

A Study of Entrepreneurial Ecosystem in Maharashtra Industrial Development Corporation (MIDC) with special reference to Kolhapur, Maharashtra

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Abstract

Entrepreneurship has been embedded in the Indian genius and is a part of its tradition. Entrepreneurship plays an important role in the economic growth and development of a nation. It is a purposeful activity which helps in initiation, promotion and distribution of wealth and service. An entrepreneur is a critical factor in economic development and an integral part of the socio-economic transformation. According to the renowned economist T.N Srinivasan, 'India has been an entrepreneurial society, we have the entrepreneurial skill but suppressed it for too long a time and now it is thriving'. The entrepreneurial ecosystem is, the environment that fosters the emergence of new ventures, is an interconnected set of elements comprising risk takers, information brokers, resource providers, demand markets and enabling technologies that act together to form a virtuous cycle of wealth creation (Venkataraman, 2004). India can lead the way to develop global solutions that work on a very large scale. It just needs to put in place the culture, ecosystem and infrastructure needed to release the latent potential of its huge entrepreneurial pool of business people. In turn, India will not only create valuable companies that make shareholders wealthy but will also pave the way for a more just and economically stable life for other third world countries. Given the increasing significance and visible impact of Entrepreneurship in wealth-creation and employment generation this research aims to study the entrepreneurial climate prevailing in Shirol MIDC, Kolhapur, Maharashtra. The methodology adopted for this exploration includes structured one to one interviews with 60 entrepreneurs and other stakeholders in the entrepreneurial ecosystem in Shirol industrial areas. A classification of the entrepreneurs interviewed will be done in terms of some key parameters such as sectors, turnover, employment, age, family background, gender and time period. The Study will examine entrepreneurship across a range of parameters to identify and understand the enabling and hindering factors.

Keywords: Entrepreneurship; Entrepreneurial Ecosystem; Stakeholders

India being on the verge of becoming the super power of the world in terms of growth, development and talent has a lot to prove to the world to attain that status. What is the way to achieve that status is the question and the answer to the above doubts are cleared by one single word and that is “**Entrepreneurship**”. Entrepreneurship is a critical aspect of the knowledge economy and India has a large pool of entrepreneurs, who have the ability to make a difference and provide a further boost to the Indian economy. In this way economic vitality of a country largely depends on the overall level of entrepreneurial capacity.

India has potential growth become a trillion dollar economy with a largely self-sufficient agriculture sector, a diversified industrial base and a stable financial and service sector. India's economy has

strong fundamentals and is host to several eminent global corporate giants that are leaders in their respective fields. According to The Global Competitiveness Report 2010-11, India occupies the 51st place among 139 countries.

Maharashtra is one of the leading states of India in adopting policies for promoting industrialization and encouraging development of industrially backward areas. The economic policies of 1970's steered the state to gain a prime position in industrialization, since then several changes in terms of policies have come into effect and structure of industries has changed substantially. The state is a pioneer in MSME sector. The state continues to attract industrial investment, both domestic as well as foreign institutions

Maharashtra state was found on May 1st 1960, the government created Board of Industrial Development (BID) on Oct. 1st 1960, which passed the "Maharashtra Industrial Act" under which Maharashtra Industrial Development Corporation (MIDC) was formed as a separate corporation on Aug.1st 1962. The MIDC has been declared as an agent of the state government for carrying out the activities within the framework of the MID Act and the MID rules.

The vision of industrial, investment and infrastructure policy of Maharashtra is, to achieve higher and sustainable economic growth with emphasis on balanced regional development and employment generation through greater private and public investment in industrial and infrastructure development. Maharashtra has been the premier state in its drive to ease the process of doing business in the state. It has already championed the launch of Single Window Clearance (SWC) which permits both-online submission and approval system through a dynamic interactive portal. The state contributes to the almost 18.4% of the nation's industrial output and 14.09% of its GDP. It is one of the most investor friendly states. Even though, agriculture has been a major focus, it has made rapid strides in industrialization as well. Over 41% of the S&P CNX 500 conglomerates have corporate offices in Maharashtra.

