CHAPTER - VI
OVERALL PERFORMANCE

Profit performance is very essential to run the units in the long run. The effort of an entrepreneur is to earn adequate profit and recover the amount invested in the project. Therefore, profit performance is the life energy, which gives a sustained and prolonged life to the units and encourages growth, development, innovation and total promotion of the unit. It is essential not only from the entrepreneur’s point of view but also from the national point of view. Considering the social and economic capabilities of an enterprise, the unit needs to be managed with efficiency and competency so that the capital invested on the project provides reasonable returns to satisfy both the entrepreneur and the financial institution.

AGEWISE OVERALL PERFORMANCE

The influence of the levels of risk taking on the levels of performance of women enterprises is evaluated with reference to rate of return on investment, profit rate, capital and labour productivities and is analysed in terms of their relative association according to the age of the unit.

High Risk Taking Vs High Performance: Rate Of Return

Rate of return on investment is an important area of profit performance in small enterprises. Every investment made on the asset needs to produce reasonable returns. Owing to the financial significance of the high investment involved in an enterprise, the emphasis is more on the timely return on investment. This demands high risk taking behaviour from the entrepreneur in order to achieve viable results, consequently leading to frequent changes and innovations in the technical arena.
Products are planned and developed to serve markets. Product planning is the process of developing and maintaining a portfolio of products, which will satisfy defined customer needs and wants, maximise profitability and make best use of the skills and resources of an enterprise. Demand for products in the market indicates a positive sign of better profit performance. Normally in small enterprises, selling price is quoted on the basis of the market demand for the product. Products that have high demand in the market yield high profits than products that have less demand.

Table 6.1 describes the high risk taking vs high performance in the industry, service and business sectors. In the industry sector, the profit performance on investment in relation to 42.5 percent of the high-risk cases is 27.9 percent. About 46.1 percent of the units have high rate of return on investment in the urban area and 35.7 percent of the units have high rate of return in the rural area. The rate of return on investment in the urban area is 28.7 percent. It is high in the urban area compared to the rural area accounting for 25.35 percent.

In the service sector, the rate of return on investment in relation to 40 percent of the high-risk cases is 41.87 percent. The rate of return on investment in 43.3 percent of the units in the urban area is 44.44 percent. It is high compared to the rate of return on investment in 35.7 percent cases in the rural area, which is 35.95 percent.

In the business sector, the rate of return on investment in relation to 36.4 percent of the cases is 25.1 percent. It is high in the urban area accounting for 26.5 percent in 38.2 percent of the cases and low in the rural area accounting for 22.1 percent in 33.3 percent of the cases.
Table 6.1: Age-wise Medium Risk Taking Vs High Performance in Industry, Service and Business Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion of High Risk Taking (in percentage)</th>
<th>Rate of Return on Investment (in percentage)</th>
<th>Profit Rate (in percentage)</th>
<th>Capital Productivity (per Rupee)</th>
<th>Labour Productivity (in '000 Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDUSTRY</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
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<td>18.76</td>
<td>1.49</td>
<td>1.07</td>
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<tr>
<td>Urban</td>
<td>46.1</td>
<td>28.71</td>
<td>19.02</td>
<td>1.51</td>
<td>1.11</td>
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<td>Rural</td>
<td>35.7</td>
<td>25.35</td>
<td>17.94</td>
<td>1.41</td>
<td>0.93</td>
</tr>
<tr>
<td><strong>SERVICE</strong></td>
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<tr>
<td>Total</td>
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<td>28.15</td>
<td>1.49</td>
<td>1.07</td>
</tr>
<tr>
<td>Urban</td>
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<td>44.44</td>
<td>29.13</td>
<td>1.53</td>
<td>1.13</td>
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<td>Rural</td>
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<td>35.95</td>
<td>25.82</td>
<td>1.39</td>
<td>0.95</td>
</tr>
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<td><strong>BUSINESS</strong></td>
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</tr>
<tr>
<td>Total</td>
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<td>18.06</td>
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<td>18.54</td>
<td>1.43</td>
<td>1.02</td>
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<tr>
<td>Rural</td>
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<td>22.09</td>
<td>16.90</td>
<td>1.31</td>
<td>0.78</td>
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</table>
For all the three sectors, urban units have a higher risk ratio and high performance ratio in relation to rate of return on investment compared to rural units. Among the three sectors, the profit performance in relation to investment in the service sector is high followed by industry and business sectors. The profit performance of the service sector is due to the higher age of the enterprise.

Certain service enterprises show high rate of return and some of them are tailoring, fashion designing and beauty parlours, which have low investment and high sales turnover. Hence their rate of return is at a high level compared to industry and business. In the case of industry sector, due to advance in technology, the capital assets of paint and plastic enterprises are on the increase. These enterprises have less number of labourers, and production capacity is at a moderate level. These enterprises are not able to obtain high sales turnover. Hence their rate of return is at a lower level. In the case of business enterprises, the age of these enterprises is small. Hence their rate of return is also small. Industry, service and business enterprises in the rural area show a lower rate of return. This is due to the age, low investment and low sales turnover of certain enterprises like food and beverages, tailoring, soap manufacture and general stores. Hence their rate of return is at a lower level compared to the urban area.

**High Risk Taking Vs high Performance: Profit Rate**

Products are planned and developed to serve markets. Product planning is the process of developing and maintaining a portfolio of products, which will satisfy defined customer needs and wants, maximise profitability and make best use of the skills and resources of an enterprise. Demand for products in the market indicates a positive sign of better profit performance. Normally in small enterprises, selling price is quoted on the basis of the market demand for the product. Products...
that have high demand in the market yield high profits than products that have less demand

In the industry sector, the profit performance in relation to 42.5 percent of the high risk cases is 18.76 percent. The profit rate is high in the urban area at 19.02 percent in 46.1 percent of the cases, and low in the rural area at 17.94 percent in 35.7 percent of the cases.

