Importance of Entrepreneurship in India and Kerala

INTRODUCTION

Entrepreneurship is the practical ability to create and build up something new from nothingness. It is fundamentally an act of human creativity. It is concerned with making dynamic changes in production, innovation in production, new usage for raw material etc. Entrepreneurship is means the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing new technique and commodities discovering new sources of raw material. Thus entrepreneurship is the function of handling economic activity, undertaking risk, creating something new and organizing and co-ordinating resources.

Entrepreneurship is the practical ability to create and build up something new from nothingness. It is fundamentally an act of human creativity. In the process of entrepreneurship, one finds out his personal and individual energy to build up an enterprises and there by to realize a much longed for objective. The act of merely observing, analyzing or interpreting a process is not entrepreneurship.

Entrepreneurship is a propensity of mind to take calculated risks with confidence to achieve a pre-determined business or industrial objective. In substance, it is the risk taking ability of the individual, broadly coupled with correct decision making.

Objectives of the study

1. To study the nature and importance of entrepreneurship in India
2. To evaluate the Importance of entrepreneurship in Kerala
3. To find out the effectiveness of small scale industries in Kerala

Methodology

Primary data are collected from officials and entrepreneurs. Secondary data was collected from books and periodicals

Limitation of the study

Time is the main limitation. Due to the vastness of the subject; it was practically impossible to cover each and every aspects. Inspite of the above limitations, every effort has been made to cover the topic.

FACTORS AFFECTING ENTREPRENEURIAL GROWTH

ECONOMIC FACTORS

1. CAPITAL: Capital is the most needed pre-requisites to the establishments of an enterprise. Capital enables the entrepreneur to bring together the essential production inputs, such as land, machine and raw material.

2. LABOUR: The quality of labour available is another important factor that influences the emergence of entrepreneurship. Adam smith considered that division of labour is also an important element which influences entrepreneurship emergence and development.

3. RAW MATERIAL: The need of raw materials for establishing any industrial activity has been an accepted fact. The importance of raw materials influencing the emergence of entrepreneurship need no emphasis.

4. MARKET: The size and composition of market influence entrepreneurship in their own ways.

5. IMPORTANCE OF ENTREPRENEURS IN ECONOMIC DEVELOPMENT.

Every country tries to achieve maximum economic development. The economic development of a country to a large extend depends on human resources. But human resources alone will not produce economic development-there must be dynamic entrepreneurs. Entrepreneurs seizing opportunities set
up business undertakings and industries there by make economic transformation. They are therefore aptly called agents of change.

The following points elucidate the pivotal role played by the entrepreneur in the economic development.

1 **Capital formation**

   Capital is essential for every business; one single individual will not be able to contribute the entire capital required for a big business concern. An entrepreneur mobilizes the idle savings of the public and thus promotes capital formation.

2 **Creating Employment opportunities**

   The most important socio economic problem faced by the developing countries is unemployment. Innovation is the key to entrepreneurship. Entrepreneurs contribute many innovations in developing new products and in the existing products and services. All these have resulted in economic development.

3 **Reduces the concentration of economic power**

   Entrepreneurship reduces the accumulation of economic power in a few hands. It ensures a wider distribution of economic power among the people.

4 **Encourages the effective utilization of capital and natural resources**

   Entrepreneurs help in the effective utilization of idle funds in the society. They can also profitable utilize the natural resources at their place of operation.

5 **Promotes Export Trade**

   Exports are necessary for caring foreign exchange. Entrepreneurs promotes country’s export trade, which is a vital ingredient of economic development.

   In short, entrepreneurs perform vital functions in economic development. They have been refered to as the human agent needed to “mobilize capital, to exploit natural resource, to create markets, and to carry on traders”.

**ENTREPRENEURSHIP IN INDIA**

India does not possess a good record of entrepreneurship. However, its image is definitely in providing. In the recent past India’s status in the industrial world has grown. From humble surrounding India is now the 10th largest industrialized nation of the world. However India has essentially been an “adoptive” entrepreneur. It has how to prepare itself with an entrepreneurship of a different order that of an innovative type. This will require the harnessing of India’s true potential through tremendous advance of science and technology. It is essential that the government and the people must have a more mature and final approach towards the concept of entrepreneurship. Then only would it be possible for this nation to match the level reached by advanced countries.