Objectives of the Study

- To overview the entrepreneurship vision of India.
- To study the different types of entrepreneurs prevailing in Shirolī MIDCs
- To explore the motivating factors and barriers faced by entrepreneurs of Shirolī MIDCs.
- To identify the scope for new entrepreneurs in Shirolī under the existing entrepreneurial ecosystem.

Hypothesis

Ho: There is no significant relationship between industrial growth and growth in employment generation.

Research Methodology

Each entrepreneurship ecosystem is unique. Each ecosystem is the result of the hundreds of elements interacting in highly complex ways. The methodology adopted for this exploration includes **structured one to one interviews** with entrepreneurs and other stakeholders in the entrepreneurial ecosystem in Shirolī industrial areas. A classification of the entrepreneurs interviewed will be done in terms of some key parameters such as sectors, turnover, employment, age etc. The Study will examine entrepreneurship across a range of parameters to identify and understand the enabling and hindering factors.

Entrepreneurship Vision of India

Entrepreneurship has been embedded in the Indian genius and is a part of its tradition. According to the renowned economist T.N Srinivasan, 'India has been an entrepreneurial society, we have the

entrepreneurial skill but suppressed it for too long a time and now it is thriving'. The entrepreneurial spirit is an ongoing characteristic of India's history. Recent surveys undertaken by Goldman Sachs and Pricewaterhouse Cooper have estimated that India has the potential to be among the world's leading economy by 2050. The importance of entrepreneurship in India has intensified in recent times. New entrepreneurs who do not belong to traditional business communities have begun to emerge in large numbers.

In order to modernize business so that they become globally competitive entrepreneurship needs to be made a revolution. Therefore the government has decided to refocus on the promotion of entrepreneurship in the country in a strategic manner through a comprehensive **National Entrepreneurship Policy**.

Its Vision is:

'To place India in the comity of front ranking entrepreneurial and innovative nations'

Its Mission is:

"To create an ecosystem in India wherein opportunity based and innovative entrepreneurship germinates, sustains and grows leading to the creation of a more dynamic and 'Entrepreneurial Economy'."

The overall objective of the National Entrepreneurship Policy is to create conducive conditions that augment continuous flow and emergence of opportunity driven entrepreneurs.

To achieve the above stated objectives, the government will follow a multi-prolonged strategy

- Sensitizing, Promoting and Igniting Entrepreneurship.
- Creating And Fostering Entrepreneurship
- Nurturing Entrepreneurship
- Recognizing And Celebrating Entrepreneurship
- Institutionalizing the Entrepreneurship Movement.

Review of Literature

Lee and Peterson (2000) Entrepreneurial ecosystem cannot only act as catalyst in speeding up the economic progress of stable economies but also act as a prime mover when it comes to rescuing economies that have faced a sharp decline. The cultural impact on developing entrepreneurial ecosystem cannot be ignored. There is a need for a model which acknowledges the individual without discounting on the social factors that are beyond the control of the individual.

Van De Ven (2002) describes in details the industrial infrastructure that facilitates and constraints entrepreneurship. Such infrastructure includes institutional arrangement to regulate and standardize a new technology, public resources, endowment of basic scientific knowledge, financing mechanism and a pool of competent labor, as well as propriety research and development, manufacturing, marketing and distribution functions.

Prahalad (2005) provided a definition of entrepreneurial ecosystem, according to which the ecosystem enables the individual, enterprises and the society to combine effectively for the cause of generating economic wealth and prosperity. The most remarkable attribute of an ecosystem is to blend together the stakeholders who are often driven by different objectives and expectation.

Cohen (2005) while exploring the applicability of the entrepreneurial ecosystem in creating 'Sustainable Valley' Cohen elaborates on the nine principal factors that are the key components. They are informal network, formal network, university, government and professional support services, capital services and talent pool.