In the service sector, the profit rate in relation to 40 percent of the high risk cases is 28.15 percent. The profit rate is high in the urban area at 29.1 percent in 43.3 percent of the cases, and low in the rural area at 25.82 percent in 35.7 percent of the cases.

In the business sector, the profit rate in relation to 36.4 percent of the units is 18.06 percent. It is high in the urban area at 18.54 percent in 38.2 percent of the cases, and low in the rural area at 16.9 percent in 33.3 percent of the cases.

For all the three sectors, the profit rate is high in the urban area when compared to the rural area. Among the three sectors, the profit rate is high in service enterprises followed by industry and business enterprises.

In the service sector, the success of the enterprise depends on the personal skill of the owner-manager and also the skill of the hired labourers. This reduces the operational costs thereby resulting in higher profits. Certain service enterprises like tailoring, fashion designing and beauty parlours have less number of problems. This is mainly because of the age of the enterprise, skill of the hired labourers and also convenience of location. In the industry sector, enterprises like furniture and readymade garment manufacturers have high labour and other
overhead costs. The age of these enterprises is small. Therefore, a high level of investment with low turnover has brought down the profit rate. In the business sector, enterprises like fancy and cloth shops have low sales turnover due to the small age of the unit and also the stiff competition from the neighbourhood enterprises. Therefore, these units have a lower profit rate. Enterprises in the rural area have shown a tendency of low profit rate, the reason being that these enterprises face the problem of working capital, raw material, power, and marketing. Moreover, fall in the agricultural income of the rural households has resulted in fall in the demand for goods and services. This has brought down the profit rate. In the business sector, enterprises like fancy and cloth shops have low sales turnover due to the smaller age of the unit and also the stiff competition from the neighbourhood enterprises. Therefore, these units have a lower profit rate.

**High Risk Taking Vs High Performance: Capital Productivity**

Capital productivity is an important variable in determining the performance of an enterprise. High utilisation of capital assets produce high output and generate high rate of return. High capital productivity indicates that assets of an operating enterprise have been efficiently managed at an optimum level to promote operational efficiency. Technological change is one of the important components of increased capital productivity. When technology adoption is of high level, capital investment will be more. High technology adoption produces more goods and services at a lesser cost and of better quality, thereby increasing the demand for products. This enables an enterprise to record high sales turnover, which in turn increases the profit. High performing units adopt high technology resulting in high profits.

In the industry sector, the capital productivity in relation to 42.5 percent of the cases is Rs 1.49. In the urban area, it is high at Rs 1.51 in
46.1 percent of the units compared to rural units, which is Rs 1.41 in 35.7 percent of the units.

In the service sector, the capital productivity is Rs 1.49 in 40 percent of the cases. In the urban area, it is high at Rs 1.53 in 43.3 percent of the cases, and low in the rural area at Rs 1.39 in 35.7 percent of the cases.

In the business sector, the capital productivity for 36.4 percent of the cases is Rs 1.39. In the urban area, it is high at Rs 1.43 in 38.2 percent of the cases and low in the rural area at Rs 1.31 in 33.3 percent of the cases.

Among the three sectors, urban units have a higher capital productivity when compared to rural units. Capital productivity is similar in both the industry and service sectors. Industrial enterprises like baby food, distilled water, and paint manufacturers, and desktop printing have high investment. These manufacturing enterprises earn better profit than other industries in the same category. Among them, distilled water manufacturing enterprises produce additional products, which brings additional income to the concern. These products have steady demand in the market and are being used for various domestic and industrial purposes. This enables them to have high profit and high capital productivity. Service enterprises like computer centre and health club have high investment. These enterprises have more demand for their services and earn better profit than other enterprises in the same category. Business enterprises like general stores and readymade garment shops involve high capital investment but yield low capital productivity due to the small age of the enterprise and low sales turnover. In the rural area, industry, service, and business enterprises have low capital productivity due to low investment. Enterprises like leaf
cup and oil extraction manufacturers face the problem of fixed and working capital and substitute cheap labour for capital, which enables them to produce less output resulting in low sales turnover.

**High Risk Taking Vs High Performance: Labour Productivity**

Technological change is an important source of increased labour productivity. Productivity also increases as workers accumulate more human capital and knowledge, whether associated with new or improved products or embodied in workers, which is crucial to the progress of an enterprise. When labour productivity increases, enterprises are able to earn high profits.

In the industry sector, the labour productivity in relation to 42.5 percent of the cases is Rs 1.07 thousand. It is high in the urban area at Rs 1.11 thousand in 46.1 percent of the cases and low in the rural area at Rs 0.93 thousand in 35.7 percent of the cases.

In the service sector, the labour productivity in relation to 40 percent of the cases is Rs 1.07 thousand. It is high in the urban area at Rs 1.13 thousand in 43.3 percent of the cases and low in the rural area at Rs 0.95 thousand in 35.7 percent of the cases.

In the business sector, the labour productivity in relation to 36.4 percent of the cases is Rs 0.95 thousand. It is high in the urban area at Rs 1.02 thousand in 38.2 percent of the cases and low in 33.3 percent of the cases in the rural area which is Rs 0.78 thousand.

For all the three sectors, urban units have a high labour productivity when compared to rural units. Among the three sectors, the labour productivity in industry and service units is similar at Rs.1.07 thousand followed by business sector at Rs 0.95 thousand.
Some of the enterprises like block print, greeting cards manufacturers, STD/Xerox, general stores and floriculture have engaged few labourers and their sales turnover is comparatively high. Hence these units have high labour productivity. Enterprises in the rural area are mostly seasonal and agricultural based and operate at low capacity utilisation. In certain enterprises like oil extraction and leaf cup manufacture, agricultural labourers are engaged resulting in low labour productivity.

