



Problems of Socio-economically backward Class Entrepreneurs: An Analysis by responses

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ABSTRACT: This paper attempts to highlight on various problems faced by socio-economically backward class entrepreneurs. The sample entrepreneurs belonged to scheduled cast and tribes, other backward classes and denotified tribes from nine districts of Maharashtra state. Most of the marginalized group entrepreneurs are first generation micro entrepreneurs having no business background. They are coming up from socio-economically backward groups having no or less access to the resources. In order to bring backward sections of the society in mainstream, the government of India and state governments have been striving their best through policy measures (protective and welfare measures), institutional support and giving priority to these groups in development process. In spite of the policy measures and welfare schemes, there is under representation of Socio-economically backward Class in business sector. The basic aim of this paper is understand the problems and difficulties of Socio-economically backward Class entrepreneurs. The responses are collected with the help of the questionnaire and partly interviews with the respondents. The observations are based on combined responses (strongly agreed and agreed) regarding respective statements. The study found that the major problems of the entrepreneurs were related to finance, infrastructure and support services. The study suggested that appropriate education and entrepreneurial training programmes are needed to be introduced at school and college level. Promotional and Financial institutional network for supporting marginalized groups entrepreneurs also needs to be strengthened.

Keywords: Entrepreneurship, demographic characteristics, Venture Capital, discrimination

GEL Classification: L26, J12, G24, J 71

I. INTRODUCTION

Indian society is characterized by hierarchical caste system, traditional occupational patterns and lifestyles and religions. Low caste members, tribal and women on large scale, were denied rights of education and ownership of assets for centuries keeping them deprived of socio-economic development. In this background, it becomes relevant to understand the emergence of entrepreneurship among socio-economically backward people in India. According to MSME Census Report, 2013, it was found that of 15.64 lakh MSM units in India, the SC, ST, OBC and Others had owned 7.60%, 2.87%, 38.28% and 51.25% units respectively. This data clearly indicated towards disparity of entrepreneurship development among various castegroups and pinpointed underrepresentation of Scheduled castes and tribes in entrepreneurial activities in India. The government has created a good institutional set up emphasizing on entrepreneurship development of Scheduled castes, scheduled tribes, NT/DNTs and OBCs through special assistance schemes, priority in financing and marketing assistance. However, the pace of entrepreneurship development among these marginalized groups is much slower.

II. REVIEW OF LITERATURE

The research scholars have addressed and discussed various problems of Backward Class entrepreneurs. Wankhede G.G. (1993) explained that lack of education resulted in to low occupational and social mobility of Scheduled caste and Tribes which kept them away business activities. Barman, A. L. (2014) found that the socio-economic status of SC people was low because of financial problems. Kumar, S. (2014) seen pointed towards financial problems of entrepreneurs such as, inadequacy and irregularity of bank loans; high interest rates; high losses and use of borrowed funds for unproductive purposes. Azam (2015) observed that SC/STs have been beneficiaries of affirmative action policy under which a quota of seats in higher education and in government jobs has been reserved for them. Paramasivan, C. and Selvan, P.M. (2013) pointed that the

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dalit entrepreneurship has emerged due to changing attitude of Dalits and government policies encouraging entrepreneurship. National Knowledge Commission (2008) noticed that the role of intra-caste networks in furthering Entrepreneurship, especially among marginalized groups, deserves to be studied in greater detail. Thorat, S. and Senapati, C. (2007) pointed that the exclusionary character of Indian society and exclusion linked deprivation of a vast section of the population, there has been a needs for a general reorganization of the affirmative action policy for discriminated groups. Lokhande, M. A. (2006) discussed that the equity base of SC/ST entrepreneurs, was very weak and they had to rely on borrowed funds. Sanction and disbursement of loan usually took a long time. It also highlighted that the difficulties of Dalit entrepreneurs. Koen, V. L., Marijke, V. and Maddy, J. (2005) found that entrepreneurship an area where disadvantaged groups often find themselves in a less favourable situation compared to non- disadvantaged groups. Reddy, (2003) examined that the SC/ST entrepreneurs are not able to provide security for getting among backward class people. They had been the victims of the neglect and exploitation for thousands of years which made them the poorest, oppressed and deprived, Education is crucial for positive change and has direct linkage to development of entrepreneurship and occupational. Singh, S. (1987) revealed that the changes in the socio-economic conditions of the scheduled tribes in the field of social structure, occupation, economic condition, political participation and affiliation, education, health, housing were noticeable. Makwana, M. H. and Prajapati, P. (2015) analyzed that the social and economical inequalities existed even after 66 years of independence between different social groups particularly in urban areas. Gupta, C. B. and Srinivasan, N. P. (2013) pointed that the caste system in India led to rigid traditions and customs and economic activity was rigidly stratified by the caste system. Therefore, a few ethnic communities engaged in trade and industry for centuries in India. Srivastava, S. (2007) India was a country with highly rigid caste based hierarchal structure, with ascending order of privileges and descending order of disabilities, which operated for about 3000 years.

