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GOVERNMENT OF KERALA

MANPOWER STUDY
SERIES 60

**A REPORT ON
SELF
EMPLOYMENT
VENTURES
IN KERALA**

DEPARTMENT OF ECONOMICS
AND STATISTICS
TRIVANDRUM

Manpower Study Series - No. 60

A Study on Self Employment
Ventures

Department of Economics and Statistics

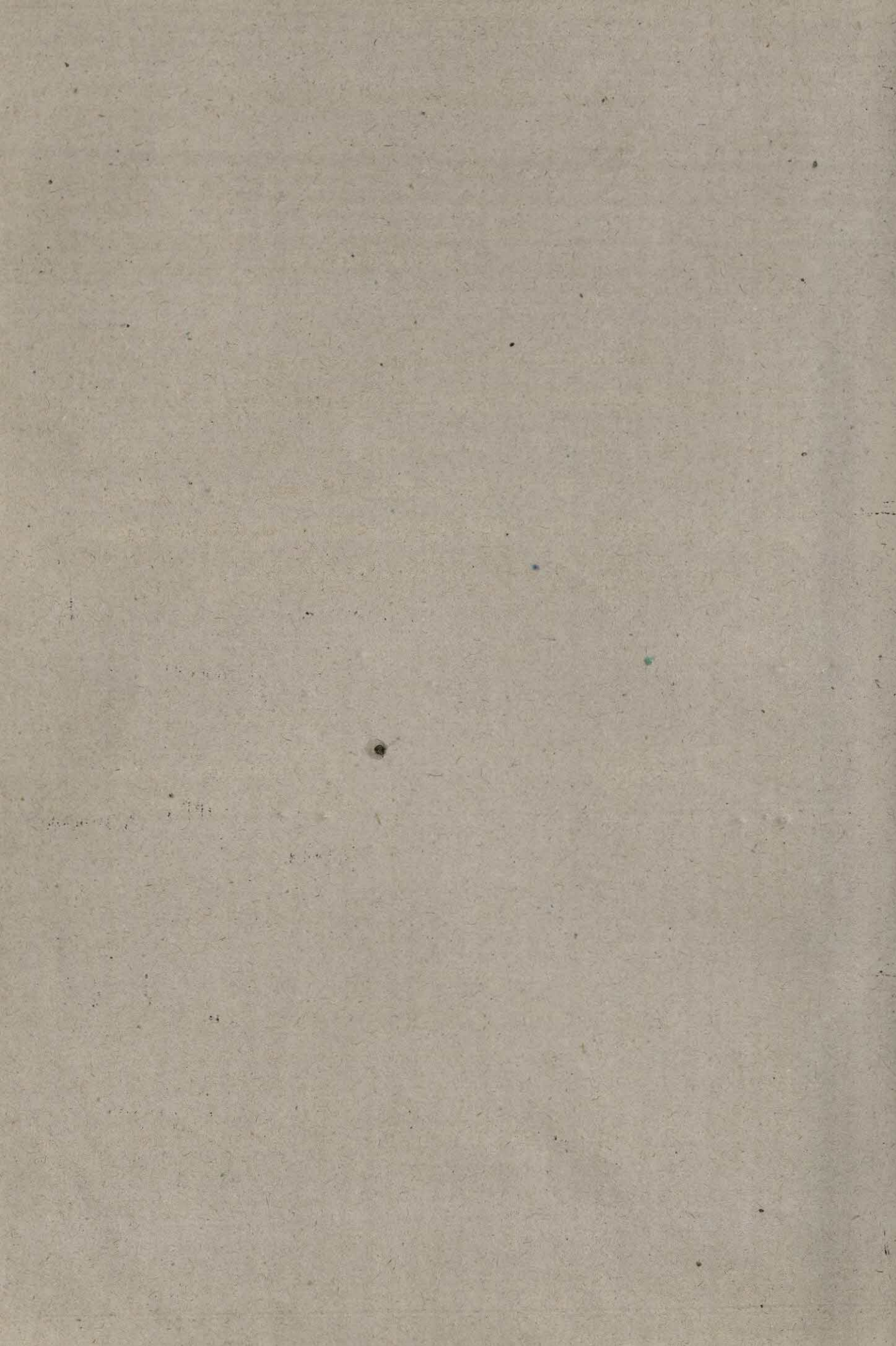
May 1987

P r e f a c e

This report presents the results of a study, on 'Self-employment Ventures' conducted by the Manpower Planning Unit of this Department. This publication is the 60th one in the series of Manpower studies. It is hoped that this issue will be useful to those concerned with self employment schemes.

Trivandrum,
22-4-1987.

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Director of Economics & Statistics



A study on self-employment ventures

1. Introduction:

The Central and State Governments have taken various steps to alleviate the problem of unemployment especially among the technically and professionally qualified persons. Effective assistance has been rendered by the Government to qualified persons through various agencies in order to promote self-employment ventures among engineering, agricultural, veterinary and dairy personnel. Financial assistance, (Capital participation), export promotion, import assistance, information & publicity, supply of machinery on hire purchase terms, marketing assistance, rawmaterial servicing, technical consultancy, training facilities etc. need the attention of the Government in this line.

A new scheme viz Technocrats Assistance Scheme was put into operation to shelter these venturing concerns, through Kerala Financial Corporation, SIECO and nationalised banks. In order to study the various aspects of these self employment ventures. The Planning Commission, Government of India, have requested the state Government to consider the feasibility of conducting a study of self-employment ventures set up by engineering, agricultural, veterinary and dairy personnel to assess the functioning of the units and the problems faced by them. An earnest attempt has been made to collect the details of the units set up by technically qualified persons from the various agencies but the details could be collected from the Kerala Financial Corporation alone.

2. Objectives: The objectives of the study were:-

- (i) to assess the distribution of entrepreneurs according to qualification and line of production.
- (ii) to assess the present functioning of the units.
- (iii) to assess the quantum of utilisation and facilities
- (iv) to study the details of employment generated and its potential
- (v) to study the problems faced by the entrepreneurs
- (vi) to study the suggestions of the entrepreneurs for the development of the units so as to make the programme more effective and realistic.

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3. Coverage:

All the units 118 set up by engineers, doctors, agricultural graduates and veterinery personnel under the 'Technocrats Assistance Scheme' of the Kerala Financial Corporation during the period from 1-4-74 to 31-3-84 had been proposed for coverage. But we could collect the details from 80 units.

4. Methodology:

Mailed questionnaire method was adopted to collect the details. A copy of the proforma is appended.

5. Limitations:

Since the details were collected from the entrepreneurs on a voluntary basis by mailed questionnaire method it was not possible to ensure a complete coverage. As we could collect the data of self-employment ventures under the Technocrats Assistance Scheme of the Kerala Financial Corporation, a satisfactory coverage in Malabar region could not be made. Only 10% of the total units covered comes under Malabar region.

6. Response

Out of the 118 units contacted 80 units (68%) have responded. Districtwise response is given below.