In sum, in industry, service and business sectors high risk taking units have adopted high levels of technology and techniques in relation to products, marketing, finance, and labour/personnel and have high level of performance both in the urban and rural areas. However, urban units have a higher risk and higher performance ratios in relation to rate of return on investment, profit rate, capital and labour productivities compared to rural units.

Among the three sectors, service units have a high performance ratio in relation to rate of return on investment and profit rate followed by industry and business. This is due to the high age of the unit and also due to the adoption of high level of technology and techniques in relation to product, market, finance and labour, and capital and labour productivities. This is similar in industry and service units. This is due to the high level of the adoption of techniques in relation to finance and labour. In the business sector, the risk and performance ratios are low compared to service and industry. This is due to the lower age of the unit.

Thus, units that have been in existence for considerable length of time have with them proven entrepreneurship. It can be concluded that higher the age of the unit, higher is the risk taking ability of an
entrepreneur and higher is the level of performance of the units in relation to profitability and productivity.

This proves the hypotheses that as the age of the unit increases, risk taking capacity also increases, and the nature of risk taking in the urban area is at a higher level than in the rural area.

Medium Risk Taking Vs Medium Performance: Rate Of Return

Table 6.2 describes the medium risk taking vs medium performance in the industry, service and business sectors. In the industry sector, the profit performance in relation to investment in 37.5 percent of the cases is 23.2 percent. It is high in the urban area at 23.98 percent in 38.5 percent of the cases and low in the rural area at 21.6 percent in 35.7 percent of the cases.

In the service sector, the rate of return on investment in 38.1 percent of the cases is 34.5 percent. It is high in the urban area at 36.8 percent in 41.7 percent of the cases and low in the rural area at 30.25 percent in 33.3 percent of the cases.

In the business sector, the rate of return on investment in 34.5 percent of the cases is 21.64 percent. The rate of return on investment is high in the urban area at 23.2 percent in 35.3 percent of the cases and low in the rural area at 19.23 percent in 33.3 percent of the cases.

In all the three sectors, urban units have higher proportion of medium risk ratios compared to rural areas. Among the three sectors, the rate of return on investment is high in service units followed by industry and business units.
Table 6.2: Agewise Medium Risk Taking Vs High Performance in Industry, Service and Business Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion of High Risk Taking (in percentage)</th>
<th>Rate of Return on Investment (in percentage)</th>
<th>Profit Rate (in percentage)</th>
<th>Capital Productivity (per Rupee)</th>
<th>Labour Productivity (in '000 Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDUSTRY</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td>17.62</td>
<td>1.32</td>
<td>0.85</td>
</tr>
<tr>
<td>Urban</td>
<td>38.5</td>
<td>23.98</td>
<td>17.94</td>
<td>1.34</td>
<td>0.90</td>
</tr>
<tr>
<td>Rural</td>
<td>35.7</td>
<td>21.60</td>
<td>16.83</td>
<td>1.28</td>
<td>0.74</td>
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<td>SERVICE</td>
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<td></td>
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<tr>
<td>Total</td>
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<td>25.65</td>
<td>1.35</td>
<td>0.91</td>
</tr>
<tr>
<td>Urban</td>
<td>41.7</td>
<td>36.77</td>
<td>26.89</td>
<td>1.37</td>
<td>0.98</td>
</tr>
<tr>
<td>Rural</td>
<td>33.3</td>
<td>30.25</td>
<td>23.23</td>
<td>1.30</td>
<td>0.78</td>
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<tr>
<td>BUSINESS</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>34.5</td>
<td>21.64</td>
<td>16.67</td>
<td>1.30</td>
<td>0.79</td>
</tr>
<tr>
<td>Urban</td>
<td>35.3</td>
<td>23.18</td>
<td>17.41</td>
<td>1.33</td>
<td>0.86</td>
</tr>
<tr>
<td>Rural</td>
<td>33.3</td>
<td>19.23</td>
<td>15.75</td>
<td>1.22</td>
<td>0.64</td>
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</table>
In the urban area, a large number of industrial, service and business enterprises are generating profit that is required to meet the satisfactory level of return. Most of these enterprises do not have term loan commitment as they are of recent origin and have managed to remain in the line of operation. These enterprises have medium sales turnover and capacity utilisation. Therefore, these enterprises have moderate rate of return on investment. In the case of rural enterprises, a large number of them are not generating profit that is required to meet the satisfactory level of return as they are established recently and have managed to remain in the business. These enterprises have medium sales turnover and capacity utilisation. Therefore, they have comparatively low moderate rate of return.

**Medium Risk Taking Vs Medium Performance: Profit Rate**

In the industry sector, the profit performance on sales in relation to 37.5 percent of the cases is 17.6 percent. It is high in the urban area at 17.94 percent in 38.5 percent of the cases and low in the rural area.

In the service sector, the profit rate in relation to 38.1 percent of the medium risk cases is 26.65 percent. In the urban area, it is high at 26.89 percent in 41.7 percent of the cases and in the rural area, it is 23.23 percent in 33.3 percent of the cases.

In the business sector, the profit rate in relation to 34.5 percent of the cases is 16.67 percent. In the urban area, it is high at 17.4 percent in 35.3 percent of the cases and in the rural area, it is 15.75 percent in 33.3 percent of the cases.

In all the three sectors, the profit performance in relation to sales in medium risk cases is high in the urban area compared to the rural
Among the three sectors, medium risk cases in service units have high profit rate followed by industry and business.

