CHAPTER VI
SUMMARY OF FINDINGS AND SUGGESTIONS

6.1 Findings

The study has come out with very important findings on the causes influencing failure of entrepreneurial ventures started with Term loan assistance from TIIC, which has contributed to poor loan recovery performance of TIIC. These findings have high level of reliability since the causes contributing to failure as identified through the study of responses obtained from entrepreneurs of failed ventures and through the study of responses obtained from entrepreneurs of successful ventures have both coincided. Hence, the findings of the study have greater relevance and can be made use of effectively for rectifying the shortcomings in avoiding entrepreneurial failures and overcoming hurdles in the path of entrepreneurship.

Ranking of variables (i.e., causes) influencing failure of entrepreneurial ventures will be of use in assessing the level of importance each variable deserves so that the available resources can be appropriately allocated in overcoming the causes contributing to failure.

Identification of industry specific causes throws light on special issues to be addressed for specific industries in avoiding/overcoming entrepreneurial failures.

Further, the problem areas identified from the customers’ point of view and from TIIC’s perspective will go a long way in strengthening TIIC-Customer relationship and reorienting the approach of TIIC towards offering better customer service which will ultimately lead to improved recovery performance.

6.2 Major Causes for the failure of units engaged in manufacturing

The analysis of the samples taken from failed entrepreneurial ventures (of Sample size 502) and the samples taken from successful industrial entrepreneurial ventures (of Sample size 572) have both yielded the same result and have revealed twelve variables as the causes influencing failure of industrial units engaged in manufacturing activity significantly. These twelve variables in the order of their rank are as below:
<table>
<thead>
<tr>
<th>Rank</th>
<th>Variables influencing failure significantly</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Lack of Market Research</td>
<td>Internal Market related factor</td>
</tr>
<tr>
<td>II</td>
<td>Strong Competitors</td>
<td>External Market related factor</td>
</tr>
<tr>
<td>III</td>
<td>Higher Interest Cost</td>
<td>Internal Financial factor</td>
</tr>
<tr>
<td>IV</td>
<td>Higher Bad-debts</td>
<td>External Financial factor</td>
</tr>
<tr>
<td>V</td>
<td>Improper choice of machinery</td>
<td>Internal Production related factor</td>
</tr>
<tr>
<td>VI</td>
<td>Inadequate Quality Control</td>
<td>--- do ---</td>
</tr>
<tr>
<td>VII</td>
<td>Employee turnover</td>
<td>Internal personnel related factor</td>
</tr>
<tr>
<td>VIII</td>
<td>Reliance on consultants</td>
<td>Managerial factor</td>
</tr>
<tr>
<td>IX</td>
<td>Pollution control/environmental problem</td>
<td>Other external factor</td>
</tr>
<tr>
<td>X</td>
<td>Shortage of raw materials</td>
<td>External production related factor</td>
</tr>
<tr>
<td>XI</td>
<td>Inter –union rivalry</td>
<td>External Personnel related factor</td>
</tr>
<tr>
<td>XII</td>
<td>General labour unrest</td>
<td>--- do ---</td>
</tr>
</tbody>
</table>
An observation of the above table indicates that Market related factor plays a major role in influencing failure of entrepreneurial ventures, followed by Financial factor; Production related factor follow Financial factor.

Thus, the top three factors to be studied and analyses cautiously by an entrepreneur in order to make his/her entrepreneurial venture a success, as identified by the study are given below in the order of their importance.

a) Market related factor
b) Financial factor
c) Production related factor

a) Market related factor

Finding

The two influencing variables under market related factors that contribute significantly for failure are ‘lack of market research’ and ‘strong competitors’. These two variables are also interrelated. An exhaustive and accurate market research will reveal the presence of strong competitors. Hence, correctly studying the market for the product is of foremost importance. This is so because market is something over which an individual enterprise, specially tiny and small-scale units cannot have any control. The influence of market forces in so strong that they sweep through all industrial units in an economy and those industrial units that have not reoriented / realigned their strategy to counter the effects of market forces are bound to get affected.