There was on overwhelming majority in the nation that was still backward socially, economically, educationally and politically. There Victims of entrenched backwardness comprise the present scheduled caste (SC), Scheduled Tribes (ST) and other backward classes (OBC). Bhanushali, S.G. (1987) pointed that the Hindus comprising Jingar, Kasar, Kumbhar, Otari, Saraswat, Shimpi, Sonar and Sutar proved to be the weakest in production area. But in other areas they are attempting to balance themselves by being second in entrepreneurs' promotion and manpower management and third in organizational changes, financial and marketing. It can well be noted that except the Christian minority communities exhibited superior entrepreneurial setting then the majority communities. The largest community, viz. Marathas remained almost at bottom. Lokhande, M.A. (2016) concluded that the marginalized group entrepreneurs belonging to various castes, a significant association was found between caste categories and entrepreneurial skill development. Marital status of the entrepreneurs was significantly associated with entrepreneurial skill development. This supports the proposition that married persons are enough matured, more accountable, experienced and skilled. The study inferred that educational level of the marginalized group entrepreneurs and entrepreneurial skill development had good association. As well there was found strong association between occupational background, entrepreneurship training and entrepreneurship development.

Statement of the problem:

Entrepreneurship development among backward class people having no-business background is new area of research. In recent years, artisans, craftsmen, farmers and unemployed people belonging lower strata of the society i.e. SC, ST and other backward class people are joining entrepreneurship. The researcher intends to understand the demographic characteristics and problems and difficulties of socio-economically backward class people and make some suggestions.

Objectives of the study:

The basic objectives of the study are:

- 1) To understand the demographic profile of the entrepreneurs,
- 2) To study the problems of Backward class entrepreneurs

Research methodology:

Scope, Universe and period of the study: The study is confined to the micro entrepreneurs working in four districts of Maharashtra state (namely, Dhule, Ahemadnagar, Wardha and Bhandara). The study survey was conducted during 2015-16 with the help of a well constructed questionnaire in order to understand the problems of entrepreneurs.

Data sources: The study is based on primary data. The primary data were collected with a well structured questionnaire and partly interviews. The data have been analysed with simple percentage, averages and ranking on the basis of weighted mean.

Sampling: The study is confined to 197 sample micro entrepreneurs belonging to Backward classes. Out of 5995 registered entrepreneurs operating four districts of Maharashtra state, 197 (3.28%) were selected on simple random sampling basis.

Table 1 Sample distribution

District	Registered Entrepreneurs/ Units	Sample respondents
Dhule	1814	59
Ahmednagar	1510	50
Wardha	1399	46
Bhandara	1272	42
Total	5995	197 (3.28%)

Source: Office records of DICs, 2015

III. RESULTS AND DISCUSSION

The study attempted to highlight on various demographic characteristics of the entrepreneurs belonging to different caste categories. Of 197 respondents, the average age of 36.55% respondents was 30 years; 38.58% respondents average age was 40 years whereas 11.67% respondents average was 50 years. There were 9.14% respondents having age less than 25 years and 4.06% respondents had age above 55 years. The data indicated that majority of the respondents were young and dynamic. Out of 197 respondents, 146 (74.11%) were male and 25.89% respondents were female. General observation is that married people are more sincere and serious and responsible. The data indicated that 78.68% of the respondents were married; 14.72% were unmarried; 3.05% of the respondents were divorced and 3.55% were separated.