Since the middle of 1991, the government initiated a number of policies governing entrepreneurial development in India. This has made the task of the entrepreneur much easier. During 1994-95, the performance of the industrial sector has improved. It could register a growth rate of nearly 9% during the year.

**ENTREPRENEURSHIP IN KERALA**

KERALA is industrially backward state. There are many reasons for this condition. It is one of the important reasons in lack of entrepreneurial class. In fact, KERALA has no traditional entrepreneurial class. The trade and the commerce of the state were originally in the hands of outsiders who migrated to KERALA for business purpose.

The state of KERALA with its highest literacy reflects a most congenial atmosphere for the emergence and development of entrepreneurship. KERALA has about 4 million educated unemployed persons registered in its employment exchanges. This is about 10% of the total unemployed in the country. The most important ingredient of economic growth is developed human resources. The one thing, which KERALA has, is its literate and educated people capable of absorbing modern and
sophisticated skills and production. But unfortunately a predominant rural people who are still not part of the market economy inhabit KERALA.

WOMEN ENTREPRENEURSHIP IN INDIA & KERALA

According to the constitution of India they are at par with men. But in reality, our society is still male-dominated and women are not treated as equal partners both inside and outside the four walls of the house. They are still treated as weak and dependent on men. Still they enjoy a disadvantageous status in the society. Certain facts that well confirm their disadvantageous position in the society are given below. The literacy rate of women is very low (about 40%). Work participation rate about (28%) and urban population share (10%) of women are extremely low. The above rates of their male counterparts are respectively 60%, 52% and 18%.

The state of KERALA with its highest literacy reflects a most congenial atmosphere for the emergence and development of entrepreneurship. According to a study conducted by women Industries Department of The State Government, The number of women’s industrial units in KERALA was 358 in 1981 and this rose to 2782 in March 1994. The high motivation among the women of KERALA to enter in to business is the result of proper education and the liberal financial, marketing and training assistance provided by the state government.

The Indian govt. is fully conscious of the premium mobile role of entrepreneurship in the economic development of the country. It is believed that small-scale industries are suited to our economy immediate large-scale employment ensuring a more equitable distribution of national income and facilitation an effective resource mobilization of capital and skill, which might otherwise remain, utilized. The efforts of the govt. of India to established a good number of Entrepreneurial Development Industries all over the country stand as testimony of the country desire and will of the government promote the growth of entrepreneurship in the country.

SMALL SCALE INDUSTRIES AN OVERVIEW

Small scale industries play a key role in the industrialization of developing country. This is because they provide immediate large scale employment and have a comparatively higher labour capital ratio; they need a shorter gestation period and relatively smaller markets to be economic; they need lower investment offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of entrepreneurship.

DEFINITION

According to the Industrial Policy Statement of may 1990, “a small scale industrial unit is one engaged in manufacturing processing of preservation of goods, rendering of certain services and having an original investment in plant and machinery not exceeding RS. 60 lakhs”. As per the recommendations of ‘Abid Huassin’ Committee, the govt. has raised the investment limit on plant and machinery for small-scale industrial units from RS 60 lakhs to Rs 3 crores in march 1997.

IMPORTANCE OF SMALL SCALE INDUSTRIES

The following factors justify the importance of small-scale industries.
1 Small-scale industries are less capital intensive and therefore found ideal for a developing economy like ours with scarce resources for heavy capital investment.
2 They are more labour intensive and provide more employment opportunities for a given level of investment than the large industries.
3 Local resources and skills can be effectively employed.
4 Small-scale industries can be set-up throughout the country as against the concentration of major industries in certain centers, there by reducing the regional imbalances in economic growth and development.
5 Value addition is greater in SSI units than in large units. Value addition is the difference between the market value of goods and services produced and the value of goods and services acquired from outside.

**TYPES OF SMALL-SCALE INDUSTRIES**

The small-scale industries may be classified under the following categories.

