CHAPTER IX
CONCLUSION

Findings and Recommendations

If developing countries should have a sustained and rapid economic growth entrepreneurship there should not be merely maintaining the status quo in business, but it should be of the dynamic innovative type with entrepreneurs striving to upgrade their production technology constantly and to make newer, more finished and more sophisticated products continuously. The deficiency with respect to the innovativeness of entrepreneurs is one of the main problems with respect to the industrial development of such countries.

Theoretical and empirical studies by economic historians, sociologists and psychologists each has attributed such dynamic and innovative entrepreneurship to a different factor or group of factors, some social or psychological and some economic. These different factors can however be conveniently grouped into (a) social and psychological factors like the entrepreneur's religion, education, occupational background, cosmo-politeness and achievement motivation; (b) factors relating to the firm like the demand for its products, location and
size; and (c) external environment including government policy and assistance by institutions sponsored by the state or by the trade.

The leather industry in India presented an ideal setting for testing the relationship between the above factors and the modernization of an industry by its entrepreneurs. The Government of India adopted a policy of intervention regarding leather exports in 1973 imposing quota restrictions on the export of semi-finished leather, levying an export duty thereon and granting incentives on the export of finished leather and leather products in order to force the industry to modernize itself, that is, to make finished leather and leather products from out of the semi-finished leather it was already making, and to export value added products. Thus there were compelling circumstances in the industry since 1973 for entrepreneurs to modernize their units and it provided an excellent situation to compare the performance of different entrepreneurs and to assess the contribution to the modernization of the industry by factors antecedent thereto, and to suggest measures for increasing the pace of industrial modernization, which was the object of this study.

For the purpose of this study a sample of thirty tanners who were also exporters in 1973 were chosen from
four centres of North Arcot district, namely, Ambur, Pernambut, Ranipet and Vaniyambadi where the leather industry is fairly heavily concentrated Information about them and their firms and their opinions on matters relevant to the study were collected using the interview method with the help of a questionnaire, and the information gathered was analysed. Using the Rogers' classification of adopters of innovations, the tanners were classified on the basis of the time of their making finished leather into five categories: the innovator, a hide tanner of Vaniyambadi who was the first in the district to make finished leather; four early adopters who had achieved this stage of modernization before the government intervention in 1973 but after the innovator; ten tanners who form the early majority, having modernized between 1973 and 1976; ten who would comprise the late majority, having modernized between 1977 and 1980; and five laggards who had not modernized even by 1980. Modernization scores were computed for each of them on the basis of the stage of modernization of their firms for testing the relationship between social psychological factors and the firm's characteristics on the one hand and modernization on the other. Simple statistical correlation and inference procedures were used to test the relationship and the following were the results.
The Social Background of the Entrepreneurs

Among the antecedent social psychological factors internal to the entrepreneur which can influence his innovativeness, that which has a significant association with the pace of modernization of his firm by the entrepreneur is his cosmopolitanism as evidenced by his foreign visits, his contact with CHRI scientists, his reading the trade journals, his active participation in trade fairs and in the deliberations of his trade associations, and his social and political affiliations. Hence any step that would promote the cosmopolitanism of the individual entrepreneurs is likely to make them more innovative, particularly encouraging them to make foreign visits and to participate in industrial fairs in the country and abroad and improving the contact between them and the scientists of the research institute relevant to the industry (CHRI in this case).

Regarding religion, tanners of Tamilnadu are mostly Muslims. The sample taken for the study consisted of 25 Muslims and 5 Hindus. But the Hindus in the sample had a slightly higher average modernization score than the Muslims, all the five Hindus making finished leather and all the five laggards being Muslims. Running a tannery is an act of social deviance for a caste Hindu, and the fact that none of them is a laggard is in support of the
theory that socially marginal entrepreneurs tend to be more innovative on an average. The case of the Brahmin tanner is of particular significance here. There is one Brahmin tanner in the sample and five others in the different tanning centres of Tamilnadu and all of them make finished leather, and three of these make, in addition, either garments or gloves out of leather. The Muslim tanners were scored for their traditionality but no significant relationship was observed between traditionality and industrial modernization in their case showing that Islam presents no obstacle to industrial modernization.

