CHAPTER - 1

INTRODUCTION
CHAPTER - 1: INTRODUCTION

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Introduction

Entrepreneurship plays an effective and a pivotal role in the economic development of any nation. According to S.A. Schumpeter, "Entrepreneurship is one of the two key agents (the other being a banker) in the economic development of a country". Entrepreneurship is not a spontaneous activity. It can be inculcated and developed among individuals through providing proper training, infrastructure, and input requirements for the establishment and functioning of an industry. Therefore, it is the responsibility of both Central and State Governments to promote the development; as a result, in India the Government took a number of steps to promote Entrepreneurship in the country. One such step is the establishment of Non-financial institutions to provide assistance other than finance to the prospective Entrepreneurs.

Evolution and Growth of Industries

Before independence, the country's economy was best characterized as "traditional stage" (Prof. Rostow). The industrial resolutions that were taking place in developed countries were not witnessed in India. The important causes may be lack of political independence due to the presence of the British rule, lack of modernization and innovative spirit among the people, lack of proper infrastructural facilities and agricultural dominance.

During 1960-99, Karnataka witnessed developments in handicraft industries, particularly of weaving. "The weavers of Bangalore were very ingenious class of people capable of making very rich, fine and elegant clothes of any kind that was in great
demand”. Several other industries also started to establish in the areas of iron, steel and glassware, etc.

However, the period of 1800-1914 witnessed a decline in the traditional and handicraft industries because of political disintegration, improvement in the means of communication and the consequent contact with western civilization. Cotton textile that once had the main and premier industrial era declined due to the western competition. Looking at the ongoing scenario, the Government in the year 1913, recognized the need for developing and rejuvenating the cotton textile industry and provided means of livelihood to the people who were totally dependent on weaving. As a result, the Government of Karnataka established “The Directorate of Industries and Commerce” in the State.

In the meanwhile, the position of other category of industries such as handicraft, tanning, metal industries, iron melting, glass bangles, bidriware of Bidar, nakki-weaving of Bangalore, sandal-wood carving by gudigars of Sagar and Sorab etc., was deteriorating. The economic condition of cottage industries by the close of the 19th century was unsatisfactory and an attempt to revitalize them was in great demand.

Sericulture was considered as one of Karnataka’s special fields of industry. Tanning was an important cottage industry. Several varieties of wood artwork which provided occupational opportunities to many families for centuries were on the edge of collapse and disappearance.

The period from the outbreak of the First World War to the independence of the country saw in many respects, formative
and modern economic developments in the state. The outbreak of war gave birth to many entrepreneurial opportunities. As a result, the Government took upon itself the entrepreneurial role to supplement and stimulate private enterprises. In the decade 1914-24, several major concerns like the Mysore Iron and Steel Work and the Government (Central) Industrial Workshop were started in the public sector while the Bangalore Printing and Publishing Company, Kaolin Syndicate, Mysore Ashestos, Sindhurath Chromate and a number of other concerns were started by private enterprises.

The period of II World War witnessed a great landmark in Karnataka economy too. Many Industries in the fields of arms and ammunition, food and agriculture, jewellery were established to meet the growing demands of war-affected areas.

However, the actual phase of industrialization in the state and India as a whole took place only after the independence. Such developments are through the establishment of Industrial Development Banks in the country, passing industrial Licensing Act of 1951, Industrial Policy Resolution Act of 1956 and Reorganization of the State in 1956. In Karnataka, a lot of developments took place after its declaration as a state. Karnataka claims to be the model State in the country’s entrepreneurial activities. In Industrial fields, the progress made by Karnataka has perhaps no comparison in any other part of India. The state took the initiative of broad based entrepreneurial activities in various ways i.e., either establishing industries on its own or by establishing promotional institutions for promoting entrepreneurship. The KSIIDC established by the state offers
complete guidance for the preparation of feasibility study report and project report, help in procuring industrial license and loans from banks. Moreover, it further acts as a co-ordinating agency between entrepreneurs and various agencies of the Government.

