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Reasons for starting the Micro, Small and Medium Enterprises by the Minority Entrepreneurs- A Study with reference to Dakshina Kannada and Udupi Districts in Karnataka

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Abstract:

In developing countries, only a few men with growth perspective would come forward for changing the stationary inertia and creating preconditions for industrialization, since they are motivated for higher achievements rather than financial gains (Papanek G F, 1962). The industrialization in developing countries can be achieved through two forms of entrepreneurial activities. One is entrepreneurship emerging from individual efforts and another is that emerging from collective efforts. The first one may be called "individualistic entrepreneurship" which is a peculiar form of leadership where all the functions of management are concentrated in a single hand (Pieris R, 1969). Consequently, the entrepreneurs take all decisions in diverse fields of promotional and managerial activities. The second form of entrepreneurship is based on "techno-structure" (Galbraith J R, 1969). It emerges from mechanization, division of labour, large scale production and production in anticipation of demand. This form of entrepreneurship is performed by a group of experts, who are not generally owners of the enterprise. The development of such a techno-structure would definitely accelerate the process of industrialization. Social scientists have contended that entrepreneurship is the leverage which activates the rate of economic development. Economists, over the years, have shifted the emphasis from the rate of capital formation to the growth of entrepreneurship as the major catalyst influencing the rate of economic growth. Minorities are under-represented in terms of self employment and small business ownership. Minority entrepreneurship continues to be an important facet of the small business mainstream. Minority businesses have been the subject of growing interest from a variety of sources in recent years for a number of reasons. Entrepreneurship in minority communities can also contribute to reducing social exclusion and to raising living standards in groups that can be often among the more disadvantaged in society. In the light of the above, the present study highlights the reasons for starting the Micro, Small and Medium Enterprises by the Minority Entrepreneurs in Dakshina Kannada and Udupi districts.

Keywords: Entrepreneurship, Minorities, Development, Self- employment.

Introduction:

The Schumpeterian model of economic development postulates that given rate of population growth, the dynamic evolution of capitalist economy is determined by its rate of innovations. This rate of innovation of entrepreneurial activity depends, in turn, upon the distribution of entrepreneurial talents among the population and upon the willingness of credit institutions to finance risky undertakings. Because of the discontinuous nature of innovations, the economic development of a capitalist economy remains cyclical in nature. As there are no diminishing returns to technological progress, continued technological progress will result in an unbounded increase in National and per capita income. J.A. Schumpeter considered entrepreneurial function as a distinctive function, which yields distinct returns and entrepreneurial gains as monopoly gains, since it occurs due to the fact that competitors only follow at a distance (Schumpeter J A, 1965).

In developing countries, only a few men with growth perspective would come forward for changing the stationary inertia and creating preconditions for industrialization, since they are motivated for higher achievements rather than financial gains (Papanek G F, 1962). The industrialization in developing countries can be achieved through two forms of entrepreneurial activities. One is entrepreneurship emerging from individual efforts and another is that emerging from collective efforts. The first one may be called "individualistic entrepreneurship" which is a peculiar form of leadership where all the functions of management are concentrated in a single hand (Pieris R, 1969). Consequently, the entrepreneurs take all decisions in diverse fields of promotional and managerial activities. The second form of entrepreneurship is based on "techno-structure" (Galbraith J R, 1969). It emerges from mechanization, division of labour, large scale production and production in anticipation of demand. This form of entrepreneurship is performed by a group of experts, who are not generally owners of the enterprise. The development of such a techno-structure would definitely accelerate the process of industrialization. However, in a developing country, private techno-structure may not come forward to risk its capital in the absence of necessary infrastructure. Even the public sector techno-structure may also hesitate to penetrate into these regions despite the Government's commitment to the dispersal of industries to the backward areas. Hence, only the first type of entrepreneurship can contribute for industrialization of such regions. In India, since the public and co-operative techno-structure has its own limitations, it is the local entrepreneurship that must get it involved in the process of industrialization. It should be realized that industrialization would not gather momentum if much reliance is placed on the factors beyond local control. Therefore, it is absolutely necessary to break the vicious circle and initiate the process of industrialization which may include, to start with small scale entrepreneurship as the most desirable factors. Social scientists have contended that entrepreneurship is the leverage which activates the rate of economic development. Economists, over the years, have shifted the emphasis from the rate of capital formation to the growth of entrepreneurship as the major catalyst influencing the rate of economic growth. Babu (1978) observed that in Kerala there is a relationship between the religious background of the entrepreneur and the products they manufactured. According to him Christian and Muslims selected the high profit, high investment industries because of their business background. The lack of this business background made the other communities to start with low investment. David B A, Werner B, Jagannadha P T (2009) felt that although considerable concern has emerged about the impact of religion on economic development, little is actually known about how religion impacts the decision making of individuals. This study examined the influence of religion on the decision for people to become an entrepreneur and found that religion shapes the entrepreneurial decision. In particular, some religions, such as Islam and Christianity, are found to be conducive to entrepreneurship, while others, such as Hinduism, inhibit entrepreneurship. In addition, the caste system is found to influence the propensity to become an entrepreneur. Individuals belonging to a backward caste exhibit a lower propensity to become an entrepreneur. Thus, the empirical evidence suggested that both religion and the tradition of the caste system influence economic behavior, suggesting a link between religion and economics. The results of this study suggested that elements of religion and the caste system, need to be explicitly considered in understanding what influences important economic phenomena, such as entrepreneurship. Just as religion plays a major role in influencing entrepreneurial activity, so too does the caste system. At least in the case of India, Max Weber's insight is found to hold - religion has an important influence on economic behavior.