Daniel J. Isenberg (June 2010) States that to ignite venture creation and growth, the government needs to create an ecosystem that sustains entrepreneurs. The action principles listed by him which will help the government move the needle on entrepreneurship in the right direction are- Engage the private sector, modify cultural norms, remove regulatory barriers encourage and celebrate success, pass conducive legislation, be judicious in emphasizing incubators, subject finance to market rigors and above all approach the entrepreneurship ecosystem as a whole. He proposed a model for ecosystem consisting of 13 factors- leadership, government, culture, success stories, human capital, financial capital, entrepreneurship organizations, education, infrastructure, economic clusters, networks, support services, early customers. The stakeholders include government, educational institutions, financial institution, media and network.

Ovais Naqui (2011). This paper highlights on extensive connection between entrepreneurial activity and economic development. It states that 'Startups are not everything when it comes to job creation, they are the only thing'. It says that startups cannot exist in a vacuum nor they are isolated from culture, political and structural factors. An entrepreneurship ecosystem at the national level is the defining factor in creating a sustainable entrepreneurship culture and in repeated success, the impact of which benefits the whole ecosystem, fraternity or community. It also suggests the factors that are required to make the ecosystem work in a region like the Middle East and North Africa as- Entrepreneurship education, unlocking the capital from venture capital, a vibrant pool of equity capital, shift in culture, knowledge and best practices, mentoring, role model and success stories and governments-through leadership-bridging platforms.

Jayshree Suresh and Ramraj (2012) say that the trend of entrepreneurs appreciating the significance of environmental factors gained ground towards the later part of the last century. To emphasis the fact that entrepreneurs do require the external environmental factors to be favorable for success, two cases were selected and the points that emerged out of this was that there is a need for a model of entrepreneurship that will capture holistically all the factors that contribute towards entrepreneurship success or failure. The authors have come up with a conceptual framework of entrepreneurial ecosystem. A model consisting of eight systems of support which are - Moral, financial, network, government, technology, market, social and environmental support. The research concluded that there is a significant influence of the ecosystem factors on entrepreneurship startup and success.

Data Analysis and Interpretation



Chart-1: Nature of Organization

Interpretation

Though all the units in Shiroli were started as either sole proprietorship or partnership, with the passage of time, 40% of the businesses have turned into Private Limited Companies.

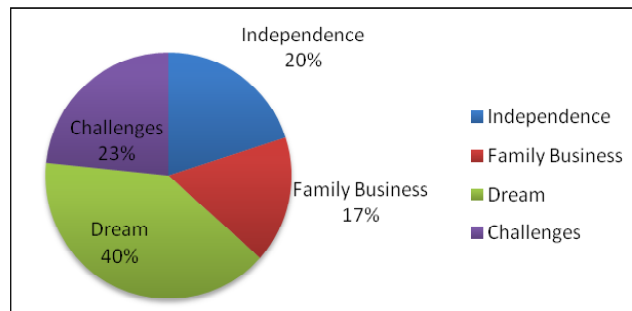


Chart-2: Motivating Factor to Become an Entrepreneur

Interpretation

Around 40% of the entrepreneurs say that it was their dreams which was a source of motivation to become an entrepreneur, 20% say that independence motivated them, 23% said accepting challenge was a motivation to take up entrepreneurship, whereas 17% of the entrepreneurs feel that due to family business they were automatically pulled into it.

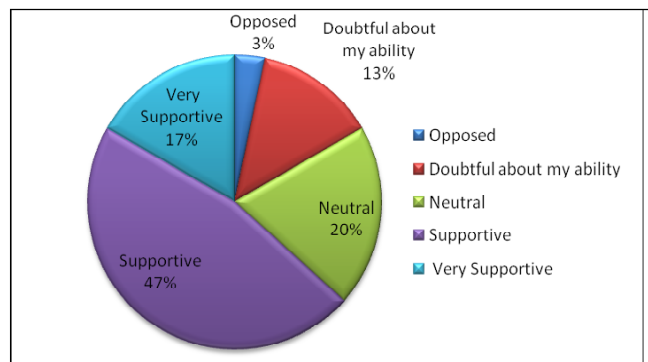


Chart-3: Family Support Received at the Time of Starting the Venture

Interpretation

Around 17% of the entrepreneurs interviewed said that their families were very supportive, while 47% said just supportive, 13% said that their families were doubtful about their ability whereas 3% say that their family members were opposing their idea of starting a venture, 20% of respondents were neutral.