‘Lack of market research’ has been identified as the cause that ranks first among the causes responsible for entrepreneurial failures. The entrepreneurs of Tiny and Small-scale sector, who form the bulk of TIIC’s customer base are not well equipped to do market survey/market research on their own. Most of the entrepreneurs whose ventures have failed due to market related causes would have chosen their project on the basis of hearsay/ unconfirmed reports/information from unreliable sources etc., without knowing what is in store for them.

‘Strong competitors’ has been identified as the cause that ranks second among the causes responsible for entrepreneurial failures. A reliable market research will definitely
point out the presence of strong competitors, if any and will provide the required caution to the entrepreneurs.

**Suggestion**

TIIC can set up a market research cell in-house and carry out need-based market research in thrust areas and maintain a data base for access to prospective entrepreneurs who approach TIIC for financial assistance. This will help the prospective entrepreneurs to get exposed to market related information and will also help TIIC in updating market related information.

**b) Financial factor**

**Finding**

The two influencing variables under financial factor that contribute significantly to failure are ‘higher interest cost’ and ‘higher bad debts’. ‘Higher interest cost’ as a variable influencing failure indicates that an entrepreneur should keep his borrowings to the minimum. Though, as per financial projections, a particular loan component appears to be capable of being serviced, if the entrepreneur is in a position to mobilize excess equity capital and reduce the loan component, he/she should attempt to do that. After all, not all the financial projections turn out to be correct predictions. Adverse fluctuation of any one or more of the component(s) of the financial projection will affect the profit earned at the first instance. A lower debt component will ease the financial burden on such occasions, which are not too infrequent.

Incidence of ‘higher bad debts’ as the other influencing variable points to the fact that the entrepreneur shall be choosy in identifying the prospective/likely customers and should keep in place an effective credit monitoring mechanism for collecting the dues from the debtors.

**Suggestion**

From the point of view of TIIC, its customers (viz., the entrepreneurs) can be advised to bring in maximum possible funds required for the project by way of equity and to borrow, by way of Term loan, only the minimum required amount. This will keep the project on good footings, giving the entrepreneurs adequate reserve strength to face the challenges.
On the issue of ‘higher bad debts’, TIIC in fact has nothing much to do, except to caution the entrepreneurs about the possible pit-falls that may lead to accumulation of bad debts.

c) Production related factor

Finding

The two influencing variables under production related factor that contribute significantly to failure are ‘improper choice of machinery’ and ‘inadequate quality control’.

Suggestion

Entrepreneurs should be advised to desist the tendency to go in for low-cost machinery, since wrong choice of machinery has led to failure of projects on many occasions. The logic to be kept in mind is that a low-priced machine cannot come with a high quality.

The cause ‘inadequate quality control’ speaks for itself, as there is nothing that can win the confidence of consumers than the quality of products offered by an organization. If the customers rate the quality of an organization as ‘poor’ that will take the organization to closure. And the secret behind good quality of finished products lies in using good quality raw material and good quality machines.

Since plant & machinery is the backbone of any production unit, no compromise on the quality of plant & machinery should be allowed and TIIC should impress upon the entrepreneurs to go for good quality machines.

6.3 Major Causes for the failure of units in Tiny sector

Finding

The specific causes that are indicated for the failure of entrepreneurial ventures in Tiny sector (other than the common causes identified) are given below:

a) Poor labour relations

b) Non-availability of skilled man-power &

c) Non-exposure to the trade.
a) Poor labour relations

In the place of ‘Employee turnover’, which is one of the causes indicated by the overall analysis, ‘Poor labour relations’ is indicated as the cause responsible for units in Tiny sector. This indicates that in Tiny sector, though the employees do not frequently leave the organizations, strained labour relations act as a cause for failure.

b) Non-availability of skilled man-power

In the place of ‘General labour unrest’ and ‘Inter union rivalry’ which are the causes identified by the overall analysis, ‘non-availability of skilled man-power’ is indicated as the cause applicable for the failure of units in Tiny sector. Though the country has a vast pool of unskilled man-power, the availability of skilled man-power still remains scarce. This points out to the need for imparting technical skills to the vast majority of unskilled / semi-skilled labour force in the country.

c) Non-exposure to the trade

In the place of ‘Reliance on consultants’ which is the cause indicated by the overall analysis, non-exposure to the trade’ is indicated as the cause applicable for the failure of units in Tiny sector. This indicates that entrepreneurs who have no exposure to the trade also opt for starting Tiny sector industries. Lower level of investment required and easy-to-learn technology in Tiny sector attracts entrepreneurs. With the hope of earning substantial income that the industry is promising, entrepreneurs are tempted to start such projects in the Tiny sector, despite not having any prior exposure to the trade, which acts as one of the causes of failure.

