CHAPTER I

INTRODUCTION

Women constituting almost half of the Indian population with a literacy rate of 54.36 per cent have the strength and vigour to participate in economic activities to contribute positively to the economic growth of the country. This is the century of telecom, Information technology, financial institutions and social legislation for women’s protection. Despite growing industrialization, urbanization and social legislation, the status of women in India has not changed significantly.

Economic independence is the prime basis for improving the status of women in India. It is generally agreed that women’s participation in economic activities would result in reducing their dependency and enhancing their social and economic status. Women’s participation in economic activities could be achieved through both wage employment and self-employment including entrepreneurship. Between these two, the latter has more potential in transforming Indian economy and the society.

Women empowerment will become a reality when they are motivated to engage in self-employment programmes. In particular, women empowerment becomes significant through development of women entrepreneurship in the country. It is true that women are equally competent to do business. Yet, this potential remains largely untapped, with less than 10 per cent of entrepreneurs in India being women.
Realizing this, the government has laid special emphasis on the need for conducting special entrepreneurial training programs for women to enable them to start their own ventures. Financial institutions and banks have also set up special cells to assist women entrepreneurs.

1.2. STATEMENT OF THE PROBLEM

Schumpeter\(^1\) points out that entrepreneurship means a creative activity. It is very essential for making an economy self-reliant and self-sufficient. Audretsch and Thurik\(^2\) indicate that entrepreneurship stimulates economic growth through knowledge spillovers, increased competition, and expanded diversity. The theoretical support for this argument stems from the earlier writings of Romer\(^3\) and Lucas\(^4\). Entrepreneurs make investment which generates both backward and forward linkage effects. They export goods to earn foreign exchange for the country. They generate income and employment and make use of latent resources for a higher growth rate of the economy. Hence, successful entrepreneurs are needed for the economy to develop. The

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successful entrepreneurial activities, however, are inhibited by socio-economic profiles of entrepreneurs. In particular, the success rate of women entrepreneurship is largely determined by a set of socio-economic profiles of women in the society. Many research studies reveal that the performance of women entrepreneurs and their decision makings are influenced by their education, family support, credit support extended by the financial institutions and so on. There are several handicaps for women to enter into and manage business ownership due to the deeply embedded traditional mind set and stringent values of the Indian society.

Indian women suffer from many disabilities and social injustices. Their status, roles and responsibilities are directly influenced by marriage, customs and inheritance. While women are guaranteed equality under the Indian constitution, legal protection has little impact on the face of prevailing patriarchal traditions. Women are denied power to decide.

Women’s family obligations often bar them from becoming successful entrepreneurs. Having primary responsibility for children, and aged dependent family members, a few women can devote all their time and energies to their business. Traditional gender role expectations and patriarchal attitudes make it more difficult for women to relieve themselves of family responsibilities. The familial and social conditioning inhibits the confidence, independence and mobility of women. This
translates into poor access to information, credit, technology and market and prevents women from starting a business or women entrepreneurs from growing beyond a particular level.

In this context, an economic study has been made to analyse the performance of women entrepreneurs in terms of selected indicators and to examine the barriers on the development of women entrepreneurs in Salem district.

1.3. OBJECTIVES OF THE STUDY

The objectives of the study are

a) to study the socio-economic characteristics of women entrepreneurs in Salem district and examine the motivational factors and areas of family support in doing the business.

b) to evaluate the performance of the women entrepreneurs in terms of profit rate, credit rate and reinvestment rate and to study the various factors contributing to the performance.

c) to examine the characteristics of successful women entrepreneurs in Salem district.

d) to analyse the various constraints faced by women entrepreneurs in Salem district.
1.4. HYPOTHESES FRAMED FOR THE STUDY

Based on the above objectives, the following hypotheses have been framed and tested in the study;

1. Age of enterprise, entrepreneur’s age at entry, entrepreneur’s education and entrepreneurial competency are not significantly influencing entrepreneurial performance measured in terms of profit rate, credit rate and reinvestment rate in service, manufacturing and trading enterprises owned by women in the district.

2. There is no significant difference in the profiles of two groups of women entrepreneurs classified as successful and unsuccessful in service, manufacturing and trading enterprises.

3. Poor access to finance is not a major gender-neutral constraint faced by women entrepreneurs during the start up and the growth phases of their service, manufacturing and trading enterprises.