<u>District</u>	<u>No. of units</u>		<u>Percentage of response</u>
	<u>Contacted</u>	<u>responded</u>	
Trivandrum	21	12	57
Quilon	20	16	80
Alleppey	5	4	80
Kottayam	8	6	75
Idukky	-	-	-
Ernakulam	42	26	62
Trichur	10	9	90
Palghat	1	1	100
Malappuram	2	2	100
Kozhikode	4	1	25
wayanad	-	-	-
Cannanore	5	3	60
Total	118	80	68

The category wise distribution of the units are shown below.

<u>Category</u>	<u>No. of units covered</u>	<u>Percentage of coverage</u>
Engineering	64	80
Medicine	7	9
Others (Graduate & Postgraduate)	9	11
Total	80	100

No. of units under the agricultural & veterinery category could be covered. 80% of the units are under the engineering industry.

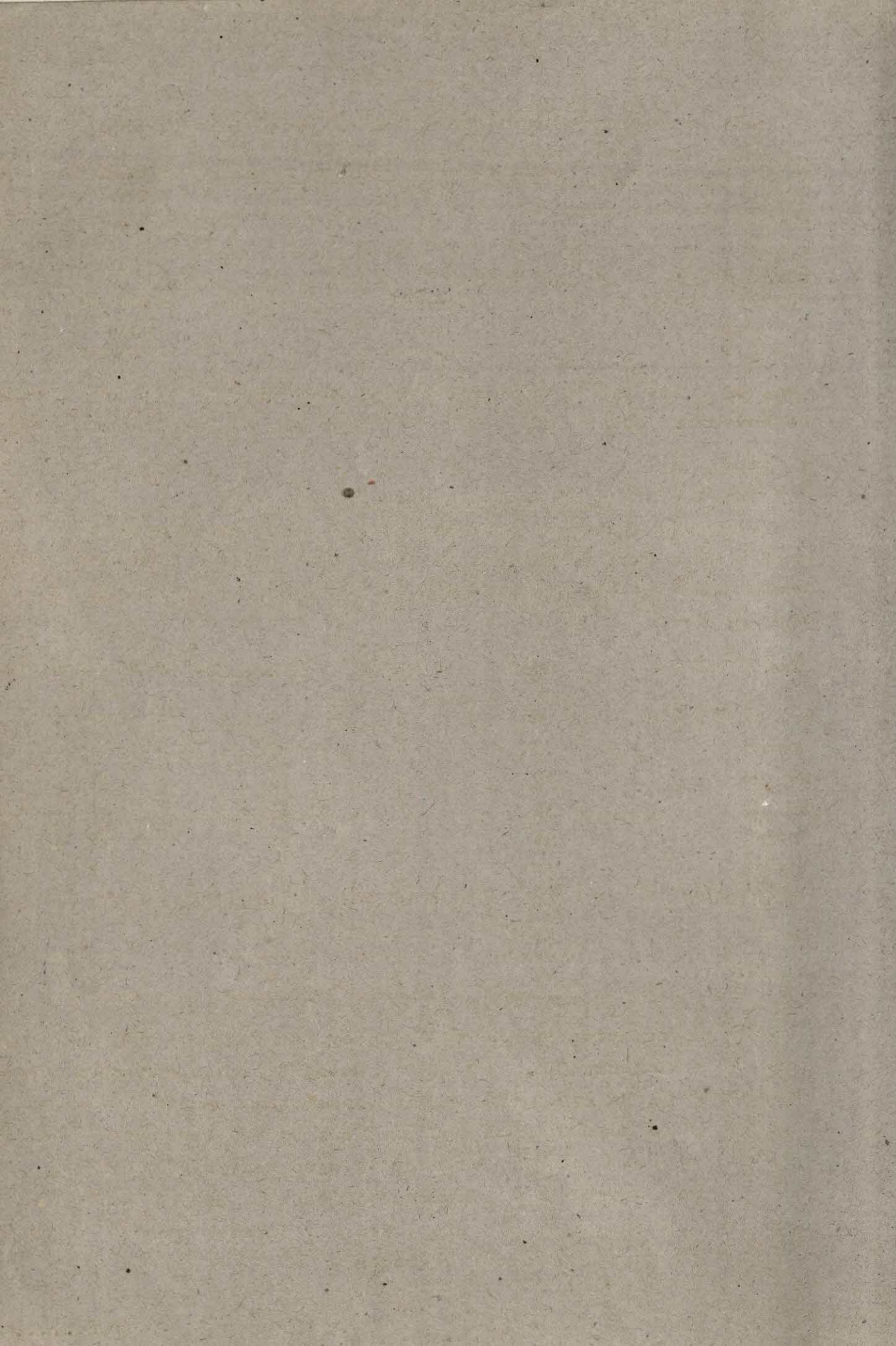
7. Findings

7.1 Distribution of entrepreneurs by age & sex

Maximum number of persons who accepted the avenues of self employment are in the age group 30-44 (76%). The following table presents the distribution of entrepreneurs according to age and sex.

<u>Age-group</u>	<u>Male</u>	<u>Female</u>	<u>Total No.</u>	<u>Percentage to Total</u>
Below 25	-	-	-	-
25-29	3	1	4	5
30-34	19	2	21	26
35-39	19	-	19	24
40-44	21	-	21	26
45-49	4	-	4	5
50 & above	9	-	9	11
N.R.	2	-	2	3
Total	77	3	80	100

Women participation in the self-employment ventures coming under this study is only 3.8% out of the total 80 entrepreneurs. This shows that women are still lagging behind men and it is to be informed that the women do not have any clear perception regarding self-employment. Female literacy is also very high as 65.72% against all India female literacy of 24.32%. As the white collar and salaried jobs are extremely limited we have to give emphasis on self-employment ventures.



7.2 Distribution of entrepreneurs by profession and caste

Government have provided various incentives to the persons belonging to Scheduled Caste & Scheduled Tribe communities. An attempt has been made to classify the entrepreneurs according to Caste.

Profession/	SC & ST	OBC	Others	Total
Engineering	-	17	47	64
Medicine	-	2	5	7
Others	-	5	4	9
Total	-	24	56	80

From the above table it is seen that no one belonging to SC or ST has started any self employment venture under the Technocrat assistance scheme of the Kerala Financial Corporation. 24 entrepreneurs out of 80 belong to OBC which constitute 30% of the total entrepreneurs.

7.3 Educational status of entrepreneurs

Among the 64 entrepreneurs of having ventures in engineering, 34 persons acquired degree while the remaining possessed diploma or certificate only. The following table presents the distribution of entrepreneurs according to category and educational qualification.

Distribution of entrepreneurs according to category and educational qualification

Category	Qualification					Total
	Diploma Certificate	Degree	Post-graduate	Docto-rate	Others	
Engineering	30	34	-	-	-	64
Medicine	-	6	1	-	-	7
Others	-	1	6	2	-	9
Total	30 (38%)	41 (51%)	7 (9%)	2 (2%)	-	80 (100%)

Out of the 7 medical persons, six have graduation in Medicine while one possess post graduation in Medicine. There are 6 post graduates, one Phd holder and one graduate also among these

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entrepreneur who run the self employment unit. This indicates that highly qualified (technically & professionally) persons have taken up these self employment ventures which indicates the crucial unemployment among the educated persons.