**History of Entrepreneurship Development in Karnataka**

The State Government has been the pioneer in the industrial front of the economy of the country. The credit mainly goes to the farsightedness of late Sir. M. Vishweshwaraiah. According to him, "**Industries are necessary to provide a proper subsistence income to our people, they are necessary to give them the means of defence in times of war and they are indispensable for keeping pace with the world's progress in civilization**". It means that, the economic development of a country is judged by the extent of dependence of the people of the country on agriculture and industry; the higher the percentage of dependence on agriculture the lower the economical advancement of the country as quoted by Sir M. Vishweshwaraiah, "industrialize or perish".

Industrialization depends upon several factors like growth of agricultural output, exploitation of natural resources, rapid capital formation, effective utilization of work force, creation of infrastructural facilities and assistance through institutional framework.

In order to achieve the basic objective of economic development of the country and particularly in the state of Karnataka, the Government has adapted a two-pronged policy viz.

- To expand and diversify the existing industrial units of the Government.
➢ To stimulate the growth of private entrepreneurship by building up a supportive institutional network and by developing infrastructural facilities.

Between the above objectives, the latter objective seems to be broad and wide as it aims at broad based private Entrepreneurship, which provides more employment opportunities than the former. Because of this, the state Government has established a number of institutions to promote Entrepreneurship, which are popularly called "Promotional Institutions". The basic objective of the institutions is to render all connecting services to the entrepreneurs except direct finance. These institutions offer assistance for entrepreneurs to establish and run their industries effectively and efficiently. The important assistance ranges from project identification to the ultimate selling of the product including feasibility reports preparation, location and provision of layout, training, marketing services, etc. The first institution established in Karnataka was "The Directorate of Industrial Department" in the year 1913. This institution has been acting as a coordinating agency and authority for issue of industrial licenses to the units established in Karnataka. Subsequently, to meet the growing demands of the rapid industrialization and create more self-employment opportunities, the Government has established, Mysore Small Industrial Investment and Development Corporation (MSIIDC), Mysore Small Industrial Development Corporation (MSIDC), Mysore industrial Area Development Board (MIADB) and so on (Later they are renamed as KSIIDC, KSIIDC, KSIDC, KIADB). At present there are about 30 such institutions established by Karnataka State Government and they have been functioning in
different parts of Karnataka by offering varying assistance and services to the Entrepreneurs. The role, which is to be played by these institutions in generating self-employment, eradication of regional imbalances in general and economic development, in particular, is outstanding in the country.

**Review of Literature**

The concept of entrepreneurship in modern world is of much importance and greatly recognized for eradication of unemployment and achieving economic development of the country. Accordingly, a strong base for promotion of entrepreneurship was realized in all the countries. The establishment of the promotional institutions was an effective move towards the upliftment of entrepreneurship. These institutions play an effective and pivotal role in the development of Entrepreneurship. They offer varied assistance ranging from project identification to ultimate selling of the product. Hence, their effective functioning is not only important but the need of the day. Consequently, many Research Institutions and people have made attempts to study the purpose and functioning of the Institutions in order to measure the effective performance of the same.

**Mahadeva M.C.,**¹ has made a study on the "performance evaluation of DICs in Mysore District" in the year 1999. The study primarily aims at analyzing the performance of the DICs. Here, the institution selected for the study is sponsored by the Central Government and the scope is restricted to only one of the institutions.
Sreeramalu E.,\textsuperscript{2} from Srikrishnadevaraya University of Ananthpur has attempted to study the Small Scale Entrepreneurship in Royalseema region. This study concentrates on SSI Entrepreneurship but not on the promotional help extended to the Entrepreneurs.

Sharma and Pramod\textsuperscript{3} have made a joint endeavour to study the management of DICs in Himachal Pradesh University, Shimla. In that study they have considered various factors which help in effective management of DICs.

Rajpal\textsuperscript{4} has attempted to study the role of banking institutions in rural development, where he has touched upon the concept of entrepreneurship as a tool for rural development, but confined only to financial institutions in promoting entrepreneurship.

Babu Rao and Gangaraju\textsuperscript{5} from Osmania University, Hyderabad have made a special study in the name of 'support system for accelerating entrepreneurship among technically qualified persons with reference to Andra Pradesh'. In this study, they have selected all the support system including financial and non-financial institutions, but for technically qualified persons only. However, the study lacks in studying the performance of purely non-financial institutions.

