

Role of Social Capital Formation in Entrepreneurship Development among the Underprivileged Class of Odisha

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Abstract. In this paper an attempt has been made to analyse such dimensions which support or otherwise impact the entrepreneurial environment that perpetuates prevalence of social capital leading to growth of entrepreneurship among the underprivileged class in an Indian State of Odisha. For example, various sources of owner's capital, entrepreneurs affiliation to community groups, how existence of various forms of support system available for entrepreneurial orientation benefitted Govt.'s role vis-à-vis the social groups perception of existence of state support are discussed so as to derive the role and contribution of social capital for entrepreneurial orientation among the underprivileged class of Odisha particularly at the micro level. In a backward State like Odisha understanding of the existence of social conditions towards preference for entrepreneurship as an occupational choice would pave ways for policy initiative towards realization of widespread entrepreneurial engagement.

Keywords: Underprivileged Class, Entrepreneurs, Underdeveloped regions.

1 Introduction

Studies on entrepreneurship often make a distinction between family resources and ethnic resources (Min and Jaret, 1985). According to some scholars, families are an important source of the oxygen that fuels the fire of entrepreneurship (Rogoff and Heck, 2003). However, kinship is a cultural attribute, and kinship and family roles can also be regarded as integral elements of ethnic or cultural resources. The success of Diaspora entrepreneurship is actually traced to ethnic resources, like kinship and marriage systems, trust, social capital, entrepreneurial values and attitudes....' (Light and Karageorgis, 1994). In several cases it was found that co-ethnic and culturally linked community are actively involved in utilising these resources in their business, so that their enterprise can passively benefit from group resources on different occasions. According to Davidson and Honig (2003: 307), social capital refers to the ability of actors to extract benefits from their social structures, networks and relationships (Davidson and Honig, 2003). Social capital can exist at the country level, for example, in the degree of trust in

government and other institutions and at the community level, such as the quality of social networks within the locality. Social networks can involve the extended family, communities and organisational relationships. Abell et al. (2001) argue that social capital confers social legitimacy upon entrepreneurship; reveals information about opportunities, customers, suppliers and competitors; and facilitates access to resources such as cheap labour and capital while providing psychological aid, such as helping entrepreneurs to weather emotional stress and to keep their business afloat (Abell et al, 2001). In a sense, social capital might be used to compensate for limited financial or human capital. The need for having affiliation to such social organisation particularly in case of the socially underprivileged class, arises as entrepreneurs belonging to this class enjoy no such affiliation to business groups within their respective social community due to the absence of involvement of these groups in business as an occupational choice. Strong ties with former business contacts, acquaintances and members of business networks such as trade associations or guilds (Parker, 2008b) helps in overcoming the financial and emotional deficiencies in the long run link to its success.

Furthermore, shared membership is seen to be instrumental in developing good emotional attachments and reputation like pride and self-confidence within a social group. The existence of different culturally and socially differentiated social sub-groups has substantial impacts on their social capital formation. A Pronounced feature of entrepreneurial networks and start-up teams is homophile; which is the tendency for 'birds of a feather to flock together' (Mcpherson et al, 2001). Conversely, strong ties and dense social networks may also acts unfavourably on occupational choices. Nevertheless, formation of social groups facilitates cooperation between entrepreneurs, which may be as important as competition in achieving economic efficiency (Cason, 1995). High trust cultures are generally characterised by an efficient operation of informal cartels, employers' associations and credit facilities, thus reducing the transaction cost and facilitating the process of innovative actions. Furthermore, scholars have found that 'social capital provides individuals with an important type of credential- a favourable social identity that can be converted into significant tangible benefits (Baron and Markman, 2000). Therefore, existence of social capital promotes entry into entrepreneurship (Djankov et al, 2002). The preceding discussions provide for the existence of a general agreement that membership networks such as clubs and societies, churches, trade associations and other formal and informal

entrepreneur's network enhances entrepreneur's profits, growth, performance and survival prospects (Honig, 1996; Gomez and Santor, 2001; Bosma et.al, 2004).

In a study of Gujarati motel owners in Texas, it was observed that poorer Gujarati entrepreneurs who owned unbranded motels survived significantly longer if they were located closed to successful Gujarati entrepreneurs who owned branded motels (Kalnins and Chung, 2006). Similarly the Marwari's the natives of Marwar region of Rajasthan (India) because of their community mobilisation of capital resources, intra-community business linkage and Intra-community marriage networks, their participation in entrepreneurial activities in the state of Odisha was quite high (Timberg, 1971). Sometimes, it is high occupational status and relevant industrial work experience have been linked with entrepreneurs' propensities to use social network ties as opposed to market methods to access start-up capital for high tech ventures in Singapore and Beijing (Zhang et al, 2008).