As regards social status of the respondents, it was noticed that 26.40% of the respondents belonged to scheduled castes; 8.63% were scheduled tribes; 11.97% respondents were Notified tribes; 6.09% respondents belonged to Denotified tribes; 6.60% were VJNTs and 40.61% belonged to Other Backward Class. With regard to education level of the respondents, it was found that 3.55% had not attended the schools; 12.69% of the respondents had completed primary education; more than 18% respondents had completed matriculation; 34.52% respondents had completed Higher secondary School education; 22.84% were graduates and 5.58% were post graduates. Four respondents had completed technical education. As far as occupational background of the respondents was concerned, it was observed that of 197 respondents, 40.10% were engaged in agriculture; 24.36% respondents were agriculture labour; 15.23% had small family businesses and 20.31% respondents were in services.

Table 2 Demographic characteristics of entrepreneurs (n=197)

Characteristics	Frequency	Percentage
Age (yrs)		
Less than 25	18	9.14
25-35	72	36.55
35-45	76	38.58
45-55	23	11.67
Above 55	8	4.06
Gender		
Male	146	74.11
Female	51	25.89
Marital status		
Married	155	78.68
Unmarried	29	14.72
Divorced.	6	3.05
Separated	7	3.55
Social status		
SC	52	26.40
ST	17	8.63
NT	23	11.67
DNT	12	6.09
VJNT	13	6.60
OBC	80	40.61
Education		
Not attended the school	7	3.55
Primary	25	12.69
Secondary	37	18.78
Higher secondary	68	34.52
Graduation	45	22.84
Post graduation	11	5.58
Technical-Polytechnic/ ITI	4	2.03
Occupational background		

Agriculture	79	40.10
Agricultural Labour	48	24.36
Small Business	30	15.23
Service	40	20.31

Source: Field survey, 2016

Economic Activities of Entrepreneurs:

Economic activities by the respondents included manufacturing, trading and services. Of 197 respondents, 49.24% were providing various services; 37.06% were engaged in trading and 13.70% respondents had been manufacturing various products. The micro enterprises were found labour intensive, having low capital base and traditional in nature. The scale of operations of most of the enterprises under study was small. Naturally, they had lower profit margins.

Table 3 Economic Activities of Entrepreneurs

Economic activities	Frequency	Percentage
Manufacturing	27	13.70
Trading	73	37.06
Services	97	49.24
Total	197	

Source: Field survey, 2016

Responses regarding problems:

In order to compute weighted average, the formula used is:

$$\bar{x} = \frac{w_1x_1 + w_2x_2 + \dots + w_nx_n}{w_1 + w_2 + \dots + w_n}$$

The ranks given to a particular problem is based on weighted average. The first rank indicates the high intensity of the problem and the last rank indicated low intensity of the problem faced by the respondents. The study disclosed that of 197 respondents, 86.58% respondents had agreed that they had problem of inadequate debt capital. Majority of them opined that the financial institutions were somewhat reluctant to finance to marginalized group entrepreneurs. The institutions wanted just to achieve the targets and accordingly financial assistance was being done.

The respondents told that inadequacy of debt finance frequently obstructed the activities of their micro enterprises. So, they gave the first rank given to the problem of inadequacy of debt capital. Venture capital is required for new and risky ventures. Out of 197 respondents, 83.32% respondents were found facing the difficulty of inadequate venture capital. Considering the intensity of this problem, the majority of the respondents put it at second place in overall ranking of the problems. A few respondents complained that financial institutions (corporations) rejected their proposals on the ground of high risk of recovery and they were found reluctant to finance to modern ventures.