Urban enterprises in the industry, service and business sector have medium investment and have adopted medium level of technology due to the age of the enterprise. In the urban area, due to the commercial establishments, certain enterprises were able to expand the market for their products. This has resulted in increased sales turnover and profit performance of certain rural enterprises located in the villages. These enterprises were established recently and were not able to expand the market for their products due to insufficient infrastructural facilities. This has reduced the sales turnover and the profit rate.

**Medium Risk Taking Vs Medium Performance: Capital Productivity**

In the industry sector, the capital productivity in relation to 37.5 percent of the medium risk cases is Rs 1.32. It is high in the urban area at Rs 1.34 in 38.5 percent of the cases and low in the rural area at Rs 1.28 in 35.7 percent of the cases.

In the service sector, the capital productivity in relation to 38.1 percent of the cases is Rs 1.35. It is high in the urban area at Rs 1.37 in 41.7 percent cases and low in the rural area at Rs 1.3 in 33.3 percent of the cases.

In the business sector, the capital productivity in relation to 34.5 percent of the cases is Rs 1.30. In the urban area it is high at Rs 1.33 in 35.3 percent of the cases and in the rural area it is Rs 1.22 in 33.3 percent of the cases.
In all the three sectors, the capital productivity is high in urban units when compared to rural units. Capital productivity for medium risk cases is high in the service units followed by industry and business.

**Medium Risk Taking Vs Medium Performance: Labour Productivity**

In the industry sector, the labour productivity in relation to 37.5 percent of the medium risk cases is Rs 0.85 thousand. It is high in the urban area at Rs 0.90 thousand in 38.5 percent of the cases and in the rural area it is Rs 0.74 thousand in 35.7 percent of the cases.

In the service sector, the labour productivity in relation to 38.1 percent of the cases is Rs 0.91 thousand. It is high in the urban area at Rs 0.98 thousand in 41.7 percent of the cases. In the rural area it is Rs 0.78 thousand in 33.3 percent of the cases.

In the business sector, the labour productivity in relation to 34.5 percent of the medium risk cases is Rs 0.79 thousand. In the urban area, the labour productivity is Rs 0.86 thousand in 35.3 percent of the cases. In the rural area, it is Rs 0.64 thousand in 33.3 percent of the cases.

In all the three sectors, urban units have high labour productivity compared to rural areas. Among the three sectors, service sector has a high labour productivity followed by industry and business.

In the urban area, a few enterprises like food products manufacture and garments manufacture in the industrial sector and milk parlours in the business sector are medium performing units which have engaged less number of semi-skilled hired labourers with medium level of technology. These units have a better sales turnover and labour productivity. In the service sector, a few Xerox and job typing centres, and beauty parlours have engaged less number of semi-skilled hired
labourers. The units have a comparatively better sales turnover and better labour productivity. In the rural area, certain enterprises like furniture and soap manufacturers and tailoring units have used a few semi-skilled hired labourers and have adopted medium level of technology. Due to lack of demand for products, they have moderate sales turnover and labour productivity but lower when compared to urban enterprises.

In the urban area, among certain industrial enterprises, a few of the paint manufacturing unit, computer centres and readymade garment shops have a moderate investment, adopted medium level of technology and they have been established in recent years. Due to limited market expansion, they have been able to have medium capital productivity ratios, whereas a few beauty parlours and fashion designing centres in the service sector have medium investment and medium level of technology. Due to their ideal location, they have been able to establish market expansion, resulting in comparatively better medium capital productivity ratios. In the rural area, most of the enterprises have been established in recent years. Among the rural enterprises, a few of the Xerox and typing centres with medium level of investment and technology have established market expansion, and have been able to have comparatively better medium capital productivity ratios.

In sum, in the industry, service and business sectors, medium risk-taking enterprises have adopted medium level of technology and techniques in relation to products, marketing, finance and labour/personnel. Urban units have a higher proportion of medium risk ratios and performance ratios in relation to rate of return on investment, profit rate, labour and capital productivities compared to rural units.
Among the three sectors, service units have a larger proportion of medium risk ratios and performance ratios in relation to rate of return on investment, profit rate labour and capital productivities, followed by industry and business units.

In units that have been in existence for few years and can service the initial period, there is some evidence of entrepreneurial abilities possessed by the firm/enterprise. Thus medium age of the unit shows medium risk taking ability of an entrepreneur and on medium level is the performance of the units in relation to profitability and productivity.

**Low Risk Taking Vs Low Performance: Rate Of Return**

Table 6.3 describes the low risk taking vs low performance in the industry, service and business sectors. In the industry sector, the profit performance in relation to investment in 20 percent of the low risk cases is 18.9 percent. In the urban area the rate of return on investment is 20 percent in 15.4 percent of the cases. In the rural area it is 16.95 percent in 28.6 percent of the cases.

In the service sector, the rate of return on investment in relation to 21.9 percent cases is 23.16 percent. It is high in the urban area at 25.7 percent in 15 percent of the cases and low in the rural area at 20.93 percent in 31.1 percent of the cases.

In the business sector, the rate of return on investment for 29.1 percent of the low risk cases is 17 percent. In the urban area it is high at 17.4 percent in 26.5 percent of the low risk cases. In the rural area it is 16.1 percent in 33.3 percent of the cases.

In all the three sectors the urban units have lower proportion of low risk ratios compared to urban areas. The rate of return on
Table 6.3: Age-wise Low Risk Taking Vs Low Performance in Industry, Service and Business Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proportion of High Risk Taking (in percentage)</th>
<th>Rate of Return on Investment (in percentage)</th>
<th>Profit Rate (in percentage)</th>
<th>Capital Productivity (per Rupee)</th>
<th>Labour Productivity (in '000 Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDUSTRY</td>
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</tr>
<tr>
<td>Total</td>
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<td>21.05</td>
<td>1.22</td>
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<tr>
<td>Rural</td>
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<td>20.93</td>
<td>17.65</td>
<td>1.19</td>
<td>0.62</td>
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<td>BUSINESS</td>
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<tr>
<td>Total</td>
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<td>16.98</td>
<td>14.52</td>
<td>1.17</td>
<td>0.61</td>
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<td>Urban</td>
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<td>17.36</td>
<td>14.89</td>
<td>1.17</td>
<td>0.67</td>
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<tr>
<td>Rural</td>
<td>33.3</td>
<td>16.09</td>
<td>13.86</td>
<td>1.16</td>
<td>0.54</td>
</tr>
</tbody>
</table>
investment in the urban area is high compared to the rural area. Service units have a high rate of return, followed by industry and business units.