In terms of dependency on promotional institutions engaged for promotion of entrepreneurship in general and entrepreneurship among the socially disadvantaged class in particular, externality does play a role as a motivation for entrepreneurial engagement particularly in a developing economy like India. In a study conducted in the state of Odisha (Panda, 1996) as to the role of promotional institutions such as District Industries Centres (DIC), it was found that these organisations whose objective is to create a trustworthy environment towards widespread entrepreneurial development, failed miserably (Panda, 1996). Absence of motivation due to inefficient performance of Government organisations, negates the instrument of confidence among entrepreneurs resulting from the existing macro level social capital i.e., institutional and government systems and structures. Negating the role of promotional institutional engagement severely jeopardise the propensity for entrepreneurial orientation among the underprivileged class, which is more pronounced in a state like Odisha.

2. OBJECTIVES OF THE STUDY

This paper makes an attempt to examine the role and relevance of social capital and community networks towards promotion of entrepreneurship in the state of Odisha from the entrepreneur surveyed for purpose of this study. In order to evaluate the nature of social capital in prevalence at macro level, a perceptual /qualitative analysis of contribution of promotional

institutions for the growth of entrepreneurship among the socially underprivileged class is also attempted in this study.

3. METHODOLOGY

This study is based on the primary survey of 501 entrepreneurs belonging to the Underprivileged Class comprising of SCs, STs, OBCs, and Women in the State of Odisha. Data so collected from a structured Questionnaire covering the dimensions of the study were put in SPSS format for purpose of analyzing the relationship of several factors which supposedly impact entrepreneurial behavior of this class in the State. The first section deals with various factors on evaluating the existence of social capital such as the nature of community networks and the entrepreneur's dependency in term of benefit derived out of it are put into including the sources of initial capital so as to have an inkling into the nature and characteristics of the social capital operating within these communities.. The last section deals with the summary of the whole analysis.

4. DATA ANALYSIS AND RESULTS

4.1 SOCIAL GROUPS AND SOURCES OF INITIAL CAPITAL

Table 1, shows the membership of different types of community groups along with their arrangement for initial capital at the start of their ventures. Around 44% of the respondents were not members of any social community, whereas remaining 56% of the respondents have shown their affiliation to some formal social groups. Own savings as a major contributor to investment constitutes as capital required to start one's enterprise as 62% of the respondents depended on their own savings for starting the enterprise. The most desirable sources of initial capital was therefore found to be own savings as revealed from the study Dependency on respective caste-groups as a support for initiating business was seen in 12.4% of the entrepreneurs. However, majority of them i.e., around 38%, raising money from among the entrepreneurs already operating in trade and commerce, found to be a better option. Interestingly, arrangement of initial capital through friends and relatives was seen highest for members who had caste-group associations.

In other words, by being a member of a social group natural advantage was accruing to the entrepreneurs. The same was found to be correct among the members affiliating to market

traders' associations also. But in this group for most of the members own savings was instrumental in the initiation of the business. This may be due to the past business experience of the entrepreneurs which resulted in the accumulation of savings.

Table 1: Membership of a Group & Sources of Initial Capital

Sources of Initial Capital	Trade Asson.	Caste-Group Asson.	Community Club	Market Traders' Asson.	Social Network	Not a Member	Total
Own savings	16 (5.1)	35 (11.3)	5 (1.6)	113 (36.5)	11 (3.5)	130 (41.9)	310 (100)
Borrowed from parents	31 (21.5)	13 (9.0)	6 (4.2)	25 (17.4)	6 (4.2)	63 (43.8)	144 (100)
Friends & Relatives	0	10 (43.5)	0	2 (8.7)	0	11 (47.8)	23 (100)
Private Money Lenders	-	3 (37.5)	0	0	0	5 (62.5)	8 (100)
Others	0	1 (6.3)	0	4 (25.0)	0	11 (68.8)	16 (100)
Total	46 (9.2)	62 (12.4)	11 (2.2)	144 (28.7)	17 (3.4)	220 (43.9)	501 (100)

Source: Survey Data; Chi-Square = 87.007 Value = .000 (Figures in bracket is % to Total)

As per the Chi-Square statistics with a P value .000 ($P < .01$), there exists a significant difference in the sources of initial capital for members having affiliation to different community groups.

Table 2, gives the frequency distribution of different sources of initial capital further reveals that the desire for entrepreneurship was fulfilled due to the parental support as well. Around 29% of the respondent – entrepreneurs had started their venture with capital borrowed from their parents. Perhaps more number of entrepreneurs in our sample has come from parents having business as their occupation. It may also be seen as an extension of the family tradition to remain in entrepreneurship.