Table 4 Responses regarding problems affecting growth of enterprises

Parameters	*SA (1)	A (0.5)	NAND (0)	D (-0.5)	SD (-1)	Total	WM	Rank
Inadequate availability of debt financing	113	57	10	11	6	197	0.65	1
Inadequate availability of venture capital	70	94	13	12	8	197	0.44	2
Inadequate availability of suitable labour	37	78	32	27	23	197	0.20	6
Lack of access to raw materials	70	47	32	23	25	197	0.28	5
Lack of the market demand	61	42	31	29	34	197	0.17	8
Lack of market information	51	56	27	31	32	197	0.16	9
Intensity of competition	57	41	41	32	26	197	0.18	6
Late payment	73	45	37	27	15	197	0.34	4
Lack of support services	47	39	57	25	29	197	0.13	9
Small Management team	54	42	40	28	33	197	0.35	3
Reluctance to take a new debt	50	39	48	23	37	197	0.10	11
Less skilled labour	54	39	43	27	34	197	0.13	10
Lack of adequate space	51	37	47	25	37	197	0.18	7
Lack of suitable training programmes	48	39	68	21	21	197	0.18	7

Poor transportation infrastructure	54	43	40	31	29	197	0.16	8
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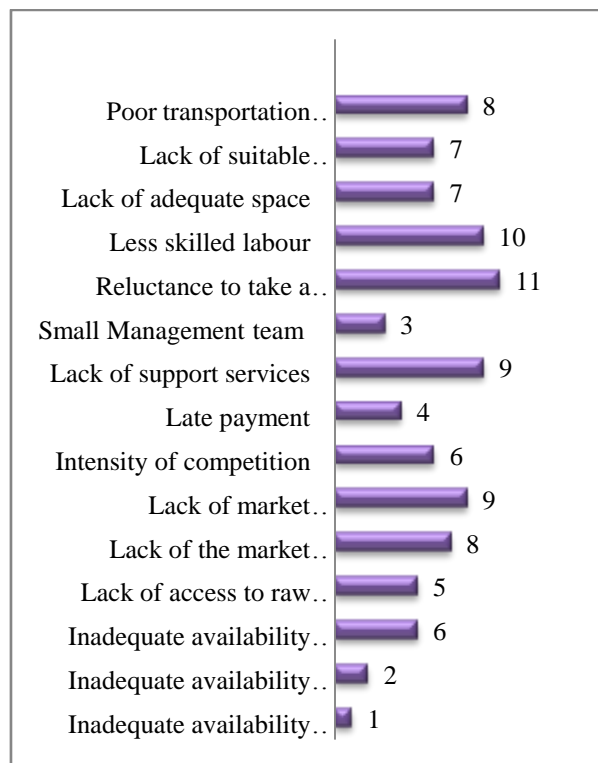
Source: Field Survey, 2014-15

Note: The figures in parentheses indicate percentage to row total.

*SA- Strongly Agree; A –Agree; NAND – Not agree not disagree; D-Disagree; SD-Strongly Disagree.

The study disclosed that most of the entrepreneurs had been facing the problem of inadequate supply of skilled and unskilled labour. Of 197 respondents, 58.84% respondents had reported about labour problems. The productivity of the workers, as stated by the respondents, was much lower. This problem was placed at 6th rank by the respondents.

Chart 1 Responses regarding problems affecting growth of enterprises (Ranks based on WM)



Small entrepreneurs, especially backward class entrepreneurs have less access to raw material. As their scales of operations are either micro or small, they are not in position to purchase and store raw material on large scale. Their financial capacity also does not permit them to purchase a large quantity of raw material. It was noticed that of 197 respondents, 59.39% agreed about raw material problems obstructing their activities. The raw material problem was placed by the respondents at 5th rank. As regards marketing and distribution of the products of backward class entrepreneurs, it was reported by 52.28% respondents that there was less demand for their products and services. They complained that in spite of good quality of their products and services, there was poor demand in the market. The respondents had given 8th rank to this problem. According to the respondents, there was tough competition in the market and survival of small players in the market was in danger. Of 197 respondents, 49.75% had complained about tough competition in the market. The respondents had given 6th rank to the problem of Intensity of competition.

