CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF INDIAN AUTOMOTIVE INDUSTRY

In India, as in many other countries, the automotive industry is one of the largest industries. It is one of the key sectors of the economy. The industry comprises automotive and the automotive component sectors and encompasses commercial vehicles, multi utility vehicles, passenger cars, two-wheelers, three-wheelers, tractors and related automotive components. The industry has shown great advances since de-licensing and opening up of the sector to Foreign Direct Investment (FDI) in 1993. It has deep forward and backward linkages with the rest of the economy, and hence, has a strong multiplier effect. This results in the automotive industry being the driver of economic growth and in India it is keen to use it as a lever of accelerated growth in the country.

In India, since the early 1940s when the automotive industry rolled out first passenger car, its significance in the economy has progressively increased. However, the focus of development of the automotive industry has been on import substitution from its early days for two-wheelers and LCVs until the mid 1980s, and for passenger cars until the early 1990s.
The current low penetration levels in India in all the three segments of the industry, namely commercial vehicles, passenger cars and two wheelers and under-exploitation of the potential of this industry to foster the growth of the economy have resulted in the automotive industry contributing a relatively low (nearly 5 per cent) share of industrial output in India compared to the 8-10 per cent range in other developing countries such as Mexico and Brazil and much higher (15-17 per cent range) in developed countries such as the United States and Germany. Even the share of employment is low at 2.50 per cent for the automotive industry in India compared to 3-7 per cent in developing countries and around 15 per cent in mature economies.

During last decade, conscious efforts have been made to fine-tune state policy perspective in a manner that this industry realizes its full potential in the economy. With this, the industry has shown great advances since abolition of licensing in 1991 and automatic approval permitted up to 51 per cent foreign investment in priority sectors that included the automotive industry, except in passenger car manufacturing.

Motorcar manufacturing was freed from licensing in April 1993. Public policy dispensation requiring new joint venture car manufacturers to commit certain levels of phased indigenization, minimum investments in manufacturing facilities, neutralization of foreign exchange on imports with the exports of cars and components, etc., was withdrawn in September 2001 as a major initiative to bring policy framework in tune with WTO requirements. The quantitative restrictions on imports were removed with effect from 1st April 2001. The breakup of the output from the organized sector, in value terms, across key vehicle system is shown in Figure 1.1.
1.2 MARKET POTENTIAL FOR INDIAN AUTOMOTIVE INDUSTRY

India’s automotive industry is growing fast, but it remains a two-wheeler nation. More than 78 percent of motor vehicles on the road are two-wheelers; their popularity is driven by low price, high fuel mileage, and an ability to maneuver deftly through India’s dense traffic. For the last eight years, the two-wheeler market has grown at a compounded annual growth rate of 14 per cent; in 2012, eight million units were sold. Over the next seven years, it is expected that the numbers to be sold to nearly double i.e. 15 million units per year.

But even as the market grows, motorbikes face a pack of ultra-low-cost four-wheeler challengers; the Sub-A (Entry Level Small Car) segment
automotives exemplified by Tata Motors Limited’s $2500 Nano. The recently launched Nano bridges the gap between $1000 motorbikes and $5000 cars. With the Nano and similar cars from Tata and Bajaj Auto Ltd., the industry is walking the market down the demand curve; the low prices will quadruple the number of potential new-car buyers. While the Sub-A segment gains traction, India’s automotive market remains dominated by cars in the A (small) and B (compact) segments, which together account for about 65 percent of sales.

Global small-car players like Hyundai, Suzuki (including Maruti) and Honda, traditionally the leaders in India, now face stiff competition from local manufacturers such as Tata and Bajaj. Renault has partnered with local players Mahindra and Bajaj. In the C (sedan) and D (midsize premium sedan) segments and higher, the market has been dominated by global manufacturers like Toyota, Volkswagen, Daimler and BMW.

The overall passenger vehicle market in India grew from 1.9 million units in 2009 to 2.4 million units by 2012, surpassing the markets in Italy and Spain. By 2015, annual car sales worldwide will increase by about 13 million units per year, with India expected to account for 20 per cent of the increase. At that point, India will become the world leader in small-car market growth.

India has emerged as one of the world's largest manufacturers of small cars. According to New York Times, India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars has resulted in the expansion of manufacturing facilities of several automotive companies like Hyundai Motors, Nissan, Toyota, Volkswagen and Suzuki.

In 2012, Hyundai Motors alone exported 250000 cars made in India. Nissan Motors plans to export 200000 vehicles manufactured in its
Indian plants by 2015. Similarly, General Motors announced its plans to export about 150000 cars manufactured in India by 2015.

