

# Entrepreneurial Perceptions, Problems And Prescriptions

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## Introduction

The backbone of the small sector is the ENTREPRENEUR. The development made so far, the progress and the future of the sector depends solely on the genesis, growth, survival and success of the entrepreneurs. In fact, the sector and the entrepreneur cannot be separately thought of. Hence, there is a dire need to examine and analyse the problems and prescriptions of the entrepreneurs for the survival and growth of the sector.

The present empirical study is related to the examination of working of DICs in the selected districts of Guntur and Prakasam. The objectives of the study are broadly to review the policy framework, progress and performance of DICs. The aspects such as national policy on small enterprises and also at the State level, and the working of selected DICs and entrepreneurial perceptions, problems and prescriptions, etc., are covered.

The study analyses the perceptions, problems of the entrepreneurs and the suggestions made by them. It is important to mention that the treatise is developed out of the information / responses received from respondents on administering the questionnaire prepared for this purpose.

### Sample selection:

To carry out the study, research data has been collected from primary sources through a structured questionnaire in the two selected districts of Andhra Pradesh. The two districts are selected in such a way, one is an industrially advanced district, Guntur, and the second is relatively an industrially and economically backward district, Prakasam, to bring out a comparative analysis regarding the origin, growth and factors responsible for entrepreneurship development and to make pertinent suggestions in the policy changes. The districts selected for a detailed study are in the Coastal Andhra and are contiguous. In all about the data from a sample of 150 small entrepreneurs and 200 micro units, village industries and PMRY self-employment enterprises, are collected. First, the perceptions of the entrepreneurs are discussed followed by their problems, next a few suggestions on many issues made by the entrepreneurs are presented.

## Perceptions

The entrepreneurs have revealed their perceptions regarding the performance and working of DICs and on other important aspects during the field visit, they are mentioned below:

**1) Limited Operation of DICs:** More than half of entrepreneurs opine that although DIC programme was initiated in 1978 to provide support services to small-scale entrepreneurs, the DICs are performing the registration process of small enterprises only and no other assistance is provided to them from the DICs.

**2) Scanty of Information:** DICs should act as a data bank and an information centre for giving latest and reliable information to the prospective entrepreneurs who endeavour to set up small enterprises. More than 65 per cent, expressed that the availability of information is very much limited and project reports are decades old. In the case of Prakasam district, even the availability of project reports is very less.

**3) Overhead Cost:** A little over 50 per cent of the entrepreneurs felt that DIC is a needless link and it increases the bureaucratic set up and red-tapism. It unnecessarily increases the overhead cost of the Government.

**4) Regulatory Role than Promotional Role:** Majority of the entrepreneurs, approximately two-thirds, stated that they have experienced an environment of State Government regulatory formalities with the DIC and its officials, even

during their visit to DIC or during the visit of officials to their enterprises. It implies that the DIC acts more as a regulatory mechanism than as a promotional agency.

**5) Misuse Of Dwera System:** DWERA system is operated in the State to assist the self-help groups. But more than 35 per cent of the respondents belonging to marginal sector opined that DWERA system operated by the Government is hijacked by the existing units and affluent sections of the society by virtue of their clout with authorities to get advantages like concessional finance and tax reliefs.

**6) Disregarding The Existing Micro Enterprises:** KVIC prefers to promote and provide all the incentives and subsidized finance to new enterprises only. Approximately one-third of the respondents viewed that the existing enterprises are being neglected which require the same facilities for survival and expansion. Hence, they are forced to borrow from money lenders and private bankers at high rates of interest. Consequently, they are becoming sick and going out of existence.

**7) Indifferent Attitude Of Entrepreneurs Towards Incentives:** A large number of respondents, more than two-thirds, perceive that the provisions like subsidy, concessional interest rate and other incentives are ridiculous, they are available to the influential and affluent entrepreneurs than to those who really deserve them. As a result, the poor and marginal entrepreneurs are becoming sick and disappearing from the field.

More than 30 per cent of the respondents opine that it is wasteful to roam around the government offices and institutions to get such provisions. Because often the cost of securing them, like time spent and corruption, is more than the real benefit. Hence they regard that successful entrepreneurs concentrate on business development than on governmental incentives.

**8) Misuse Of Governmental Assistance:** In the opinions of half of the respondents from handloom industry, aids and funds from the Government are misappropriated by the fake unions and intermediaries, and they are not reaching the real handloom weavers.

**9) Lack Of Modernisation Spirit:** According to 45 per cent of the respondents, modernization leads to investment of more capital and consequently increases the scale of operations as a result the tax advantages of small enterprises will be lost. Further investment of more capital also attracts more opportunity costs. Hence the total cost of modernization is more than its benefit. So they are not opting for modernization. As and when there is any good opportunity, they are floating another new small enterprise in other names. The same is true in the case of expansion.

By and large, it is clear that from the perceptions of the entrepreneurs that the concept of DIC is rudimentary and it does not facilitate their efforts for industrialization of the region. It is only another link in the chain of bureaucracy.