Table 2: Frequency distribution of sources of initial Capital

Sources of Capital	Frequency	Percentage	Cumulative %
Own Savings	310	61.9	61.9
Borrowed from parents	144	28.7	90.6
Borrowed from friends & Relatives	23	4.6	95.2
Private moneylender	8	1.6	96.8
Any other Source	16	3.2	100
Total	501	100	--

Source: Survey Data

Table 3, depicts formation of different social organisations by different caste/social groups as per our survey data. Around 56% of the respondents (281 out of 500) have affiliated to some form of social organisation, whereas the rest 44% had no such inkling for remaining with any such forum/group. Most of the respondents' membership was on business consideration, thereby perhaps aiming for business advantages. This is because most of the SC-respondents (27.4%); ST-respondents (75%); OBC-respondents (17.8%); Muslim-respondents (34.2%); Women-respondents (56.3%) within their respective groups had affiliation to market trade association. Caste-centric groups in terms of percentage within their groups, 21.5% of Muslim entrepreneurs were found to be members of such group. Among women entrepreneurs the other form of social organisation seen was social network (12.5%). The entrepreneurs in the category of SC, ST and OBC social group, caste-specific social organisation was not so prominently visible. This might be a possible reason for slow growth of entrepreneurial efforts among the potential entrepreneurs among the underprivileged class.

Table 3: Social Groups & their Belongingness to social organisations

Belongingness to social organization							
Social Groups	Trade Asson.	Caste-Group Asson.	Community club	Market-Traders Asson.	Social Network	Not a Member Of group	Total
SC	7 (7.4)	12 (12.6)	2 (2.1)	26 (27.4)	5 (5.3)	42 (44.2)	95 (100)
ST	1 (2.5)	4 (10.0)	1 (2.5)	30 (75.0)	1 (2.5)	3 (7.5)	40 (100)
OBC	30 (11.4)	29 (11.0)	6 (2.3)	47 (17.8)	7 (2.7)	145 (54.9)	264 (100)
Muslim	7 (8.9)	17 (21.5)	1 (1.3)	27 (34.2)	2 (2.5)	25 (31.6)	79 (100)
Women	1 (6.3)	0 (0)	0 (0)	9 (56.3)	2 (12.5)	4 (25.0)	16 (100)
Christian	0	0	1	0	0	0	1
Others	0	0	0	5	0	1	6
Total	47	62	11	144	17	220	501

Source: Survey Data; P Chi-Square 144.922 36 .000 (Figures in bracket is % to Total)

With Chi-square P-value .000 ($P < .01$) it can be concluded that different social groups exhibit significantly different behaviour as far as their belongingness to different social organisation is concerned as revealed from this study.

4.2 Benefits derived due to Group Membership

Table 4, shows the distribution of responses from the respondent entrepreneurs on benefits they have enjoyed due to their affiliation to different types of social organisation. The responses are tabulated as per the question put to them: How have you benefitted being a member of a group?

The SC group entrepreneurs reported on the benefits derived due to their belongingness to some social organisation. Primarily the support was on arrangement of capital and support for marketing their products; with 16.8% and 17.9% of entrepreneurs within the SC-group respectively benefitted out of it. For ST-entrepreneurs, membership in such social organisations benefitted them in securing marketing support (65% of respondents within this group).

Table 4: Group Membership & Benefits Derived

Social Groups	A*	B*	C*	D*	E*	F*	G*	H*	I*	J*	Total
SC	6 (16.8)	6 (6.3)	7 (7.4)	17 (17.9)	1 (1.1)	0 (0.0)	1 (1.1)	5 (5.3)	1 (1.1)	41 (43.2)	5 (100)
ST	0 (0.0)	6 (15.0)	2 (5.0)	26 (65.0)	0	0	3 (7.5)	0	0	3 (7.5)	40 (100)
OBC	17 (6.4)	34 (12.9)	12 (4.5)	26 (9.8)	5 (1.9)	1 (0.4)	15 (5.7)	6 (2.3)	1 (0.4)	147 (55.7)	264 (100)
Muslim	5 (6.3)	17 (21.5)	1 (1.3)	25 (31.6)	1 (1.3)	0	1 (1.3)	0	1 (1.3)	28 (35.4)	79 (100)
Women	2 (12.5)	1 (6.3)	0 (0)	8 (50.0)	0	0	1 (6.3)	0	0	4 (25.0)	16 (100)
Christian	0 (0)	1 (100)	0 (0)	0	0	0	0	0	0	0	1 (100)
Others	0 (0)	1 (16.7)	1 (16.7)	3 (50.0)	0	0	1 (16.7)	0	0	0	6 (100)
Total	40 (8.0)	66 (13.2)	23 (4.6)	105 (21.0)	7 (1.4)	1 (0.2)	22 (4.4)	11 (2.2)	3 (0.6)	223 (44.5)	501 (100)

Source: Survey Data; Chi- Square 146.176 54 P = .000 (P < .01) (Figures in bracket is % to Total)

