Chapter 1

Introduction and Design of the Study
CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The rapid development of the society has made entrepreneurship as one of the most dynamic forces in the economy. It is driving the technological boom, which in its turn is driving much of the world's economic growth. This aspect makes entrepreneurship very important from a macro-economic perspective. As globalization of business becomes even more widespread, this impact is felt even more deeply. The scope of what entrepreneurship involves, will continue to change and evolve because environment in which entrepreneurship operates, is constantly changing and evolving too. Therefore, companies must learn to think and act in this dynamic equilibrium. Fostering entrepreneurship means channelling entrepreneurial drive into a dynamic process, which takes advantage of all the opportunities that economy can provide. Entrepreneurship requires an entrepreneur to be a person of superior ability who pursues his / her goals despite obstacles, opposition, setbacks, and failure. He / she must persist in the face of adversity, confront unknown challenges, risks and learn from failures, have confidence in his / her capacity to deal with the world, and take practical rational steps in the pursuit of goals. The successful entrepreneur tends to be a visionary, competent, independent, action-oriented, passionate, confident, and virtuous person who uses reason to focus his or her enthusiasm on reality in the efforts to attain the goals.

1.2 ENTREPRENEUR

An entrepreneur is a person who has possession of an enterprise or venture and assumes significant accountability for the inherent risks and outcome. He is an ambitious leader who combines land, labour and capital to create and market new goods or services. A strong desire to do something positive is an inbuilt quality of an entrepreneur. Most successful entrepreneurs have a few things in common such as courage, vision, intuition and persistence.
An urge to exercise power over things and objects persists among all human beings. The urge may vary in degree from person to person. This urge is an intrinsic quality of an entrepreneur. He is harbinger of economic growth; he combines entrepreneurial drive with leadership and innovativeness. He is the key man who envisages new opportunities, new techniques, new lines of production, new products and co-ordinates all other activities. Moreover, the term “entrepreneur” refers to an innovator. A person who innovates or creates new product and sells it in the market and also satisfies the customers is known as an entrepreneur. He is the one who brings resources, labour, materials and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order. He is the one who improves the standard of living of the people and fixes the prices according to current economic situation and who is always concerned about the economic development (Rath, 2000).¹

An entrepreneur must be a good planner, organiser, manager and should also possess leadership and communication skills. He must be a risk bearer and handle any type of crises. Above all, an entrepreneur’s main motive must be to earn more profit. He is one of the important segments of economic growth. He is a person who is responsible for setting up an enterprise. In fact, he is one who has the initiative, skill for innovation and who looks for high achievement. He is a catalytic agent of change and works for the good of people. He puts up new projects that actually creates wealth, opens up employment opportunities and fosters other sector. He has firm belief in social betterment and he carries out this responsibility with conviction. In the process, he accelerates personal, economic as well as human development. The entrepreneur is a visionary and an integrated man with outstanding leadership qualities. With a desire to excel, the entrepreneur gives top priority to research and development. He always works for the well being of the society (Sharma, 2006).²

1.3 ENTREPRENEURSHIP

Entrepreneurship is an ancient concept that is both simple and complex at the same time. Conceptualizations, definitions and understandings of the phenomenon have attracted scholars and practitioners for a very long time. Even though the definition of entrepreneurship has been debated among scholars, educators,
researchers, and policy makers since the concept was first established in the early 1700’s, there is still no complete consensus on the definition of this field of study (Morales-Gualdron & Roig, 2005).³ Bygrave and Hofer (1991) defined the entrepreneurial process as involving all the functions, activities, and actions associated with perceiving of opportunities and creation of organizations to pursue them.⁴

Joseph Schumpeter introduced and revived the modern definition of “entrepreneurship” in 1934. He described entrepreneurship as the ability to break away from routine, to destroy existing structures, to move the system away from the event, circular flow of equilibrium. According to him, the essence of entrepreneurship lies in the perception and exploitation of opportunities in the realm of business. It always has to do with bringing about a different use of national resources in that they are withdrawn from their traditional employ and subjected to new combinations (Schuetz, 2005).⁵ Kuratko and Hodgetts (2004) define entrepreneurship “as a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions”.⁶ A broad overview of how entrepreneurship has been defined throughout the history is given by Sexton and Landström (2000). They argue that most definitions of the word “entrepreneur” take into account the individual aspect, the innovative aspect, the commercial orientation aspect and business behaviour. The fact that entrepreneurship is connected to individual aspects is not difficult to understand. The innovative aspect normally means that the business a person starts must be, in some way, innovative compared to similar existing types of businesses.⁷