Ford Motors announced its plans to make India a global hub for small cars and engines with current annual capacity of 4800000 cars. Ford expects that by 2020, demand for small vehicles will account for more than 60% of the automotive market globally, and Asia Pacific and Africa about half global industry volume. The cars will be manufactured both for the Indian market and for export. Fiat Motors has also planned for making India a global hub for exports for its US unit, Chrysler.

The economic underpinnings of this growth are strong. A historic structural shift in the Indian economy will continue to generate great wealth. Rapid urbanization drives the need for commercial transportation. Consider the need to keep food cold: 30 per cent of agricultural produce in India now perishes en route to the market due to refrigeration gaps in the supply chain. Hence, there is a nationwide need for refrigerated trucks. Rail transport once dominated the people-moving business. No more. Roadway passenger traffic is expected to increase from 42 per cent of the total in 2009 to 55 per cent by 2020. Similarly an expected increase in defence spending will prompt new demand for commercial vehicles intended for military use. Domestic manufacturers such as Tata and Ashok Leyland Ltd. dominate the military–commercial market with a diverse product portfolio, while foreign manufacturers like Daimler and AB Volvo remain niche commercial players. The small commercial vehicles segment is also growing attracting new players, both foreign and domestic. Today, India boasts being the world’s third-largest market for commercial vehicles. As it is also the world’s second-fastest-growing commercial market, its future looks even brighter.
1.3 EMERGING TRENDS IN INDIAN AUTOMOTIVE SECTOR

Globalization is pushing automotive majors to consolidate, to upgrade technology, enlarge product range, access new markets and cut costs. They have resorted to common platforms, modular assemblies and systems integration of component suppliers and e-commerce. The component industry is undergoing vertical integration resulting into emergence of ‘systems and assembly suppliers’ rather than individual component suppliers. Thus, while most component suppliers are integrating into tier 2 and tier 3 (Refer Table1.1) suppliers, larger manufacturers and Multinational Companies (MNCs) are being transformed into tier 1 companies.

Table 1.1 Supplier Classifications

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Manufacturers who supply final equipment directly to OEMs such as M/s Royal Enfield, Ashok Leyland, Tata Motors, Maruti Suzuki, Hyundai, Mahindra &amp; Mahindra, Bajaj, TVS, etc.</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Manufacturers who supply components to Tier1 suppliers, such as TVS Group, Kalyani Forgings, Techfab, Hwashin, Hanil Lear, Techmech Engineers, Mahalakshmi Engineers and various Tyre Companies.</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Manufacturers who supply raw materials to Tier 2 suppliers such as M/s Dev Fastners, Diemech Engineers, Nutech CNC Engineers, TVS Group,</td>
</tr>
</tbody>
</table>

Environmental and safety concerns are leading to higher safety and emission norms in the country. India has already charted out a road-map for reaching EURO-IV norms across the country by the year 2010. Thirteen cities of India simultaneously moved to EURO-IV norms in 2010 while the rest of the nation still follows Bharat Stage III. Most vehicle manufacturers are already producing EURO-IV compliant vehicles in the country to meet
special requirements of capital city of New Delhi where the Supreme Court verdict has already necessitated this.

To meet the concomitant testing and certification activities relating to higher safety and emission norms, testing infrastructure in the country is being overhauled.

A substantive state funding is being planned in upgrading the testing infrastructure with participation of industry. Environmental pollution and the need to conserve existing supply of fossil fuels have led to search for alternative fuels. In addition to supporting Greenfield research in this area, an ambitious phased programme to upgrade carbon fuel quality commensurate with higher emission norms is also being undertaken.

Foreign direct investment norms have already been considerably relaxed. Unhindered import of automotives, including new and second hand vehicles, has also been permitted. Most non-tariff barriers have also been relaxed or removed. The Government has moderated and lowered taxes and duties on automotives, including customs duty. Value Added Tax (VAT) was also included across the country from 1 April 2001 which has been revised according to financial conditions and has rates ranging from 5% for small cars to 30% for SUVs as on April, 2013.

The Government has also allowed private sector participation in the insurance sector. Norms guiding External Commercial Borrowings (ECBs) have been liberalized and lending rates within the country have also been reduced further strengthening the environment of investment. An ambitious programme to upgrade the quadrilateral of highways in the country, the Government is laying an eight-lane expressway linking all metropolitan and several important capital towns across the country paving the way for movement of heavier haulage of vehicles.
1.4 STATEMENT OF THE PROBLEM

Small-scale entrepreneurs constitute a major part of Indian economy. They play a great role in the Indian economy in terms of creating additional employment with low capital investment and maintaining self-sustainability in various sectors of the economy. The typical characteristics of small-scale entrepreneurs apart from the level of investment and employment are the personal face of the organisation and style of management.