4. Restrictions on spatial mobility, difficulty in the distribution of time between business and family affairs, non-acceptance of women’s authority in business and difficulties in ensuring suppliers’ and customers’ credibility are not gender-related constraints faced by women entrepreneurs during the start up and the growth phases of their service, manufacturing and trading enterprises.
1.5. MOTIVATION FOR THE STUDY

Studies that have focused on the performance of enterprises owned by women have been a few (Lerner et.al.)\(^5\). There is a dearth of research on the relationship between strategy and performance of women based business in developing countries. (Lerner, Almor)\(^6\). The scarce availability of reliable and valid data continues to be one of the key obstacles to understand the challenges specific to women entrepreneurship. The researcher has been motivated to study this neglected area of women entrepreneurship. The study focuses on the various factors influencing the performance of women entrepreneurs in Salem district. It also examines the various constraints faced by women entrepreneurs in achieving the success in the entrepreneurial venture in the district.

1.6. NEED FOR THE STUDY

Women entrepreneurship needs to be studied separately for two main reasons. The first reason is that women entrepreneurship is recognized as an important untapped source of wealth and economic growth. Women can be more productive by involving in economic


activities of the country. By providing stimulatory and sustaining supports, these women can be encouraged to start income generating projects. Gone are those days when a man alone would be capable of feeding the whole family. Now women may supplement it through whatever skill she has acquired. Women can earn either through self-employment or wage-employment. Self-employed women differ from wage and salary earning women. Women entrepreneurs create jobs not only for themselves but also for others. They exploit entrepreneurial opportunities and provide society with different solutions to management and business problems. However, they still represent a minority of all entrepreneurs. There exists a market failure discriminating against women’s possibility of emerging a successful entrepreneur. This market failure should be addressed by the policy makers. The second reason is that most of the reservation policies of progress tend to be men-steamed. They do not take into account the specific needs of women entrepreneurs. As a consequence, equal opportunity between men and women for venturing into entrepreneurial activities is still not a reality. Moreover a careful analysis of sex-disaggregated statistics and sex based policy is essential for policy makers for designing suitable policies for the development of women entrepreneurship in India. Thus, there is a need for a detailed study on performance of women entrepreneurs and the problems faced by them in the venture.
1.7 SIGNIFICANCE OF THE STUDY

This study is an evaluation of the variables associated with business success of women entrepreneurs owning service, manufacturing and trading enterprises. It aims at examining the performance of women entrepreneurs using data provided by women entrepreneurs. Further, it provides more insight into the requirements for entrepreneurial success. From a practical perspective, the findings of the study may be useful to women entrepreneurs by highlighting the focus on training that may be necessary to improve entrepreneurial effectiveness. Moreover, understanding the variables contributing to entrepreneurial performance and the challenges faced by women entrepreneurs may facilitate the development and implementation of government policies for the promotion of successful women entrepreneurship in the country.

1.8. THEORETICAL SETTING FOR THE STUDY

Lucas emphasizes significance of the externalities that stem from the special form of common capital called “Entrepreneur”. The knowledge based growth models have also stressed the notion of the entrepreneur. It was Knight who proposed the role of entrepreneur as someone who had the ability to transform uncertainty into a calculable risk.
Schumpeter stresses the importance of entrepreneurs as the main vehicle to move an economy from static equilibrium through innovations. He was clear on the different roles between inventors and entrepreneurs.

The knowledge spillover theory of entrepreneurship points out that entrepreneurship is one crucial vehicle in transforming knowledge into useful goods and services. Knowledge is classified into three categories namely scientific knowledge, technological knowledge and entrepreneurial knowledge. Entrepreneurial knowledge comprises business relevant knowledge. It connects to what is required in order to introduce a new product, a new process, a new market, a new source of supply of raw materials or a new organization to make profit.

It is quite true that a competent entrepreneur gets a surplus reward over and above the managerial wages. This surplus reward is a recognition of his superior talent. Schumpeter and Meade point out that entrepreneurial income is a surplus over cost. It is the sum additional to entrepreneur’s normal income from work and from the ownership of property. This is called economic profit which equals accounting profit less implicit cost. Thus, an enterprise can be profitable in an accounting sense yet unprofitable in an economic sense.
Miller states that return on capital could be the primary focus of an entrepreneur as it reveals his/her managerial talent. The ratio of net profit to total investment, known as profit rate, is the relative profitability of an investment project. It is defined as the ratio of surplus value to total capital invested in Marxian political economy.