Urban enterprises in the industry, service, and business sectors have low investment and adopted low technology as these enterprises were recently established, but have attained a satisfactory level of capacity utilisation. This has resulted in increased sales turnover and better rate of return on investment compared to rural enterprises. The enterprises in the rural area have low investment and adopted manual aids in the operation of the enterprise. The capacity utilisation of these enterprises is very low, resulting in low sales turnover and low rate of return on investment.

**Low Risk Taking Vs Low Performance: Profit Rate**

In the industry sector, the profit performance in relation to sales in 20 percent of low risk units is 16.2 percent. In the urban it is high at 16.77 percent in 15.4 percent of the low risk cases. In the rural area it is low at 14.93 percent in 28.6 percent of the low risk cases.

In the service sector, the profit rate in relation to 21.9 percent of the low risk cases is 19.3 percent. It is high in the urban area at 21.05 percent in 15 percent of the low risk cases. In the rural area it is low at 17.65 percent in 31.1 percent of the low risk cases.

In the business sector, the profit rate in relation to 29.1 percent of the low risk cases is 14.52 percent. In the urban area it is slightly high at 14.9 percent in 26.5 percent of the low risk cases and low in the rural area at 13.86 percent in 33.3 percent of the cases.

In all the three sectors, the proportion of low risk cases is high in the rural area compared to urban area but the units in the urban area...
show a higher profit rate compared to the rural area. Profit rate is higher in the service sector, followed by industry and business. Certain urban enterprises in the industry, service and business sectors though established recently, have a slightly higher investment when compared to rural enterprises. Due to their proximity to the market area, these enterprises have a high sales turnover and profit performance. Certain rural enterprises are established recently. These enterprises are situated in the villages and do not have close proximity to the market area. Therefore, their sales turnover is low and profit performance is also low.

**Low Risk Taking Vs Low Performance: Capital Productivity**

In the industry sector, the capital productivity in 20 percent of the low risk cases is Rs 1.17. It is high in the urban area at Rs 1.19 in 15.4 percent of the low risk cases and low in the rural area at Rs 1.14 in 28.6 percent of the low risk cases.

In the service sector, the capital productivity in 21.9 percent of the low risk cases is Rs 1.20. It is high in the urban area at Rs 1.22 in 15 percent of the low risk cases and low in the rural area at Rs 1.19 in 31.1 percent of the low risk cases.

In the business sector, the capital productivity in relation to 29.1 percent of the low risk cases is Rs 1.17. In the urban, it is equal at Rs 1.17 in 26.5 percent of the low risk cases and in the rural area it is slightly low at Rs 1.16 in 33.3 percent of the low risk cases.

For all the three sectors, urban units have a high level of capital productivity compared to rural areas but the proportion of low risk taking cases is high in the rural area compared to the urban area. Among the three sectors, service units have a high level of capital productivity, which
is similar in industry and business sector. This is due to the low age and low investment in the units.

In the urban area, a few of the enterprises like STD booths have low capital investment and adopted low level of technology. Due to convenience of location, these enterprises have a moderate level of sales turnover and capacity utilisation, and have better capital productivity. Majority of the rural enterprises have been established in recent years. The investment in these enterprises is low and they have a low sales turnover and low capacity utilisation. Therefore, these enterprises have low level of capital productivity.

**Low Risk Taking Vs Low Performance: Labour Productivity**

In the industry sector, the labour productivity in 20 percent of the low risk cases is Rs 0.62 thousand. In the urban area, it is high at Rs 0.72 thousand in 15.4 percent of the low risk cases and in the rural area it is low at Rs 0.54 thousand in 28.6 percent of the cases.

In the service sector, the labour productivity in relation to 21.9 percent of the low risk cases is Rs 0.64 thousand. It is high in the urban area at Rs 0.67 thousand in 15 percent of the cases and low in the rural area at Rs 0.62 thousand in 31.1 percent of the low risk cases.

In the business sector, the labour productivity in relation to 29.1 percent of the low risk cases is Rs 0.61 thousand. It is high in the urban area at Rs 0.67 thousand for 26.5 percent of the cases and in the rural area it is low at Rs 0.54 thousand for 33.3 percent of the low risk cases.

For all the three sectors, the proportion of low risk cases is high in the rural area compared to the urban area but the labour productivity is high in the urban units compared to the rural units. Among the three
sectors, labour productivity is high in the service sector followed by industry and business sector. This is due to the low age and low investment in the units.

Among the urban enterprises in the industry, service, and business sector, a few of them have low capital investment and a few family members were engaged in the operation of enterprises. Due to overall ideal situation of these enterprises, they have moderate sales turnover and have better capital productivity. Majority of the rural enterprises are of recent origin. The capital investment in these enterprises in low and a few family labourers with manual aids are used for the operation of the enterprise. These enterprises have low sales turnover and low labour productivity ratios.

In sum, in the industry, service, and business sectors, low risk taking units have adopted low level of technology and techniques in relation to products, market, finance, and labour/personnel both in the urban and rural areas and show low levels of performance in relation to rate of return on investment, profit rate, labour and capital productivities. However, rural units have a large proportion of low risk and low performance ratios. Among the three sectors, business units have a larger proportion of low risk and low performance ratios in relation to rate of return on investment, profit rate, labour and capital productivities. This is because the business units are relatively young when compared to industry and service.