Kassi Reddy M.,\textsuperscript{6} of Osmania University, Hyderabad has undertaken a doctoral study in the year 2001 under the title, “The role of institutional agencies in promoting Entrepreneurship Development among SCs & STs”. Under this study, he has covered almost all the important institutions engaged in
the promotion of entrepreneurship including financial institutions of Andhra Pradesh. Consequently, the institutions promoted by Karnataka have not been studied because of area limitation.

Naik, L Kubera\textsuperscript{7} from Bangalore University, Bangalore, has undertaken a study to evaluate the performance of DICs in Karnataka. In his study, he has attempted to study the effective functioning of DICs in Entrepreneurship Development in Karnataka. But, this institution is a central government promoted one. Further, the scope of the study covers only one institution.

Hiremani Naik R.,\textsuperscript{8} from Kuvempu University, Shimoga has undertaken a study of performance and prospects of DICs in Chitradurga and Davangere Districts. In this study, he has attempted to study the workings of DICs for Entrepreneurship Development. In this study the selected institution is non-financial, but it is promoted by the Central Government and not by the State Government. And moreover the scope is limited only to DIC and the area coverage is confined to two districts in the state.

Vinay M. Sharma\textsuperscript{9} from Delhi has made an outstanding study to guide prospective entrepreneurs to step into business venture. He has written a book titled \textit{BEST BUSINESS – That you can start with (ALMOST)}\. National Institute of Industrial Research has recognized the book and it is publishing and distributing the same. In this book, he has provided the detailed information about various business opportunities that can be taken up with low investment in order to promote self-
employment. Apart from project related guidelines, he has also covered the information regarding various financial and non-financial institutions supporting entrepreneurs in India. As a part of his endeavour, he has also covered various institutions promoted by Karnataka Government, which are functioning in Karnataka. However, the study does not aim at evaluating the performance of Non-financial institutions in particular.

A review of a few other relevant studies is also made which focused on issues viz., emergence of entrepreneurs, family background, pre-requisites of a successful entrepreneur, entrepreneurial problems, role of financial institutions in motivating entrepreneurship, etc. The review analysis is presented in the following paragraphs.

Pandit maintains that caste and religion are not an explanation for the emergence of entrepreneurs. Rather, the process has to be viewed from a regional approach. She contends that among Gujaratis, entrepreneurs have emerged from all castes and religions. The Gujarati setting has put a prestige value on business, which no other region did. This led to a greater occupational mobility among the people in these areas. This factor has made them innovators in the field of modern methods of trade, banking and industry. Further, she proves that the culturally homogeneous Gujarati community responded differently to the different settings of Ahmedabad and Mumbai.

Hemalatha Acharya has disputed the contentions of Pandit. She maintains that the regional analysis is lopsided because it does not take into account other variables like geographical environment, religion, economic activities, political
conditions, ethics etc. According to her, occupational mobility of caste hierarchy was not exclusive to Gujarat but existed in other regions as well. Also, exceptions apart, businessmen and entrepreneurs have sprung from certain castes, which have a tradition of business in their families.

**V.R. Gaikwad and R.N. Tripati (1970)** studied the small entrepreneurs of Tanuku region of West Godavari District in Andrapradesh. It was an attempt to bring out the pre-requisites for successful entrepreneurship. According to them bold, dashing and pragmatic personality, managerial competence, high motivation, dominant socio-economic power enjoyed by the family and contacts at higher social and governmental level lead to entrepreneurial development.

**Sharma R.A.** evaluated the performance of 316 joint stock companies incorporated after April 1947. In the familiar spheres the entrepreneurship was dispersed among various communities and in other spheres it was thinly spread among socially well-known communities. Analyzing the factors affecting entrepreneurship, he found that strong desire to do something independent in life, technical knowledge and / or manufacturing experience, financial assistance from institutional sources, business experience in the same or related lines and accommodation in industrial estate have induced the new and small entrepreneurial class. His conclusion is that financial and development institutions have made a significant contribution to the growth of new entrepreneurship.