1.4 IMPORTANCE OF AN ENTREPRENEUR

1. Inputs in economic development

Entrepreneur is one of the most important inputs in the economic development of a country or of regions within the country. Entrepreneurial competence makes all the difference in the rate of economic growth. In India, state and private entrepreneurship co-exist. The small scale industrial sector and business
are left completely to private entrepreneurs. It is therefore, in this context that an increasingly important role has been assigned to the identification and promotion of entrepreneurs for this sector.

2. Create opportunities

The need for a broad based entrepreneurial call arises from the need to speed up the process of activating the factors of production, leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, improvement in the standard of living of the weaker sections of the society in the process of growth.

3. Availability of technology

Several factors go into the making of an entrepreneur. Individuals who initiate, establish, maintain and expand new enterprises constitute the entrepreneurial class. The socio-political and economic conditions, the availability of industrial technology and know-how, state-of-art and culture of business and trading, existence of markets for products and services and the incentives and facilities available for starting an industry or business, all have a bearing on the growth of entrepreneurship. A conducive environment is created through the policies and interest of the government in economic and industrial development (Maes, 2003).

1.5 EVOLUTION OF ENTREPRENEURS IN INDIA

Over the last 60 years, India has seen entrepreneurs evolve in different roles. The modern entrepreneurs are wealth creators, communicators, entertainers etc. Before 1943, the Indian business scene was completely dominated by British companies. Apart from a few like the Tatas in steel and the Wadias in shipbuilding, and scattered Gujarati and Bohri Muslim businessmen, Indians had to be content with the crumbs. Manufacturing was closed to all but a handful of Indian business houses with financial resources and a working relationship with British companies. Trading was the only viable option, with jute and cotton-broking in Calcutta being another possible alternative. In such a bleak scenario, the Birla Jute Mill, which was
started in 1919, marked the entry of the Birla family, essentially traders, into industrial manufacturing. More business opportunities surfaced when World War II ended in 1945. Reconstruction after the war required cement, steel and other infrastructure industries. However, it was only after Independence in 1947 that Indian industry began to expand in the core sector (Dutta, 2005).

In 1947, India had inherited a shrivelled industrial economy after nearly 200 years of British rule. If anything was available, it was shortage. The government’s idea was that a rationing of resources might work and hence it adopted socialist policies. Indian business was characterized by high taxes, low productivity, strict licensing and a parallel economy called the black market. Business houses were prevented from developing global production capacities and vertical expansion by Monopolies and Restrictive Trade Practices Act. A high tax bracket of 99 per cent constrained capital formation and then there was a long waiting period to obtain approval from the government to set up a new business, with the added risk of the idea being given away to the small-scale sector. Setting up new industries required licences, which were nearly impossible for new entrepreneurs to get. A licence was the first step to a fortune in an economy governed by controlled production, controlled markets, and controlled competition. Some of the dominant business groups of the 1960s were Tata, Mafatlal, sarabhai, and Walchand Hirachand (Sharma, 2001).

The decade beginning 1970 was the most politically turbulent in India’s Post-Independence history. In spite of the odds, G.D. Birla and J.R.D. Tata have gone down in Indian corporate history as the men who created the country’s two largest industrial empires, comprising companies such as Grasim, Hindalco, Tata Steel, and Telco. This period also witnessed the emergence of a new entrepreneur class- those who started their business with small-scale licences and grew to become large corporates. Karsanbhai Patel and his soap manufacturing company Nirma would be worth a mention. It was only in the 1980s that things began to change. The new leaders began to forge a laissez-faire economic policy. Raising finance was essential. The two main areas that were available for financing were the capital market and savings. Dhirubhai Ambani and Aditya Birla realized the importance of
raising money from the public. In 1977 Reliance had its first initial public offer. In 1990 Hindalco was the first company to raise capital at a premium of Rs.100 per share in the domestic market (Rao, 2000).¹¹

