INDUSTRIAL ENTREPRENEURSHIP IN SMALL SCALE INDUSTRIES OF ORISSA

(with reference to an advanced, a backward and a more backward district)

THESIS SUBMITTED FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN ECONOMICS TO UTKAL UNIVERSITY

BY Prafulla K. Raj

DEPARTMENT OF ANALYTICAL AND APPLIED ECONOMICS UTKAL UNIVERSITY, VANI VIHAR BHUBANESWAR-751004 1982 Prof. D. Mahapatra, Head of the Department of Analytical & Applied Economics, Utkal University Vani Vihar Bhubaneswar

This is to certify that the dissertation entitled "INDUSTRIAL ENTREPRENEURSHIP IN SMALL SCALE INDUSTRIES OF ORISSA: WITH REFERENCE TO AN ADVANCED, A BACKWARD AND A MORE BACKWARD DISTRICT" submitted to the Utkal University in the fulfilment for the award of DOCTOR OF PHILOSOPHY in Economics by Shri Prafulla Kumar Raj embodies the results of bonafide research work carried out by him under my guidance and supervision. No part of this study reported here has so far been submitted any where for publication or any other degree or diploma.

It is further certified that such help or source of information as have been availed of during the course of investigation have been duly acknowledged by him.

BHUBANESWAR

DATED THE 10th Feb. 1982

J. Wahafabe (D. MAHAPATRA)

ACKNOWLEDGEMENT

This doctoral thesis has been prepared under the guidance of Prof. D. Mahapatra, Head of the Department of Analytical and Applied Economics, Utkal University, a teacher of high reputation, who also taught me the ABC of Economics. Since a student's indebtedness to a teacher can hardly be acknowledged, I would only say I am grateful to Prof. Mahapatra.

Dr. J.C. Sandesara, Professor of Industrial Economics, Department of Economics, University of Bombay deserves special acknowledgement. I had the good fortune of getting his invaluable help and guidance whenever needed. I record my deep sense of gratitude to him. In addition, I had the benefit of discussing my problems with Fr. Henry V. Louis, S.J., a student of Dr. Sandesara, who was working on a similar topic, statistical assistance of Shri S.P. Goswami and necessary help and guidance of Shri A. Balchandran on general matters. I sincerely thank them for their ungrudging help and co-operation and stimulating companionship in Bombay.

Dr. Bidyadhar Misra, ex-Professor and Head of the Department of Analytical and Applied Economics, Utkal University and Dr. Baidyanath Misra, Visiting Professor and subsequently Professor and Head of the Department had shown keen interest in my work. Valuable comments and suggestions of Dr. Baidyanath Misra were helpful to me at the formative period. I express my sincere gratitude to both of them. I also thank Dr. S.C. Patnaik, Professor of Economics, Dr. B. Sahoo, Reader in Economics, Dr. R.K. Jena, Reader in Commerce and Miss. Shailabala Devi, Research Assistant of the Department of Analytical and Applied Economics for their help and suggestions.

Since the study was carried on under Faulty Improvement Programme of the University Grants Commission, I take this opportunity to thank the authorities of the Commission for having instituted Teacher Fellowship in the Department of Analytical and Applied Economics, Utkal University, without which it would not have been possible to undertake a work of this nature. Dr. S.D. Karnik, Joint Director, Western Regional Centre, ICSSR Hostel-cum-Guest House, University of Bombay, Kalina Campus, was kind enough to provide necessary facilities for my stay in the hostel and work whenever requested for. I gratefully acknowledge his help and co-operation.

I am thankful to Dr. 8.8. Deo, Head of the Department of Physics and Chairman Computer Centre,

(ii)

Utkal University for kindly permitting me to do computer analysis in 1130 IBM Computer free of charge. The unhesitating help of the staff of the centre is gratefully acknowledged.

Miss Sandhya R. Patil of Goregaon, Bombay, rendered me her sincere and efficient assistance in processing the collected data. Mr. Krishnarao, D. of Bhubaneswar had been kind enough to type out the manuscript. My thanks are due to both of them.

My wife, Lily was patient enough to bear with me during the entire period of the research work. But for her encouragement and co-operation, this work would not have been completed on time.

BHUBANESWAR

DATED THE 10th 746'82

Propullak. Raj (PRAFULLA K. RAJ)

CONTENTS

. .

			PAGE
ACKNOWLEDGEMENT	••	••	(i)
Contents	••	••	(iv)
List of Tables	••	••	(v)
CHAPTER			
I	INTRODUCTION	••	1
II .	DESIGN OF THE STUDY	••	34
	SOCIO-ECONOMIC BACKGROUND DF ENTREPRENEURS	••	72
IV	INCEPTION LEVEL FACTORS, ENTREPRENEURIAL ACTIVITIES AND PROBLEMS	••	130
V	GENERAL FEATURES OF INDUSTRIA UNITS OF ENTREPRENEURS	\L ••	184
. VI	OPÉRATIONAL PROBLEMS OF ENTREPRENEURS	••	256
VII	FINANCIAL POSITION OF INDUSTRUNITS OF ENTREPRENEURS	RIAL	293
VIII	FINANCIAL AND ECONOMIC PERFORMANCE OF THE INDUSTRIAL UNIT OF ENTREPRENEURS		327
IX	GROWTH OF INDUSTRIAL UNITS Of Entrepreneurs	••	371
X	CONCLUSIONS AND IMPLICATIONS	••	393
•	BIBLIDGRAPHY	•• `	419
	APPENDIX - A	••	433
	APPENDIX - B ••	••	459