The new units face a number of problems in the first few years of their establishment in relation to technology adoption, finance, marketing, and personnel. Thus, lower the age of the unit, lower is the risk taking ability and lower is the performance of the units in relation to profitability and productivity.
INVESTMENTWISE OVERALL PERFORMANCE

The magnitude of investment has a direct relation to profit. The efforts of an entrepreneur is mainly to recover the investment as quickly as possible, so that small enterprises are free from liabilities. As the investment on the project increases, profit performance needs to be at a higher level. When an industry goes in for high investment, it means that it has adopted high technology. High technology results in high productivity, which reduces the cost of production and increases the profitability of the unit. The investment decision is taken to promote the project on the basis of the profitability of the unit. As investment on the project increases, the average profit margin remains high, and low project investments have low average profit margin. It is observed that investment is being utilised at high levels in high investment cases and vice versa to produce adequate profit. The investmentwise profit performance in industry, service and business sectors is analysed both in the urban and rural areas as shown in Table 6.4.

The influence of the level of risk taking on the level of performance of enterprises run by women is evaluated with reference to rate of return on investment, profit rate, capital and labour productivities and is analysed in terms of their relative association according to the investment size of the unit.

Risk Taking Vs Performance: Industry Sector

In the industry sector, the profit performance in relation to investment is 25.39 percent. It is high in the urban area at 26.55 percent and low in the rural area at 22.68 percent. The profit rate is 18.01 percent. In the urban area it is at 18.46 percent and in the rural area it is at 17.05 percent. Capital productivity is Rs 1.41. In the urban area it is high at Rs 1.44 compared to the rural area at Rs 1.33. Labour
Table 6.4 : Investmentwise Overall Performance in Industry, Service and Business Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rate of Return on Investment (in percentage)</th>
<th>Profit Rate (in percentage)</th>
<th>Capital Productivity (per Rupee)</th>
<th>Labour Productivity (in '000 Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDUSTRY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25.39</td>
<td>18.01</td>
<td>1.41</td>
<td>0.95</td>
</tr>
<tr>
<td>Urban</td>
<td>26.55</td>
<td>18.46</td>
<td>1.44</td>
<td>1.02</td>
</tr>
<tr>
<td>Rural</td>
<td>22.68</td>
<td>17.05</td>
<td>1.33</td>
<td>0.78</td>
</tr>
<tr>
<td><strong>SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37.18</td>
<td>26.61</td>
<td>1.40</td>
<td>0.94</td>
</tr>
<tr>
<td>Urban</td>
<td>40.11</td>
<td>27.76</td>
<td>1.45</td>
<td>1.02</td>
</tr>
<tr>
<td>Rural</td>
<td>30.58</td>
<td>23.27</td>
<td>1.31</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>BUSINESS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22.22</td>
<td>16.92</td>
<td>1.31</td>
<td>0.82</td>
</tr>
<tr>
<td>Urban</td>
<td>23.56</td>
<td>17.52</td>
<td>1.34</td>
<td>0.89</td>
</tr>
<tr>
<td>Rural</td>
<td>19.49</td>
<td>15.65</td>
<td>1.25</td>
<td>0.67</td>
</tr>
</tbody>
</table>
productivity is Rs 0.95 thousand. In the urban area, it is high at Rs 1.02 thousand compared to the rural area at Rs 0.78 thousand.

Under low investment category in the urban area, 50 percent of the units are low risk takers and 50 percent of the units are medium risk takers. The profit performance in relation to rate of return on investment is 15.91 percent and profit rate is 14 percent. The capital productivity is Rs 1.14 and the labour productivity is Rs 0.50 thousand.

Under medium investment category, 70 percent of the units are medium risk takers, 20 percent of the units are high risk takers, and 10 percent of the units are low risk takers. The profit performance in relation to rate of return on investment is 22.39 percent and the profit rate is 17.34 percent. The capital productivity is Rs 1.29 and the labour productivity is Rs 0.75 thousand.

Under high investment category, 78.6 percent of the units are high risk takers, 14.3 percent of the units are medium risk takers, and 7.1 percent of the units are low risk takers. The profit performance in relation to rate of return on investment is 27.91 percent and the profit rate is 18.84 percent. The capital productivity is Rs 1.48 and the labour productivity is Rs 1.13 thousand.

In the rural area, under low investment category, 100 percent of the units are low risk takers, the profit performance in relation to rate of return on investment is 14.46 percent and the profit rate is 13.33 percent. The capital productivity is Rs 0.45 thousand. Under medium investment category, 60 percent of the units are medium risk takers, 20 percent each of the units are high risk takers and low risk takers. The rate of return on investment is 19.42 percent and the profit rate is 15.38 percent. The capital productivity is Rs 1.26 and the labour productivity is Rs 0.65 thousand. Under high investment category, 57.1 percent of the units are high risk takers, 28.6 percent of the units are medium risk takers, and 14.3 percent of the units are low risk takers. The rate of
return on investment is 24.4 percent and the profit rate is 17.88 percent. The capital productivity is Rs 1.36 thousand and the labour productivity is Rs 0.87 thousand.

In the industry sector, with the increase in the level of investment, the profit performance in relation to rate of return on investment, profit rate, capital and labour productivities have increased both in the urban and rural areas. The low investment category has higher proportion of low risk taking, medium investment category has higher proportion of medium risk taking and high investment category has higher proportion of high risk taking units both in the urban and rural areas. Urban units have a higher proportion of high risk taking and medium risk taking compared to rural areas. Rural units have a higher proportion of low risk taking compared to urban units.