Suggestion

TIIC can set up an exclusive cell for entrepreneurship development. Prospective entrepreneurs who approach TIIC for Term loan assistance, if found lacking in entrepreneurial qualities, can be asked to undergo a short-term course on entrepreneurship, in which vital inputs transforming one into a successful entrepreneur can be given. With regard to shortage of skilled man-power, though it is a macro level problem, TIIC can also address this issue by acting as a facilitator between industrial units assisted by TIIC and institutions like Industrial Training Institutes and Polytechnic colleges in the state in identifying the man-power needs of industrial units and tying up with the institutions for
providing the skilled man-power required for industries. This will help TIIC fulfilling a social cause, apart from ensuring supply of skilled man-power for its assisted industrial units.

6.4 Major Causes for the failure of units in SSI Sector

Finding

The specific causes that are indicates for the failure of entrepreneurial ventures in the SSI sector (other than the common causes identified) are discusses below:

a) Insufficient working capital

Since Tiny sector industrial units do not normally require heavy working capital, this cause has not been indicated in the analysis of the causes responsible for failure in respect of Tiny sector industrial units. Moreover, units in Tiny sector mostly undertake job-orders from other bigger units and hence such units do not feel the pinch of working capital shortage. However, production oriented SSI units will be requiring considerable working capital funds, ‘insufficient working capital’ has been indicated as one of the significant causes responsible for failure in respect of SSI units. Since TIIC finances only Term loan for the creation of fixed industrial assets and the Working capital term loan that TIIC can lend is also a loan that is repayable just as the term loan, production oriented SSI units that have availed only Term loan from TIIC suffer due to paucity of working capital. Hence, TIIC shall see to it that production oriented SSI units are able to get need based, timely working capital limits sanctioned by commercial banks, as this will reduce failure of units on account insufficient working capital.

b) Poor labour relations

In addition to ‘Employee Turnover’ the variable ‘Poor labour relations’ has also figured out in the causes responsible for the failure of units in the SSI sector. Strained employee relations and employee turnover co-exist in SSI sector, which contributes to failure.

c) Non availability of skilled man-power

In addition to ‘General labour unrest’ the variable, ‘Non-availability of skilled man-power’ also acts as one of the causes for the failure of entrepreneurial ventures in the SSI sector, which points to the short supply of labourers with the required skill.
d) Changes in Market conditions

In the place of ‘Strong Competitors’ which is the cause indicated by the overall analysis, the variable ‘Changes in market conditions’ is indicated as the cause applicable for failure of units in the SSI sector. This indicates that industrial units in the SSI sector are more prone to failure due to changes in market conditions, which may include causes like changes in consumer preference, reduction in demand for the products, general rise in the price level of inputs etc.,

Suggestion

The suggestions given for Tiny sector is applicable for SSI sector as well. This apart, ‘insufficient working capital’ stands as a prominent cause that influences failure among the industrial units in the SSI sector. There is an urgent need to address this issue. TIIC can follow any one of the following strategies to overcome this problem.

a) TIIC can evolve a scheme for extending working capital assistance to meet customer requirements. However, since TIIC can not lend working capital assistance in the form of cash credit/over draft facilities in view of its organizational constraints, the working capital assistance can be given in the form of Term loans with a longer repayment period of 10 years and above.

b) TIIC may enter into an understanding with a commercial bank to lend working capital assistance to those units that avail Term loan facilities from TIIC and formulate suitable scheme for this. The commercial bank chosen may be asked to act as an extended arm of TIIC. The funds required for financing the working capital requirements of TIIC assisted customers many be provided to the bank by TIIC and the bank may, in turn, allow the customers to have a regular working capital limit with the bank in the form of cash credit/bill discounting/bill purchase etc., as per the requirement.

