CHAPTER: VI

FINDINGS OF THE STUDY AND SUGGESTIONS:

This chapter is divided into two sections. The first section of this chapter presents some of the findings of the study and the second ventures policy recommendations based on the findings.

FINDINGS OF THE STUDY:

The findings of the study are discussed as hereunder:

6.1 Entrepreneurship:

Entrepreneurship is a purposeful activity indulged in initiating, promoting and maintaining economic activities for the production and distribution of wealth. An entrepreneur is a critical factor in economic development and an integral part of socio economic transformation.

6.2 General information about the sample units:

(i) Age of the unit: Age means the time period since inception of the unit. There are 46% of the total industries belong to age between 15 to 25 years, 21% are between 5 to 15 years and 17% are between 25 to 35 years. Whereas 10% are up to 5 years age and only 6% are more than 35 years old. In total 69% of industries are more than 15 years of age. Industry-wise break up suggests that 46% of Chemical and Dyes industry, 57% of Engineering industry and 75% of Paint industry are between age group of 15 to 25 years.

(ii) Form of organisation: The most commonly found pattern of organization is partnership as 39% industries has partnership form of organization, 32% belong to proprietorship, 27% belong to private limited and only 2% units account for public limited form of organisation. Industry-wise 57.1% Chemical and Dyes industry belong to partnership form of organization, 65.7% Engineering industry belong to proprietorship form of organization and 4 out of 5 i.e. 80% Paper industries have private limited form of organization.

(iii) Size of the unit: We have examine the size of the unit in terms of labourers employed on regular basis and in terms of fixed capital investment in land and building, plant and machinery and furniture and fixture. Sixty five percent of industries had employed unskilled regular labourers in the range between 0 to 5.
Seventy percent industries employed semi-skilled regular labourers between 0 to 5 and 59% industries had employed skilled labourers between 0 to 5. Eighty percent of total industries employed less than 25 total regular labourers. When Pearson Chi-square method was applied to find relationship between type of industry and employment of unskilled, semi-skilled and skilled labourers. We found the following results:

(A) Type of industry and employment of unskilled regular labourers are related to each other.

(B) There is no meaningful association between type of industry and employment of semi-skilled regular labourers.

(C) Type of industry and employment of regular skilled labourers are related to each other.

(D) There is a meaningful association between type of industry and total regular labourers.

When we examined the size of the unit in terms of fixed capital investment following results are found. Fifty five percent industries in all categories invested up to Rs. 20 lakh in their land and building, plant and machinery and in furniture and fixture. Pearson Chi-square result allowed us to link type of industry and fixed capital investment.

We also found a meaningful association between form of organization and fixed capital investment.

In SMEs, entrepreneur with the help of handful of persons looks after all the affairs of finance technical, marketing and administration as 78% industries have around 5 people in the office.

(iv) **Borrowed capital:** Entrepreneurs sources of borrowed capital are banks, financial institution and friends. Twenty nine gave first rank to banks, 19 gave first rank to financial institution and 11 gave first rank to friends for their sources of borrowed capital. Interestingly only 1 out of 100 entrepreneurs approached money lenders for borrowed capital.

(v) **Nature of market:** Out of 100, 44 industries gave first preference to all India market with regard to selling of their products. Out of these 44, 18 were Chemical and Dyes units. Out of 37 which gave first preference to local market 20 were Engineering units. Out of 9 which gave first preference to foreign market 7 were Chemical and Dyes units.
(vi) **Utilisation of Capacity:** Out of 100, 56 units are using their full installed capacity while 44% are using 65 to 85% of their installed capacity.

6.3 **Socio-economic and educational origins of entrepreneurs:**

(i) **Generation of entrepreneurs:** Out of 100, 45 entrepreneurs are in the age group between 45 to 55 years, 24 belonged to the age group between 55 to 65 years, 16 are in the age group between 35 to 45 years. In total 77 out of 100 entrepreneurs are above 45 years of age.