The small enterprises create more employment per unit of capital employed due to low cost overheads, but in an efficient entrepreneurial environment it is not important to create another additional employment source but also to have an economic reason behind it so as to make a profitable operation in a productive process.

There is no denial to the fact that the pace and progress of an economic system largely depends on the emergence of dynamic and innovative entrepreneurs. Instead of being dependent on the government subsidies and protections, they have to play the role of change agents. Their ability to innovate and take risk decides the fate and direction of a country’s economy.

1.5 ENTREPRENEURSHIP

Entrepreneurship puts emphasis on the risk and effort taken by individuals who both own and manage a business, and on the improvements resulting from their pursuit of economic success. Entrepreneurship has been hailed as the driving force of innovation. Entrepreneurship offers the benefits of increased economic efficiencies, brings innovation to the market, results in job creation, and sustained employment. The most obvious form of entrepreneurship is that of starting new businesses (referred as Startup Company). In recent years, the term has been extended to include social and
political forms of entrepreneurial activity. Entrepreneurship within a firm or large organisation is referred to as intra-preneurship and may include corporate venturing, resulting in spin-off organisations. Kuratko (2007) developed a definition of entrepreneurship which includes the following necessary attributes: the willingness to take calculated risks, the ability to formulate an effective venture team, the creative skills to marshal necessary resources, the skill to build a solid business plan, and the vision to recognize opportunity when others just see chaos, contradiction and confusion.

Entrepreneurship involves the confluence of two phenomena, namely, the presence of lucrative opportunities and the presence of enterprising individuals. The academic field of entrepreneurship incorporates, in its domain, explanations for why, when and how entrepreneurial opportunities exist; the sources of those opportunities and the forms that they take; the processes of opportunity discovery and evaluation; the acquisition of resources for the exploitation of these opportunities; the act of opportunity exploitation; why, when and how some individuals and not others discover and evaluate opportunities and gather resources for the exploitation of these opportunities; the strategies used to pursue opportunities; and the organizing efforts to exploit them.

1.6 ANTECEDENTS OF ENTREPRENEURIAL INTENTIONS

The decision to become an entrepreneur may be plausibly considered as voluntary and conscious (Krueger et al 2000). Therefore, it seems reasonable to analyse how that decision is taken. There exist a lot of reasons for becoming self employed. These reasons include, but are not limited to:

1. Economic factors: economic opportunity, to receive compensation based on merit, to keep a large proportion of the result.
2. **Challenge:** to have a challenging job, to have an exciting job, to have an interesting job and to have a motivating job.

3. **Autonomy:** freedom, independence, to be his own boss, to be able to choose his own work tasks.

4. **Authority:** to have power to make decisions, to have authority.

5. **Self-realisation:** to realise one's dreams, to create something, to take advantage of his creative needs.

6. **Involvement in the whole process:** to be involved in executing each of the work-tasks

Diverse factors that influence the entrepreneurial decision do exist. These factors may be intrinsic such as the personal capabilities (personality traits and psychological attributes) and prior knowledge or extrinsic as the environmental (social) factors.

### 1.6.1 Personality Traits

Biographic background and personality characteristics of entrepreneurs are key variables that could influence entrepreneurial behavior of individuals. Some personality traits have been shown to be related to successful opportunity recognition. They include optimism and creativity.

### 1.6.2 Psychological Attributes

An entrepreneur is correlated with a variety of psychological attributes. They include need for achievement, risk-taking propensity, locus of control, and preference for innovation.
1.6.3 **Genetic Factors**

The differences between entrepreneurs and non-entrepreneurs exist because of genetic factors that interact with environmental stimuli increasing the likelihood that some will become entrepreneurs. Genetic differences, in this view, are the source of variation that influences psychological attributes that might make some individuals more prone to become entrepreneurs.

1.7 **PRIOR KNOWLEDGE**

Shalley and Perry-Smith (2008) argued that the source of differences between creative individuals and non-creative individuals is exposure to diverse perspectives, ideas, experiences, norms, and so on via social contacts that, in combination with existing information and knowledge, result in creative solutions to problems. Diverse social contacts trigger individual’s cognitive processes that translate into creative thinking beyond a particular task domain and into other settings.