6.5 Industry wise Analysis

The industry specific causes identified that are found responsible for influencing failure are as below:
<table>
<thead>
<tr>
<th>Industry</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles</td>
<td>Changes in market conditions</td>
</tr>
<tr>
<td>Engineering</td>
<td>Inaccurate Demand forecasting</td>
</tr>
<tr>
<td>Food Processing</td>
<td>Changes in Market conditions &amp; Inaccurate demand forecasting</td>
</tr>
<tr>
<td>Paper &amp; Paper products</td>
<td>Non exposure to the trade, Dependence on few buyers &amp; Changes in Market conditions</td>
</tr>
<tr>
<td>Chemical</td>
<td>Inadequate advertisement</td>
</tr>
</tbody>
</table>

a) Textiles

Finding

‘Changes in Market conditions’ has been identified as an industry-specific cause for the failure of Textile industry. Changes in market conditions influence the fortunes of Textile industry very much. The availability and price of cotton, which is the main raw material depends upon the level of cotton production and the import/export policy of the Government on cotton. In a country like India, where agriculture depends to a larger extent on the vagaries of monsoon, the output of agricultural produces cannot be predicted with accuracy. Thus, ‘Changes in market conditions’ which is an External Market related cause is an industry specific cause influencing the failure of industrial units in Textile sector.

Suggestion

Textiles is the single largest industry in the loan portfolio of TIIC. About 20% of the total sanction of loans made since inception of TIIC has gone to Textile sector. About 30% of the total loan outstanding pertains to Textile sector. Thus, Textile is the single largest sector whose fortunes have a direct bearing on the loan recovery performance of TIIC. As this sector gets affected by external factors like fluctuations in domestic and international demand for textile goods, uncertainty of cotton availability, policy changes announced by the Government etc., this is a sector whose market conditions fluctuate beyond predictions. Hence, this is a sector that needs macro level monitoring. TIIC may, after taking into account the scope and prospects of this sector, announce a lending policy
for Textile industry. The lending policy may be updated every year incorporating the latest market trends. As this is a sector that is subject to high level of fluctuations, TIIC may in general, adopt a lower debt-equity ratio and also insist for a higher percentage of collateral security in order to safeguard the amount lent towards this sector.

b) Engineering
Finding

The prospects of Engineering industry in general depends upon the overall development of the economy. Since engineering industry embraces many different sectors of the economy, the growth/fall of different sectors of the economy indicates the growth/fall of demand for Engineering goods in the respective sectors. Hence, ‘Inadequate demand forecasting’ has come out as the industry-specific cause for the failure of Engineering industry. This indicates the necessity of having an accurate demand forecast for the product, in order to make the venture a success.

c) Food processing
Finding

Agricultural produces being the raw material for food processing industry, the price and availability of raw materials fluctuate based on the fluctuation in agricultural production. The tastes and preferences of consumers of processed food keep changing fast. Hence, ‘Changes in market conditions’ and ‘Inadequate demand forecasting’ which have come out to the industry specific causes adequately explain the nature of the industry.

d) Paper and paper products
Finding

‘Non exposure to the trade’ has been found to be one of the industry-specific causes for the failure of Paper & Paper products industry. Good exposure to the trade is an essential requirement for paper industry in view of the following reasons:

a) The entrepreneurs shall have good idea about the sources of raw materials which are wood, wood pulp, waste paper effluent treatment plant waste from paper mills etc.,
b) Plant & machinery used in paper & paper products industry play a crucial role in producing quality products. Perfect balancing and synchronization of the different machinery in the plant is a pre-requisite for the success. The entrepreneur shall have good exposure to the functioning of the machinery, so that he/she will be in a better position to keep the plant working in good condition and achieving good productivity levels. ‘Dependence on few buyers’ has been found to be another industry-specific cause for the failure of Paper & Paper products industry. Since the end-users of the product are few in number, maintaining a good and reliable vendor base is essential for the success of the industry.

Since Paper & Paper products are mostly used by other manufacturing industries, the fortunes of Paper & Paper products industry also depends on the overall performance of the economy, fluctuation sin the economic conditions have their influence on this industry. This is reflected by the industry-specific cause ‘Changes in market conditions’.