*A- Arranging capital/funds; B – Expanding Business; C – Expanding Business Knowledge

D – Marketing Support; E – Labour Supplies; F – Bargaining Strength; G – Better Social Position; H – Recognition & Accomplishment; I – Enhanced Self- esteem; J – No Benefit

For OBC group of entrepreneurs, expansion of business interest found to be the highest preferred choice (13% within OBC entrepreneurs). The social group under Muslims in our sample, marketing support and expansion of business were two major sources of benefit. Women entrepreneurs too benefitted by being member of a social group as 50% of women

entrepreneurs reported receipt of marketing benefits from such groups. Equally important to note was that 44.5% of the respondents in our sample reported of not getting any forms of help solely because of being members of any social organisation as revealed from the table. Most of the entrepreneurs in the social group- OBC (55.7%) found no benefits due to their group membership. Group membership facilitates better social position and recognition which acts as an influencing factor for enterprise development barring the ST- group entrepreneurs, members having affiliation could not find much (support) benefits in terms of gaining elation in social position and recognition and accomplishment as observed from Table 4. Although, it is certain that some have derived business advantage while others could not by virtue of being a member of social organisation, it is difficult to derive the assertion that social capital has not influenced the entrepreneurial behaviour because in our sample 56% were a member of some group or the other. Therefore, it can be concluded that the nature of advantages derived by different social groups due to their belongingness to different social organisations were significantly different with P-value.000 ($P < .01$) as revealed from the Chi-square statistics (shown below the table).

Lack of awareness to the State support programmes for entrepreneurial development for the underprivileged class might be another reason for respondents' inability to create stronger and efficient pressure groups through such social organisations. Table 5, corroborates this fact.

Entrepreneurs belonging to social groups 'Women' and 'Others' lag behind the other social groups in terms of awareness of governmental promotional measures for growth of entrepreneurship among the underprivileged class. From the same table we can see that the social group SC is quite better off as around 38% of them was well-versed with the State efforts.

Table 5: Social Groups & Knowledge of State Support to Small Entrepreneur

Social Groups	Aware of State Support	Not Aware of State Support	Not Answered	Total
SC	36 (37.9)	59 (62.1)	-	95 (100)
ST	9 (22.5)	31 (77.5)	0	40(100)
OBC	74 (28.2)	187 (71.4)	1 (0.4)	262 (100)
Muslim	17 (21.5)	62 (78.5)	0	79 (100)
Women	3 (18.8)	13 (81.3)	0	16 (100)
Christian	1(100)	0	0	1(100)
Others	1(16.7)	5(83.3)	0	6(100)
Total %	141 (28.3)	357 (71.5)	1 (0.2)	499*(100)

Source: Survey Data; *Two respondents did not respond. Chi Square P-Value = 0.500 (Figures in bracket is % to Total)

The respondents were asked the question: “Do you have any knowledge about the State (Govt.) support to small entrepreneur? Table 5, shows the distribution of the responses to the above question. With a P-value of .500 ($P > 0.05$) there exists no significant difference among different social groups as far as responses to the above question is concerned. Hence it confirms the presence of a general phenomenon of backwardness in terms of access to information among the social groups as revealed from the study.

5. CONCLUDING OBSERVATIONS

Existence of social capital, a phenomenon relevant for entrepreneurial orientation, does affect the propensity for entrepreneurship positively and hence provides opportunity for self-employment as an occupational choice. In this chapter an analysis of prevalence of social capital formation at Micro level from the survey data was carried out. Entrepreneurial perceptions as to the benefits derived by the underprivileged class entrepreneurs showed that majority of these entrepreneurs lacked access to the support system. In other words, most of the entrepreneurs showed their inability to derive business advantage despite presence of these institutions. Entrepreneurs belonging to social groups ‘Women’ and ‘Others’ lag behind the other social groups in terms of awareness of governmental measures for growth of entrepreneurship among the underprivileged class.

At micro level the existence of community capital (or social capital within a social group) not only paves way for strengthening both emotional bonding besides financial supply, which itself give an impetus to entrepreneurial orientation. In this study however, supply of initial capital resulted not much from community source rather from entrepreneurs own savings. Interestingly, arrangement of initial capital through friends and relatives was found to be seen among those entrepreneurs who had one way or the other an affiliation to caste-group associations. In our survey both affiliation to community groups and past business experience contributed to supply of initial capital, a factor responsible for self-employment as a popular occupational choice. Beyond this however, not much benefit could be extracted by the different SG-entrepreneurs by being a member of any group. In other words, social elation and recognition because of affiliation to ‘Community Group’ could not be strongly asserted from the respondents in this study. Lack of awareness to the State’s support programme for entrepreneurship

development among the underprivileged class might be another reason for respondents' inability to create stronger and efficient pressure groups through such social organisations.

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