### **Problems**

The entrepreneurs have identified the following problems affecting the growth of small sector pertaining to DIC and also in general. They are discussed below.

**1) Plethora Of Formalities:** Approximately half of the respondents opine that the present system operated by DICs involve a large array of formalities which are time-consuming. It poses a serious problem especially to the first generation entrepreneurs who are new to bureaucratic environment, hence they remain unregistered. Consequently, they are not able to derive various incentives and other benefits offered by the Government.

**2) Limited Authority Over Credit Facility:** DIC is expected to act as a conduit between the entrepreneurs and financing agencies, but the expectations have not come true and the functions were not fulfilled properly. DIC recommends the proposals of entrepreneurs to financial institutions. More than two-thirds of the respondents stated that it does not persuade them to sanction the accepted proposals and it possesses very limited authority over the financial assistance.

**3) Abnormal Delay:** A little over 25 per cent of entrepreneurs complain that DICs take a time period of more than 6 months as against one month as recommended by the Government to clear the proposals through single window system and forwarding them for financial assistance. This undue delay results in wastage of valuable time and leads to cost escalations and obsolescence of projects at times.

**4) Lack Of Collateral Security:** Banks and other financial institutions are demanding collateral security to sanction loans for marginal entrepreneurs. Their inability to produce the same acts as major impediment to gear up several

innovative proposals. With the result, the entrepreneurs are not able to make full use of credit facilities from the lending institutions.

**5) Huge Regulatory Framework:** Majority of the respondents, more than 50 per cent, viewed that an enormous number of departments are existing to inspect the small enterprises from time to time, viz., provident fund, DIC, ESI., sales tax, income tax, inspector of factories and central excise, etc. Further, several times there is also duplication of inspections. The activities of all these government officials are resulting in utter harassment, corruption and deteriorating performance of small enterprises. Thus the presence of multiplicity of governmental agencies and periodical submission of reports / returns/ statements to the controlling departments take away larger part of their time and effort. Further, small entrepreneurs are not large enough to bribe and overcome such large bureaucratic set-up; they have no other way except to close their business.

**6) Bureaucratic Approach:** The attitude and behaviour of the people working in the DICs are in no way different from people working in any state government office and the procedures are very much bureaucratic.

**7) Raw Materials And Marketing:** Nearly one-third of the entrepreneurs belonging to metal industries and wax industries have complained that the Government stopped providing quotas of raw materials which put them in great inconvenience. Further under market assistance programme also, the authorities from the Collectorate concerned are shifting their preference of products from small to large industries and APSSIDC also has stopped purchasing from the small enterprises.

**8) Enhancement Of Vat And Turnover Tax:** Recently, the Government of AP has increased VAT on agro-based industries like cashews from 4 per cent to more than 10 per cent consequently the entrepreneurs are forced to enhance the prices. But in some other States, VAT is not implemented; hence there exists price difference and our enterprises are not able to compete with them in the national and international markets. Further turnover tax (TOT) is imposed to the tune of 2 per cent.

**9) Heavy Electricity Charges And Power Shortage:** The APSPDCL is imposing higher minimum electricity charges on HT consumers for industrial use. Further whenever there is a power supply problem, power cut is first applied to industrial units than to other consumers.

### **Prescriptions**

The entrepreneurs have suggested the following measures during the survey to strengthen the role of DICs. They range from very macro level policy making measures to specific micro level departmental changes.

**1) Reconsideration of The Policy of Dereservation:** Whether some body accepts it or not reservation of certain items is immensely helpful to the small scale sector because it shields them from the competition of large scale and global enterprises. In the opinion of nearly 40 per cent of the respondents, the policy of de-reservation is one of the major reasons for substantial decrease in the growth rate of the number of small enterprises and their activities in the recent years, after 2000.

**2) Financial Authority Than Advisory:** More than one-third of the respondents opine that the DICs should have the powers to recommend the eligible prospective entrepreneurs for financial assistance by banks and financial institutions and get them sanctioned except under extreme circumstances. Otherwise several project proposals stay at the conception stage as just project reports and did not materialize due to inadequate understanding of credit managers of financial institutions. Because their perception is limited and they are not willing to accept innovative projects. If the DIC officials have more authority in financial approval of the projects since they have better perception towards district resources and potentialities, they can facilitate the entrepreneurs in securing necessary finance.

**3) Revival of Sick Units:** Authority to act as operating agency by BIFR in case of sick industrial units. The DICs must take special interest for the revival of sick units. Because in several cases they are really profitable but closed due to improper managerial practices, like inadequate marketing abilities, poor financial facilities and lack of required manpower. Such units are available at very less price hence DICs can enable the new entrepreneurs to acquire them and adopt turnaround strategies.

**4) Attitudinal Change:** A little over 60 per cent of the respondents expressed the people working in DICs must realize that they are working in a promotional agency not in a regulatory agency. They have to totally reorient their ideology and must work in an entrepreneur-friendly manner as in the case of the state of Tamil Nadu. It is one of the important reasons for migration of entrepreneurs from Andhra Pradesh to Tamil Nadu. In this regard, nearly one-third of the

respondents suggested that if the authorities in DIC do their job properly, more number of small enterprises will come up.

