

A STUDY OF ENTREPRENEURIAL CULTURE OF ENTREPRENEURS IN INFORMAL SECTOR (WITH SPECIAL REFERENCE TO ERODE DISTRICT, OF TAMIL NADU)

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Abstract

Entrepreneurship has gained huge prominence in recent years. Entrepreneurs contribute significantly to the gross domestic product and they are now venturing up in setting up new informal businesses. Informal or unorganized sector workers dominate the Indian labor market and represent some 90% of the total Indian workforce. Credit is available for them through a plethora of schemes but there are still bottlenecks and gaps. Erode district is known for the Agriculture as its blessed with rich water resources. For the past few years many agriculture allied activities have mushroomed leading to sea change in the way entrepreneurship is being carried out. This paper attempts to study the entrepreneurial culture of Informal sector in Erode district.

Keywords: Entrepreneurial Culture, Informal Sector, Indian labor market.

Introduction

The informal sector or informal economy as defined by governments, banks, etc., is the part of an economy that is not taxed, monitored by any form of government, or included in any Gross National Product (GNP), unlike the formal economy. In developing countries, some 60% of the potential working population earns their living in the informal sector. They would define this economy or sector in other words: not in what it is not, but what it is: the only way to earn a living for people who are self-employed outside the formal economy and not on anyone's payroll. Most of them live and work in this sector hired by an employer from the formal sector except for a few hours or days, with no legal right to be hired again.

In most developing countries, women who are not engaged in farming as own-account workers or contributing family workers are often employed as street vendors, independent home-based workers, contributing family workers in non - agricultural family businesses or domestic workers in the homes of others. Many women are also engaged in waste collecting or small-scale mining and construction and a few others as the activities performed, modes of operations and earnings, all are part of informal employment and provide the main source of work for women outside agriculture.

Thus unorganized sector has a crucial role in our economy in terms of employment and its contribution to the National Domestic Product, savings and capital formation. At present Indian Economy is passing through a process of economic reforms and liberalization. During the process, merger, integration of various firms within the industry and up gradation of technology and other innovative measures take place to enhance competitiveness of the output both in terms of cost and qualitative to compete in the international market. The low inefficient units either wither away or merge with other ones performing better.

Informal Sector In Tamilnadu

The Government has also enacted a central legislation for the building and other construction workers towards creation of welfare funds at the level of states. There are around 20 million construction workers in the country. A small Scale is collected on the basis of the cost of a construction project which makes the corpus of the welfare fund for the construction workers. All facilities as enumerated above are provided to this section of the unorganized sector workers. Presently three states in the country namely, Kerala, Tamilnadu and Delhi have started implementing schemes under this act. However, other states are in the process of adopting.

Moreover, the welfare fund models have successfully been implemented by various states for various states for various categories of workers. The state of Tamilnadu is running 11 welfare boards for workers like construction workers, truck drivers, footwear workers, handloom and silk weaving workers. Similarly, state of kerala is also running several welfare funds for agricultural workers, cashew workers, coir workers, fisherman, toddy-tapperse etc. The model is so popular that some of the other states like Andhra Pradesh, Karnataka and Madhya Pradesh are in the process of bringing out their own legislation for creation of welfare funds in the unorganized sector workers for providing them social security.

Informal Sector in Erode District

Informal sector covers activities like vegetable vendor, Grocery shops, fruit shops, mobile hotel, road side hotel, foot -path traders, dry cleaning shop, tailors, informal agents, milk suppliers, mason, tuition centre, mechanics, electricians, fitter, plumber, carpenter, puncher shop, tea shop, meat stall, garments shop, flour mills, agricultural equipment makers, animal feeds sellers, road side cloth sellers, money lenders rural areas browsing center, mobile recharge shop, real estate renting and business activities. All these activities can sector, wherein the financial intermediation services constitute the former while the remaining activities form the non-financial sector.

Features of Informal Sector

From the point of view of mode of production or economic activity, the distinguishing features of the informal sector are as follows:

- Low level of organization, small scale usually employing fewer than ten workers and often from the immediate family.
- Heterogeneity in activities.
- Easier entry and exit than in the formal sector.
- Usually minimal capital investment. Little or no division between labour and capital
- Mostly labour intensive work, requiring low-level skills: there is usually no formal training as workers learn on the job.
- Labour relations based on casual employment and or social relationships as opposed to formal contracts; employer and employee relationship is often unwritten and informal with little or no rights.