1.6  EMERGENCE OF NEW BREED OF ENTREPRENEURS

Finance Minister V.P. Singh’s 1985 budget was a benchmark for economic liberalization. Manmohan Singh’s sweeping reforms in 1991 was the precursor. Till the 1991 budget, there was still too much government involvement in business activities. Foreign equity participation was still limited to 40 per cent. The system of seeking permits and licences had to be discontinued if India wanted to merge with global economy. However, globalization and privatization appeared on the government’s agenda only in 1992. Economic liberalization was a mixed blessing for most big Indian business houses. It was between 1991 and 1995 that the Indian economy entered a new orbit of high growth. Liberalisation kick-started the stock market, drew foreign investment, all but abolished industrial licensing, and gave groups like Tata, Birla, and Reliance more room to grow. With Indian companies allowed to tap foreign equity and debt funds, Grasim floated a $90-million global depository receipt issue in late 1992. It became the second Indian company to do so after Reliance Industries. Hindalco followed shortly after with a $110-million Euro issue (Patel, 2005).¹²

1.7  MIGRANT ENTREPRENEUR

Migrant entrepreneur exhibit determination to make their business dream a reality which is fuelled by a passion for success. The pursuit of an entrepreneurial opportunity is an evolutionary process in which migrants select many steps along the way, make decisions to positively evaluate opportunities, to pursue resources and to design the mechanism of exploitation. Entrepreneurs are indeed self-employed and are bound by the rules which apply to the workers in general.

Migrant entrepreneurs broaden the range of goods and services available, adding vitality to particular city neighbourhoods, thus preventing or even reversing deterioration. Migrant entrepreneurs often have skills that are no longer in sufficient
supply in host economies and are willing to work long hours and use their social capital to reduce production and transaction costs. Migrant entrepreneurship and small-scale production that can respond flexibly to changing consumer tastes are on the rise, responding to structural transformations in advanced economies where the service sector is expanding.

Businesses owned by migrants often begin by serving the needs of co-ethnics and only later branch out to serve the broader market. Such enterprises tend to be geographically clustered near ethnic enclaves, generating jobs for migrants and providing them with the opportunity to learn how to run a business. As enterprises expand, they tend to employ more natives (Baumol, 1990).\textsuperscript{13}

Factors promoting entrepreneurship among migrants include the cohesiveness of their extended families, the multiplicity of children or siblings who can provide free or cheap labour, the financial opportunities provided by rotating credit associations run by co-ethnics, the strength of social networks within the migrant community and reliance on relationships based on enforceable trust within that community. Opportunities for entrepreneurship undoubtedly add to the dynamism of migrant communities and offer important avenues for the economic mobility of migrant entrepreneurs through the accumulation of wealth. Migrants are more likely to be self-employed than natives.

Business exchange and entrepreneurship flourishes among migrants because mutual exchange and hard work are respected and are often discriminated against as workers but respected as traders running their own businesses. Given the constraints of the culture around them, they adopt various strategies to earn a living by competing in the market place with natives instead of isolating themselves and only interacting with their fellows (OECD, 1998).\textsuperscript{14}

Migrant entrepreneurs form a significant part of the small and medium enterprises sector in the cities and thus, an important vehicles for urban vitality. Usually, these migrant entrepreneurs have to work in an unfamiliar and risky business environment. Often, they tend to be risk-avoiding and hence concentrate on traditional market segments (e.g. markets for ethnic products). Consequently, they
may be less entrepreneurially-oriented in terms of attitudes to risk concerning undertaking innovative business activities. Reliance on the social networks of their own socio-cultural group may guarantee a certain market share, but may at the same time hamper an outreach strategy towards new and innovative markets. Woolcock (1998) claimed that the entrepreneurs’ reliance on their own migrant group and its related network is both developmental and destructive.\textsuperscript{15} According to Menzies\textit{ et al} (2003),\textsuperscript{16} an orientation on their own group is actually a benefit to migrant entrepreneurs. And Portes and Jensen (1989) referred to the positive effects of some degree of monopolistic power in migrant entrepreneurship stemming from better access to a relatively protected market.\textsuperscript{17} Nevertheless, Lyer and Shapiro (1999) suggested that competition amongst migrant entrepreneurs serving the same limited market niche may increase business failure, especially if the market size is relatively small. It is evident that in recent years, the awareness has grown that migrants may contribute significantly to economic vitality – especially of urban economies - if they are self-employed and innovative.\textsuperscript{18}