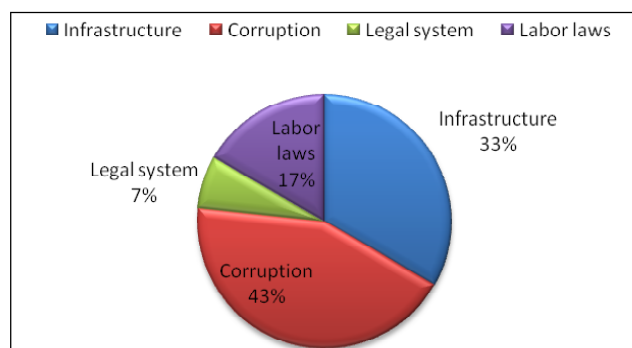


Chart-4: The Problem Faced in Conducting the Business Smoothly

Interpretation

A majority of 43% entrepreneurs said that corruption was a major problem faced in conducting business smoothly, 33% said that infrastructure was a problem whereas 17% said labor laws and 7% feel the legal system.

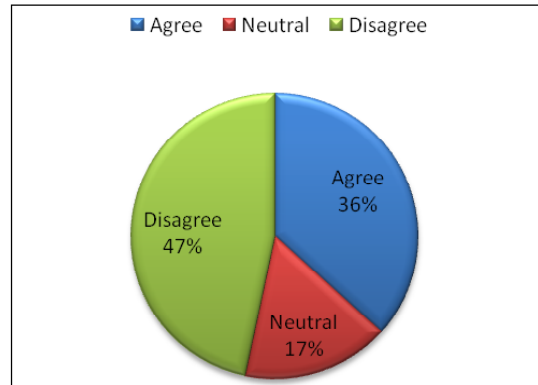


Chart-5: Government Schemes are Effectively Advertized

Interpretation

The claim of 47% of entrepreneurs was that the government schemes are not effectively advertised; they do not come to know about it many a times. where as 36 % entrepreneurs say that the government schemes are adequately advertised and an individual should be aware of it, to take its benefits.17% were neutral about it.

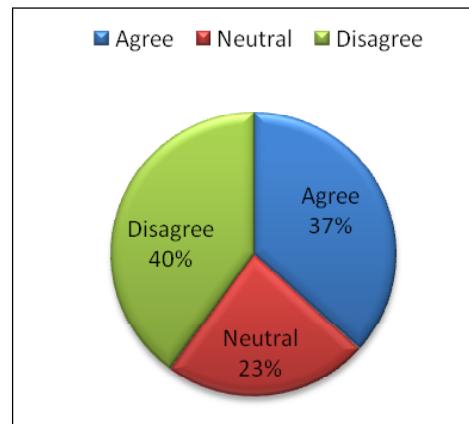


Chart-6: Non-Profit and Industry Association Help Network Investors Network

Interpretation

Majority i.e. 40 % of the entrepreneurs disagree, saying that there is no such help, which provides investors network we can get such services if we hire i.e. pay for it. 37% say that there are such services provided by the Shirolu Manufacturing Association.23% response were neutral.

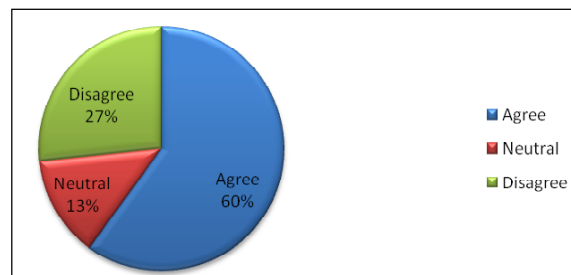


Chart-7: Education Curriculum Focuses on Developing Entrepreneurs

Interpretation

Around 60% entrepreneurs responded agreed that education curriculum focuses on developing entrepreneurs,27% entrepreneurs feel that the curriculum does not focus on developing entrepreneurial skills.13% were neutral.