Research Questions:

RQ1: What are the reasons for starting the Micro, Small and Medium Enterprises by the minority entrepreneurs?

RQ2**:** What are the reasons for selecting the locality for establishing the units**?**

Objective:

To study the various reasons for starting the units and for selecting the locality for establishing the units by Minority Entrepreneurs.

Research Methodology:

Since the study is basically of descriptive nature, a descriptive research design (Sample Survey) has been used in carrying out the present study as the study aimed at finding out the profile of Minority Entrepreneurs with respect to reasons for starting the Micro, Small and Medium Enterprises by the Minority Entrepreneurs. The District Industries Centre Directory of Small Scale Industries of Dakshina Kannada and Udupi Districts consisting 2454 registered small scale minority units formed the sampling frame for choosing minority entrepreneurs. Accordingly 600 units (24.45% of the total registered units) were randomly selected based on the random number table from Micro and Small Enterprises engaged in manufacturing and service operation, geographically spread over Dakshina Kannada and Udupi Districts. The questionnaire was personally administered and mailed to 600 Minority Entrepreneurs of Dakshina Kannada and Udupi districts who could furnish the information on behalf of their units. The follow up resulted in the collection of 267 completed questionnaires. After carefully going through the filled in questionnaires the researcher eliminated 19 incomplete questionnaires and thereby rendering only 248 usable filled in questionnaires for further analysis. Hence, the effective response rate was 41.33% (248x100/600) of the total sample. These respondent Minority Entrepreneurs comprised of 85 Christian and 70 Muslim entrepreneurs in Dakshina Kannada and 50 Christian and 43 Muslim entrepreneurs in Udupi.

Karnataka Minorities Development Corporation (KMDC)

Karnataka Minorities Development Corporation (KMDC) is a Government of Karnataka undertaking established on 7 February 1986 to promote the socio-economic development of minority communities in the state. It provides financial assistance, concessional loans, subsidies, education support, and self-employment opportunities for Muslims, Christians, Sikhs, Buddhists, Jains, and Parsis.

Objective of the Organization:

The main objective of the Corporation is to extend loan facility to the poorest of the poor among minorities so as to enable them to become self-reliant and also to provide social justice, infrastructure, education and employment.

Structure of the Organization:

Karnataka Minorities Development Corporation is a Government of Karnataka Undertaking Corporation and established under the Companies Act 1956. As on today, the authorised share capital of the Corporation is Rs.600.00 Crores. The Corporation is now functioning under the supervision of Minorities Welfare Department of the Government of Karnataka. The Registered Office of the Corporation is based at Bangalore and it has its District Offices in all District Headquarters of the State. The Chairman of the Board of Directors is the executive head and the Managing Director is the administrative head. The Corporation is entrusted with the job of development of minority's status socially, educationally and economically through the Government sponsored Schemes which are implemented through its District Offices located at all District Headquarters of Karnataka.

Schemes for Encouragement of Entrepreneurship:

(A) Direct Loans for Business / Enterprise: Under this scheme, Loan will be provided to eligible entrepreneurs to start or expand their businesses by mortgaging property (building or land).