\subsection*{1.8 STATEMENT OF THE PROBLEM}

According to 2001 Census, which is the latest available data as far as migrant population is concerned, out of the 937,000 migrants (21.6 per cent of its population) in the city, 74.5 per cent were from other parts of the state, 23.8 per cent were from rest of India and 1.7 per cent were from outside the country. Among the migrants, 489,128 were males and 447,872 were females. Some minority communities are Marwaris, Oriyas, Malayalis, Anglo-Indians, Bengalis and Punjabi and Kannadigas. Different migrant groups and different cultures show different features in terms of driving forces, motivation, performance, and success conditions. The cultural, socio-economic and psychological attributes of different migrant groups affect their entrepreneurial behaviour. Migrant entrepreneurs differ in terms of their reasons for migration, their religion, language, educational attainment, demographic background and their access to family business networks. However, the interaction between culture and migrant entrepreneurship is complex. Culture, in the form of a family tradition in business and strong family ties, has an impact on business entry motives, on the financing of new start-ups, and on the nature of the
business chosen. This suggests that the factors determining the success and also the problems faced by the migrant entrepreneurs in the host regions will differ among them to a great extent. This warrants a thorough analysis with the help of primary data, collected from the entrepreneurs themselves, in order to throw more light on the success and problems of the migrant entrepreneurs, which is attempted in this study.

The present study attempts to answer the following queries,

1. What are the socio-economic characteristics of the migrant entrepreneurs?
2. What are the business profiles, investment and returns of the migrant entrepreneurs?
3. What are the factors that influenced the migrants to become entrepreneurs?
4. What are the reasons for the success of the migrant entrepreneurs?
5. What are the problems faced by the migrant entrepreneurs? and
6. What policy measures can be suggested for the promotion of entrepreneurial activities among the migrants in the study area?

1.9 OBJECTIVES OF THE STUDY

Answers to the above questions the following objectives were framed,

1. To examine the socio-economic characteristics of the migrant entrepreneurs;
2. To study the business profiles, investment and returns of migrant entrepreneurs;
3. To study the factors that influenced the migrants to become entrepreneurs;
4. To assess the reasons for the success of the migrant entrepreneurs;

5. To study the problems faced by the migrant entrepreneurs;

6. To suggest policy measures for the promotion of entrepreneurial activities among the migrants in the study area.

1.10 HYPOTHESES OF THE STUDY

This study proposes the following hypotheses:

1. There is significant relationship between age and the profit earned by the migrant entrepreneurs;

2. There is significant relationship between place of origin and nature of business among the migrant entrepreneurs;

3. Community and nature of business of the migrant entrepreneurs are significantly related;

4. There is significant relationship between startup capital and the profit earned by the migrant entrepreneurs;

5. There is significant difference between the level of education and the amount of turnover earned by the migrant entrepreneurs; and

6. The migrant entrepreneurs face similar problems in their business activities in the study area.

1.11 METHODOLOGY OF THE STUDY

This study examines the factors influencing the success and the problems faced by the sample migrant entrepreneurs in their business activities. The sample migrant entrepreneurs have been selected from the study area, viz., Chennai city. The study area has been divided into North Chennai and South Chennai, since they portray different traits in terms of the nature of migrants, their nature of business,
their culture, etc. For instance, the entrepreneurs who are settled in North Chennai are migrants from other states of the country, mainly from Rajasthan and they are engaged in business like electrical, electronics, hard ware, etc. On the other hand, the migrant entrepreneurs in South Chennai are from other districts of Tamil Nadu chiefly from the southern districts. They are involved in textiles, hotels and other businesses. The factors determining their success and problems faced them are examined by gathering the necessary information through filed survey with the help of a questionnaire. The collected data has been analysed on the basis of age of the sample migrant entrepreneurs, their levels of education, area of operation, amount of startup capital invested, amount of turnover, profit and others.