7.4 Distribution of Units according to ownership and location

This ownership pattern reveals that while 66 (83%) entrepreneurs preferred proprietorship, only 13 (16%) ventured partnership and only one person started the unit on co-operative basis. The following table gives the distribution of units according to ownership and location of the units.

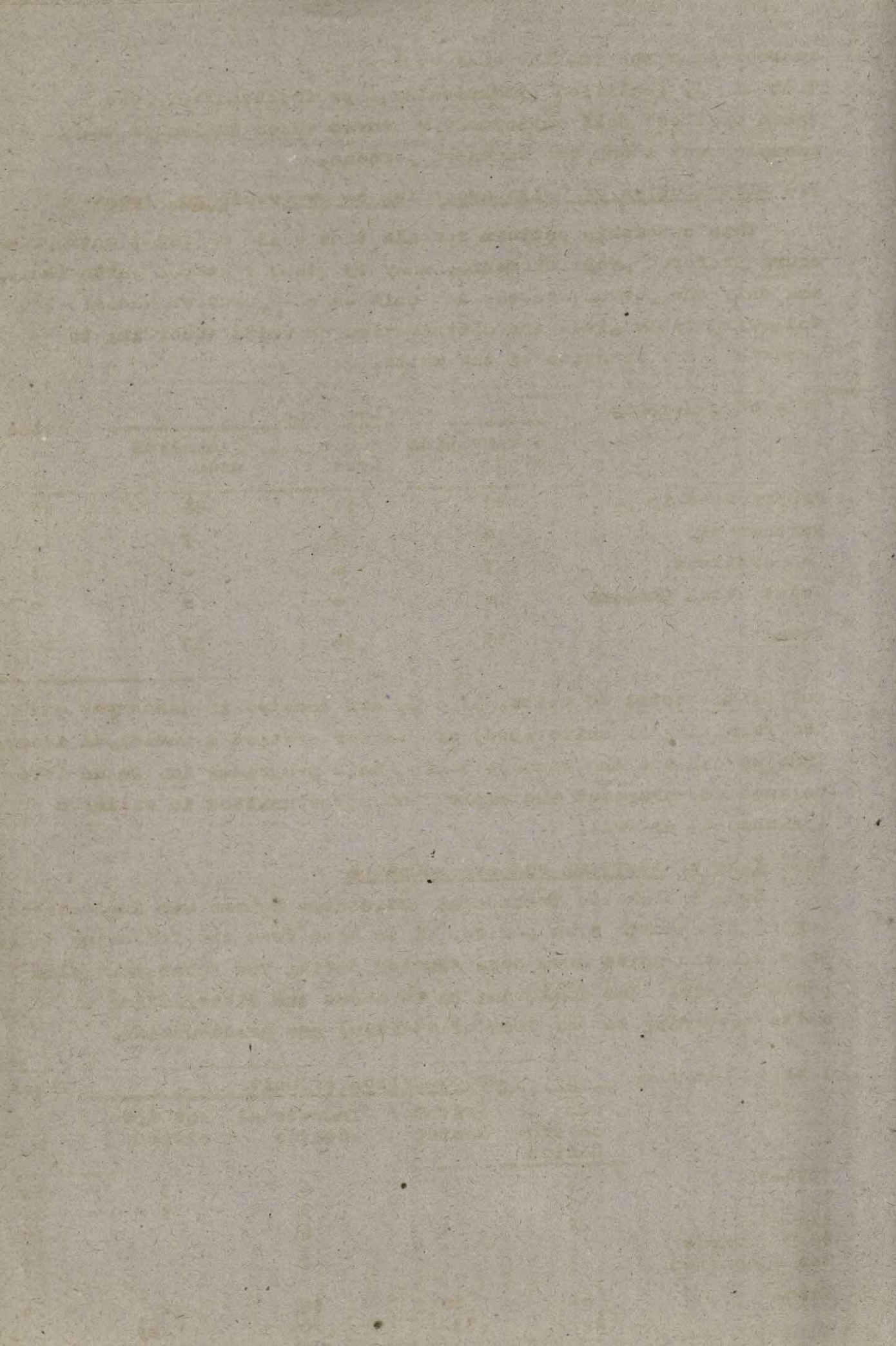
Type of ownership	Location			Total
	Corporation area	Municipal area	Panchayat area	
Proprietorship	10	12	44	66
Partnership	4	2	7	13
Cooperatives	1	-	-	1
Joint Stock Company	-	-	-	-
Total	15	14	51	80

Out of the total 80 units, 51 (64%) are located in panchayat and the remaining 29 units (36%) are in Corporation & Municipal areas. Thus we can see the concept behind this programme i.e. to achieve balanced development and employment opportunities in villages (panchayat) as well.

7.5 Year of starting and accomodation

Even though the Technocrat Assistance Scheme was implemented during the fourth plan period, it is seen from the following table that all the units have been started during the subsequent plan periods only. The following table shows the distribution of units according to the year of starting and accomodation.

Year of starting	Accomodation of unit				Total
	Own accomodation	Private/Rented	Industrial estates	Not specified	
1974-76	3	2	6	1	12
1977-79	15	6	3	1	25
1980-82	21	1	6	-	28
1983 onwards	11	-	1	-	12
Not specified	2	1	-	-	3
Total	52 (65%)	10 (13%)	16 (20%)	2 (2%)	80 (100%)



About 65% of the units are set up in own accomodation and 15% in private rented buildings while 20% are functioning in industrial estates.

7.6 Capacity utilization according to product line

Distribution of units according to product line and capacity utilization is given in the appendix. No. of self employment structures according to product line and the percentage to total no. under study is presented below.

Sl. No.	Product line	No. of units	Percentage
1.	Food products	3	4
2.	Paper & paper products	4	5
3.	Rubber & rubber products	7	9
4.	Chemical & Chemical products	3	4
5.	Non-mechanical mineral products	-	-
6.	Basic metal, alloys and metal products	11	14
7.	Electronic electrical goods and related equipments	13	16
8.	Wood & wood products	2	2
9.	Service	16	20
10.	Others	21	26
	Total	80	100

Maximum no. of units (20% of the total) are in the service line. Next comes electronic, electrical goods and related equipments which constitutes 16% of the total number of units. The following table given No. of units categorised under the various capacity utilization groups.

Capacity utilization	No. of units	% to total
Below 25%	6	8
25-50	26	32
50-75	23	29
75 and above	8	10
N.R	17	21
Total	80	100

Capacity utilization is expressed in percentages to installed capacity 10% of the units i.e. 8 units are functioning with the utilization capacity of 75% & above. 23 units are utilizing 50 to 75% of the installed capacity 26 units 25 to 50% and 6 units below 25%. A clear picture of the units according to product line and capacity utilization can be viewed from Appendix A. By optimum utilisation of installed capacities of the existing units or of a promoting system or service by which the units would be generating demand for manpower of specific categories, an additional employment can be envisaged in the near future.