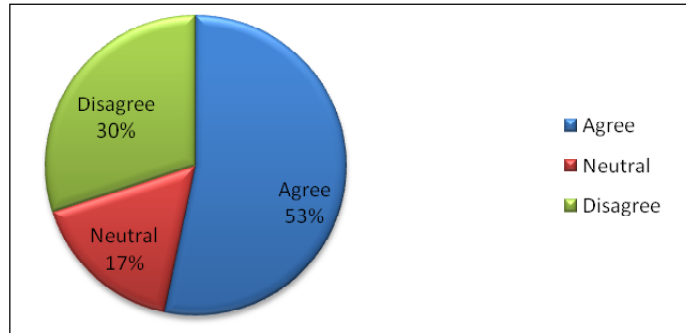


Chart-8: Time Involved between Application and Actual Disbursement of Loans in Banks is Very Large

Interpretation

The opinion of 53% of the entrepreneurs was that the time involved between application and disbursement of loan is large, but at the same time they do agree that the delay is due to their failure to fulfill the complicated requirement and documents needed by the bank. 30% disagree whereas 17% are neutral to this statement.

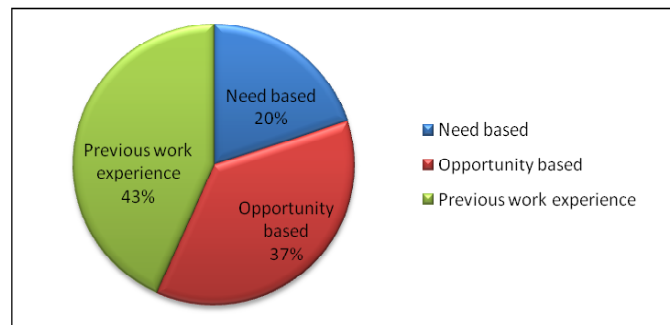


Chart-9: Business Venture Undertaken

Interpretation

It was found that 43% of the entrepreneurs undertook the venture as a result of their previous work experience, 37% undertook it to grab the prevailing opportunity whereas 20% said that it was their need which made them plunge into business.

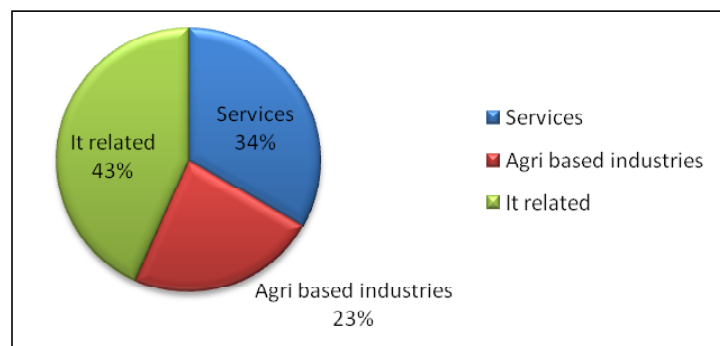


Chart-10: Upcoming Sectors According to the Present Entrepreneurs

Interpretation

43% of the entrepreneurs opine that budding entrepreneurs have a scope in IT sector, 34% feel that service is required, like courier services, organized transport like MERU, agency supplying skilled labors, cold storage facilities etc. whereas 23% entrepreneurs feel Kolhapur being an agrarian land, agro based unit like processing, canning, floriculture and related should be thought of by prospective entrepreneurs.