**Sadhak** found that entrepreneurs have emerged from different socio-economic backgrounds. He found that
entrepreneurs who were formerly traders had better access to financial resources and were less dependent on institutional finance than technocrat / professional entrepreneurs. Entrepreneurs under study were self-motivated rather than motivated by development and training programmes of institutions. However, financial institutions played a very crucial role in inducing the potential entrepreneurs. The availability of concessional finance and various incentives significantly influenced the location decision of the units, particularly in the backward areas.

In a study of 125 entrepreneurs in Kolhapur, S.G. Bhanushali found that caste, education and parental occupation had greater impact on attaining higher degree of entrepreneurial success.

Ajay Lakhanpal examined the performance of the network of institutions in entrepreneurial development in Himachal Pradesh. He categorized the institutions into three broad groups, viz., financing institutions, promotional institutions and training institutions. He studied 58 enterprises in Solan district to evaluate the influence of infrastructure on entrepreneurship. He stressed the need to make certain adjustments in the institutional framework and recommended the creation of a State Level Single Window Industrial Support System (SWISS).

Gangadhar and Reddy evaluated the women entrepreneurs’ scheme of the Andrapradesh State Financial Corporation. The study revealed significant gap between the loans sanctioned and disbursed in terms of number as well as
the amount. Nearly 65 percent of the amount sanctioned was not disbursed by the end of 1988-89 accounting year. In addition, there was a slight decline in the number of entrepreneurs financed in the said year as compared to the previous year whereas the amount of loan sanctioned increased substantially.

James J. Berna (1960) studied the entrepreneurs engaged in various kinds of light engineering production in and around Madras / Chennai and Coimbatore. He investigated into the background and origin of entrepreneurs and found that the initial entry into industry was open to persons of very different social standing and economic position. Surprisingly, he found that the entrepreneurs have grown from small beginnings. Interestingly, the largest single group of entrepreneurs (exceeding 23%) is composed of graduate engineers, most of them young, and nearly half of them possessing foreign engineering degree. Moreover, he states that the growth of enterprises has been achieved in the face of formidable obstacles. He feels that the performance of the entrepreneurs can be improved and their contribution to industrial progress can be increased, if certain help in techniques of production and management is provided to them. Dr. Berna points out that the government has neglected the medium scale enterprises as the developmental efforts are more focused on small-scale industries. He maintains that medium scale enterprises also should receive intensive help as they have already demonstrated their capacity to grow and their capability to speed up industrialization.
Vasanth Desai in his study on the role of EDP in accelerating industrialization suggested the agencies involved in the task to work with determination, zeal and a sense of dedication and commitment. He also recommended the redesigning of the education system to identify the area of entrepreneurship and to motivate young people to start their own ventures. In his study of the entrepreneurs in selected countries, he recommended the governments' concern to take industrial promotion measures to create what is usually called the 'industrial climate'.

Oamen (1972) examined the emerging pattern of entrepreneurship in small-scale sector of Kerala. His study focused attention on origin and growth of firms in light engineering industry and impact of government programmes on entrepreneurship. The study of 45 units revealed that the single largest group of entrepreneurs consisted of engineers and technicians and most of them were Muslims.

Bhatia investigated into the history and present situation of 50 manufacturing firms having less than 50 workers functioning in Punjab. He studied the socio-economic background of entrepreneurs, their attitude towards industry, the way in which they have made the transition to industry and the problems encountered by them. He did not find any relationship between the growth of the firms and the socio-economic background of the entrepreneurs. However, he points out that the firms which continuously expanded, had gradual growth and were started with a relatively favourable capital base and most of them were established by merchants. The
entrepreneurs showed the tendency to diversify instead of expanding after a particular point since they lacked vital information about wider markets.

Pathak\(^22\) studied 12 industrial units during 1969-70 to 1970-71 with a view to evaluate the performance and problems of small-scale industries. The units were selected from industrial estates enjoying identical facilities and engaged in different lines of manufacturing. He studied the problems of SSIs at three different stages namely inception, operation and expansion. The study observed that factors like contacts, education and finance play an important role and the problems at the stage of inception received relatively more attention than the problems of the remaining two stages.