7.7 No. of workers employed

One of the objectives of encouraging self employment ventures is that it should provide employment opportunities to other unemployed sections also in addition to the persons who start the venture. No. of workers employed in these 80 units according to the nature of employment is shown below.

<u>Nature of employment</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Percentage to Total workers</u>
Permanent	416	127	543	64
Temporary	103	58	161	19
Casual	54	10	64	8
Supervisory	65	11	76	9
	-----	-----	-----	-----
Total	638	206	844	100
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844 workers are employed in these 80 units including 76 supervisory staff. 64% of these total workers are permanent while 19% are temporary Female share is only 24%. The sexwise distribution of workers according to nature of employment and product line is presented in Appendix B.

7.8 Value of assets

Distribution of units according to product line and value of assets is furnished in the Appendix C. No. of units classified according to value of assets and their corresponding percentages

are given below.

<u>Value of assets</u>	<u>No. of units</u>	<u>Percentage to</u>
Below Rs.50,000	Nil	-
Rs.50000 - 1 lakh	3	4
Rs.1 lakh - 2 lakhs	15	19
Rs.2 lakhs -5 lakhs	39	49
Rs.5 lakhs - 10 lakhs	14	17
Rs.10 lakhs & above	5	6
N.R	4	5
Total	80	100

49% of units have value of assets in the range of Rs.2 lakhs - 5 lakhs. Maximum number of units comes under this group. 6% of the units have the maximum value of assets ('10 lakhs & above') Four units have not reported their value of assets.

7.9 Loan towards fixed capital & working capital

These 80 units have obtained loan assistance from Kerala Financial Corporation and other financial agencies towards fixed capital and working capital. Amount of loan obtained and the source are shown below.

Amount and source of loan assistance

<u>Purpose of loan</u>	<u>No. of units availed</u>	<u>Amount from K.F.C.</u>	<u>(Rs. in lakhs)</u>	
			<u>Amount from KFC & other financial agencies (combined)</u>	<u>Total</u>
Fixed capital	79	138.91 (83%)	27.45 (17%)	166.36 (100%)
Working capital	57	12.92 (16%)	65.98 (84%)	78.90 (100%)

79 units have taken loan towards fixed capital; of which 83% from Kerala Financial Corporation only and 17% from Kerala Financial Corporation and other financial agencies. Similarly 57 units have obtained loan assistance towards working capital - 16% from Kerala Financial Corporation and 84% from Kerala Financial Corporation as well as other agencies - The subjoined table gives the number of units distributed according to the loan assistance groups.

Loan Amount Rs.	Loan fixed capital		No. of units	working capital average amount per unit
	No. of units	Average loan amount per unit		
25000	1	0.10	6	0.23
25000 - 50000	1	0.42	9	0.36
50000 - 1 lakh	9	0.74	10	0.69
1 lakh - 2 lakhs	34	1.43	21	1.47
2 lakhs - 5 lakhs	32	2.97	9	2.49
5 lakhs - 10 lakhs	1	5.50	2	7.00
10 lakhs & above	1	10.00	2	..

43% of the units have reported to have obtained loan of 1.43 lakh on an average per unit towards fixed capital, 32 units (40%) 2.97 lakh per unit and 9 units (11%) have 0.74 lakh loan assistance per unit. In the case of working capital also more or less the similar pattern is noticed. 29% of the units (23/80) have not taken any loan towards working capital.

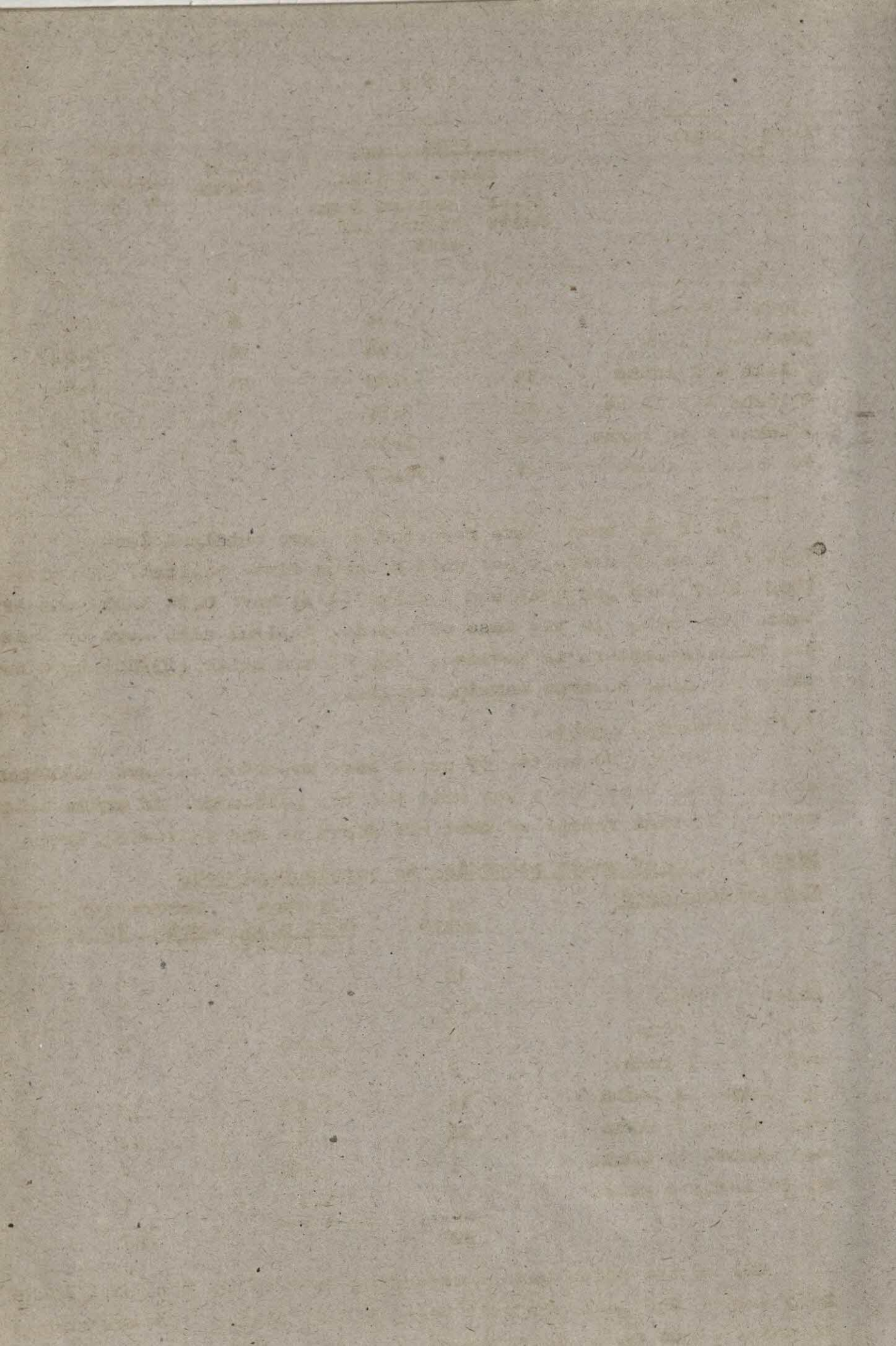
7.10 Outstanding debt

Out of the 80 units, 67 units have reported to have outstanding debt. Total debt, debt per unit and the percentage of units coming under different ranges of debt are shown in the following table.