Thus, the three industry-specific causes identified for failure, viz., ‘Non-exposure to the trade’, ‘Dependence on few buyers’, and ‘Changes in market conditions’ adequately explain the special nature of the industry.

e) Chemical

Finding

‘Inadequate advertisement’ has been found to the industry-specific cause identified for the failure of Chemical industry. This reveals an unique feature of this industry. The chemical formulations used for similar products by different manufacturers are almost the same. Though the quality aspects of chemical products may stand an unit in good stead, customer acceptance of the product depends, to a large extent on the promotional efforts taken by the producers in exposing their products to the prospective customers. Many well-known products in the market have come from un-known/little known manufacturers who have marketed their products effectively. This proves the importance of product promotion efforts for chemical products and ‘Inadequate advertisement’ which has come out as the industry specific cause for failure adequately explains this.
Suggestion for Engineering, Food processing, Paper & paper products and Chemical industries)

TIIC may give special emphasis for the causes identified under the respective industries, at the time of appraising the loan proposals for the projects. TIIC’s market research cell may keep itself updated on the changes in market conditions in respect of these industries and may provide necessary inputs to the Project appraisal Department.

6.6 Opinion of borrowers on the policies, financial norms and operational procedures of TIIC

Finding- I

Since TIIC is basically a Term lending institution, the customers of TIIC find it difficult to separately tie-up working capital finance from commercial banks. Hence, customers expect TIIC to extend need based working capital assistance too. This, in their opinion will help both the customers and TIIC. Once TIIC introduces a scheme of regular working capital assistance, production oriented industrial units can be freed from the hassles of dealing with two different institutions and the accompanying delay in getting sanction of working capital facilities in time.

Suggestion

Since ‘Insufficient working capital’ has been identified as one of the causes influencing failure of industrial units in the SSI sector, the expectation of customers that TIIC shall also fund the working capital requirements of its customers is found genuine and reasonable. Hence, TIIC may introduce an exclusive scheme of assistance for funding working capital requirements of its customers.

Finding- II

Industry and trade are allied activities. They mutually support each other. TIIC, being a development finance institution set up with the objective of fostering industrial growth, extends financial assistance to industrial sector. Its object clause prevents TIIC in extending financial support for trading activities. He customer expectation is that TIIC shall also play its role in extending financial assistance to trading activities.
Suggestion

There is ample scope in this sector, which TIIC can capitalize on. Hence, there is a need to have a reexamination of its object clause and modify the same to accommodate provisions for lending to trading activities also.

Finding- III

Customers expect that TIIC should extend financial assistance for the acquisition of used machines and also for the purchase of existing buildings for industrial use.

Steps taken by TIIC

The expectations of customers as found during the course of study, (during the period 2004–07) that TIIC shall extend financial assistance for the acquisition of used machines and also for the purchase of existing buildings have already been fulfilled as TIIC has introduced during the year 2007-08, suitable schemes of assistances for catering to the above requirements/expectations of customers.

Finding- IV

Since some of the entrepreneurs who already have some loan facilities with commercial banks, customers expect that TIIC should have a scheme of assistance for the take-over of existing loan liabilities of industrial units with banks/other financial institutions, as this will add flexibility to its lending.

Steps taken by TIIC

The expectation of customers as found during the course of study (during the period 2004-08) that TIIC can take over the existing liabilities of industrial units with banks/other financial institutions, has also been implemented by TIIC by the formulation of a special scheme of loan assistance during 2007 – 08, for the take-over of Term loan liabilities of customers from banks/other financial institutions.

Finding- V

In spite of the fact that TIIC, over a period of time, has refined its loan sanction procedures, still entrepreneurs are firmly of the opinion that TIIC’s loan sanction procedures are cumbersome.
Suggestion

TIIC has to have a re-look on its procedures from the customer’s point of view and further refine/modify the procedures to suit customer expectations and requirements. This can be better done by conducting a customer opinion poll and getting their feedback on their expectations.

Finding-VI

Entrepreneurs are of the opinion that the time taken by TIIC for the sanction of loan and for rendering other services is long.

Suggestion

This defect will get rectified once the procedures for sanction of loan and for attending to other service requests of customers are simplified.

Finding-VII

Entrepreneurs are of the opinion that the escort services provided by TIIC is inadequate.

