

Employee to Entrepreneur Transition Trends and Financing of SMEs in Indian Tourism Industry

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ABSTRACT

Tourism industry includes Transportation, Accommodation, Recreation and Entertainment, Food and Beverage Services and travel services contributing 8% of total employment. This paper analysis transition trend waged employees to entrepreneurship and the challenges faced in financing tourism SMEs in India. This transition in tourism industry is found positive rate than other sectors by influence of Digital marketing, Easy financing, Government schemes, Minimum capital and labour needs. But, with some socio-economic challenges.

Keywords: Tourism, Entrepreneurship, Financial Market, Indian SMEs

I. INTRODUCTION

The trends of waged employee's transition as full time entrepreneur are reported in India's tourism industry. There is a global movement of starting micro, small, and medium sized business units developed as impact of Globalisation and Technological innovations. SMEs are the foundation for any country's growth. According to Indian Ministry of Micro, Small & Medium Enterprises, there are more than 60 million SME units creating employment about 110 million people as on September 2018. Entrepreneurship transition is increasing in India especially in Tourism industry as tourism become more niche market and specialised services. That developed trend of starting own entrepreneurs after experiencing service industry.. This has a wide variety skilled employment options. Most of tourism industry components are allied with Travel agencies / Operators. As tourism service industry is booming in India with contributing sum is equivalent to 9.6% of GDP (World Travel and Tourism Council, 2017).

Capital for a Tour agency is lesser than starting a normal manufacturing units. Also lesser labour force, easy available of financing schemes. But there are many challenges. Employees who are expert in tourism industry from a tourist guide to country managers are accumulated contacts and ideas to plan their own business. Emergence of E-commerce and related technologies had increased growth rate of employee to Entrepreneur transition. Startups are the result. Youths of India are educated and technologically trained. Government had supported these movements to generate more employment

opportunities in service industry. Socio-cultural and economic aspects of peoples who transitioned to entrepreneurship from waged employee have to be examined in the study. Many micro, small and medium units become successful and few failed. Attitudinal and psychological effects are found throughout the process of employee to entrepreneur transitions. Financing and sustaining is a major factor behind success and failure rates.

Possibilities of capital markets funding to SMEs are not easy in India, also Banks play as a major source in Indian funding system but with a lot of limitations to be assessed by SMEs. Government policies and schemes are other trending sources of fund. Over that private and unregistered credits, family/ friend funding, crowdsourcing and startup angel investments are happening financing methods in Indian SMEs especially in booming Tourism industry. According to Indian Tourism, Indian tourism industry is to become third largest foreign exchange in the country by next three years. Indian government has allowed 100 % Foreign Direct Investment (FDI) in Tourism industry. This made a joint venture of national and international investments of tourism industry startups. This study analyses the trends of tourism industry employees transition to entrepreneurship and analyzing financing sources of SMEs in tourism industry in India.

II. METHODOLOGY

As the study is focused on qualitative concepts of labour force, various research techniques used are: Participant observation among the employees who are working in Tourism industry like Travel agencies, Operators, Restaurants, and other Transport service sectors, Also new Entrepreneurs who were once a waged employee in tourism industry. In-depth interviews with Corporate managements, Labour organisations, Government agencies, Financial institutions, Finance specialists, experts and scholars. Secondary data like Newspaper reports, Indian statistical reports and relevant articles had analyzed. Study area consisting cities of Cochin, Bangalore, Mumbai and Chennai.