Distribution of units according to outstanding debt

<u>Outstanding debt</u>	<u>No. of units</u>	<u>Average debt unit</u> (Rs. lakhs)	<u>Percentage of units to total</u>
Nil	13	-	16
Below Rs. 25000	Nil	-	-
Rs. 25000 - 50000	6	0.46	8
Rs. 50000 - 1 lakh	9	0.64	11
Rs. 1 lakh - 2 lakhs	11	1.57	14
Rs. 2 lakh - 5 lakhs	32	3.07	40
Rs. 5 lakhs - 10 lakhs	7	6.43	9
Rs. 10 lakhs & above	2	12.13	2
	80		100

40% of the units have outstanding debt in the range Rs. 2 lakhs to 5 lakhs, the debt per unit being Rs. 3.07 lakhs. Maximum number of units comes under this range.



7.11 Profit/Loss

39% of the units are running at profit while 41% are at loss. 20% of the units have not stated whether the units are running at profit or loss. The detail of these units according to product line and the corresponding percentages to the total are furnished in Appendix D.

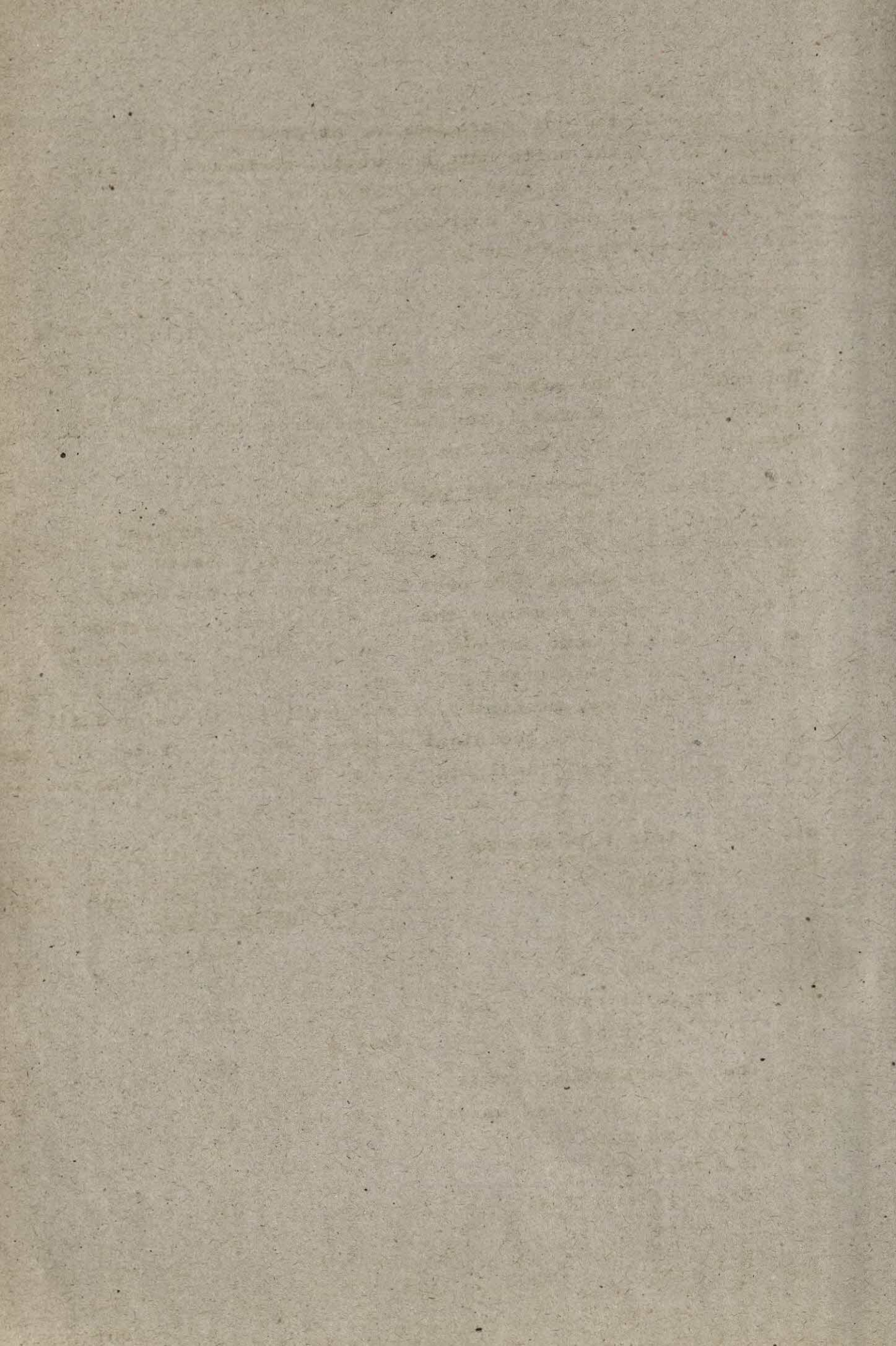
Out of the 80 units surveyed 61% (49 units) are reported to be healthy while 34% (27 units) are sick. The status of these units according to the product line is given in the Appendix E. The reason for the sickness has not however been reported. Revitalisation of these sick units requires attention by finding out the reasons for the sickness.

7.12 Problems faced by the entrepreneurs

An attempt has been made in this study to analyse the various problems faced by the entrepreneurs. Massive and innovative programmes have been introduced for the development of self employment ventures through small scale Industries to meet the unemployment situation. But expected results could not be achieved due to certain problems. Non-availability of adequate and timely finance, machinery, rawmaterials, management skill marketing facilities, technical knowhow are some of the important pit falls found while analysing the views reported by the entrepreneurs. The following table reveals the position.