Suggestion

Being a Government sponsored institution, TIIC can play an active role in coordinating with other connected Government agencies like Electricity board, Pollution Control Board, Town and Country planning Department, Registration Department, Dist Administration etc., and provide the required escort services to entrepreneurs for speeding up their project implementation and also for attending to their operational requirements after their projects have commenced production.

Finding-VIII

Entrepreneurs consider the promoter’s contribution stipulated by TIIC for funding projects as ‘normal’.

Suggestion

As promoter’s contribution for different projects are fixed keeping in view the promoters’ background and the repaying capacity of the project, within the broad internal
guidelines of TIIC, there seems to be no need for any revision in the extent of promoter’s contribution being stipulated by TIIC.

**Finding-IX**

While commercial banks have already started adopting discretionary interest rates (on the basis of credit rating of clients), TIIC still follows a non-discretionary interest rate pattern. Though there have been representations from customers that TIIC may also introduce discretionary interest rate system in order to distinguish between clients with different credit ratings, the study points out as far as success/failure of entrepreneurial ventures are concerned, the existence of discretionary or non-discretionary interest rate does not have any influence.

**Suggestion**

If TIIC introduces discretionary interest rate system, it may have to charge slightly higher interest rate to new/first generation entrepreneurs in order to offset the loss that will be incurred due to reduction in interest rate that will be offered to existing, financially sound clients. This may, in effect, add to the burden of new/first generation entrepreneurs. Hence, as pointed out by the study, TIIC may follow the existing system of non-discretionary interest rate and allow rebates/interest rate concessions for prompt repayments.

**Finding-X**

TIIC follows a ‘fixed’ interest rate system while commercial banks follow ‘floating’ interest rate. Fixed interest rate system is being followed by TIIC since TIIC extends long-term financial assistance. Any adverse fluctuation in interest rate in the long run will affect the repaying capacity of customers. Hence, a ‘fixed’ rate system gives stability to the industrial units in repayment of interest obligation. However, whenever interest rates fall down on a floating system, entrepreneurs are tempted to view the floating rate system as more attractive. Both the systems of charging interest have their own merits and demerits. The study reveals that TIIC can also introduce floating rate of interest system and give the option of choosing either the fixed or the floating interest rate to the customers.
**Suggestion**

Since there is no more any regulated interest rate system in the country, the interest rate is bound to fluctuate depending on the macro level economic factors. Hence, it may not be advisable for TIIC, from its own profitability point of view, to follow a fixed interest rate system. Further, switching over to floating interest rate system takes to the other extreme and borrowing long term loans under floating interest rate system may cause worry in the minds of the entrepreneurs, especially when the interest rate shows signs of increasing trend. Hence, TIIC may opt for a balanced approach of offering a fixed rate system with an option to vary the interest rate once in a year depending on the changes in the interest rate.

**6.7 Influence of entrepreneurs’ prior exposure to industry on their performance**

**Finding**

TIIC happens to be the only avenue for supporting First Generation entrepreneurs in setting up their maiden industrial ventures. This is because of two reasons. First, TIIC being a development finance institution has the moral responsibility cast on it to extend financial support to First Generation entrepreneurs. Second, commercial banks find it comfortable to deal with already established industrialists, i.e., with those entrepreneurs who have already proved their worth. Commercial banks, are, in a way, declined to entertain loan proposals from First Generation entrepreneurs, considering the higher level of risk involved. Statistics reveals that about 85% of the projects financed by TIIC are projects promoted by First Generation entrepreneurs.

The study reveals that enterprises started by First generation entrepreneurs are more prone to meet with failures. This is a burden that TIIC has been bearing and may have to bear in the future also. This has been one of the main reasons for the higher level of NPA in the loan portfolio of TIIC. But, TIIC can not cast aside its responsibility and ignore first generation entrepreneurs. Despite bearing the burden of supporting First Generation entrepreneurs, TIIC has been in existence since 1948 and has put in very valuable 60 years of service in support of Tiny, Small and Medium scale industries in the state of Tamilnadu. It has, thus served a great social cause of fulfilling the entrepreneurial dreams of many young entrepreneurs who were short of financial resources.


**Suggestion**

TIIC can set up a separate Entrepreneurship Development Wing in its fold and train the needy First generation entrepreneurs who approach TIIC for financial assistance. The training can be aimed at providing vital inputs in the form of ways and means for overcoming the causes of failures identified in this study. This will go a long way in equipping the First Generation entrepreneurs with the required knowledge and skill to make their ventures a success.