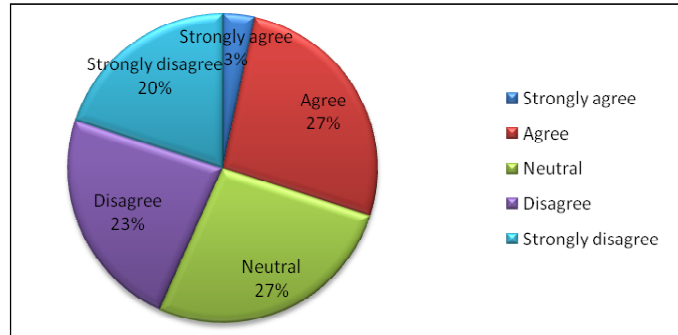


Chart-11: Politicians are Helpful in Sorting out any Problems Arising in Business

Interpretation

When asked about help of politicians and public leaders 20% strongly disagree and 23% disagree so combine 43 % feel that the leaders are of no help in any business related issues, 27% feel that they are helpful in sorting out problems whereas 27% are neutral on this issue.

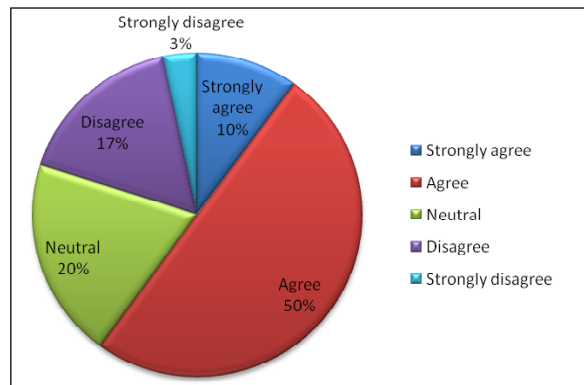


Chart-12: Failures in Society are Criticized by Society

Interpretation

60% of the entrepreneurs regret that society does not support honest failures. Around 30 percent disagree and 20% are neutral to it.

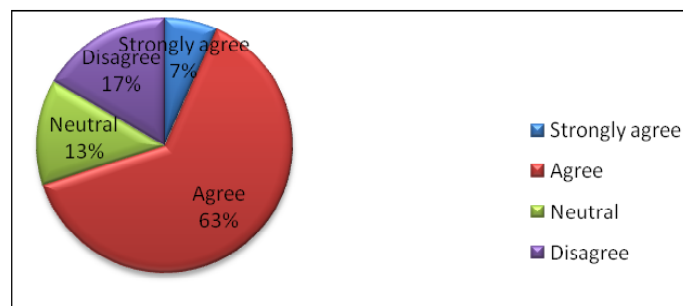


Chart-13: IT and IT related Services are Locally Available

Interpretation

It is a progressive sign to note that 70 % entrepreneurs say that IT and ITes related services are locally available, as earlier entrepreneurs here had to avail such services from Pune, Mumbai. 17% do not agree with this and 13% are neutral.

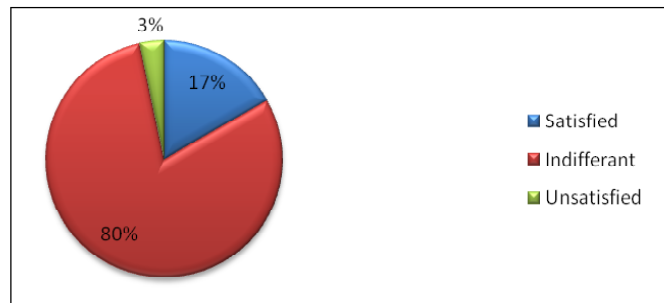


Chart-14: Perception about Venture Capital

Interpretation

Around 80% of the respondents were indifferent about the concept of venture finance.17% were satisfied whereas 3% were not satisfied with this type of financing.

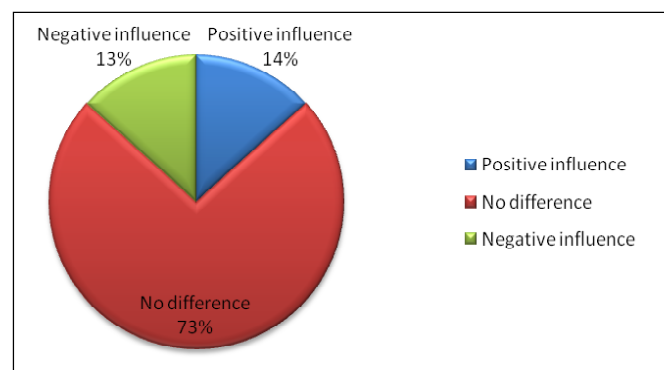


Chart-15: Gender Makes any Difference to Entrepreneurial Ventures

Interpretation

73% of the entrepreneurs say that gender does not make any difference to the business venture, 14% feel women makes a positive influence whereas 13 % of them say that a woman will make a negative influence. The majority of them has accepted women as their equal.