<u>Sl. No.</u>	<u>The field to which the entrepreneur feels difficult</u>	<u>No. of entrepreneurs (in percentage to total) who reported the problem as difficult</u>
1.	Fixed capital	49%
2.	Working capital	75%
3.	Shortage of raw materials	36%
4.	Lack of market for their product and Lack of marketing facilities	26%
5.	Completion from big units	40%
6.	Labour trouble	15%
7.	Electricity shortage	58%
8.	Transportation cost	31%
9.	High cost of production	28%

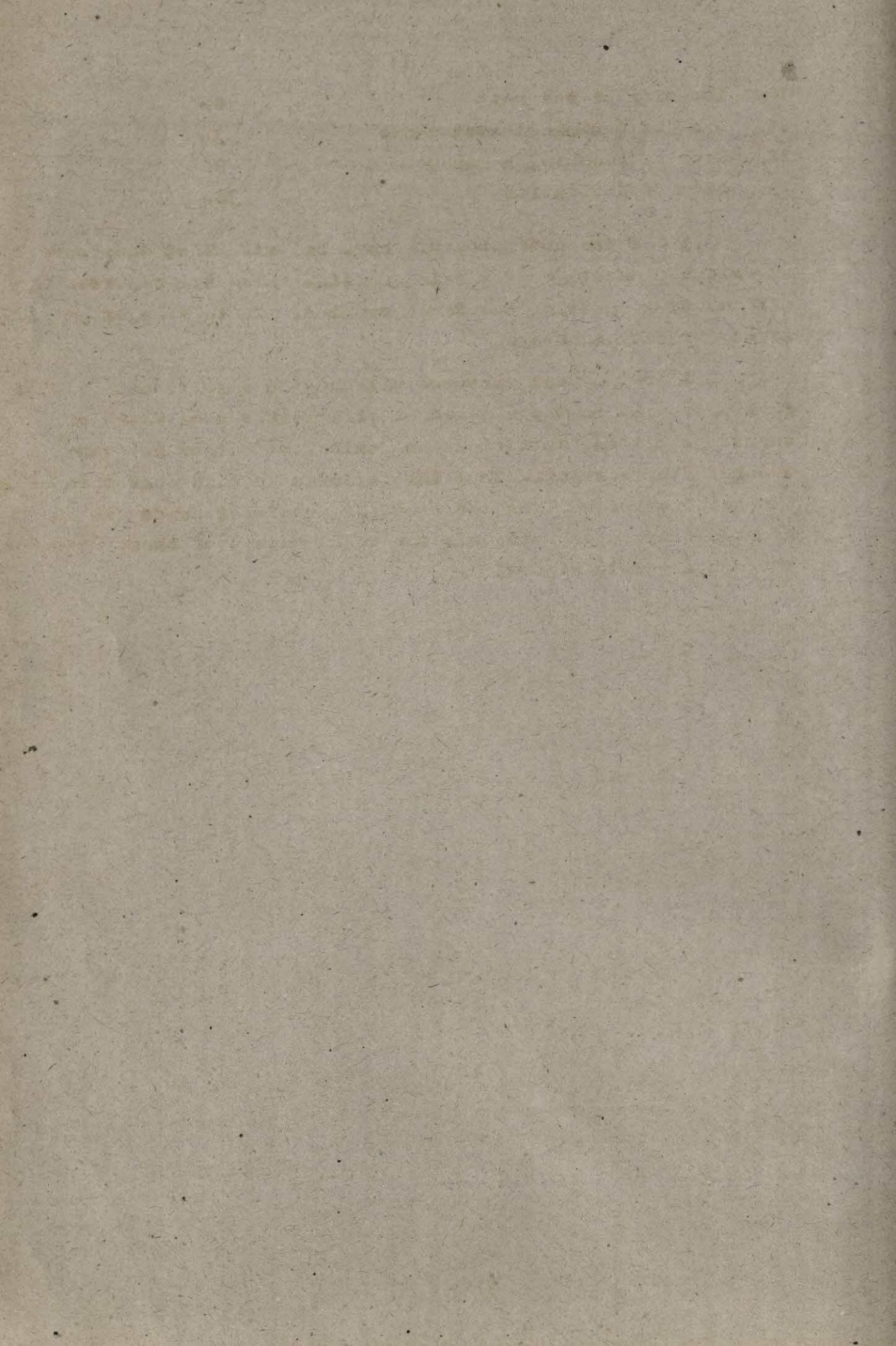
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10. Location of the unit	8%
11. Lack of technical assistance	3%
12. Lack of planning & management	9%
13. Lack of motivation	38%

75% of the entrepreneurs have reported that they have experienced shortage of working capital while 4% reported the difficulty in getting the fixed capital. Another major problem is electricity shortage.

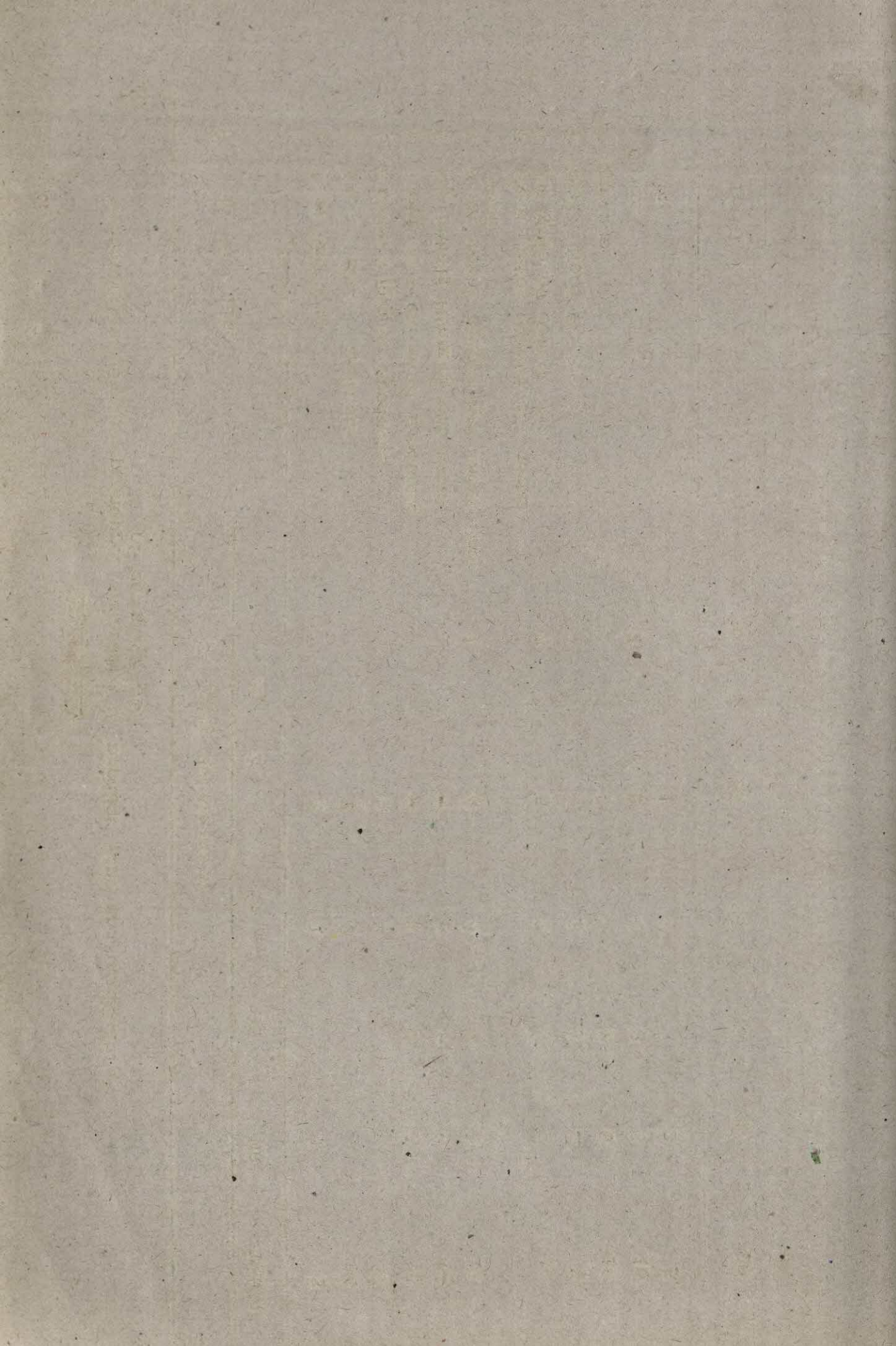
Self-employment ventures will not be able to achieve its full potential in the absence of efficient set up which will ensure prompt and sufficient economical and other relevant co-ordinated service. Thus the failures in this sector which has the resource of willing technical/professional hands can be averted only by catering all the requirements of these ventures through a single window.