Credit is essential for starting and developing an enterprise. Its prompt repayment is equally important for the smooth functioning of the enterprise. The repayment schedule for all types of long-term loans is fixed by the primary lending institutions taking the debt-serving capacity of the assisted enterprise into account. The inference is that the credit rate reflects an entrepreneur’s repaying capacity and the financial position of the enterprise.

There are various internal sources of finance for modernization, expansion and maintenance of the enterprise. Retained earning is an internal source of finance for Micro, Small and Medium Enterprises (MSMEs). The main advantage of this source is that it is within the command of entrepreneurs. There is no need to pay any interest for the amount of profit reinvested. The reinvestment rate measures the percentage of net profit reinvested in the business. It shows the entrepreneur’s aspiration for higher earnings. If reserves are built up out of current net profit, it would improve the financial strength of the enterprise. Thus, the performance of women entrepreneurs can be
measured in terms of conventional economic measures such as profit rate, credit rate and reinvestment rate.

Knowledge gained through education motivates a person to take up entrepreneurial venture. According to McClelland\textsuperscript{7}, education creates and strengthens the need for achievement and hence entrepreneurship and entrepreneurial performance in the society. Formal education has been considered an important asset of an individual in building entrepreneurial spirit and enhancing entrepreneurial performance.

Most of the entrepreneurs hail from business communities. It has been shown by empirical studies that the number of sons/daughters following their fathers into the business is significantly higher than the number of fresh entrepreneurs. Entrepreneurs hailing from a business family get better exposure to the business traits. They have a good network of business relations by their contacts with other men in the business. The family itself is a training school for them. They have easy access to productive resources which they can employ to promote their business ventures. It is clear that ancestry influences entrepreneurial performance positively.

Manpower support is another important determinant affecting entrepreneurial performance. It is quite true that small entrepreneurs cannot produce profitable goods without skilled labour input.

Credit support plays a vital role in the process of development of any business. Schumpeter points out that an efficient entrepreneur employs productive resources optimally through credit. The importance of credit support for the establishment of a micro/small scale enterprise and for its effective running has been pointed out by many social scientists.

There are conflicting evidence with regard to the influence of ownership of organization on entrepreneurial performance. Sole proprietorship is one in which an individual invests his own capital, uses his own skill and intelligence in the management of the enterprise and is responsible for the results. The greatest disadvantage of such a form of ownership in the micro/small scale enterprise is that an individual can not be expected to possess knowledge of every branch of management. When the business becomes more complex and competitive, an individual may suffer from wrong decisions. On the contrary, with increasing number of partners in the enterprise, the responsibilities get shared and the correct decisions can be taken through consultation. The increase in the number of partners may lead to better performance.
Some social scientists, however, opine that an individual owner may be able to take quick decisions because he enjoys freedom in conducting the business affairs and he has to consult none. Quick decision-making may help him achieve higher performance.

Educated head of the family, being more exposed to the outside world, can foster entrepreneurial qualities in their family members. They can act as a source of motivation and awareness. They can guide their wards during critical stages of the enterprise. It may help the entrepreneur achieve better performance.

A family is a group of persons united by the ties of marriage, blood or adoption. It is the foundation of social life and forms the nucleus of the social structure. The available literature suggests that family’s interference might turn a handicap rather than a help in the case of women entrepreneurs. Family support at the entry stage is, however, essential and crucial for women entrepreneurs.

The literature points out that those women-owned enterprises, in general, have a higher probability of failure. Not because they are owned by women, but because they are in general young and relatively small enterprises.
According to Resource based theorists Barney\(^8\), Grant\(^9\) and Gibson\(^10\), the assets and resources owned by enterprises explain the difference in performance. Resources may be tangible or intangible. For Berman and others\(^11\), enterprises that plan produce better financial results than enterprises that do not plan. Lerner and Almor also contend that strategic planning leads to higher performance.

