

Economics of Entrepreneurship and the Underprivileged Class- A Case Study of Odisha

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Abstract. The present study makes an attempt to analyze the performance in terms of revenue generation, employment and utilization of assets owned by the entrepreneurs belonging to the underprivileged class so as to examine whether entrepreneurship as a preferred occupational choice can be seen as an alternative to seeking wage employment for this socially backward class. In a study of 370 Micro Enterprises owned by entrepreneurs belonging to the underprivileged class viz, SCs, STs, OBCs and Muslims in Odisha, it was observed that underprivileged class entrepreneurs despite not having any known entrepreneurial history, in terms of entrepreneurial skill and acumen they are not lagged behind.

Keywords: Underprivileged Class Subsistence level, Micro Enterprises, Average Capital Employed, Asset Turnover Ratio

1 Introduction

Entrepreneurship is increasingly viewed as the engine of economic growth and employment creation spans a broad spectrum of national as well as regional and local context. Economic growth is bound to slow down unless there is an adequate supply of entrepreneurs looking out for new ideas willing to take the risk of introducing them. The State of Odisha provides a typical social configuration of its population wherein the underprivileged class, i.e. the SCs, STs, and OBCs contributes to more than 65 % of the total population. Therefore, the entrepreneurial supply in these economies must entail participation of socially backward class in occupations like enterprise creation hitherto unpracticed by these groups due to cultural block. In order to give effect to realization of wider entrepreneurial base Governmental support has been extended through institutional mechanisms.

Therefore, these communities must come forward and try their luck in entrepreneurial acts as well besides deriving advantages from the available affirmative action of the State.

Presumably, the entrepreneurial options might be the only alternative strategy available to bring about prosperity among the underprivileged class in the State.

In this paper an attempt has been made to analyze the performance in terms of revenue generation, employment and utilization of assets owned by the entrepreneurs belonging to the underprivileged class so as to examine whether entrepreneurship as a preferred occupational choice can be seen as an alternative to seeking wage employment for this socially backward class.

2 Data, Data Sources and Analysis

The primary data collected covers enterprises owned by the underprivileged class from 12 districts out of 30 districts of Odisha in the year 2013-14.

Size of Capital and Employment thereon:

Table 1: Size of Capital Employed and Number of Workers employed

| Size of workers employed | Total Investment (Capital Employed) | | | | Total |
|--------------------------|-------------------------------------|--------------|-------------|------------------|--------------|
| | Less than 1 lac | 1-5 lacs | 5-10 lacs | More than 20 lac | |
| Less than 5 | 270 (76.1) | 84 (23.7) | 1 (0.3) | 0 | 355 (100) |
| 5-10 | 4 (44.4) | 5 (55.6) | 0 | 0 | 9 (100) |
| 10-15 | 2 (40.0) | 1 (20.0) | 1 (20.0) | 1 (20.0) | 5 (100) |
| 15-20 | 0 | 1 (100) | 0 | 0 | 1 (100) |
| Total | 276 (74.6) | 91 (24.6) | 2 (0.5) | 1 (0.3) | 370 (100) |

Source: Survey Data

Chi-square P -value = .000 ($P < .01$).

The size of capital invested with the number of workers employed in the enterprises under study is shown in Table-1, whereas Table-2 shows the average capital employed at different levels of employment. From the table 1, with P value less than .01 (at 10% level of significance) it is clear that there exists a significant relationship between the size of capital investment and the workers employed thereon. In other words, with a rise in capital the size of employment increases. This happens when the enterprise needs labour intensive technology. Our assertion further confirms that

the micro enterprises in Odisha are catering to employment generation in the State by adopting labour-intensive technology. Within the class interval of less than 5 workers, the average capital (per unit) employed was found to be Rs. 87,000 (less than 1 lac). Similarly, within the group of 5-10 workers, the average capital employed (per unit) was Rs. 1,35,000. The quantum of capital investment (per unit) rises substantially to Rs. 8,60,000 when the number of workers employed is in the class interval of 10-15 as shown in Table 2.