The industrial estates proved beneficial for the industrialization of the region by developing new product lines and latent entrepreneurship and through generation of employment for local population. The study highlighted the urban bias in the implementation of the programme.

V. Lakshman Rao (1986)\(^23\) studied 51 entrepreneurs in a district of Andhra Pradesh. The main aim of the study was to find out the impact of the government programmes and policies for promoting industrial entrepreneurship. He was of the view that the government schemes have certainly boosted the entrepreneurship in Andhra Pradesh.

Sharada Devi\(^24\) maintained that the active encouragement of government and emergence of different official and non-official agencies at central and state level coupled with new schemes,
departments and institutions have greatly facilitated the emergence of women entrepreneurs. She recommends that efforts should be directed towards encouraging women entrepreneurs in rural areas.

Heggade\textsuperscript{25} has suggested that entrepreneurship among women could be developed through encouraging self-employment and by organizing women's co-operatives. He recommended that educational system should be modified to create increasingly diversified skills among women-folk and that a separate policy should be formulated for promoting entrepreneurship among women.

McCrory\textsuperscript{26} conducted a case study of 17 small-scale firms in Uttar Pradesh and focused his attention on the craftsman entrepreneurs whom he regarded as a needed source of good industrial entrepreneurship. He analyzed the reason for the high mortality rate and the lack of growth of their firms and made some policy recommendations for providing them an opportunity to grow especially through provision of capital.

Manohar Deshpande\textsuperscript{27} surveyed 90 units in Marthwada region of Maharashtra. The study evaluated the socio-economic origins of entrepreneurs and problems faced by them at various stages. He established the relationship between performance and causative factors. The study revealed that the upper strata of the society availed most of the economic benefits created by the Government agencies. The study emphasized that primary occupation is an important preconditions for the development of entrepreneurship. It revealed that caste, family occupation and
father's occupational status are important for entry into business of manufacturing.

**Dhar and Lydol**\textsuperscript{28} conducted a study on Industrial Estate programme. The study contended that the industrial estate programme should be used as a nursery bed for efficient entrepreneurs to grow. The study found that the programme largely supports the small and medium industries located in industrial estates. They have been instrumental in attracting and nurturing new entrepreneurs. The study also found that the industrial estates located in the heart of cities and large urban centers seem to perform much better.

Besides the above individual studies carried on by the research scholars and authors, there are some institutions, which have undertaken broad studies to gather the data in order to provide some useful guidelines to the prospective entrepreneurs.

**TECSOK**\textsuperscript{29} (Technical Consultancy Services Organisation of Karnataka) of Karnataka has made a detailed study in 1992 under the title 'a guide to entrepreneurs' about the various assistance-both institutional incentives and subsidies from central and state Government available to the entrepreneurs. The report contains detailed information about various incentives and subsidies available from central and state Government etc.

However, the report does not aim at measuring the performance of promotional institutions in entrepreneurship development. The whole of the study intends to provide
meaningful information to the entrepreneurs regarding the available facilities in Karnataka from both central and state Government.

Among the Karnataka State Government promoted non-financial institutions CEDOK (Centre for Entrepreneurship Development in Karnataka) has been accorded a prime place in organizing EDPs in particular and promotion of entrepreneur-ship as a whole. Consequently, as a part of its endeavour, it has conducted a broad study to identify various entrepreneurial opportunities in Karnataka and presented the various entrepreneurial opportunities in Karnataka and presented the same under the title 'Opportunities for Entrepreneurship Development in Karnataka'.

The report contains detailed information about various Entrepreneurial opportunities, estimated detailed project reports and the support system both institutional and direct from State Government to the prospective entrepreneurs.

However, eventhough the report contains the information regarding various promotional institutions, it does not aim at measuring the performance of the institutions, which is the most important part. Because, though an institution established with broad objectives, it fails due to one or the other reasons be-lack of adequate infrastructure, staff potentials etc. Hence, there is a need for continuous performance evaluation and rejuvenating according to the need of the day.

Anitha. H.S. and Laxmisha. A.S., in their paper on "KSFC and North Karnataka", have stressed that there is glaring
imbalance in the growth of industrial units in the state. Moreover, KSFC has not attached sector-wise importance while disbursing finance needed by the units.