It was found that Micro enterprises of marginalized group entrepreneurs had been suffering from late payment by debtors. More than 60% of the respondents had been facing the problem of delayed payments by the purchasers. Late payment of receivables reduced the liquidity of these small enterprises. So, they placed the problem of late payment at 4th rank. One of the disclosures of the study was that 43.65% of the respondents had no access to support services, such as short term finance, short term credit facility, storage facilities, communication facilities etc. Lack of support services got the 9th rank. A small Management team with backward class entrepreneurs was one of the major hurdles according to 48.73% of the respondents. It was also noticed that the management team, small in size, was found unknown to modern management styles and techniques. The management style of these enterprises was found traditional. This problem was placed at 3rd rank by the respondents. It was noticeable that more than 45.17% of the respondents had availed loans initially

to start their ventures, but were found reluctant to borrow new debts either for long term or short term in fear of overburden of loan. Reluctance of backward class group entrepreneurs to take a new debt restricted expansion of their enterprises. This problem was placed at 11th rank by the respondents. Most of the activities of the backward class entrepreneurs are based on crafts or arts which require skilled labour. According to the respondents, shortage of skilled labour interrupted manufacturing activities frequently causing losses to their enterprises. The respondents (47.20%) reported about inadequacy of skilled labour and the problem was placed at 10th rank by them. Around 44.67% respondents agreed that they had inadequate space for their business. The problem- Lack of adequate space got 7th rank. The respondents opined that due to inadequate space they could not expand business activities. According to 49.23% respondents, Lack of suitable training programmes was major hurdle in development of backward class entrepreneurs. They suggested that EDPs and training programmes should be suitable to local people, resources and needs. This problem was placed it at 7th rank by the respondents. The disclosure of the study was poor transportation confined the activities of majority respondents to local market. As reported by more than 66% of the respondents, poor transportation infrastructure adversely affected production schedules as well as supply schedules. They opined that high transportation costs were not affordable to them. This problem got 8th rank.

IV. SUGGESTIONS

Disadvantaged group entrepreneurs have not business background. In order to enhance awareness about business activities and entrepreneurship, it is suggested that special entrepreneurship awareness programme should be started to induce youngsters from disadvantaged groups to select entrepreneurship as career. In spite of social reforms programmes initiated by the government and non-government organizations, marginalization of backwards on the basis of caste, creed and occupations is in existence in India. The need of the hour is to root out all these hurdles, introduction of entrepreneurship education at school level and inculcation of entrepreneurial values among the students. As most of the backward class entrepreneurs are first generation micro entrepreneurs, that is, small vendors, manufactures, fabricators, mechanics and service providers should be supported with basic facilities, financial support and marketing assistance. There is special institutional network for supporting backward class entrepreneurs. However, these institutions are under severe criticism for mismanagement of resources, corruption, mounting losses, lack of spirit, commitment and vision, indifferent attitude, discriminatory behaviour, delays in sanction and disbursement of assistance, and inadequate assistance. In this regard, it is suggested that an effective mechanism should be initiated to check delays in sanction and disbursement of financial assistance and recovery of loan amount. In order to enhance the outreach of entrepreneurship development programmes, there is need to design and organize such programmes targeting crafts, arts, embroidery, weaving and resource based micro and small activities in semi-urban and rural areas, especially remote tribal areas.

It was found that disadvantaged group entrepreneurs had very low access to financial services. In this regard, it is suggested that start-up entrepreneurs from backward classes should be assisted financial services on priority basis. Financial inclusion programme should be implemented effectively; every person irrespective of caste, creed and religion must have easy access to financial services and basic facilities required for starting ventures.

V. CONCLUSION

In nutshell, the micro and small marginalized group entrepreneurs had been facing the problems, such as, poor industrial infrastructure, inadequate financial services, and shortage of skilled labour, raw material shortage, lower recovery rate, stiff competition and lower demand. In order to boost entrepreneurship among neglected sections of the society, appropriate education and entrepreneurial training programmes are needed to be introduced at school and college level. Promotional and Financial institutional network for supporting marginalized groups entrepreneurs also needs to strengthen.

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