Hypothesis

Ho: There is no significant relationship between industrial growth and growth in employment generation.

CHI SQUARE TEST TABLE

f0	fe	(f0-fe)^2/fe
8	4.8	2.1333
4	4.2	0.0095
6	9	1.0000
4	5.33	0.3333
10	4.67	6.0952
6	10.00	1.6000
4	5.87	0.5939
0	5.13	5.1333
18	11.00	4.4545
Calculated Value Of Chi-sq =		21.3532

Data Analysis Of Chi-square Test

Level Of Significance	0.05
No of Rows R =	3
No of Columns C=	3
Degree of Freedom Df=	4
The Critical Val χ^2 =	9.48773

Conclusion: Null hypothesis H_0 is rejected at the 5% level of significance

There is a Significant Difference In Growth Rates Of Investment and Growth In employment generation.

It is found that the growth rates (CAGR%) of investment have increased, but the employment growth rate (CAGR%) has not come up to that mark. The mean growth rate of investment came up to 18.14% whereas the mean growth rate of employment generation comes up to 10.43%.

Due to labor problems, entrepreneurs prefer to go for automation, which will reduce their dependence on labor. We look at entrepreneurs as job providers, this shows contradiction.

Conclusion and Suggestions

Entrepreneurship is a human activity which plays a major role in economic development and entrepreneurs are persons who initiate, organize, manage and control the affairs of business. It is a creative and innovative response to the environment. The emergence of entrepreneurship in a society depends upon closely interlinked social, religious, cultural, psychological, political and economic factors.

Entrepreneurship and small business development is the major thrust area attracting top priority and full attention of the central and state government through its various agencies like ministries and directorates of industry, Industrial Development Bank Of India, District Industries Centres (DIC), National Small Industries Corporation (NSIC), National Institute For Entrepreneurship And Small Business Development (NIESBUD) and Entrepreneurship Development Institute of India (EDII). We must support people with new ideas and initiatives; they initiate change in technology, marketing, organization and manage to keep a lead through these changes over competitors.

The present study revealed some interesting information. The findings of the study showed that –

- A change in the attitude of banks is desired so that the hardships of entrepreneurs during the stage of infancy get reduced and they could concentrate on establishing their enterprise on a sound footing.
- Sandwich courses should be promoted, focus education like 'Centers of Excellence' like six month training in specific areas say quality control etc. should be promoted. Entrepreneurship education will result in the increased establishment of new companies and lower unemployment rate
- Entrepreneurs should update themselves by attending exhibitions/seminars within the country and abroad.
- Many a times the project report is not properly prepared, the entrepreneurs estimate about the fund requirement goes wrong and thus the less amount is sanctioned than required by the banks.
- As regards Venture Capital, entrepreneurs feel that in the manufacturing sector there is a long gestation period and VC's want back their amount with high returns in 3-5 years.
- Academia and industry alliance should be strengthened by encouraging students to take up industry funded projects. Big business houses can partner with the academic institute and come up with the curriculum which will make the students employable.

- Around 10% entrepreneurs feel that rewards and recognitions given to entrepreneurs are managed thus they have no trust in them.
- As suggested by the present entrepreneurs the upcoming sectors attracting entrepreneur are -Industry related services like legal services, hospitality related, courier services, organized private transport service like MERU, aluminum plants, railway parts manufacturing units etc.
- Government formalities and procedures are very time consuming, so the government should make easy simple procedures.
- The industry association should come up with some concrete activities to promote business in the region, except organizing seminars and solving local problems they do not do anything.

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