Regarding the relationship between education and modernization, the less educated tanners were found to perform as well as the educated in modernizing their firms. Two of the earliest five tanners to modernize had just some elementary education and two of the five laggards were graduates. But the less educated tanners made finished leather for export after a graduate or a technically trained person or at least a matriculate joined them as partners, usually a son or a son-in-law. The latters' education broadened the perspective of the former and improved the firm's marketing and technical skills, and made it easier for the firm to handle the relatively more sophisticated business of making and exporting finished leather.
A comparison between hereditary tanners and new men showed that the pace of modernization by the new men was faster. Of the quickest five to modernize their tanneries in the sample i.e. before 1973, four were not hereditary tanners. Only one of the eleven hereditary tanners in the sample finished leather before 1973 but it was not in his hereditary firm but in a new firm started for him by his father-in-law. The profit that the traditional tanners have been making in E.I. tanning and export is the opportunity cost that they bear in mind when making a decision on modernization. The opportunity cost in the case of the first generation tanners is the income normally earned in their father's occupations or other available vocations which was probably lower than in leather finishing; also, as new men, they had no psychological resistance to change as in the case of hereditary tanners, and they have moved into leather finishing quicker. Sociologically speaking, however, new men can be considered socially marginal persons with respect to hereditary tanners and a reaction to social marginality may be the dynamism and innovativeness of the entrepreneur. Considering the quickest half of the sample to modernize, nine of the fifteen early modernizers were new men which included three Hindus. The innovator is a first generation tanner and a Hindu and is a case of social marginality on two counts.
Product Demand, Location and Size of Firm

The relationship between the characteristics of the firm like product demand, size and location of the firm and modernization was examined next. With reference to the product, tanners of goat skins were found to have modernized faster than tanners of sheep skins, since goat skins are mostly used to make shoes and sheep skins to make garments, and the former have a relatively higher export demand and are sold in larger lots. The hide tanners had a lower average modernization score and a higher dispersion in these scores. Their export climate is less favourable and they depend more on domestic sales than the tanners of skins, and finishing of hides is costlier than the finishing of skins. Hide tanners are generally found to be a conservative lot who find E.I. tanning quite profitable still and are not interested in assuming the risks associated with the finishing of cow and buffalo hides.

Regarding location, modernization has been fastest and widest at Ambur which is a predominantly goat tanning centre where firms are relatively larger in size and where opinion leadership of progressive men like T. Abdul Wahid has been effective in influencing other tanners of the locality. There has been almost no modernization in Pernambut which is completely a hide tanning centre and
where tanners have been totally conservative. Vaniyambadi and Ranipet occupied the intermediate places, with the former having the first cooperative common facility centre set up to help the small tanners to make finished leather.

Regarding the size of the firm, larger firms modernized faster in general, but smaller firms were not far behind; these firms, however, adopted technology appropriate to their size, and make less sophisticated products with less investment.

Infrastructure for Modernization

A major share of the credit for modernization of the leather industry goes to the CLAI which has been responsible for the transfer of technology and the training of technicians. Neither transfer of technology nor finance has been a serious problem to the tanners with respect to modernization of their tanneries. But marketing, effluent control and the absence of common facility centres to help small tanners have been the main problems, marketing being the most serious among them. The demand and prices of finished leather are found to fluctuate widely, and the 1978-80 slump had hit the tanners quite badly.
Recommendations regarding the Infrastructure

In the light of the above and based on the comments of the tanners interviewed, the following steps could be suggested for adoption for quickening the pace of modernization of the leather industry.

**Emphasis on leather goods.** The Government of India should reorient its industrial and trade policy to the encouragement of the production of finished products like shoes and garments for export. Fiscal policy and trade pacts with other countries should be so framed as to prefer these to either finished or semi-finished leather. The CLRI has been found effective in assisting the tanners to make finished leather but it should devote more attention to research and training relating to the manufacture of footwear and leather goods than hitherto.