Table 2: Size of Workers & Average Capital Employed

| No. of Workers | Capital Employed (Rs.) | | | |
|----------------|------------------------|-------------|-----------------|--|
| | Lower Bound | Upper Bound | Average Capital | Average Capital employed (Rounded off) |
| Less than 5 | 78,268 | 95,098 | 86,683 | 87,000 |
| 5-10 | 58,452 | 2,09,992 | 1,34,222 | 1,35,000 |
| 10-15 | 6,88,392 | 23,90,792 | 8,51,200 | 8,60,000 |

Source: Survey Data

- i. Average capital employed = capital Investment per unit of worker in their respective size of work force.
- ii. No. of units covered (as per responses) =370
- iii. Total no. of units within less than 5 workers class intervals = 355
- iv. Total no. of units within 5-10 workers class intervals = 09
- v. Total no. of units within 10-15 workers class intervals = 05
- vi. As no. of units under 15-20 workers was only 1 this level of employment has not been considered in table-2.

In other words, with the rise in capital investment (per unit), the workers required to run such units increases significantly which means that the entrepreneurs belonging to the underprivileged class were adopting labour-intensive technology. It is contended that the higher is the capital investment, the less should be the workers required when the technology adopted is a capital-intensive one. Therefore, the small enterprises (rather micro enterprise) in our study are prone to labour-intensive technology. The lower amount of investment suggests that availability of capital for enterprise creation is quite scarce in these social groups. This has led to an inevitable situation for this class to operate at subsistence level with fewer propensities for

adoption of modern (small) capital-intensive industrial enterprise. In other words, entrepreneurial engagement for this class may be the result of economic necessity in the absence of alternative options of engagement. The State's effort in arresting this capital-deficient situation is found to be inadequate. In the following pages it can be seen that despite having meager capital resources the underprivileged classes' spirit on entrepreneurial performance has not dampen.

The economic performance of an enterprise can be judged through its turnover (sales) resulting into profits. Moreover, the turnover (sales) is a result of the utilization of the assets of the enterprise it owns. The relationship of assets and sales (Assets turnover Ratio shown in Table -3) are analyzed so as to see how best these social groups utilized their assets for generating revenue (through sales) for the period 2010-13 (average of 3 financial years, i.e., 2010-11, 2011-12 & 2012-13).

Similarly, Table-3 shows size of ownership of assets by different social groups compiled from the survey data. Nearly 86 per cent of survey units (315 out of 368) showed their assets at a value of less than Rs. 1 lac. The social groups SC, ST, Muslims, Women, Christians (other than OBC) all have very low level of assets ownership (i.e., less than Rs. 1 lac). The OBC entrepreneurs on the other hand have representation in almost all defined levels of owned assets by different enterprises ranging from less than Rs. 1 lac and up to Rs. 20 lac or more as shown in Table 4.

The Chi-square Statistics further explains that different social group's behavior does not change significantly as far as different size of ownership of assets is concerned. (As $P = 0.951$, i.e., $P > .10$). In other words, since the size of investment is at a lower level the existence of variation in terms of ownership of assets among the social groups was not seen in this study.

Table 3: Social Groups & Size of Ownership of Assets

| Total Assets Owned (in Rs.) | | | | | | | |
|-----------------------------|----------------|--------------|------------|------------|----------|------------|--------------|
| Social Groups | Less than 1lac | 1-5lac | 5-10lac | 10-15lac | 15-20lac | >20 | Total |
| SC | 63 (86.3) | 7 (9.6) | 3 (4.1) | 0 | 0 | 0 | 73 (100) |
| ST | 8 (88.9) | 1 (11.1) | 0 | 0 | 0 | 0 | 9 (100) |
| OBC | 199 (84.0) | 31 (13.1) | 5 (2.1) | 1 (0.4) | 0 | 1 (0.4) | 237 (100) |

| | | | | | | | |
|-----------|---------------|--------------|------------|------------|------------|------------|---------------|
| Muslim | 36 (90.0) | 3 (7.5) | 0 | 0 | 1 (2.5) | 0 | 40 (100) |
| Women | 8 (100) | 0 | 0 | 0 | 0 | 0 | 8 (100) |
| Christian | 1 (100) | 0 | 0 | 0 | 0 | 0 | 1 (100) |
| Total | 315 (85.6) | 42 (11.4) | 8 (2.2) | 1 (0.3) | 1 (0.3) | 1 (0.3) | 368* (100) |

Source: Survey Data Chi-square Statistics P = 0.951 (P > .10)

*Only 368 (out of total 370) respondents provided information on assets ownership.