We have further classified entrepreneurs according to their generation. Out of 100, 77 entrepreneurs are first generation entrepreneurs who had converted the idea to start business into action, 23 are second generation entrepreneurs; they have inherited the unit from their father.

(ii) **Religion and caste of entrepreneurs:** Out of 100, 77 entrepreneurs are Hindus, 16 are Jain, 3 are Christians, 2 are Muslims and 1 each is Sikh and Parsi. Out of 100, 83 are in open category. 15 are OBC, 2 are in Schedule tribe category. If we look at caste-wise distribution of entrepreneurs then 22 are Brahmin, Desai, Javeri, Oza, Parekh and Doshi. 19 are Jain and Vaishnav, 14 are Kadva and Leva Patel. If we combine all of them then 55 entrepreneurs belong to caste which are predominantly educated, well off and forward. Ten are craftsman-based entrepreneurs, 11 are non Gujarati and 6 are Christians, Muslims and Parsis.

The above analysis of sociological caste indicate that the sample entrepreneurs are mainly dominated by 3 category of caste viz (i) Brahmin, Desai, Javeri, Oza, Parekh, Doshi (ii) Kadva, Leva Patel (iii) Jain and Vaishnav. They represent 55% of total sample. So it appears that sociological factors such as caste, attachment to traditional activity and approval or disapproval of social group are less important than economic factors such as access to capital and possession of business experience and technical knowledge. Only in Engineering industry some positive relationship between caste and entrepreneurship can be established.

Hence, the data do not permit us to conclude like UNESCO’s Research Centre that there is a high correlation between social structure and entrepreneurship in
small scale industries so we have to agree with the view of Berna’s study that economic factors are more important than sociological factors.

(iii) **Migration:** Out of 100, 59 entrepreneurs have migrated from other places to Vapi and 41 are local entrepreneurs. Those who migrated out of them 38 migrated for business purpose, 18 for service purpose and 3 had family migration.

(iv) **Educational qualification of entrepreneurs:** Only 19% entrepreneurs possessed educational qualification up to higher secondary or less, remaining 81% entrepreneurs had educational qualification as graduate or more. Industry-wise out of 34 graduates, 44.1% graduates are in Chemical and Dyes industry, out of 16 post-graduates, 62.5% are in Chemical and Dyes industry. There are 16 entrepreneurs had Diploma out of them 81.3% are in Engineering industry. All 6 entrepreneurs in Pharmaceutical industry had graduate, Post-graduate or degree qualification. Five out of 9 Packaging industry entrepreneurs had graduate qualification.

(v) **Family Structure:** Out of 100, 69 entrepreneurs belong to joint family at the time of establishment of firm and 55% entrepreneurs were helped by their joint family. So institution of joint family has played an important and supporting role in entrepreneurial activity and therefore we have to accept alternative hypothesis that joint family plays an important role in entrepreneurial activity.

(vi) **Entrepreneurs father’s educational, occupational background and their influence on entrepreneur’ present occupation:** Out of 100, 74 entrepreneurs’ father had higher secondary or less education qualification. The occupational background of entrepreneurs’ father reveals that 43% have business background, 29% have service background and 28% have agriculture background.

The influence of father to entrepreneurs’ present occupation indicates that 31% entrepreneurs are completely influenced by their father, 10% have some influence of their father.

There are 20 entrepreneurs influenced by their younger or elder brother, uncle, friend, owner of the present job and in two cases by their mother and cousin sister.
(vii) **Childhood of entrepreneurs:** The information about the type of childhood spent by entrepreneurs indicates that 69% had comfortable childhood, 11% spend luxurious childhood and 20% had poor background in their childhood.

(viii) **Job experience of entrepreneurs:** Job Profile of entrepreneurs explains that 66% had job before the establishment of the unit while 84% did not have any job. Those who had job out of them 46% i.e. 69.69% had job related background with the existing preoccupation and 20 had experience of previous job not related to present job. When we further inquired in detail the reasons for leaving earlier job, 17 each entrepreneur gave first rank to better prospects, independent decision and some other reasons. Fourteen gave first rank to more earning as the reason for leaving earlier job. Only one gave first rank to more job satisfaction as the reason for leaving earlier job.