Eligibility Criteria:

a. Applicant should be resident of Karnataka state
b. Applicant should belong to a minority community
c. Applicant Age should be between 18 to 55 years
d. Applicant should not be defaulter of K.M.D.C.
e. Loans will be provided only on mortgage of property (building/land) to the corporation. The value of the property should not be less than the loan amount.
f. Business/Enterprise Loan will be given to only one member of a family
g. If applicant's family income is below Rs 8.00 lakhs, then the loan will be provided up to Rs 20 lakhs on 4% interest rate
h. If applicant's family income is Rs 8.00 lakhs to 15 lakhs, loan will be provided up to Rs 20 lakhs on 6% interest rate

(B) Shramashakthi Scheme: Under this scheme, to develop the traditional skills, to continue in the same business or to start a small business or to improve their businesses, religious minority community entrepreneurs will be trained in artistic and technical skills, and provided a loan of Rs. 50,000/- with 4% rate of interest, to be paid in 36 instalments. If the beneficiary repays 50% of the loan within 36 months, the remaining 50% of the loan would be considered a back-end subsidy. If the beneficiary fails to repay the loan within 36 months, 50% of the backend subsidy will be considered as a loan.

Eligibility:

a. Applicants must belong to the State Religious Minority Community.

b. The applicant must be a permanent resident of the State.

c. The age limit of the applicant is 18 between to 55 years.

d. The annual income of the family from all sources shall not exceed Rs. 6.00 lakh per annum

e. No member of the applicant's family shall be an employee of the State/Central/ Government PSU

f. The applicant should not have availed any loan from KMDC.

Analysis of the data:

Table 1: Reasons for selecting the locality for establishing the units

Location	Reasons	Christian		Muslim		Total	
		No. of respondents	%	No. of respondents	%	No. of respondents	%
Dakshina Kannada	Native Place	60	70.6%	49	70.0%	109	70.3%
	Busy locality	20	23.5%	17	24.3%	37	23.9%
	Economical Rent	26	30.6%	17	24.3%	43	27.7%
	Availability of infrastructural facilities	18	21.2%	11	15.7%	29	18.7%
	Acquired from the previous owner	4	4.7%	8	11.4%	12	7.7%
	Inherited from parents	12	14.1%	14	20.0%	26	16.8%
	Availability of raw materials	14	16.5%	25	35.7%	39	25.2%
	Nearness to marker/Local Demand	28	32.9%	23	32.9%	51	32.9%
	Cheap Labour	7	8.2%	11	15.7%	18	11.6%
	To make use of the locally available natural resources	4	4.7%	6	8.6%	10	6.5%
	High profit margin	10	11.8%	6	8.6%	16	10.3%
	Other	0	.0%	0	.0%	0	.0%
Udupi	Native Place	38	76.0%	34	79.1%	72	77.4%
	Busy locality	7	14.0%	5	11.6%	12	12.9%
	Economical Rent	11	22.0%	8	18.6%	19	20.4%

	Availability of infrastructural facilities	11	22.0%	9	20.9%	20	21.5%
	Acquired from the previous owner	0	.0%	8	18.6%	8	8.6%
	Inherited from parents	6	12.0%	9	20.9%	15	16.1%
	Availability of raw materials	11	22.0%	7	16.3%	18	19.4%
	Nearness to marker/Local Demand	22	44.0%	15	34.9%	37	39.8%
	Cheap Labour	9	18.0%	3	7.0%	12	12.9%
	To make use of the locally available natural resources	6	12.0%	2	4.7%	8	8.6%
	High profit margin	15	30.0%	12	27.9%	27	29.0%
	Other	0	.0%	0	.0%	0	.0%
Total	Native Place	98	72.6%	83	73.5%	181	73.0%
	Busy locality	27	20.0%	22	19.5%	49	19.8%
	Economical Rent	37	27.4%	25	22.1%	62	25.0%
	Availability of infrastructural facilities	29	21.5%	20	17.7%	49	19.8%
	Acquired from the previous owner	4	3.0%	16	14.2%	20	8.1%
	Inherited from parents	18	13.3%	23	20.4%	41	16.5%
	Availability of raw materials	25	18.5%	32	28.3%	57	23.0%
	Nearness to marker/Local Demand	50	37.0%	38	33.6%	88	35.5%
	Cheap Labour	16	11.9%	14	12.4%	30	12.1%
	To make use of the locally available natural resources	10	7.4%	8	7.1%	18	7.3%
	High profit margin	25	18.5%	18	15.9%	43	17.3%
	Other	0	.0%	0	.0%	0	.0%

Source: Survey Data

Table 1 presents the reasons for locating the minority units. In Dakshina Kannada District 70.6% of the Christian entrepreneurs stated that they established the units because it was their native place. 32.9% gave the reason of nearness to the market and 30.6% stated that the low rent in the area made them to establish the units. Similarly, 70% of the Muslim entrepreneurs stated that native place was the primary reason for establishing the units in the district followed by availability of raw materials and nearness to market which accounted for 35.7% and 32.9% respectively. On the whole, the native place, nearness to market and economical rent were the three reasons in order of importance for the minority entrepreneurs to establish the units in Dakshina Kannada District. In Udupi district 76% of the Christian entrepreneurs stated that they established the units in the place because it was their native place, 44% stated that nearness to market and local demand as the reason for establishing the units. Similarly 79.1% of the Muslim entrepreneurs stated that the native place was the reason to establish units in the present place followed by nearness to market which accounted for 34.9%. Therefore, the analysis shows that native place as well as nearness to the market was the major reasons to establish the units in the respective districts.