1.11.1 Data Source

This study is based on primary data which has been gathered through field survey. For this purpose, a standard questionnaire has been framed containing the following details:

i. Personal information of the sample migrant entrepreneurs;

ii. Investments and returns;

iii. Reasons for selecting the venture;

iv. Factors which influenced their entry into entrepreneurship;

v. Reasons for their success of the business; and

vi. Problems faced by the migrant entrepreneurs.

A pilot study was conducted on 100 sample migrant entrepreneurs to ascertain the appropriateness of the questionnaire. On this basis, necessary modifications were carried out and then the field survey was conducted.

1.11.2 Methods of Sampling

This study is based on purposive and convenience sampling method. In the first stage, Chennai city has been selected as the area of the study purposively, since the presence of migrant entrepreneurs is quite considerable. In the second stage,
Chennai city has been stratified into North and South Chennai again purposively, since the nature of migrants who are engaged in the two areas are quite different. However, there is no official statistics on the number of entrepreneurs settled in the North and South Chennai. Thus, in the third stage, a total of 500 migrant entrepreneurs were identified and the questionnaire were distributed according to the convenience of the researcher and they consisted of 250 questionnaires each from North and South Chennai. Thus, a total of 500 migrant entrepreneurs have been selected as the sample respondents for this study. Care was taken to include varied characteristics like age levels of the entrepreneurs, different levels of education, experience, size of startup capital, nature of business, etc., in order to make the sample as much representative as possible.

1.12 PERIOD OF THE STUDY

This study is based on primary data which has been collected from the sample respondents with the help of a standard questionnaire during the period September 2011 to December 2011.

1.13 AREA OF THE STUDY

Cities and urban areas attract migrants not only from other districts of a state, but also from other states, which is also the case in Chennai, which is the capital city of Tamil Nadu. Migrant entrepreneurs are found in various parts of the city, who are engaged in varied business activities like hotels, textiles, electrical, electronics, hardware, etc. They have migrated from other districts of Tamil Nadu and also from other states of the country. Thus, the city of Chennai has considerable presence of migrant entrepreneurs from various regions and they are involved in various business activities. Hence, Chennai has been selected as the area for the present study.
1.14 TOOLS FOR ANALYSIS

The collected data has been analysed with the application of following tools:

1.14.1 Ratio Analysis: This refers to the ratio between the a value and its total and can be used to find out the percentage of one item over the other.

1.14.2 Descriptive Statistics: Descriptive statistics refers to the mean, median, minimum and maximum value of a given data set. This is used to describe the nature and pattern of the distribution of a data set.

1.14.3 Log Likelihood Ratio Test: Likelihood ratio test is used to compare the fit of two models one of which is nested within the other. The first model (the null model) is the normal model which assumes there is no statistical difference in the relationship between two factors, while the second model (the alternative model) assumes the existence of such difference. The test then finds the difference between the two models or the likelihood of the second model equals the first model. This is particularly useful in social sciences, where the relationship between two factors can be tested.

1.14.4 Wilcoxon Test: The Wilcoxon rank-sum test is a two sample test which is based solely on the order in which the observations from the two samples fall. It is based upon ranking of the observations of the combined sample. Each observation has a rank: the smallest has rank 1, the 2nd smallest rank 2, and so on. The Wilcoxon rank-sum test statistic is the sum of the ranks for observations from one of the samples.

1.14.5 t-Test: A t-test is any statistical hypothesis test which is most commonly applied when the test statistic would follow a normal distribution. It is used to find out the difference between the mean of the population and the mean of the sample data set.

1.14.6 ANOVA: Analysis of variance (ANOVA) is a collection of statistical models, and their associated procedures, in which the observed variance in a particular variable is partitioned into components attributable to different
sources of variation. In its simplest form, ANOVA provides a statistical test of whether or not the means of several groups are all equal.

1.14.7 **Chi-square Test**: It is used to test the nature and extent of relationship between two variables. The chi-square test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories.

1.14.8 **Correlation Matrix**: The correlation matrix measures the extent and nature of relationship between a set variables simultaneously. When there are ‘n’ number of variables, it explains the relationship of \( n_1 \) with other variables, that of \( n_2 \) with other variables and so on.