**5) Dic Must Act As Information Hub:** There is also a good demand from a number of respondents, 30 per cent, belonging to shamiyana-making and mineral industries that the DICs must act as an information hub to the entrepreneurs regarding various aspects legalities, contemporary developments in technology, new products, marketing and exports and tax framework, etc. In this regard, the entrepreneurs have proposed that DICs can arrange periodical meetings and conventions with both present and prospective entrepreneurs.

**6) Organisation of Training Programmes:** One of the important recommendations from 55 per cent of the respondents from micro enterprises is that the DICs must organize adequate training programmes to upcoming small entrepreneurs periodically in various trades like technical, marketing and managerial aspects, because many of them are not highly educated and do not possess sufficient knowledge in those activities.

**7) Simplification of Procedures:** There is a dire need to simplify the procedures relating to registration of the units and single window system to enhance the purview of DICs. Further, clearance of investment proposals for forwarding to financial assistance must be expedited.

**8) Raw Materials and Marketing:** In order to enable the long-term existence of small and micro enterprises, the government must revive the supply of scarce raw materials under quota system through the DICs. Further, the one-third of the marginal entrepreneurs are suggesting that the collectorates concerned must purchase certain minimum quantity or percentage of products in their total purchases from small enterprises under Market Assistance Scheme to provide a fillip to small sector. In this regard, commissioner of industries can enact certain guidelines including quality and price of SSI products.

Some of the respondents from hand-loom industry, nearly 20 per cent of the sample, have intended that the DICs can furnish marketing information relating to various outlets for their different products. They also solicit that the government should supply the raw materials to weavers directly than through the societies to avoid mishandling by the intermediaries.

**9) Hassle Free Environment:** The large governmental set-up existing to inspect the performance of small enterprises must be rationalized and reduced to the greatest possible extent to save the small entrepreneurs from the clutches of dominant bureaucrats. In this regard, many of the respondents relating to minerals industry, nearly 20 per cent of the sample, viewed that the best way to promote the small enterprises is the policy of non-interference by the Government. Further they also solicit to liberalise the manpower policies of the government to save the entrepreneurs from harassment, it is a dire necessity for the welfare of both workers and the enterprises.

**10) Single Window System For Inspections:** More than one-third of the respondents suggest that single window system might be established even for inspections, so that they will be saved from a large number of inspections which are often duplicating, and all the inspections can be done at a time.

**11) Easy Credit Recovery And Other Benefits:** Some of the respondents, nearly 42 per cent, in Prakasam district suggest that it is necessary to relax the credit recovery and also reduce the minimum electricity charges which are very high. A few of them solicited for free electricity and technical assistance especially to handloom industry like agricultural sector, and supply of diesel at subsidy rate. Supply of power at concessional rate must be extended to existing KVIC units along with new units. Further, the handloom weavers, one-fifth of the sample, have requested to grant the bank overdraft facility against the stock, so that market fluctuations can be met effectively and to reduce the role of middlemen.

**12) Tax Reforms:** In order to safeguard the interests of the small enterprises belonging to agro-based industries, the State Government must withdraw the enhancement in VAT to make them compete well in the national and international markets. Otherwise, the entrepreneurs will be at great loss that leads to victimization of formers finally. Further TOT also can be reduced to 1 per cent. It also increases tax compliance and more transactions can be accounted for. Central excise tax is also levied at higher rate in metal industry for small scale sector, it should be rationalized.

**13) Rating According To Technology Adopted:** The respondents belonging to purified water and mineral water, consists of a little over 15 per cent of the sample, propose that the Government should set up a mechanism to rate the enterprises based on the technology adopted. In view of the fact that technology has profound influence on water purification. Further, the enterprises which do not have ISI (now BIS – Bureau of Indian Standards) certification must be properly verified to safeguard public welfare as they do not maintain minimum standards. Moreover, ISI

certification also must be properly rechecked periodically to avoid lapses. The government may well publish material quality and innovations in purified water industry.

**14) Proper Administration of Dwera Units:** More than one-third of the respondents belonging to micro enterprises complained that the DWERA system is misused by several affluent people and established entities to avoid taxes and to get subsidized finance facility. Hence government must concern such irregularities and streamline the system to protect real incumbents.

### Sum-Up

It is clear from the foregoing analysis that majority of the small and micro entrepreneurs are disgusted with the working of DICs and other governmental institutions, hence total reorientation is necessary to boost up their morale. Further, the Government should provide them what they want than what it gives. They expect fewer taxes and lesser regulations. Hence by doing so, it can satisfy their requirements, it can be performed even by curtailing certain incentives and other promotional measures which are mostly misused and duplicated. Further the role of intermediaries and societies can be reduced through the disbursement of funds and other benefits directly to the entrepreneurs concerned, to minimize the leakages in the flow of help and to distribute them effectively.

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