III. RESULT AND DISCUSSION

Transition from employee to entrepreneur are result of deep decisions and analysis. But few had moved without thinking much and become successful. These decisions are affected to socio-economic aspects of the person deeply. These transition have found in employees with all age, gender and sector categories. According to the interview result respondents had once dreamed about being a Boss. There are a paradigm tendencies to change from living a life of waged employee to becoming a BOSS/Entrepreneur. This attitudinal interest had developed a social and cultural act of starting own business once after becoming expert as employee. Being an entrepreneur is quite different from an employee. In service industry the trend of this transition is seen in different locations around the world. Tourism industry has boomed all over the world. In India also this trend had followed as people got more disposable income and more spending on traveling and allied sector from international and domestic itself. As with the trend of globalization and technological innovation SMEs and new generation startups have shared Indian tourism industry. Thrillophilia, Cleartrip, Detours India, Audio Compass, Bharat Travels, Travelkhana, Tripoto, Beyond Travel, SeekSherpa and pickyourtrail are some recent Startups.

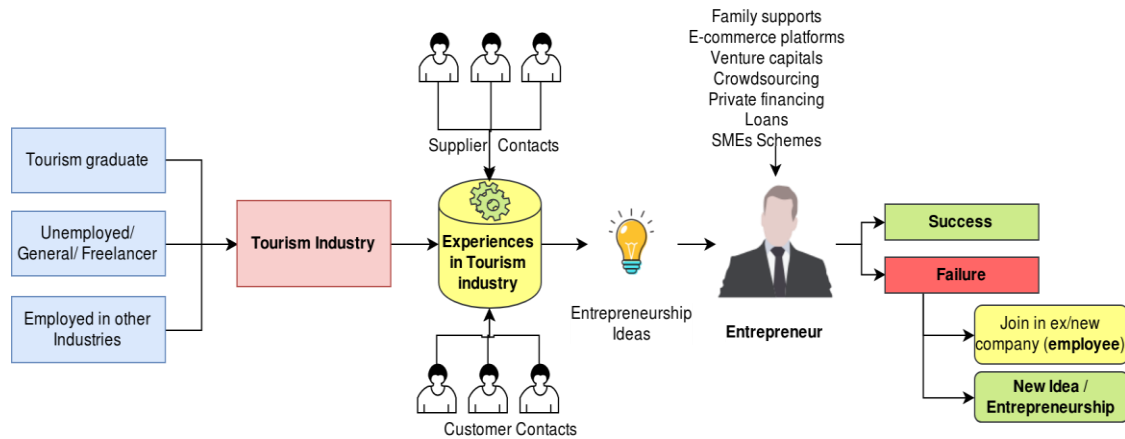


Fig.1 Employee to Entrepreneur transition process

Indian Tourism industry lacks professional employees in last decade. But now many universities and institutions had created professional employees to tourism industry and expanded the size. Ticketing and hotel booking procedures was once manual now become online and more technical. Emergence of the Technology to all people had boosted the tourism and allied business to operate easily than before. Fig. 1 shows the employee to entrepreneur transition process in tourism industry, Study had found that currently there are three sources of new employees to tourism industry. Tourism graduates who studied tourism and hospitality professionally, Unemployed general people who have no professional or experiences in tourism industry, then People who have experience in other industry they interestingly moved to tourism industry. These new employees get new experience of tourism business aspects based in different sectors of tourism industry like transportation, accommodation, operation and other allied services. And these employees attains business aspects of tourism industry by the time period of one to five years. This is the period the employee basically stays in one job or organization. Depending up on other factors like education qualification, capital sources, personal interests the duration of employment will reduce or increase. During time of working years employees creates business contacts of suppliers, business provides, customers and other agencies by his hard work or the company's growth. This contacts are first asset that a tourism industry employee develops. Later based on acquired knowledge in industry, contact of people, personal interest and experience employee finds an opportunity of own business as niche market or same business in other location. Mostly the ideas is generated by himself, friends, family or sometimes customer's suggestion. Idea of own business will stays with employee for a period of 3 months to years, depending upon economic feasibility and level of employee's personal interests(dream) on the Idea. These period the employees found accumulating money for business capital or create more business contacts in tourism industry as a part of the transition dream. The study found that performance of the employee had affected once he/she started to plan own business. Financing is the biggest challenges faced by most employees to take decision of transition to entrepreneur. To establish own entrepreneurship most of the cases employee had quit job. There are cases where while working with one corporate the employee starts own SME without the knowledge of employer. Once employee establish the entrepreneurship with different source of fund and entrepreneurship will become successful or failure depends on the internal/external, direct/indirect factors. Successful entrepreneur develops the entrepreneurship with more funding sources and large business share in the industry. Failure entrepreneurs are found to starting again with new idea or rectifying the reason of failure or some join in ex/new companies as waged employee.