Appendix A

Distribution of Entrepreneurs according to product line and utilization of capacity (%)

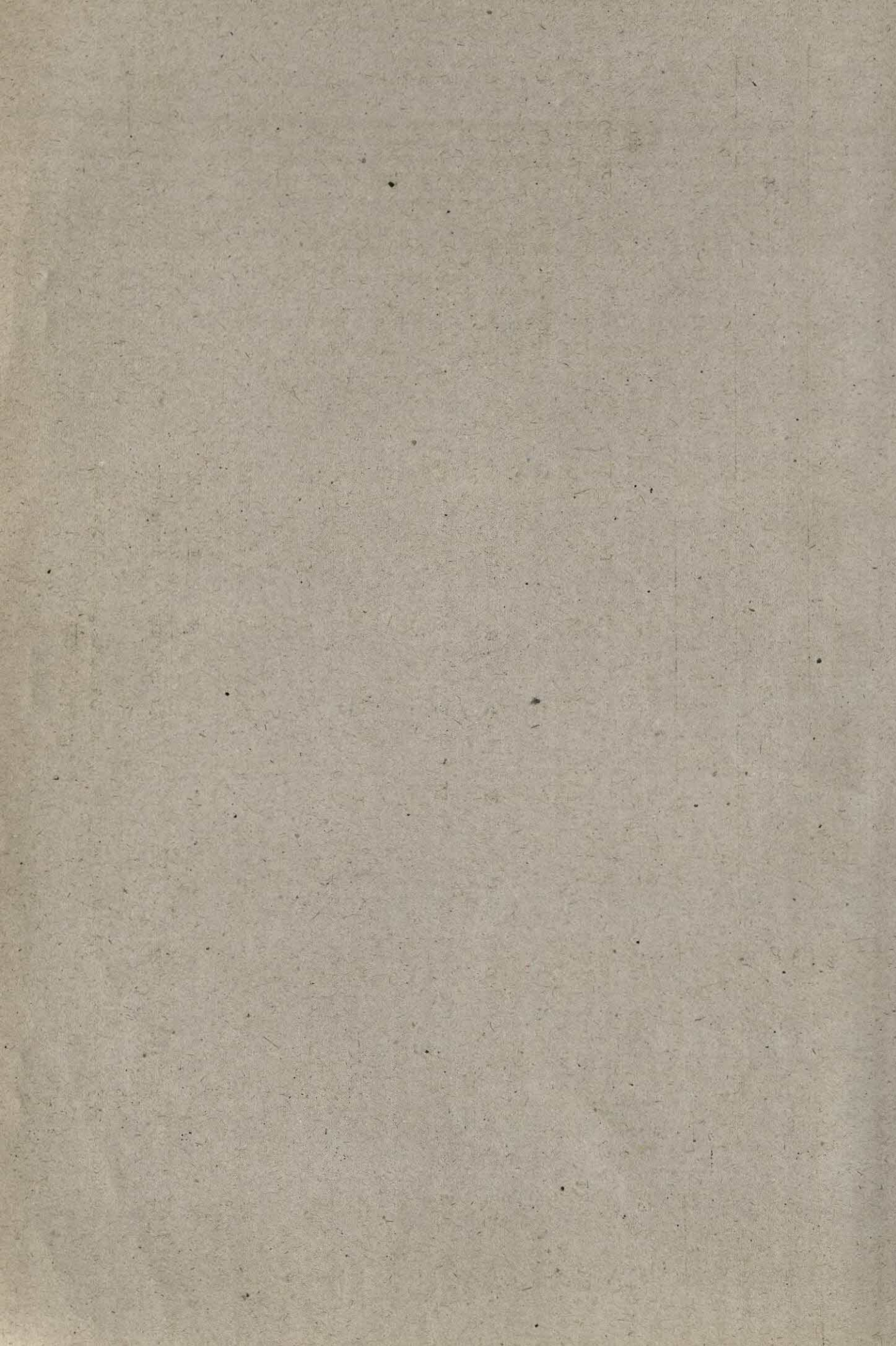
Sl. No.	Product Line	Capacity Utilization					Total
		Below 25%	25 %-50%	50 %-75%	75 % & above	NR	
1	Food Products		1	1		1	3
2	Paper & Paper products		2	2			4
3	Rubber & Rubber Products		5	2			7
4	Chemical & Chemical Products			1	1	1	3
5	Non metall Mineral products						
6	Basic metal alloys and metal Products	1	4	4	1	1	11
7	Electronics electrical goods and related equipments	2	5	2	1	3	13
8	Wood & Wood Products	-	-	1	1	-	2
9	Service	1	3	5	2	5	16
10	Others	2	5	4	2	3	16
	NR		1	1		3	5
	Total	6	26	23	8	17	80