Factor analysis:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.627
Bartlett's Test of Sphericity	Approx. Chi-Square	189.955
	df	55
	Sig.	.000

Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative%	Total	% of variance	Cumulative %
1	1.673	15.212	15.212	1.673	15.212	15.212	1.571	14.278	14.278
2	1.481	13.462	28.674	1.481	13.462	28.674	1.456	13.235	27.513
3	1.299	11.811	40.485	1.299	11.811	40.485	1.384	12.584	40.096
4	1.139	10.357	50.842	1.139	10.357	50.842	1.182	10.746	50.842
5	.977	8.878	59.720						
6	.941	8.554	68.275						
7	.924	8.397	76.671						
8	.836	7.599	84.270						
9	.718	6.525	90.795						
10	.614	5.584	96.380						
11	.398	3.620	100.000						

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Native Place	.696			
Busy locality	.719			
Economical Rent	.520			
Availability of infrastructural facilities				.772
Acquired from the previous owner				.697
Inherited from parents		.816		
Availability of raw materials			.588	
Nearness to market / Local Demand		.600		
Cheap labour				
To make use of the locally available natural resources			.624	
High profit margin			.626	

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

[a.] Rotation converged in 7 iterations.

Kaiser-Meyer-Olkin Measure of sampling adequacy shows that sample is adequate and Bartlett's test of shpericity shows that Factor analysis can be performed for the various components as $0.627>0.5$ and $p=0.000<0.01$ HS

Factor analysis was performed by using Principal component extraction Method to explore the principal factors which consist of various components. The present factor analysis extracted 4 factors. Factor 1 is a first principal component, which contributes 14.28% variation as a contributing factor constitutes Native place with factor loading 0.696, Economical rent 0.520 and busy locality 0.719. Factor 2 a second principal component, which contributes 13.23% variation as a contributing factor constitutes Inherited from parents with factor loading 0.816 and Nearness to market with factor loading 0.600. Similarly factor 3 a third principal component, which contributes 12.59% variation as a contributing factor constitutes availability of raw materials with factor loading 0.588, to make use of the locally available natural resources with factor loading 0.624 and high profit margin with factor loading 0.626. Factor 4, a fourth principal component, which contributes 10.75% variation as a contributing factor constitutes availability of infrastructural facilities with factor loading 0.772 and acquired from the previous owner with factor loading 0.697.

Table 2: Reasons for starting the units by the minority entrepreneurs

Location	Reasons	Christian		Muslim		Total	
		No. of respondents	%	No. of respondents	%	No. of respondents	%

Dakshina Kannada	Desire to become independent	49	57.6%	48	68.6%	97	62.6%
	Desire to be self employed	37	43.5%	31	44.3%	68	43.9%
	Desire to make economic gain	39	45.9%	31	44.3%	70	45.2%
	Easy to secure professional know how	1	1.2%	0	.0%	1	.6%
	Dissatisfied with the previous job	14	16.5%	9	12.9%	23	14.8%
	Motivated by the success stories of other enterpreneurs	4	4.7%	3	4.3%	7	4.5%
	Encouragement by the members of the family	26	30.6%	30	42.9%	56	36.1%
	To receive government incentives/subsidies	10	11.8%	16	22.9%	26	16.8%
	Problem of unemployment	6	7.1%	5	7.1%	11	7.1%
	Don't want to work under others	8	9.4%	5	7.1%	13	8.4%
Udupi	Desire to become independent	27	54.0%	20	46.5%	47	50.5%
	Desire to be self employed	14	28.0%	11	25.6%	25	26.9%
	Desire to make economic gain	29	58.0%	19	44.2%	48	51.6%
	Easy to secure professional know how	1	2.0%	4	9.3%	5	5.4%
	Dissatisfied with the previous job	11	22.0%	12	27.9%	23	24.7%
	Motivated by the success stories of other enterpreneurs	4	8.0%	1	2.3%	5	5.4%
	Encouragement by the members of the family	21	42.0%	27	62.8%	48	51.6%
	To receive government incentives/subsidies	13	26.0%	14	32.6%	27	29.0%
	Problem of unemployment	6	12.0%	1	2.3%	7	7.5%
	Don't want to work under others	5	10.0%	3	7.0%	8	8.6%
Total	Desire to become independent	76	56.3%	68	60.2%	144	58.1%
	Desire to be self employed	51	37.8%	42	37.2%	93	37.5%
	Desire to make economic gain	68	50.4%	50	44.2%	118	47.6%
	Easy to secure professional know how	2	1.5%	4	3.5%	6	2.4%
	Dissatisfied with the previous job	25	18.5%	21	18.6%	46	18.5%
	Motivated by the success stories of other enterpreneurs	8	5.9%	4	3.5%	12	4.8%
	Encouragement by the members of the family	47	34.8%	57	50.4%	104	41.9%