Another paper on “Entrepreneurial Development Programme - A Growing Movement” by Anitha. H.S. and Laxmisha A.S.,\(^\text{32}\) highlights that KSFC is really playing a vital role in conducting EDPs in Karnataka State.

Anitha. H.S.,\(^\text{33}\) in her paper on “Financial Role of Specialized Commercial Banks - From Entrepreneurs’ Perspective”, has substantiated the fact that Commercial Banks are playing stupendous role in aiding entrepreneurs in Karnataka State.

“Entrepreneurial Survey in Relation to Commercial Banks Lending” is another paper by Anitha. H.S.,\(^\text{34}\) in that paper she has portrayed the complete survey findings and entrepreneurial feed-back towards the Commercial Bank lending.

Anitha. H.S. and Ashok Revankar,\(^\text{35}\) in their paper on “Micro-credit through Self-help-groups for Rural Development”, have discussed that entrepreneurial activities are getting right momentum through the micro-credit offered to them through SHGs.

From the review of literature reported above, it appears that financial functions and need of institutional support for entrepreneurship development have received some attention of the researchers. Some studies have focused on factors affecting the entrepreneurial growth; some of them have studied the
impact of government programmes and role of financial and other institutions and EDPs in the entrepreneurship development and offered their own suggestions. A few studies are witnessed on the link with caste / religion / education / region / family background and entrepreneurship. Some scholars have thrown light exclusively on women entrepreneurs and problems faced by them in starting / running their units. Some researchers have endeavored to bring out the relationship between caste / family background and source of finance / financial institutions. The studies have also thrown light on the growth of entrepreneurship in different states in India and on factors which motivated the entrepreneurs to come to this field. Some researchers underlined the need for changing the education system so as to create the spirit of entrepreneurship among young blood. The importance of finance / capital also attracted the attention of the studies.

Further, a careful analysis of the literature relating to the studies on institutional support reveals that they have either concentrated on Central Government promoted institutions or sometimes, they are related to all the institutions providing assistance to a particular category of people like technical persons, SCs / STs, etc.

It is to be noted that the entrepreneurship in any country will flourish when there are sound infrastructure facilities, handsome incentives and subsidies and better consultancy on the matters of various problems pertaining to the entrepreneurial activities etc., and which are made available to all the aspirants irrespective of their caste and category.
Consequently, it is not only the responsibility of the Central Government to promote entrepreneurship, but state Government also plays an equal role in achieving the objectives. Therefore, the Karnataka State Government has established many such institutions to provide need-based assistance to the entrepreneurs. Among the institutions some are performing outstandingly well like 'CEDOK', whereas the performance of some other institutions is not up to the mark. Therefore, under this study the researcher intends to analyze the total efforts of all those non-institutions promoted by Karnataka State Government to promote entrepreneurship.

**Statement of Problem and Justification for the study**

Prior to the independence, the concept of entrepreneurship had low popularity because of political disintegration and dominance of British rule. However, the last two decades before independence and the period of post independence witnessed considerable changes and significant developments in the industrial scenario. The impact of II world war created the demand for more industrial goods and consumer goods as well. The developments taking place in the developed countries in the form of industrial revolution and invention of quality goods and services etc., demanded for the endeavour of concerned people to make certain changes in the economy, which could be a possible answer for all the prevailing problems. As a result, many industries began to establish in the country. The indications of industrial developments during the post independence period demand the efforts to rejuvenate and revitalize the industrial environment, which must be conducive for the establishment and effective functioning of the industries.
As a result, the Government took a number of initiatives such as the establishment of industrial development financial institutions to provide long-term finance to the large-scale industries announcing of Industrial Licensing Act and Industrial Policy Resolution to bring industrial sector under legal framework, in the year 1951 and 1956 respectively, etc. Still, the problem of unemployment was at the largest extent and Government had to take some different steps to tackle the prevailing problems. As a result, the concept of "promotional institutions" was introduced and it established an institution in the name of ‘SIDO’. The main objectives of this institution are - identifying of projects, training of individuals to takeup these projects and assisting them in importing of machinery etc. But, these institutions were largely scattered in urban areas and rural areas were totally neglected. In order to provide entrepreneurial opportunities to the rural people DICs were established in the year 1978. These institutions have their sole objective of identification of projects in rural area; and individuals from rural side and training them to take up these projects. Apart from these objectives, it also aims at assisting in preparation of feasibility reports, location of sites, obtaining loans from banks, etc.