Due to their isolation and invisibility, workers in the informal sector are often largely unaware of their rights, cannot organize them and have little negotiating power with their employers and intermediaries

Informal or unorganized sector workers dominate the Indian labor market and represent some 90% of the total Indian workforce. India's unorganized sector is one of the largest, if not the largest, in the post-industrial world. Informal employment that characterizes the unorganized sector comprises both self-employment in informal enterprises (small or unregistered) and wage-based employment undertaken without a transparent employment contract in both informal and formal sector enterprises.

Statement of the Problem

The entrepreneurs in the study represent a large group who have broken away from the beaten track and are exploring new vistas of economic participation and achievement satisfaction. In this study, an attempt is made to evaluate the entrepreneurs, management practices, almost all the informal sectors. For this purpose, need and achievement, risk, taking, personal efficiency, desires were considered as important elements to conclude their success in informal business. Hence a study is taken up to know the participation of men/ women in entrepreneurship, their success, satisfaction and problems encountered.

Objectives of the Study

1. To identify the factors motivating to become informal sector entrepreneurs.
2. To identify the factors influencing the level of satisfaction to do the informal sector business.
3. To determine the successfulness of entrepreneurship and to identify the factors contributing to success.

Research Methodology

The study shall be conducted in the Erode district of Tamilnadu. Random sampling technique was adopted for selection of study area. A sample of 100 entrepreneurs running business independently. Informal entrepreneur shall be from business of manufacturing marketing and service. A well structured interview a schedule shall be used for collecting primary data by survey method statistical tools for analysis may be percentage, chi-square test.

Review of Literature

Gupta (1998) in their article found that, Informal sector and informal capital market in a small open less- developed economy. A three-sector static model of a small open economy has been developed with special consideration to the urban informal sector and the informal capital market. Informal capital is mobile between the rural sector and the urban informal sector. Policy effects in this model appear to be different from those analyzed in other three-sector models.

Loayza (1999) in his study found that, 'The Economics' of the informal sector, the author presents the view that informal economies arises when governments impose excessive taxes and regulations that they are unable to enforce.. The results suggest that the size of the informal sector depends positively on proxies for tax burden and restrictions on the labor market.

Chaudhuri (2002) explained that, A theoretical analysis of the informal sector, In this paper, they present a theoretical framework of an economy which has an informal sector. The differences between the formal and the informal sector together with their linkages from the basis of their analysis. They show that the informal sector can expand in terms of output and employment even when the formal sector contracts.

Jane and moe (2003) in their paper explained that, Lurking in the shadows: the informal sector and government policy. This paper develops a dynamic model that sheds light on the evolution of the informal sector. We show how tax rates and enforcement policies influence the size of this sector, and how the sector naturally declines as an economy transitions towards steady state. We find small changes in the tax rate cause measurable changes in the size of informal employment, but modest changes in enforcement have negligible effects. These results suggest that while reductions in the tax rate, combined with increased enforcement, reduce the size of the informal sector, tax rate reductions and penalties for evasion are the most effective.

Winkelried (2005) in his article entitled, analyzed the role of income distribution as a determinant of the size of the informal sector in an economy by relying on a channel whereby inequality affects the behavior of aggregate demand and thus influences the incentives a firm has to become informal. It is further postulated that income distribution affects the response of the informal sector to different fiscal policies, either demand or

supply-orientated. The main findings are that high inequality leads to a large informal sector and that redistribution towards the middle class decreases the size of the informal sector and increases the capacity of fiscal instruments to reduce informality.

Kishor (2008) in his study stated that, informal sector: Emerging issues and Labour market issues in particular in the informal sector. The paper deals with definitional aspects of informal sector, size of informal sector, role of informal sector, emerging issues in the informal sector and major policy recommendations.