There is recognition in the entrepreneurship literature of the significance of the contribution of entrepreneurial experience to performance. Research shows that women-business owners who started their business had less experience in similar industries and showed poor performance in managing the business. According to Hood and Young\(^12\), some of the important skills of successful entrepreneurs include


accounting, marketing and financial management. Bird\textsuperscript{13} argues that an entrepreneur’s management skill contributes positively to economic performance and growth of her enterprise. It is widely accepted that every career draws on the competencies of an individual. Some of the competencies may be general and some peculiar to the chosen career. Competencies, here, refer to abilities and skills. Entrepreneurs are permanently challenged to deploy a set of competencies to succeed in their entrepreneurial venturing. According to Man and Lau\textsuperscript{14}, entrepreneurial competencies are the underlying characteristics possessed by a person, which result in new venture creation and growth of the enterprise. According to the level of exhibition, they are categorized as threshold or success. The former are those considered as baseline or at a minimum standard, which successfully create a business. The latter are the competencies necessary to go beyond to make the organization grow\textsuperscript{15}.


The available literature points out four important dimensions of competencies. They are given below:

i) Competencies include overall characteristics of an individual that are related to the effective performance of a given task.

ii) Competencies are manifested in the individual’s behaviour and therefore, offer value which is measurable.

iii) Competencies are the resources in an organization that can be fostered and nurtured.

iv) Competencies facilitate the accomplishment of goals and objectives.

The primary thrust of much of the recent work on women entrepreneurship has focused on what affects their economic success. Smith and Hunter\textsuperscript{16} point out that women in business earn lower economic returns due to three main reasons. The first reason is the type of industries in which women tend to involve. Such gendered types of business are referred to as ‘pink collar’ business. The second reason is the lowered number of hours spared by women on the business. The third reason is the smallest amount of initial capital that women entrepreneurs invest in the business. Further, women entrepreneurs locate their business at home in the start-up phase. Women entrepreneurs, very often, become unsuccessful in the venture due to the problems of time management and product or service pricing. They find it difficult to balance family life and business. Moreover, they quote prices

low due to fear of losing a potential client or not calling for repayment when a client’s invoice is overdue.

1.9. CHOICE OF THE STUDY AREA

It has been observed from the secondary source that women are largely engaged in the entrepreneurial activities like tailoring, wet grinding, binding, photostating and sago manufacturing in Salem district. This district is, however, more popular for mango cultivation, poultry farming and stainless steel. There is a promising scope for the development of women entrepreneurship in mango-based agro-enterprises and poultry farming where value addition is relatively more. Further, there is a vast scope for women entrepreneurship in exporting stainless steel from the district. This has motivated the researcher to choose Salem district as the study area for examining the performance of women entrepreneurs and the constraints faced by them in venturing into entrepreneurial activities.

1.10. LIMITATIONS OF THE STUDY

The study makes an analysis of performance of 221 women entrepreneurs engaged in various activities in one particular district. Therefore, generalization of the findings of the study should be made very carefully. However, the findings may be useful for taking policy decisions relating to women entrepreneurs venturing in the regions where the same set of socio-economic conditions prevails in the country.
Religion though an important variable of research could not be studied because of the limited representation from the Muslim and the Christian communities in the study area. Further, an analysis of the factors that led to the sickness and the closure of the women-owned enterprises could also have been of use. The present study aims at analyzing the performance of existing enterprises owned by women entrepreneurs in the study area. Hence, the analysis of factors resulting in the closure of the women-owned enterprises is beyond the scope of the study. Moreover, a comparative study on the performance of women entrepreneurs by segmenting the respondents into those who established their enterprises in industrial estates and those who established them in other areas would throw light on the advantage of location in promoting women entrepreneurs in India. This study, however, left out this aspect due to limited representation of enterprises located in industrial estates in the study area.

1.11 PLAN OF THE STUDY

There are nine chapters in the study including this introductory chapter. The second chapter provides the details of Micro, Small and Medium Enterprises (MSMEs) and of the study area namely Salem district. The third chapter records the review of literature on the performance and the problems of women entrepreneurs. The details of methods and materials used for the study are furnished in the fourth chapter.
The fifth chapter gives an overall picture of the sample. It contains the characteristics of women entrepreneurs and their enterprises. It also furnishes the results of the analysis of the competency of sample women entrepreneurs. The sixth chapter records the findings on the various determinants of performance of women entrepreneurs measured in terms of selected indicators namely profit rate, credit rate and reinvestment rate. The characteristics of successful women entrepreneurs have been studied and the results are provided in the seventh chapter.

The eighth chapter records the results of analysis of various constraints faced by successful and unsuccessful women entrepreneurs. The last chapter is the concluding part of the work, which gives the main findings and suggestions for improving the performance of women entrepreneurs.