i.e. 96.6 percent, 1.7 percent marketability and remaining 1.7 percent expressed the opinion of other situations.

29   In the Study area, 58.1 percent of the entrepreneurs producing their commodity without any Brand name, only, 41.9 percent were producing with their own Brand name. Among them, only 7.7 percent were having AGMARK Brand Certificate, 9.4 percent ISI brand and only1.7 percent were having ISO Brand Certificate.

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