Profit performance depends on the technology adopted, skilled manpower, utilisation of installed capacity and demand for the product. Urban enterprises have high investment and have adopted high level of technology along with skilled labourers. It is observed that investment is being utilised at a high level in high investment cases and operate at high installed capacity. These enterprises are ideally situated with proper infrastructural facilities and have close proximity to the market area. Their products are found to have high market demand and were able to diversify their products. Their products have various gradations based on the quality and accordingly prices have been quoted. These enterprises have high sales turnover leading to high rate of return on investment, high profit rate and high capital and labour productivities. Enterprises that have a medium profit performance have an investment of Rs 1-2 lakhs. They have adopted medium level of technology and hired lesser number of skilled labourers. Depending upon the favourable season some of these industries prosper and operate at high installed capacity.
and most of the industries operate at medium installed capacity. They have medium sales turnover leading to medium rate of return on investment, profit rate, capital, and labour productivities. Enterprises that have a low profit performance have an investment of less than Rs 1 lakh. They have adopted low levels of technology and have engaged mostly family members with a few hired labourers. These industries operate at low installed capacity. Their products are found to have less market demand and low turnover. Therefore, low investment enterprises have low rate of return on investment, profit margin, and low capital and labour productivities. In the rural area, certain enterprises like aluminum article manufacturers, paint, and furniture manufacturers have high investment, have adopted high levels of technology and operate at high installed capacity. Their products were found to have high market demand and were able to diversify their products. These enterprises have high sales turnover leading to high rate of return on investment and high capital and labour productivities. A few high investment enterprises like oil extraction mills, depending upon the favourable season, operate at high installed capacity. Therefore, high investment rural enterprises have comparatively lower performance levels. Medium investment enterprises have medium profit performance. These enterprises have adopted medium levels of technology and have engaged more numbers of family members and semi-skilled hired labourers. They operate irregularly due to seasonal changes and many of them are agriculture-based and have medium sales turnover. Therefore, these enterprises have medium rate of return, profit margin, and capital and labour productivities. Low investment enterprises have low profit performance. These enterprises have adopted low levels of technology and managed with the help of family members and agricultural labourers. These enterprises are situated in villages and are established at home. Managerial efforts in these types of industries are very limited and found to have less demand for their products. They have low sales
Therefore, these industries have low rate of return, profit rate, and capital and labour productivities

Risk Taking Vs Performance: Service Sector

In the service sector, the rate of return on investment is 37.18 percent. It is high in the urban area at 40.11 percent and low in the rural area at 30.58 percent. The profit rate is 26.61 percent. In the urban area, it is high at 27.76 percent compared to the rural area at 23.27 percent. Capital productivity is Rs 1.40 in the urban area; it is high at Rs 1.45 compared to the rural area at Rs 1.31. The labour productivity is Rs 0.94 thousand. In the urban area, it is high at Rs 1.02 thousand and in the rural area, it is low at Rs 0.80 thousand.

About 55.6 percent of the units under low investment category are low risk takers and 44.4 percent of the units are medium risk takers. The profit performance in relation to rate of return on investment is 27.85 percent and the profit rate is 22.68 percent. The capital productivity is Rs 1.23 and the labour productivity is Rs 0.63 thousand. Under medium investment category, 66.7 percent of the cases are medium risk takers, 20.8 percent of the cases are high risk takers, and 12.5 percent of the cases are low risk takers. The rate of return on investment is 33.33 percent and the profit rate is 25.29 percent. Capital productivity is Rs 1.32 and labour productivity is Rs 0.76 thousand.

Under high investment group in the urban area, 77.8 percent of the cases are high risk takers, 18.5 percent in medium risk takers, and 3.7 percent of the cases is low risk taking and the rate of return on investment is 43.94 percent and the profit rate is 29 percent. Capital productivity is Rs 1.52 and labour productivity is Rs 1.26 thousand.
In the rural area, about 77.8 percent of the cases are low risk takers and 22.2 percent of the cases are medium risk takers. The rate of return on investment is 20.37 percent and the profit rate is 27.76 percent. The capital productivity is Rs 1.13 and the labour productivity is Rs 0.61 thousand. Under the medium investment category, 40.7 percent of the cases of medium risk takers, 37 percent are high risk takers and 22.2 percent are low risk takers. The rate of return on investment is 28.95 percent and the profit rate is 22.45 percent. The capital productivity is Rs 1.29 and the labour productivity is Rs 0.73 thousand. Under high investment category, 66.7 percent of the units are high risk takers, 22.2 percent of the units are medium risk takers and 11.1 percent of the units are low risk takers. The rate of return on investment is 35.58 percent, the profit rate is 25.17 percent, the capital productivity is Rs 1.14 and the labour productivity is Rs 1.02 thousand.

Urban units have high performance rates in relation to rate of return on investment, profit rate, labour and capital productivities compared to rural units, as the number is high and medium risk taking cases are high in the urban area compared to rural area.

Service sector enterprises are more profit-oriented when compared to industrial and business enterprises because the success of the enterprise depends more on the personal skills and capabilities. Operational costs are thus reduced leading to higher profitability. Among the high performance enterprises, investment is high but lower when compared to industries. These enterprises have high profit margin and their profit varies respectively depending upon the favourable season of the year and operate at high installed capacity. Their products have various gradations based on the quality, and prices are quoted accordingly. Their products are found to have high market demand and they are able to diversify their products. This indicates that these enterprises operate at a high level of managerial effort and perform regularly due to high market demand for their products. These
enterprises have high sales turnover leading to high rate of return, profit rate, and capital and labour productivities. Medium investment enterprises have medium level of performance and have adopted medium level of technology and have engaged few skilled labourers. Few enterprises with medium investment have high sales turnover and have high profit margin. This indicates that at medium level of investment, most of the enterprises show better profit performance, the reason being that these enterprises operate at better managerial effort and perform regularly. The cost of operations is medium in these enterprises, and they are found to have regular demand for their products. This has resulted in medium rate of return, profit rate and capital and labour productivities. Low investment enterprises have low profit performance. These enterprises operate at low level of managerial effort, perform irregularly due to seasonal changes and are found to have low demand for their products. Low turnover gives low rate of return, low profit rate and capital and labour productivities.