Appendix B

DISTRIBUTION OF WORKERS AND NATURE OF EMPLOYMENT IN DIFFERENT PRODUCT LINE

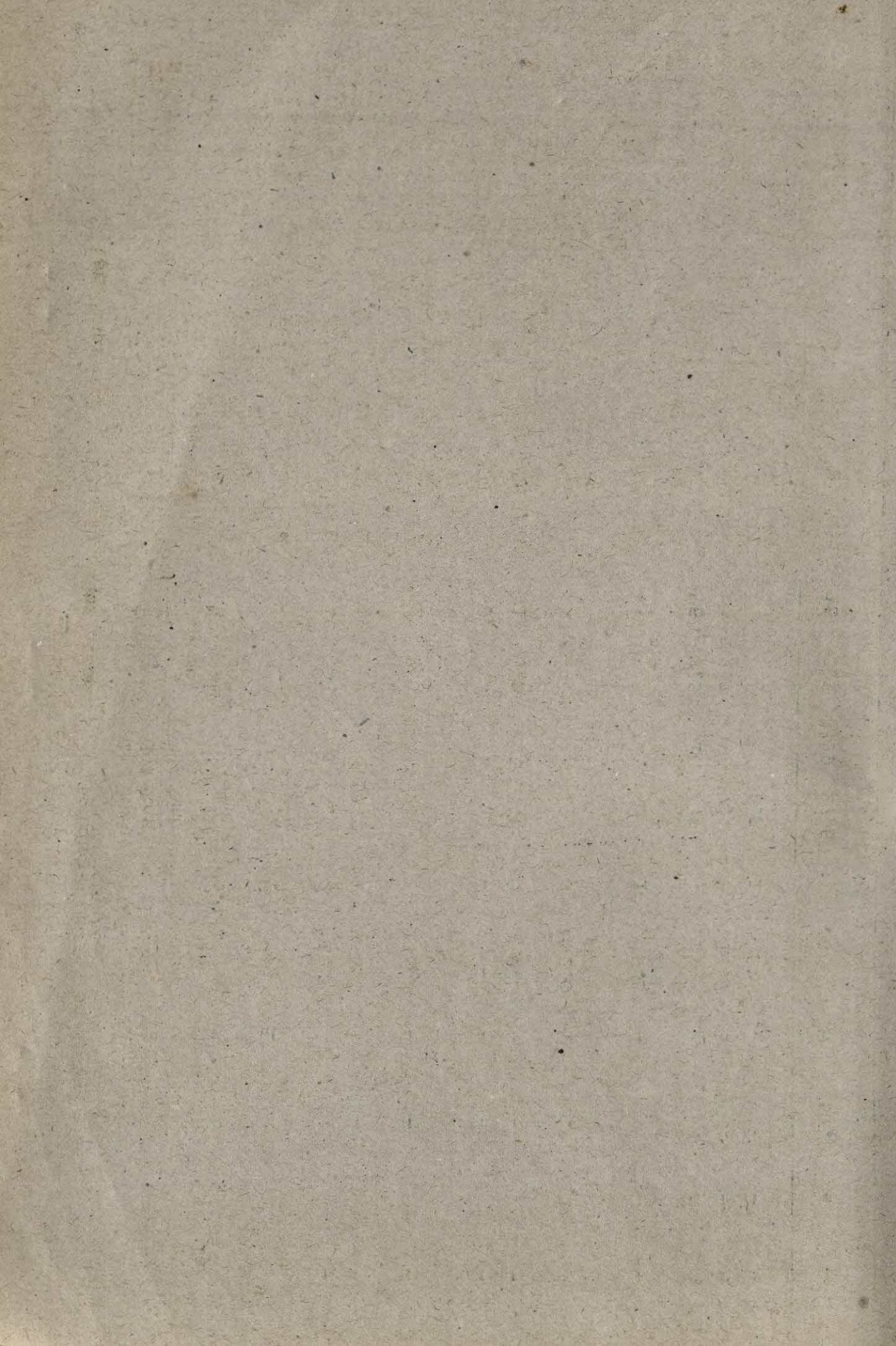
Sl. No.	Product Line	Permanent		Temporary		Casual		Supervisory		NR	Total	
		M	F	M	F	M	F	M	F		M	F
1	Food products	12	10	-	6	2	-	2	-	-	16	16
2	Paper and Paper Products	10	4	4	5	2	2	3	1	-	19	12
3	Rubber and Rubber Products	45	5	10	-	-	-	7	-	-	62	5
4	Chemical & Chemical products	31	60	1	37	1	-	6	-	-	39	97
5	Non Metallic Mineral Products	-	-	-	-	-	-	-	-	-	-	-
6	Basic metal Alloys and Metal products	50	3	29	1	11	-	7	3	-	97	7
7	Electronics, Electrical goods & related equipment	44	28	6	4	2	-	7	1	-	59	33
8	Wood & wood products	9	2	4	-	4	-	1	-	-	18	2
9	Service	90	5	21	3	17	4	11	4	-	139	16
10	Others	111	1	25	-	12	4	18	2	-	166	7
	NR	14	9	3	2	3	-	3	-	-	23	11
	Total	416	127	103	58	54	10	65	11	-	638	206



Appendix C

Distribution of value of assets according to Product line as on 31-3-1984

Sl. No.	Product line	Below 50,000		50,000 to 1 Lakhs		1-2 Lakhs		2 Lakhs to 5 Lakhs		5 Lakhs to 10 Lakhs		Above 10 Lakhs		NA
		No.	Amt. Rs. in lakhs	No.	Amt. Rs. in lakhs	No.	Amt. Rs. in lakhs	No.	Amt. Rs. in lakhs	No.	Amt. Rs. in lakhs	No.	Amt. Rs. in lakhs	
1.	Food Products	-	-	1	0.8	-	-	2	6.4	-	-	-	-	-
2	Paper & Paper Products	-	-	-	-	-	-	1	3.6	2	10.3	1	-	-
3	Rubber and Rubber Products	-	-	-	-	1	1.7	4	14.7	1	5.0	1	11.3	-
4	Chemical & Chemical Products	-	-	-	-	2	2.9	1	2.4	-	-	-	-	-
5	Non Metallic Mineral Products	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Basic Metal Alloys and Metal Products	-	-	1	0.9	1	1.0	5	17.6	3	19.5	-	-	1
7	Electronic, Electrical good & related equipments	-	-	-	-	2	3.3	5	14.3	3	22.0	1	10.0	2
8	Wood & Wood Products	-	-	-	-	1	1.9	-	-	1	9.5	-	-	-
9	Service	-	-	-	-	5	7.5	10	31.6	1	8.0	-	-	-
10	Others	-	-	1	0.6	2	2.7	8	27.1	2	10.7	3	30.5	-
	NA	-	-	-	-	1	1.3	3	9.8	1	5.0	-	-	-
	Total	-	-	3	2.3	15	22.3	39	127.5	14	90.0	5	51.8	4



Appendix D

Distribution of Units according to Status

Sl. No.	Product Line	Profit	Loss	NS	Total
1	Food Products	1	1	1	3
2	Paper & Paper Products	-	4	-	4
3	Rubber & Rubber Products	5	1	1	7
4	Chemical & Chemical Products	2	-	1	3
5	Non Metallic Mineral Products	-	-	-	-
6	Basic Metal Alloys & Metal Products	8	2	1	11
7	Electronic, Electrical Goods & related equipments	3	5	5	13
8	Wood & Wood Products	-	1	1	2
9	Service	6	8	2	16
10	Others	6	11	4	21
Total		31	33	16	80

Appendix E

Distribution of Units according to Status

Sl. No.	Product Line	Sick	Healthy	NS	Total
1	Food Products	1	2	-	3
2	Paper & Paper Products	3	-	1	4
3	Rubber & Rubber Products	1	6	-	7
4	Chemical & Chemical Products	3	-	-	3
5	Non Metallic Mineral Products	-	-	-	-
6	Basic Metal Alloys & Metal Products	1	10	-	11
7	Electronic, Electrical goods & related equipments	4	7	2	13
8	Wood & Wood products	1	1	-	2
9	Service	5	11	-	16
10	Others	8	12	1	21
Total		27	49	4	80

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