**Improved marketing.** The STC and the leather export promotion councils should improve their marketing assistance to tanners, particularly the smaller tanners. Small firms should be encouraged to form a consortium for export and inter-firm contact should be developed with smaller firms doing subcontract work for larger firms engaged in export.

**Quality of raw material.** Steps should be taken to
improve the quality of raw hides and skins and of chemicals and dyes needed for finishing leather and of components like zippers needed for leather goods.

**Effluent control.** The CLRI and the state government should speedily evolve efficient and economic techniques for effluent control and the tanners should be assisted to construct the necessary effluent treatment plants.

**Increasing the supply of innovative entrepreneurs.** The government has little control over the social psychological background of the entrepreneurs and there appears to be little scope for special entrepreneurial development schemes to raise their innovativeness. But the existing courses in commerce, chemistry and leather technology offered by the Universities and colleges in the region may be modified to provide adequate motivation to students to develop into creative entrepreneurs instead of merely becoming office assistants, chemists and technicians respectively. And new entrepreneurs may be encouraged to start finishing and leather goods units. Common facility centres may be speedily set up in the tanning areas particularly those that are backward in this respect like Pernambut, and functional industrial estates may be set up to manufacture leather goods in the district.
Summary

In conclusion, the findings of this study of Entrepreneurship and Modernization can be summarized as below:

(1) Given usable technical knowledge and finance, the modernization of his firm by an entrepreneur is conditioned by his perception of the risk involved in the act. The government can improve this risk perception favourably to a certain extent by suitable fiscal and industrial policies and by solving the infrastructural problems relating to the industry.

(2) Other things remaining constant the perception of risk involved in modernization varies widely between entrepreneurs. On the one extreme is the progressive entrepreneurs whose ethos for risk taking is high. They are the innovator and the early adopters. They modernize very quickly and voluntarily. They are very cosmopolite. They are mostly new men or otherwise socially marginal persons. They have empathy with respect to the needs of the industry as a whole and of the country. They build up the size of their firms by making use of bank credit and register their units as large firms with the government. They think large and open out their doors for the entry of new ideas from outside, from research institutions, suppliers of machinery and chemicals, and buyers of
their products and select those ideas that are appropriate for their firms. They have great regard for scientists and technicians and make full use of them. They are happy to offer their advice to others and function as opinion leaders.

On the other extreme are the laggards, horses that would not drink even if taken to the river. Their activities are confined within self-imposed and narrow limits. They do not look outside for ideas and they feel that anything traditional is safe and any modernization is risky. Their ethos for risk taking is low. They have scant regard for scientists and technicians and make little use of them. They know all the reasons why it is not possible for them to modernize. They attribute most of their problems to omissions and commissions of the government or to the machinations of their progressive rivals.

Between the two extremes lie a variety of men who are the initiators who after assessing the performance of the progressive entrepreneurs would modernize fully or partially depending on a host of factors like their marketing and financial opportunities and the technical assistance they are able to get.
(3) Larger firms modernize faster and use more sophisticated techniques than smaller firms.

(4) The presence or absence of a few men in the right places who believe strongly in the value of modernization and who are influential as opinion leaders may make a crucial difference in the modernization of an industry in its different locations.

(5) As long as no one in a locality modernizes, the risk associated with modernization is perceived by everyone as considerable. And as the number of entrepreneurs who modernize their firms rises in a locality the risk associated with modernization is perceived as smaller and smaller.

(6) An entrepreneur who is quickest to modernize to a certain stage need not necessarily be the quickest to modernize to the next stage.

(7) And, the innovativeness of the entrepreneurs seems to be strongly associated with their social marginality, taking Hindus as socially marginal in the trade dominated by Muslims, and taking new men as socially marginal with respect to hereditary tanners. Also, cosmopolite individuals modernize faster.
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