- **Urban based modern small industries**: These are often linked to the small industry and turning out precision goods. These are largely urban located and differ from the large industry only in size.

- **Agro based industries**: These industries in semi-urban areas which utilizes largely agricultural raw materials available in the region. They use a technology that is not the most modern but mostly operate on power and are reasonably efficient; they market in the nearest urban region and sometimes even beyond.

- **Rural artisans**: The rural artisans such as the carpenters, the blacksmith, the weaver, the potter, the cobbler etc. who are dispersed all over the country and perform the services for village or a group of villages. They operate on an individual basis, their technology is primitive and their market are purely rural.

- **Rural handicraft**: Rural handicrafts whose skills are traditional and handed down from father to son. Although they turn out product of great excellence and artistic merit, they will function in an outmoded framework and have little access to new techniques and devices.

**SMALL SCALE INDUSTRIES IN INDIAN ECONOMY**

The small scale industries sector plays an important role in the economy. It now accounts for 40% of the gross turnover in the manufacturing sector and about 34% of total exports. The provisional estimates for 1994-95 show that the sector, comprising 25.71 lakh units and employing 146.56 lakh people, manufactured goods valued at Rs.293990 crores, and exported goods worth Rs.28000 crores.

Small-scale industries playing a significant role in Indian economy due to following reasons.
1 These industries are capital light and so are suitable to a country like India where capital is deficient.
2 They are labour intensive and so provide innumerable employment opportunities. A given investment in a small scale industry can provide 10 to 50 times more employment than the same investment in a large scale industry. Small industries have special significance in the rural areas of India with face the major problem of seasonal unemployment.
3 These industries are quick yielding in nature. In other words, their gestation period is varying much less than compared to large industries.
4 These industries are skill-light. There is no need for sophisticated technology and any person with same basic training would be able to run these industries.
5 Small scale industries can be widely spread. It is useful for achieving balanced regional development since they facilitate decentralization of industry and reduce concentration of economic power.
6 Small scale industries are helpful in mobilizing capital. Since small scale industries are close to the areas where people stay mobilization rural savings easy.
7 These industries run with local labour and locally available materials.
8 Small scale industries reduce pollution and help in the protection of the environment.

**IMPORTANCE OF ENTREPRENEURSHIP IN SSI**

The economic development of a nation very much depends on its industrialization. The industrial development however depends among other factors, on the availability of large number of innovative and dynamic entrepreneurs. Entrepreneurship is a moving force behind any economy. It is an accepted belief that without entrepreneurial activities the process of industrialization is not possible. Entrepreneurs are persons who initiate, organize, manage and control the affairs of a business unit that combines the factors of production to supply goods and services. They are able to exploit the
resources in the right manner in the right time with a correct outlook and experience. They are able to augment or utilize more effectively the supply of resources.

All organizations should have, managers. They may be called by different names like supervisors, directors or foremen, but managers are present. Every manager performs essentially the same functions weather he belongs to a small scale unit or large scale unit.

Small scale industries occupy an important role in the industrial economy of the developing and underdeveloped countries. Small scale industries are small establishments, which are organized and run by individual entrepreneurs. Starting a small scale enterprise needs planning and taking decisions regarding the nature and type of goods to be produced, amount of capital needed, selection of location, the type of market, and marketing strategies to be adopted. For this a dynamic entrepreneur is necessary who will organize and manage the small unit efficiently.

In short, a planning which enables the combined development of large scale industries and of small scale units is essential for the uplightment of India’s economic scenario. This is way the present endeavor of our govt. gives added emphasis to the simultaneous industrial development of entrepreneurship, both in the small scale and large scale sectors.

CONCLUSION

The INDIAN Govt. is fully conscious of the premium mobile role of entrepreneurship in the economic development of the country. It is believed that small scale industries are suited to our economy immediate large scale employment ensuring a more equitable distribution of national income and facilitation an effective resources mobilization of capital and skill, which might otherwise remain, utilized. The efforts of the Govt. of India to establish a good number of entrepreneurial development industries all over the country stand as testimony of the country desire and will of the Govt. promote the growth of entrepreneurship in the country.

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