6.8 Influence of borrowed ‘Promoter’s contribution’ on the performance of entrepreneurial units

**Finding**

The problem of entrepreneurs planning for too big projects that are beyond their financial capacity always exists. When entrepreneurs opt to go for projects of bigger size, they find it difficult to bring in the stipulated promoter’s contribution from out of their own resources. Under such situations, they have no other option except to go for borrowing a portion of the required promoter’s contribution.

The study shows that entrepreneurs who do not bring in the entire required promoter’s contribution from out of their own resources and bridge the shortfall by resorting to outside borrowings are more prone to meet with failure.

**Suggestion**

TIIC shall carefully and correctly assess the financial position of the entrepreneurs and their liquidity position and shall guide/advise them to go for such projects that can be comfortably implemented by investing their own capital and the term loan advanced by TIIC. While appraising the projects, TIIC shall critically examine the components of project cost and remove unwanted items and prune down unimportant items in order to contain the project cost within the minimum possible limit. In short, TIIC shall not allow the entrepreneurs to go for too big projects that are beyond their financial capacity, as this will in all probability lead to failure.
6.9 Influence of entrepreneurial traits

Finding

‘A bad project in the hands of a good entrepreneur will succeed while a good project in the hands of a bad entrepreneur will fail ’. – this statement still remains valid in spite of so much studies and analyses done in the field of entrepreneurship. This study also has revealed that entrepreneurs who lack the required entrepreneurial traits are more prone to meet with failures.

Suggestion

As of now, TIIC has no method/tool to assess the entrepreneurial traits of the entrepreneurs who approach TIIC for financial assistance. TIIC can, with the help of experts in the field devise psychometric tests to measure the entrepreneurial traits of the entrepreneurs and subject them to these tests before entertaining their loan proposals.

6.10 Scope for further research

a) The study has come out with the finding that the entrepreneurial traits possessed by the project promoters have a bearing on the success of the enterprises started by them. Hence, it will be more appropriate if the prospective entrepreneurs who approach TIIC for financial assistance undergo a psychological test to assess their entrepreneurial traits. A study can be conducted to design the appropriate test that when administered on a person, will give an assessment of the entrepreneurial traits of the person.

b) The problems faced by Medium –scale industrial units have not been attempted in this study in view of the smaller size of the population. Medium and Large-scale industries do have their role to play in an economy. In the wake of globalisation, with the availability of cheap labour, Indian has the cost advantage and hence can effectively compete with major players in the world. Hence, the industry-specific causes that influence the performance of Medium-scale industrial units can be attempted. As the size of the population is small, and as the industrial units are of fairly large size in terms of investment, number of employees, number of customers and number of stakeholders a case-study approach is considered ideal for this purpose.
6.11 An Overview of the study

Industrial activity is the backbone of any economy. It is only through industries that the productive resources available in an economy are exploited for the betterment of the people. Tiny and Small-scale industries have greater importance in view of the main reason that they offer higher level of employment opportunities. The proportion of employment generated to the investment made is substantially higher in Tiny and Small-scale industries as compared to that in Medium and Large-scale industries. Further, Tiny and Small-scale industries make use of the locally available talent and manpower. This aids tapping of manpower resources and also brings about balanced growth of the country. The study has done the important task of identifying the causes that are primarily responsible for the failure of Tiny and Small-scale industries.

Though the study has been restricted to the industrial units financed by TIIC, the findings of the study have relevance even for industrial units not financed by TIIC since irrespective of whether financed by TIIC or otherwise, all industries function within the same economic environment.

Since State Financial Corporations have been instrumental for the development of industries in India, though the study has been restricted to the industrial units financed by TIIC, the findings of the study have high relevance to other State Financial Corporations also, since all the State Financial Corporations in India operate on similar lines and will have similar problems.

Apart from identifying the causes that are primarily responsible for failure of industrial units financed by TIIC, the study has also identified the problem areas both within TIIC and with the customers of TIIC, which when ironed out will help improve the effectiveness of TIIC and will help TIIC’s customers enjoy a higher level of satisfaction.

On the whole, the study has served a great social cause of national importance.