(ix) **View regarding trading:** Out of 100 only 5 entrepreneurs are of the view that trading is a good option while 95 are in favour of manufacturing line instead of trading.

(x) **Why this particular industry?:** When we asked them about why they started this particular industry, in reply to the various options that we had given as reasons 40% entrepreneurs gave first rank to more use of earlier experience and training, 22% gave first rank to family business and 16% gave first rank to advice of a close friend and relative as a reason to start this particular industry.

(xi) **Risk taking attitude:** Out of 100 entrepreneurs 59% considered themselves to be low or moderate risk taker, 38% are high risk taker and only 3% are no risk taker. McClelland and other behavioural experts are of the view that moderate risk-taking attitude is a very important characteristics of entrepreneurship. Thus our data support McClelland view.

We have also tried to find out relationship between risk-taking attitude with other variables by adopting Pearson Chi-square method and it suggests that there is no clear relationship that can be established between risk-taking attitude and age, life style as dependent, educational qualification, migration and job experience of entrepreneurs and with fixed capital of the unit.

(xii) **Urge for innovation:** Eighty eight entrepreneurs in the sample have urge to create new things or innovate something new and out of these 88, 68 entrepreneurs planned out systematically and 20 implemented immediately.
(xiii) **Social prestige:** Out of 100, 41 entrepreneurs informed us that social prestige and status is more important for them, 54 entrepreneurs think that it is normal for them and for 5 entrepreneurs social prestige and status is insignificant.

### 6.4 Initiation and growth of entrepreneurship:

(i) **Motivating factors:** An examination of motivating factors indicates that 34 entrepreneurs gave first rank to previous experience in such kind of job, 26 gave first rank to advice from business friend and 24 gave first rank to other reasons like family business, to secure the future of family and children, wanted to earn more money, it is their goal in life to become industrialist are motivating factors for the establishment of the enterprise.

(ii) **Length of inception-period:** There is a time-lag between perception of opportunity and actual commencement of production. We call this time-lag as inception-period. Our finding suggests that 90% of enterprises have had inception-period up to 3 years and almost 90% of industries in all categories belong to this period.

(iii) **Considerations for the initial size:** An inquiry into the consideration responsible for initial size of the units points out that availability of own and borrowed capital, nature of market, unwillingness to take larger risk are the most important variables which determine the initial size of the enterprise.

(iv) **Initial problems:** During inception period entrepreneurs faced problems in the area of finance, market and government rules and regulation.

(v) **Factors for location of enterprise:** For the reasons behind the location of enterprise in Vapi G.I.D.C. majority of entrepreneurs put forward reasons like existence of industrial estate, entrepreneurs previous work place, subsidy given by government, availability of cheap land and building, problems in expansion of industries in Mumbai, entrepreneurs’ residence in neighbourhood, establishment of other business in Vapi and proximity of Vapi with market for their consideration of Vapi as the location of enterprise.

(vi) **Growth rates of enterprise:** We have tried to analyse various aspects of growth of units to get an idea regarding growth of entrepreneurship. We worked out average annual growth rate of turnover and percentage of net profit. Our findings regarding average annual growth rate of turnover indicate that 72 out of 97 units have growth rate of turnover up to 30% and remaining 25 units have more than 30%. We calculated 97 units out of 100 because 3 units had
their inception-period late so they are not in accordance with the pattern of 97 units. Out of 25 units which registered growth rate of more than 30%, 12, i.e. 48% are Chemical and Dyes units, 8, i.e. 32% Engineering units, 2 are Pharmaceutical units and 2 each in Packaging, Paint and miscellaneous group. We have also looked into the impact of factors like age of the unit, age, educational qualification, sub caste, risk-taking attitude and job before the establishment of the unit of entrepreneurs on average annual growth rate of turnover and applied Pearson Chi-square method to establish link between them. We found that average annual growth rate of turnover has a strong link with sub caste and risk-taking attitude of entrepreneurs.