The state Government also holds the equal responsibility in developing the entrepreneurship in the country. To discharge its responsibility, the state Government followed the path of Central Government and consequently promoted a plethora of such institutions viz., KSIIDC, KSSIDC, KIADB, KSWDC, TECSOK, CEDOK, LIDKAR, and KCTU etc., to foster entrepreneurship. These institutions hold a broad responsibility towards
discharging the obligations of state Government like eradication of unemployment, productive utilization of natural resources, creation of awareness about self-employment among youths etc. These are some of the key roles to be played by these institutions. But, if we examine the role of these institutions and unemployment, the correlation is not up to the desired level. There are a very few who think about the self-employment perhaps those belong to the business family background come forward to continue in business whereas, most of the educated are from non-business family and does not know about the existence of theses institutions or they cannot comply with terms and conditions imposed by these institutions.

Hence, they go in search of employment business houses. Sometimes, these institutions do not market themselves either because of non-availability of competent staff or lack of resources. There are certain institutions, which are performing outstandingly well in their respective field, but do not assist in dealing with other problems of an industry particularly of finance. A prospective entrepreneur who satisfies not all the criteria for establishment of an industry provides sufficient security for loan have to stay behind.

Eventhough the Government has introduced many schemes under which it arranges for subsidized finance, training, feasibility, report preparation etc., it hardly reaches the desired beneficiaries.

Thus, it is clear from the above that the State is recognizing the importance of entrepreneurship development and has been promoting and operationalizing a number of
institutions. These institutions with their respective objectives and programmes cater to different aspects of entrepreneurship development. In this background, it is justified that a comprehensive wholistic appraisal of these institutions is necessary to understand the impact, role and relevance of these institutions in Karnataka. It is this issue that the present study intends to address in a broader perspective.

Research Questions

The Non-financial Institutions were set-up with the objective of promoting and developing the entrepreneurship in the country. Karnataka State has not lagged behind in following the footsteps of the centre. However, there are certain research questions, which need to be addressed through research. They are:

1. How far are these institutions successful in attaining the objectives with which they were started?

2. How far have the entrepreneurs in Karnataka State discharged their entrepreneurial role in terms of performance?

3. What are the factors motivating the entrepreneurs in the study area?

4. What is the impact of caste, education and family background on entrepreneurial role?

5. What are the problems the entrepreneurs have confronted?

6. What are the lacunae in the functioning of Non-Financial Institutions?
Objectives of the Study

The primary objective of the study is to investigate the role played by non-financial institutions in Entrepreneurship Development in Karnataka. Further, the study also intends to make a detailed study of various schemes of Entrepreneurship Development of the institutions and their rate of success. However, the important and specific objectives of study are presented below:

1. To Study the evolution, growth, organization structure, resources of Non-financial institutions in India with special reference to Karnataka. And to study the purpose behind the establishment of these institutions.

2. To study and evaluate the services and facilities offered to the entrepreneurs by the Non-financial institutions in Karnataka.

3. To study the socio-economic background of sample entrepreneurs and to identify and understand the role of Non-financial Institutions in Entrepreneurship Development in Karnataka from the entrepreneurs point of view.

4. To identify the problems being faced by the assisted entrepreneurs in getting assistance from these institutions in promoting and setting-up their units.

5. To suggest appropriate measures to restructure the institutional set-up for its effective functioning directed towards achieving the objectives.

Hypotheses of the Study

In order to achieve the objectives, the following hypotheses have been set for the study:

1. Karnataka state witnessed a lop sided development of Entrepreneurship.
2. South Karnataka continues to enjoy the position of a
decision-making centre of Non-financial Institutions.

3. Desire to achieve something in life and the assistance
and training provided by the Non-financial-institutions
factors rather than compulsion and encouragement
factor is motivating the entrepreneurs in the state.