	To receive government incentives/subsidies	23	17.0%	30	26.5%	53	21.4%
	Problem of unemployment	12	8.9%	6	5.3%	18	7.3%
	Don't want to work under others	13	9.6%	8	7.1%	21	8.5%

Source: Survey Data

The above Table 2 presents the reasons for starting the unit. In Dakshina Kannada District, desire to become independent (62.6%), desire to be self-employed (43.9%) and desire to make economic gain (45.2%) were the three major reasons to start the Christian and Muslim minority units. In Udupi district, desire to become independent (50.5%), desire to make economic gain (51.6%) and encouragement by the family members (51.6%) were the major reasons for starting the unit.

Factor analysis:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.685
Bartlett's Test of Sphericity	Approx. Chi-Square	95.598
	df	45
	Sig.	.000

Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative%	Total	% of variance	Cumulative %
1	1.428	14.282	14.282	1.428	14.282	14.282	1.281	12.812	12.812
2	1.306	13.064	27.346	1.306	13.064	27.346	1.269	12.687	25.499
3	1.131	11.311	38.658	1.131	11.311	38.658	1.266	12.665	38.164
4	1.099	10.987	49.645	1.099	10.987	49.645	1.129	11.290	49.454
5	1.068	10.675	60.320	1.068	10.675	60.320	1.087	10.866	60.320
6	.985	9.848	70.168						
7	.888	8.876	79.044						
8	.856	8.561	87.604						
9	.761	7.610	95.215						
10	.479	4.785	100.000						

Rotated Component Matrix[a]

Reasons	Component				
	1	**2**	**3**	**4**	**5**
Desire to become independent	.554				
Desire to be self employed	.791				
Desire to make economic gain			.777		
Easy to secure professional know how				.798	
Dissatisfied with the previous job					.828
Motivated by the success stories of other entrepreneurs		.506			
Encouragement by the members of the family		.534			
To receive government incentives / subsidies			.719		
Problem of unemployment		.690			
Don't want to work under others	.	.401			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

[a]Rotation converged in 13 iterations.

Kaiser-Meyer-Olkin Measure of sampling adequacy shows that sample is adequate and Bartlett's test of shpericity shows that Factor analysis can be performed for the various components as $0.685>0.5$ and $p=0.000<0.01$ HS

Factor analysis was performed by using Principal component extraction Method to explore the principal factors consisting of various components. The present factor analysis extracted 5 factors. Factor 1 is a first principal component, which contributes 12.81% variation as a contributing factor constitutes desire to become independent with factor loading 0.554, desire to be self-employed with factor loading 0.791. Factor 2 a second principal component, which contributes 12.69% variation as a contributing factor, constitutes motivated by the success stories of other entrepreneurs with factor loading 0.506, encouragement by the members of the family with factor loading 0.534, problem of Unemployment with factor loading 0.690 and Don't want to work under others with factor loading 0.401. Factor 3 a third principal component, which contributes 12.67% variation as a contributing factor constitutes desire to make economic gain with factor loading 0.777 and to receive government incentives/subsidies with a factor loading 0.719. Factor 4, a fourth principal component, which contributes 11.29% variation as a contributing factor constitutes easy to secure professional knowhow with factor loading 0.798. Finally factor 5, a fifth principal component, which contributes 10.87% variation as a contributing factor constitutes dissatisfied with the previous job with factor loading 0.828.

Conclusion:

The study shows that native place as well as nearness to the market was the major reasons for the Minority Entrepreneurs to establish their units in Dakshina Kannada and Udupi districts. The study also reveals that desire to become independent, desire to make economic gain and encouragement by the family members were the three major reasons to start the Christian and Muslim minority units in Dakshina Kannada and Udupi districts.

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