We have also calculated growth rate in terms of percentage of net profit. We found that 91 out of 100 enterprises have net profit between 0 to 10% and remaining 9 have more than 10% net profit. In order to establish link between net profit with age, educational qualification, risk-taking attitude of entrepreneurs and also with consideration of success, and financial decision of entrepreneurs. We applied Pearson Chi-square method and found that there is no link that can be established between them.

(vii) **Factors behind growth:** We have tried to know the factors responsible for growth and found that market expansion, increase in the demand, R & D activities, technical up gradation, quality and in time delivery of orders along with availability of raw material, cheap and peaceful labourers and availability of capital are important for growth.

(viii) **Changes since establishment and future changes:** We have analyse changes, innovations and improvisation made after establishment and we came to know that expansion of old unit, establishment of new unit, new product or new line of activity and improvement in design or layout of the plant are the major changes made after establishment of the unit. We have also tried to know about their future plan of change and found that out of 100 entrepreneurs 40 are planning to introduce expansion, 12 want to start new unit and 4 are willing to introduce new product while 44 entrepreneurs have no future plan.

(ix) **Decision making:** The decision regarding technical, financial and labour related issues individual entrepreneur plays very important role.

(x) **Quality:** Out of 100, 98 entrepreneurs are satisfied with the quality of product and through customer satisfaction they ensure their quality.
(xi) **Membership with professional bodies:** Out of 100, 63 entrepreneurs have membership of professional bodies at regional, national and international level and 37 are not associated with any professional bodies. Chemical and Dyes, Paints, Paper and Pharmaceutical industry entrepreneurs have tendency to be a member of professional bodies. Only 1 entrepreneur has membership of international professional body and he belongs to Paper industry.

(xii) **Opinion:** In an opinion about greatest quality of successful entrepreneurs 31 entrepreneurs gave first rank to analysing the market, 27 gave first rank to risk taking, 23 gave first rank to innovation and 18 gave first rank to coordinating as the greatest quality of successful entrepreneurs.

In order to assess the impact and overall change in business scenario of India after 1991 economic reforms, entrepreneurs are of the opinion that business atmosphere have become more competitive, easy availability of raw material and quality standardization has taken place. All entrepreneurs in the sample think that industrial estate is good for the industrial development. Out of 100 entrepreneurs 64 are of the view that industrial clusters are very helpful for industrial development and 77 entrepreneurs are in favour of venture capital to encourage new class of entrepreneurs.

**6.5 Problems and relationships:**

(i) **Today’s problem:** Entrepreneurs at the time of field investigation faced problems like shortage of labour and technical or managerial personnel, some measures of government, shortage of capital, etc. There are few entrepreneurs who had mentioned that they have no problem what so ever in any front.

(ii) **Recruitment and training:** Out of 100, 64 entrepreneurs recruited their labourers through personal contact, 30 adopted interview method, 4 organised written test and 2 conducted written test and interview both.

Out of 100 enterprises 50 have training system and out of these 50, 41 have training period up to 3 months and 9 have beyond 3 months training period.

Eighty three percent entrepreneurs are of the view that training or educational institutes are required for the entrepreneurship and 72% are of the opinion that training and educational institute are necessary for labourers as well.

(iii) **Government approach and assistance expected from the government:** Fifty eight percent entrepreneurs are of the view that government approach towards
industries in recent years has positive, 37% think there is no change in the approach and 5% think government approach is negative towards industries. Entrepreneurs expected assistance from government in a very wide area of activities from infrastructure to finance and tax.

(iv) **Consideration of success:** Out of 100, 96 entrepreneurs accepted that they are successful and 78 entrepreneurs want their sons or family members to carry on their work. Ninety six entrepreneurs considered themselves successful because their profit level is increasing every year, they are able to take risk, they are creating employment and they are contributing to the development of this area.