Financing is the major factor influence decision of transition. Once the source of finance had attained, employee starts to quit and move to build own kingdom (entrepreneurship). In depth interview results that 80 % of entrepreneurs are funded by personal or informal sources, others with formal sources of funding. According to the research result Financing source of SMEs is categorized into three (Fig.2). Personal sources, Informal sources and Formal sources. Each source category have its own merits and demerits. Personal source includes

Retained earnings, Ancestral capital, Personal savings, Gifts and other Inherited properties etc. In India most of the SMEs were funded by personal sources. But there is recent trend developed a change of depending Informal sources of fund along with the Personal sources. Informal sources are like Friends, Family relatives, Business Angels, Money lenders, Trade credit, Seed Funding, and Crowdsourcing etc. Less paperwork, Less collateral securities, Oral or simple agreement, fast and easy funding are the benefits mentioned by respondents who supports

informal financing sources over formal source. Formal sources includes Banking institutions, Venture capitals, Factoring, Bill of Exchange, Equity funding, Government subsidies, NBFCs, Leasing options, and Hire purchasing financing. These sources are found less used in tourism SMEs in India as High paper works involved, lot of formalities to sanction, slow processing, deep contracts, unfavoured terms and conditions. As SMEs in tourism industry needs only average capital amount of 3 lakhs to 20 lakhs, the entrepreneurs are mostly like to depend on personal and informal sources of financing. As FDI has fully allowed in tourism sector in India generates foreign funding, but there are many terms and conditions that government is still trying to reduce the inconveniences faced by startups and speed up the process of financing. Indian government had introduced many schemes to support the SMEs but many of these schemes are not reaching into the information of local entrepreneurs. Less response from the government side for sponsored schemes, Marketing problems and limitations of the SMEs, High rate for Loans, lack of customized bank financing options, Delayed payments and funds sanction(including credits), less information accessibility and corruptions are the important challenges really facing by the SMEs financing.

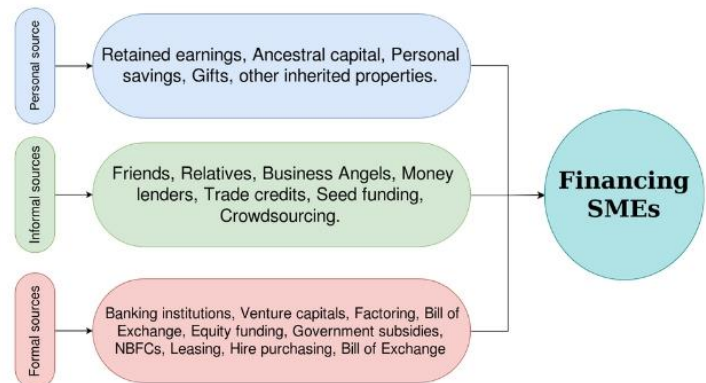


Fig.2 financing of SMEs

IV. CONCLUSION

The study can be concluded as employee to entrepreneur transition trend in tourism sector in India is the result of booming growth of travel business and advancement of technology and globalization. There is a socio-cultural, economical and psychological change distributed among the peoples who moved from waged employee to as an entrepreneur. This transition is result of decision that had passed through different levels of attitudinal (personal), economic and social factors. Financing is the major challenge faced by these entrepreneurs who starts small and medium-sized enterprises (SMEs). Currently average Indian tourism sector SMEs are funded by the Personal and Informal sources.

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