1.7.1 **Exposure to Entrepreneurship through Family and Direct Experience**

Prior exposure to entrepreneurial activity could be in the form of early exposure to a family business, which influences attitudes toward entrepreneurship (Krueger 1993). Drennan et al (2005) found that those who reported a positive view of their family’s business experience perceived starting a business as both desirable and feasible. They found that other childhood experiences that involved facing adversity or frequent relocation also had a positive effect on individuals’ perceived autonomy and attitude toward self-employment. At the same time, it can be argued prior exposure in the form of direct experience in starting or attempting to start a new business would affect attitudes and perceptions about entrepreneurship as a career.
The theory of entrepreneurial opportunity identification (Ardichvili 2003) identifies entrepreneur’s personality traits, social networks, and prior knowledge as antecedents of entrepreneurial alertness to business opportunities. Each person’s idiosyncratic prior knowledge creates a “knowledge corridor” that allows him/her to recognize certain opportunities, but not others. According to Ardichvili, three major dimensions of prior knowledge are important to the process of entrepreneurial discovery: prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems. Basu and Virick (2008) found that having a self-employed father is significantly related to the student’s positive attitudes, stronger norms, and greater self-efficacy with respect to entrepreneurship.

1.8 ENTREPRENEURIAL DECISION

1.8.1 Routine Decisions

Leibenstein (1979) in his X-efficiency theory stresses the organizing function of the entrepreneur. The successful entrepreneur is the one who manages to minimise the inefficiencies that inevitably arise in the process of coordinating the factors of productions. The role of the entrepreneur is therefore to improve the efficiency of information flows in these areas, and to be “gap-filling”, that is to be closely akin to the arbitrage function.

Nonetheless, Leibenstein departs from the neoclassical theories because X-efficiency theory assumes that there are psychological costs in being fully rational. This limits the exploitation of all the opportunities available and concretizes into incomplete contracts and possible disagreements about objectives among individuals.

The idea that people start new ventures as a way to increase their personal wealth underlies a particular strand of research in entrepreneurship.
The entrepreneur only coordinates resources and the possibility of allocating these resources optimally represents the only determinant of the entrepreneurial decision. The neoclassical representation of the entrepreneur refers to an individual “who maximizes profit subject to various resources constraints” (Day and Sunder 1996).

Factors such as firm’s revenues, profitability, the creation of personal wealth, revenues’ growth and sustainability are used as indicators of entrepreneurial success (Amit et al 2000), and the criteria guiding the entrepreneurial decision making are essentially expected profit maximisation, expected utility of profit maximisation and maximisation of firm’s stock market value (Kihlstrom and Laffont 1979).

1.8.2 Non Routine Decisions

Current analysis of the entrepreneur development focuses that the organisation of production and the combination of resource inputs require skills of a different order than those of routine labour. Scholars like Von Mises, Hayek, Schumpeter, Knight, and Kirzner consider that entrepreneurial function belongs to the sphere of non-routine decision making. That is, entrepreneurial decisions are not sufficiently alike, and do not recur sufficiently often, to warrant the development of routine procedures.

The absence of an active role for the entrepreneur in neoclassical economics directly derived on the assumption of market equilibrium. Changes might occur, but variations were perfectly foreseen and expectations could never be disappointed. According to Knight, however, it is not change that gives rise to profits, but uncertainty and the possibility of incorrectness of expectations.
Uncertainty stresses the entrepreneur’s willingness and ability to bear the responsibility for decision making. In particular, “Knightian uncertainty” refers to a situation where there is no factual experience to support the attachment of objective probabilities to the relevant random events (versus the case of risk, when probabilities can be assigned). If uncertainty characterizes the environment, the problem is no more represented by the actual execution of activity. The issue is deciding what to do and how to do it.

This “primary function” is the entrepreneurial function. The endeavour of deciding how various objectives are to be achieved and of predicting which objectives are worth achieving competes to the entrepreneur, “a specialist who is prepared to bear the cost of uncertainty”. The exercise of entrepreneurship is usually associated with uncertainty bearing and has something to do with imperfect knowledge: recent theories especially emphasize that the entrepreneur does not merely deal with the consequences of imperfect knowledge, but rather concerns the rewards of discovering and using new knowledge.

Grounding on Knight’s concept of the entrepreneur, Kihlstrom and Laffont built a competitive general equilibrium theory of the firm under uncertainty. As in Knight (1921), the entrepreneur’s function is twofold, consisting of “exercising responsible control” and “securing the owners of productive services against uncertainty and fluctuations in the income”. The entrepreneur provides managerial and organisational skills, facing the risk associated with the firm’s activity.