**SUGGESTIONS:**

Based on the interaction with the entrepreneurs and based on their opinion and feedback, we have concluded this research with a few suggestions in order to encourage the entrepreneurs to come forward and establish industrial units. Industrial growth and development depends on the role of entrepreneurs and hence the following suggestions can help in promoting the success of entrepreneurs. The suggestions are as follows.

In order to promote industrial entrepreneurship in developing countries action should be taken in two areas as suggested by Staley and Morse.\(^1\)

(i) Overall environment should be such that it provides stability and sufficient reward for business initiative.

(ii) For the emergence of new industrial entrepreneurs positive programme should be planned.

Organisational support for the growth of entrepreneur is provided at centre and state level. At centre level S.I.D.O., N.S.I.C., Development Banks and Nationalised Bank carry out these functions and at state level various State Development Corporations and Financial Corporation along with Directorate of Industries organise these functions. These organizations were created in order to provide technical, managerial, marketing and financial assistance to entrepreneurs. Ahmedabad based Entrepreneurs Development Institute (E.D.I.) is also fostering new entrepreneurs for industrial

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activity. We suggest some policy measures which are based on the findings of our study.

6.6 Our study indicates that entrepreneurs in the samples have emerged from caste which are predominantly educated, well off and forward, belong to middle or upper middle strata of society, have their father’s experience in manufacturing and trading activity willing to take moderate risk and joint family background. Thus, young or middle age, comfortable financial background, education with forward caste background, joint family, trading or working experience in related sphere and willingness to take moderate risk come out as useful variables potential enough to give rise to new entrepreneurs. Persons with this background should identify and developed as potential entrepreneurs so chances of their becoming successful entrepreneurs are bright. Hence, development agencies should look out for persons with this type of background and provide them with further training.

6.7 Sample entrepreneurs have secured financial support for venture capital, growth fund and working capital from commercial banks co-operative banks and G.S.F.C. However, entrepreneurs are of the view that formalities and procedures are very lengthy and tiresome. It should be remembered that different types of finance are required at different stage of development. Therefore, financial agencies make application procedures and approval criteria simple and quick loan approvals should be done at the branch level. They can also establish more small scale industrial specialized branches at least one in every district head quarters to cater the financial needs of small entrepreneurs.

6.8 When we asked our sample entrepreneurs about the assistance expected from government and what government can do to encourage people to start industry in this area, they replied for the infrastructural facilities to improve. They appreciated the establishment of industrial estate, though there were many essential facilities like electricity, water supply, drainage, road, disposal of chemical waste, efficient running of effluent treatment plant, housing for labourers and technical personnel, transportation facilities etc need to be address and it should be made of international standard. Therefore government should give more emphasis to upgrade these infrastructural facilities so that entrepreneurs can concentrate on the growth of their enterprise.
6.9 Government must have single window system for the payment of different tax ranging from sale-tax, excise duty, income tax, service tax, corporate tax, payment in respect of Provident fund and E.S.I.C. facilities must be strengthen so that labourers take advantage of this.

6.10 In order to run industrial enterprise on efficient line, proper training, motivation and wide expose become extremely important. It is universally accepted that “entrepreneurs can be taught and made.” To enable small industries entrepreneurs to become efficient and successful mangers it is necessary to provide them with the basic tools and techniques of modern management. Generally they are conscious of the need for making full use of their existing equipment, but they are not alive to the other aspects of management such as preventive maintenance of machinery, management accounting, production planning etc. because of that they are not able to take advantage of their ancillary or export possibilities for their products. To meet these short-comings, it is necessary to provide management and other trainings to small scale entrepreneurs as an essential input for promoting productivity and modernization.

6.11 The entrepreneurs should develop a proper industrial plan with the help of feasibility study.

6.12 The encouragement and development of entrepreneurship culture should become the core part of the education system, so that young men and women can become “job givers” and not only “job seekers”.