Figures in brackets represent percentage to total

3. Assets Turnover Ratio (ATR) among Social Groups

Table-4 shows the minimum, maximum and the mean of Assets Turnover Ratio for different social group enterprises. Since 364 enterprises could furnish the financial data required for this analysis, for this analysis the size of data (364 enterprises) and their corresponding Ratios are compiled and shown in Table-4.

In terms of the performance on revenue (sales) and their relationship with total assets of their respective firms owned by different social groups, the OBC entrepreneurs and Muslim entrepreneurs have performed very well as their ATR was 6.27 and 6.59 respectively. This means that assets in a year are utilized 6.27 times and 6.59 times generating sales (Turnover) respectively, by OBC and Muslims owned units. Comparatively, SC owned enterprises performed better than the ST owned enterprises, but their performance was below the OBC and Muslim entrepreneurs. The women entrepreneurs' performance was quite low (1.05 ATR) as they could only earn a sale equivalent to the assets of their organization. Since higher is the value of ATR (number of times sales more than assets) the higher is the performance of the enterprise in term of generation of revenue, the enterprises owned by the women have not able to perform well on this parameter.

Despite operating at a very Low level of capital, the revenue generated by these social group entrepreneurs proves that the skill and acumen required for entrepreneurial success is very much available with these entrepreneurs.

Table 4: Assets Turnover Ratio of Social Groups Enterprises**

| Assets Turnover Ratio (ATR) | | | | |
|------------------------------------|------------------------|------------------------|-------------------|------------------------------|
| Social Groups | Lower Bound ATR | Upper Bound ATR | ATR (Mean) | No. of Units reported |
| SC | 4.68 | 7.01 | 5.85 | 71 |
| ST | 1.45 | 2.70 | 2.07 | 9 |
| OBC | 5.62 | 6.91 | 6.27 | 236 |
| Muslim | 3.71 | 9.47 | 6.59 | 40 |
| Women | 0.64 | 1.47 | 1.05 | 8 |
| Total | 364* | | | |

Source: Survey Data

**364 respondents (out of 370) reported information on sales and Total Assets of their enterprises.*

*** ATR = Turnover (sales)/Total Assets*

Note: The higher is the figures (no. of times of Assets) of ATR, better is the Sales as utilization of Assets that converts into Sales and Revenues. (Because of singular data social group Christian is not taken here)

4. Conclusion

What is desirable for the State is to ensure availability of capital resources for the underprivileged class so that the propensity for entrepreneurial orientation can further be enhanced. Such a measure can convert the existing necessity-based entrepreneurship into an opportunity-based entrepreneurship. As per the secondary MSME Census data(2006-07) the SC,ST & OBC enterprises have shown 2.02,2.16 and 2.32 times of FA as output, while the ‘others’ social group (privileged group) has shown only 1.86 times of FA as their output. The present study corroborates the Census Data as it was observed that underprivileged class entrepreneurs despite not having any known entrepreneurial history, in terms of entrepreneurial skill and acumen they are not lagged behind.

We can conclude that since most of the entrepreneurs are from underprivileged group having lower level of assets ownership, the entrepreneurial supply comes from a subsistence level may be due to economic necessity arising out of lack of alternative opportunities available in the State. Hence efficiency of asset management by underprivileged class in comparison to the privileged class is linked to their survival. Due to this the entrepreneurial behavior that emanates in one way from the underprivileged class is a question of continuity giving little scope to the

growth of enterprise investment. It has become a perpetual phenomenon to remain at a level even if it is a 'subsistence level'. Therefore, the initiative of the State to provide support system has to be the strategy to bring the phenomenon of widespread opportunity-based entrepreneurship in the State.

5. References

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