Sara and Minard, (2009) their paper found that, valuing entrepreneurship in the informal economy in senegal. The purpose of the paper is to provide a theoretical reflection on existing and emerging literature on social entrepreneurship as it applies to the developing country experience, and specifically to the informal economy in Senegal, West Africa. Socio-religious networks in West Africa like Mouridism, with its strong emphasis on work and giving of one's personal financial gains back to the Muslim brotherhood, has actually created a non- capitalist spirit of commerce, and to some degree entrepreneurialism, among Senegalese Mourids who are majority wolof.

Data Analysis

Factors Motivating to Become Informal Sector Entrepreneurs

In this section an attempt has been made to discuss the factors that motivating the entrepreneurs to become the informal sector business in the study area.

Table No.1

S.No	Opinion	No.of Respondents	Percentage
1	Yes	14	14.0
2	No	86	86.0
	Total	100	100

It is substantiated from the above table that 14.0 percent for the respondents are doing more than one business and remaining 86.0 percent of the respondents are not doing more than one business. It is witnessed from the analysis that the majority (86.0%) of the respondents are not doing more than one business.

Table No.2

S.No	Opinion	No.of Respondents	Percentage
1	Yes	65	65.0
2	No	35	35.0
	Total	100	100

It could be observed from the above table that 65.0% of the respondents are having prior knowledge about the business and remaining 35.0% of the respondents are not having knowledge about the business.

Table No.3

S.No	Investment	No. of Respondents	Percentage
1	Below Rs.10000	38	38.0
2	Rs.10001-30000	31	31.0
3	Rs.30001- 50000	13	13.0
4	Above Rs 50000	18	18.0
	Total	100	100

It is surmised from the above table that 38.0% of the respondents are initially invested below Rs.10000 to start the business and 31.0% of the respondents are initially invested Rs 10001-30000 for the business. The respondents are initially invested Rs 30001-50000 to start business as 13.0 % and 18.0% respondents are initially invested above Rs.50000 to start the business. It is shown from the analysis that the majority 38.0% respondents are initially invested below Rs 10000 to start the business.

Level Of Satisfaction - Chi-Square Analysis

Table No 4

S.No	Category	No.of Respondents	Percentage(%)
1	Low	18	18.0
2	Medium	58	58.0
3	High	24	24.0
	Total	100	100

It is observed from the above table that a majority 58% of the respondents were satisfied at medium level with entrepreneurial venture followed by the ¼ the 24% of the informal sector highly satisfied and 18% of the respondents were satisfied at the low level with the entrepreneurial performance. Hence a majority of a informal sector entrepreneurs are satisfied at the medium level with their entrepreneurial performance.

Sex and Level of Satisfaction Towards Business

Table No.5

S.No	Sex	Level of Satisfaction			Total
		Low	Medium	High	
1	Male	11	50	23	84
2	Female	7	8	1	16
	Total	18	58	24	100

Chi-square test**Sex and level of satisfaction towards business****Table No.6**

Factor	Calculated X2 Value	Table Value	D.F	Remarks
Sex	10.163	5.991	2	Significant at 5% level

It is witnessed from the above table that the calculated chi-square value is greater than the table value and the result is significant at 5% level. Hence, the hypothesis “sex of the respondents and level of satisfaction towards business are not associated”, does not hold good. From this analysis it is concluded that there is a close relationship between the sex of the respondents and their level of satisfaction.

Suggestions

The study aimed at measuring the level of satisfaction and success level of informal sector entrepreneurs and the intensity of the major problems faced by the informal sector of the Entrepreneurs in Erode district of TamilNadu. Most of them have an interest to expand their business but they can't able to expand their business and they are not having any proper address. Hence .it is suggested that they should move from informal business to informal sector. Due to the reasons that too many requirements for registration fees high since reduce registration fees and giving government support to the informal sector Entrepreneurs. They may register for their business and leads to economic conditions.

Conclusion

The numerous opportunities and challenges faced by entrepreneurs have great bearing on the way the entrepreneurship will be carried out in near future. In a developing country like India where the unemployment rate is quite high it has become necessary for the government to initiate measures to foster innovation and establishing businesses leading to increase in the employment and reducing the poverty . This study of informal sector entrepreneurial culture in Erode district shows that the standard of the products of the new start ups has been satisfactory and there is a great demand for them. There can be significant increase in entrepreneurial activity only if government provides impetus to entrepreneurship and sets up more of entrepreneurial hubs in many rural parts of the country and nurtures them.

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