4. Category, education, family background and changes
introduced in units and dependence on NFIs have their
own impact on the entrepreneurial performance.

5. Women entrepreneurs are playing dormant role in their
units.

**Sources of Data and Methodology**

The data for the study are collected from the primary
sources such as the non-financial institutions of State
Government, Central Government and industrial and trading
houses, financial institutions etc., through personal interviews
and administration of well-structured questionnaires. Totally
250 questionnaires were administered but only 220
questionnaires were received back and out of them 18
questionnaires were incomplete and hence, 202 questionnaires
responded by the entrepreneurs who are the beneficiaries of the
assistance from one or the other non-financial institutions were
processed and analyzed. The data are collected from such
secondary sources as the published reports of non-financial
institutions, reports of committees constituted by both the
Central Government and the Government of Karnataka,
proceedings of the workshops, seminars, conferences etc.,
relevant to the topic.
The study has broadly aimed at covering all the Non-financial Institutions promoted by Karnataka State Government by classifying them according to the zones. Even though the branch offices of the Non-financial institutions are spread throughout the state in all the zones, all the head offices excepting one, are concentrated in the South zone. Representative sample entrepreneurs are drawn from all the districts on a random basis.

**Analysis of Data**

In order to draw inferences, verify the hypotheses, the data collected were analyzed with the help of statistical tools such as percentages, growth rate, ranking method and merit points method.

**Scope and Limitations of the Study**

For the purpose of this study, the non-financial institutions promoted by Karnataka State Government that are functioning in Karnataka are covered. Besides this, the study is intending to cover a period of 6 years (i.e., from 2001-02 to 2006-07) with the year 2007-2008 as the current year.

However, the study has certain limitations. Generally as small entrepreneurs do not maintain proper accounts, for measuring the size of the units and growth of the entrepreneurial activities, the figures given by them are supposed to be true. However, the fact may be different. Moreover, the busy schedules of officials of Non-financial institutions, non-availability of EDP/EAP participants, and lack
of knowledge about the importance of research among respondents have affected the interviews.

CHAPTER PLANNING

The study is divided into following eight chapters.


CHAPTER-3: A PROFILE OF KARNATAKA STATE – Introduction, General Characteristics of the State, Geographic Location, Topography, Area, Physiography, Demography, Administration, Climate, Infrastructure, Human Resources Development, Agriculture, Agriculture Marketing; Natural Resources - Water Resources, Mineral Resources, Forest Resources; Transport - Railways, Roadways, Air Transport, Waterways; Communication, Power, Banking and Financial Sector, and Institutions for Entrepreneurship Development.
CHAPTER-4: A PROFILE OF NON-FINANCIAL INSTITUTIONS

CHAPTER-5: PERFORMANCE AND PROBLEMS OF ENTREPRENEURS – ANALYSIS AND INTERPRETATION

Introduction

PART-A: Profile of Enterprises: Form of Organization, Type of Unit, Employee Size, Initial Investment, Sources for Investment, Working Capital Borrowings etc.

PART-B: Phase-I: Demographic and Social Profile of Entrepreneurs: Age, Sex, Marital Status, Educational Qualification, Category, Family Background, Domicile, Technical Training, Position in the family, Previous and Father’s Occupation etc.

Phase-II: Category and Sex-wise Distribution of Entrepreneurs, Training and Category of Entrepreneurs, Educational Background of Entrepreneurs, Education and Category of Entrepreneurs, Factors Motivating an Entrepreneur, Forms of Organization, Annual Turnover, Profits reinvested, Changes Introduced after the establishment, Nature of Technology Used by the unit, Type of Market, Capacity Utilization Education and Capacity Utilization, Category and Capacity Utilization, Family Background and Capacity Utilization, Education and Dependence on NFIs, Category and Dependence on NFIs, Family Background and Dependence on NFIs, Changes introduced and Assistance from NFIs
PART C: Problems of Entrepreneurs: General Problems, Specific Problems-Internal and External Problems.

CHAPTER-6: PERFORMANCE OF NON-FINANCIAL INSTITUTIONS – AN ANALYSIS – Introduction - Strategies - Role of NFIs - An Analysis

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