• •

LIST OF TABLES

TABLE		PAGE
I - 1	Occupational Distribution of workers	27
I - 2	Net State domestic product of Orissa by Districts for the year 1977-78	29
I - 3	Relative contribution of agriculture and industry to domestic net products of districts	31
II - 2	District-wise and industrywise distri- bution of small-scale industrial units as existing on 31st December 1974	43
II - 2	Sampling Design	50
II-3	Number of units covered - response and non-response	60
11-4	Reasons for non-response	63
iii -1	Place of birth of entrepreneurs	75
III-2	Plme State of migrated entrepreneurs	78
111-3	Reasons for migration of entrepreneurs	81
111-4	Urban and Rural background of entrepre- neurs	84
111-5	Age at which entrepreneurs entered into industry	88
111-6	Entrepreneur's family structure and size	93
111-7	Monthly income of the family of the entrepreneurs	98
111-8	Principal occupation of entrepreneur's family	103
111-9	Religion of entrepreneurs	106
111-10	Caste and community of entrepreneurs (Other States)	109
111-11	Caste and community of entrepreneurs (Orissa)	113

TABLE		PAGE
III -1 2	Level of education of entrepreneurs	119
111-13	Technical training/practical experi- ence of entrepreneurs	125
III -1 4	A comparative statement of entrepreneurs with higher level of education and those with technical training and practical experience	127
IV - 1	Factors in perception of market opportunities	135
IV - 2	Entrepreneurs' ranking of encouraging factors	140
IV - 3	Entrepreneurs' ranking of discouraging factors	149
IV - 4	Factors in risk taking	151
IV - 5	Factors creating confidence in the feasibility and viability of the units	158 .
IV - 6	Important motives in entering into industries	163
IV-7	Timelag between the perception of opportunity and the actual establishment of the units	167
IV - 8	Entrepreneurial activities after the perception of opportunities	172
IV - 9	Initial problems of entrepreneurs	179
V - 1	Reasons for starting small units	188 [`]
V - 2	Location of the units	193
V - 3	Sources of initial capital	197
° V − 4 ·	Type of industry	201
V - 5	Ownership pattern of the industrial units	203
V - 6	Year of Establishment	207

•

(vii)
---	-----	---

	(011)	
TABLE		PAGE
V - 7	Type of factory building	209
V - 8	Nature of industrial activity	213
V - 9	Details of the disposal of products in the local market	221
V -10	Number of days worked in a year	222
V 11	Number of shifts worked in a day	224
V -12	Nature of operation	227
V -13	Skilled labour employed	230
V -14	Unskilled labour employed	232
V -15	Managerial and other labour employed	235
V -16	Family members employed	238
V -17	Mechanisation of production	241
V -18	Nature of assistance received by the entrepreneurs in starting their units	243
V -19	Efficacy of incentives and supporting facilities	247
V -20	Type of assistance expected by the entrepreneurs	250
VI - 1	Operational problems of entrepreneurs	260
VI - 2	Problems relating to sale of products	268
VI - 3	Problems relating to raw materials	273
VI - 4	Problems relating to finance	278
VI — 5	Capacity utilisation by the industrial units	283
VI - 6	Obstacles to capacity utilisation	286
VII - 1	Composition of total assets - 1978-79	296
VII - 2	Composition of total liabilities - 1978-79	301

.)

(viii)

.

~

•

.

.

TABLE		PAGE
VII - 3	Average size of assets - 1978-79	304
VII - 4	Average size of liabilities - 1978-79	306
VII - 5	Distribution of medium and long-term loans by sources - 1978-79	308
VII - 6	Distribution of short-term loans by sources - 1978-79	311 .
VII-7	Composition of cutput - 1978-79	316
VII - 8	Distribution of output - 1978-79	322
VII - 9	Output and value added 1978-79	325
VIII - 1	Profitability Ratios - 1978-79	333
VIII - 2	Turnover Ratios - 1978-79	338
VIII - 3	Liquidity Ratios - 1978-79	344
VIII - 4	Stability and solvency Ratios - 1978-79	350
VIII - 5	Output to capital Ratios - 1978-79	357
VIII - 6	Value added, wages and surplus each per worker - 1978-79	363
VIII - 7	Capital-Labour Ratios - 1978-79	367
IX - 1	Growth of total assets - 1975-76 to 1978-79	374
IX <u>-</u> 2	Growth of fixed assets - 1975-76 to 1978-79	377
IX - 3	Growth of equity capital - 1975-76 to 1978-79	380
IX - 4	Growth of output - 1975-76 to 1978-79	383
IX - 5	Growth of employment of labour 1975-76 to 1978-79	385
IX - 6	Qualitative growth of units since Establishment	389

,