1.14.9 **Factor Analysis**: Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. In other words, it is possible, for example, that variations in three or four observed variables mainly reflect the variations in fewer unobserved variables. It can simultaneously manage over a hundred variables, compensate for random error and invalidity, and disentangle complex interrelationships into their major and distinct regularities. In this way, it brings out the most important factors in explain the changes in the given dependent variable and helps in building a regression model.

1.14.10 **KMO Test and Bartlett’s Test**: In Factor Analysis, the first step is to apply the Kaiser-Meyer-Olkin (KMO) test, which measures the sampling adequacy of the samples taken which should be greater than 0.5 for a satisfactory factor analysis to proceed. Another indicator of the strength of the relationship among variables is Bartlett's test of sphericity. Bartlett's test of sphericity is used to test the strength of the relationship among variables. The relationship among the variables should be significantly strong to proceed with the Factor analysis.
1.15 SIGNIFICANCE OF THE PROBLEM

In recent years, there is an increasing trend towards self-employment or entrepreneurship among the migrants. The phenomenon of migrant entrepreneurship deserves more in-depth, profound and scientific investigation. Given the growing importance of entrepreneurship, there is practical value in being able to identify critical entrepreneurial characteristics. Due insight into entrepreneurial behaviour and the relative performance of migrants is needed to develop an effective business policy, in which migrants are seen as a source of new socio-economic opportunities, for both the migrant groups and the city concerned. Strategic information is also necessary for the development of fine-tuned policy strategies for enhancing the participation of traditionally less-privileged groups and for improving their business performance potential. This will also help in identifying the issues faced by migrant entrepreneurs not only in their day to day activities, but also in their business activities. Moreover, this will also fill the void in the information about the migrant entrepreneurs in Chennai city, which is chosen as the study area.

1.16 LIMITATIONS OF THE STUDY

The study is purely based on primary data.

- The study based only on Chennai.
- There are native and migrant entrepreneurs in Chennai, only migrant entrepreneurs are selected for the study.
- The migrant entrepreneurs who engaged in small and medium size business are selected for the study.
- All the results are based on the opinion received from the respondents.
- As there is no official statistics on the number of migrant entrepreneurs, purposive and convenience sampling method is used.
1.17 CHAPTER SCHEME

This study consists of seven chapters.

Chapter I: Introduction and Design of the Study: The first chapter provides a brief description about the term entrepreneurs, entrepreneurship, emergence of entrepreneurs in India, migrant entrepreneurs, statement of the problem, its significance, area of the study, its objectives, hypotheses, methodology and limitations.

Chapter II: Entrepreneurship: A Conceptual Framework: The second chapter presents a clear understanding of various concepts pertaining to entrepreneurs, entrepreneurship, meanings, definitions, trends of entrepreneurs, their role as leaders, motivating factors, the case studies of successful migrant entrepreneurs in Tamil Nadu and Chennai City, etc.

Chapter III: Review of Literature: The area of entrepreneurship and migrant entrepreneurs, their success and problems have been examined by many scholars. Some of the important studies are reviewed in the third chapter, in order to find the research gap.

Chapter IV: Socio-Economic Characteristics of the Migrant Entrepreneurs: The socio-economic characteristics of the sample migrant entrepreneurs like their age, levels of education, family background, size of startup capital, nature of business, etc., are examined in the fourth chapter with the help of simple percentage analysis and diagrammatic representation on the basis of the primary data.

Chapter V: Business Profile of the Migrant Entrepreneurs in Chennai City: The fifth chapter examines the business profile of the migrant entrepreneurs which includes their place of business, initial investment, source of capital, nature of business, current net worth, monthly turnover, monthly net profit and number of male and female employees employed by the migrant entrepreneurs.
Chapter VI: Success and Problems faced by the Migrant Entrepreneurs in Chennai City: The factors which influenced the migrants to become entrepreneurs, their success and problems are analysed in the sixth chapter with the help of factor analysis. Testing of hypotheses is also presented in this chapter.

Chapter VII: Summary of Findings, Suggestions and Conclusion: The summary of findings, suggestions and conclusion are presented in the seventh chapter.

1.18 REFERENCES