In the rural area, service enterprises with high investment have comparatively high performance. Certain enterprises like tailoring and embroidery have a higher profit margin because of the individual skill of the entrepreneur. They perform regularly due to the high demand for the product. High turnover gives high profit level due to the low operational cost of the unit. Medium enterprises have medium investment and have medium turnover as well as medium profit performance and capital and labour productivity.

**Risk Taking Vs Performance: Business Sector**

In the business sector, the rate of return on investment is 22.22 percent. In the urban area, it is high at 23.56 percent compared to the rural area at 19.49 percent. The profit rate is 16.92 percent. It is high in the urban area at 17.52 percent compared to the rural area at 15.65 percent. Capital productivity is Rs 1.31. In the urban area, it is high at Rs 1.34 compared to the rural area at Rs 1.25. Labour productivity is
Rs 0.82 thousand. In the urban area, it is high at Rs 0.89 thousand and in the rural area it is low at Rs 0.67 thousand.

In the urban area, under low investment category, 50 percent of the units are low risk takers and 50 percent of the units are medium risk takers. The rate of return on investment is 15.79 percent, the profit rate is 14.23 percent, capital productivity is Rs 1.11 and labour productivity is Rs 0.53 thousand. Under medium investment category, 50 percent of the cases are medium risk takers, 6.3 percent of the units are high risk takers and 43.7 percent are low risk takers. The rate of return on investment is 20.8 percent, the profit rate is 16.46 percent, capital productivity is Rs 1.26 and labour productivity is Rs 0.72 thousand. Under high investment category, 75 percent of the units are high risk takers, 18.7 percent of the cases are medium risk takers and 6.3 percent of the cases are low risk takers. The rate of return on investment is 25.43 percent, the profit rate is 18.1 percent, capital productivity is Rs 41 and labour productivity is Rs 1.04 thousand.

In the rural area, 60 percent of the cases are low risk takers and 40 percent of the cases are medium risk takers. The rate of return on investment is 13.16 percent, the profit rate is 12.5 percent, capital productivity is Rs 1.05 and labour productivity is Rs 0.40 thousand. Under medium investment category, 36.4 percent of the cases are medium risk takers, 36.4 percent are high risk takers and 27.3 percent of the units are low risk takers. The rate of return on investment is 19.1 percent, profit rate is 15.33 percent, capital productivity is Rs 1.25 and labour productivity is Rs 0.63 thousand. Under high investment category, 60 percent of the cases are high risk takers, 20 percent are medium risk takers and 20 percent are low risk takers. The rate of return on investment is 21.86 percent, the profit rate is 16.97 percent, capital productivity is Rs 1.29 and labour productivity is Rs 0.81 thousand.
Among all the sectors, the proportion of high risk taking is high in the industry sector. Service sector has the high proportion of medium risk taking and business sector has the high proportion of low risk taking.

In the business sector, profit is the difference between the purchasing and selling rate. Operational expenditure being high in this sector, the owner manager can expect only a decreasing profit margin. The managerial effort of every concern is to increase sales turnover and earn high profit. Urban business enterprises with high investment have moderately high profit performance. Enterprises like readymade shops and fancy stores have high profit margin. Depending upon the favourable season, these enterprises prosper and are found to have high demand for their products. These enterprises are performing at high profit level. This indicates that these enterprises operate at high level of managerial effort and perform well in terms of rate of return, profit rate and capital and labour productivities. Enterprises with medium level of investment have medium performance. These enterprises have medium turnover and show medium profit performance, the reason being high operational cost of the enterprise. These units operate at medium level of managerial effort and perform well only during favourable season and are found to have better demand for their products. These enterprises have moderate turnover, are able to show moderate profit margin and have moderate effect on profit performance and capital and labour productivities. Enterprises with low investment have low performance. These enterprises have low turnover and show low profit performance, due to the reason of high operational cost. Low turnover gives low profit level, which puts the enterprise in financial constraints.

In the rural area, business enterprises that have been established over a long period have high investment and high profit performance. Enterprises like cloth shop and fancy stores operate at high level of managerial effort, perform well regularly and are found to have high
demand for their products. These enterprises are performing at reasonably high profit level. Enterprises with medium level of investment have medium performance. These enterprises have slightly below the medium level of turnover during the off-season. These enterprises are situated in the villages and are found to have lower demand for their products. Therefore, these enterprises show comparatively moderate profit margin wherein the managerial effort is insufficient. Enterprises with low investment show low performance. Due to the low purchasing capacity induced by economic conditions of rural areas, these enterprises have a low turnover.

Among the three sectors, service sector has higher level of performance in relation to rate of return on investment, profit rate, capital and labour productivities followed by industry and business enterprises. The higher level of performance of service sector is because the demand for service is less sensitive to economic fluctuations than the demand for goods. Service firms have more flexibility to device a new product development process that suits their distinctive circumstances. Services are separately identifiable, intangible activities and in recent years the service environment is changing bringing with it a focus on increasing productivity and measuring customer satisfying performance. New techniques have opened new service fields. Technological advances have also brought automation and other industrial features to former hand-labour services industries, and hence the higher level of performance.

This proves the hypotheses that as the size of investment increases, the intensity of risk taking also increases, and the nature of risk taking in the urban area is at a higher level than in the rural area.