Production requires both entrepreneurial and normal labour inputs and workers receive fixed wages, whereas entrepreneurs get risky profits. Individuals decide the type of employment by comparing the risky returns of entrepreneurship to the level of wage emerging in the competitive labour
market. Crucially, the model assumes that all individuals are equal in their ability to perform entrepreneurial as well as normal labour functions.

Higher risk-averse individuals become workers, while lesser risk-averse become entrepreneurs. The equilibrium wage is a sort of premium for risk aversion, and lesser risk-averse entrepreneurs run larger firms. The allocation of labour to firms and the number of firms are not optimal due to inefficiencies caused by institutional constraints in risk-trading.

If Knight’s work and subsequent developments identify the capability of treating uncertainty, a crucial determinant of the entrepreneurial decision, alternative perspectives propose that mere differences in risk aversion cannot explain the special role of entrepreneurs because independent risks can be insured by means of capital markets. These approaches assign the entrepreneur the role of coping with the unknown, i.e. to “produce an effort to get things done” but especially to deal with “unforeseen events”, two functions that are related to potential situations of asymmetric information where risk can fail to be assured (Chamley 1983).

A general profit opportunity is a profit opportunity for no one in particular and known to everyone and equally exploitable by everyone (Richardson 1960). Here the determinant of the entrepreneurial choice lies in the ability to notice an opportunity that may have been available before but that had escaped the others’ attention. This alertness is a peculiar form of knowledge that cannot be obtained through a rational investment policy in search. Entrepreneurs are profit-seeking speculators characterised by a kind of superior knowledge that enables them to gain from the ignorance of others.

The entrepreneurial competition, therefore, is a process that accelerates the equilibrating adjustment process of the market, whereas
entrepreneurs are the agents characterised by the ability to recognise market opportunities that are typically abundant in conditions of disequilibrium.

Conversely, Schumpeter considers economic change as endogenously determined. The Kirznerian and Schumpeterian views are clearly distinct. According to the former, entrepreneurship is a stabilising force, while the latter considers it as a source of disequilibrium. In Schumpeter’s view it is not the exploitation of unnoticed market opportunities, but the creation of new possibilities that represents the real essence of the entrepreneurial behaviour.

Entrepreneurs are revolutionary agents of change who identify or create new commodities, new technologies, and new sources of supply, new types of organisation (Schumpeter 1942) and act as the catalyst which loosens some transactional bonds and forges new ones. According to Schumpeter, the entrepreneur is an extraordinary person who brings about extraordinary events. The entrepreneur is a revolutionary and an innovator overturning tried and tested convention and producing novelty. Such boldness and confidence require aptitudes that only a small fraction of the population holds. The entrepreneurial decision rests on the genius, the personality and the talent of the innovator-entrepreneur.

Minniti (2004) recalls Kirzner’s idea of alertlessness and treats it as a crucial factor, together with asymmetric information; in shaping individuals’ entrepreneurial decision. More alert agents have higher probabilities of exhibiting entrepreneurial behaviour. A notion that exhibit some similarities is the one introduced by Shackle (1970), who argued that the entrepreneur is an individual who has the ability of “imagining” a possible future state of affairs, not only “perceiving” an existing one. Therefore, opportunities may have not an objective existence independent of their discoverer, but spring from the entrepreneur’s imagination.
1.9 CONSTRAINTS AFFECTING THE ENTREPRENEURIAL DECISION

The International Social Survey Programme of 1999 revealed that a large proportion of individuals (more than 50% on average across countries) express an apparent preference for being an entrepreneur instead of being an employee. However, the actual proportion of self-employed people in the same countries is approximately 15 per cent.

Stiglitz and Weiss (1988) explain how credit rationing can emerge even in a world where agents are optimizing. Consequently, many econometric studies have tested the hypothesis that capital market constraints may be an important determinant of the decision to become an entrepreneur. Some initial capital is required for establishing the new firm and perspective entrepreneurs are price-takers in the credit market, so that the possibility to obtain capital, and then to become entrepreneur depends not only on a vector of personal attributes (affecting the utility achieved when the individual is a wage earner or self-employed) but also on an individual’s asset.

Blanchflower and Oswald (1990) tried to give reason by investigating the factors that might be important in determining who becomes entrepreneur. Studying British data, they find out that a crucial impediment is lack of capital. Evidence shows that individuals who have received a sum of money through gifts and inheritances are more likely to run their own businesses.

Thomas and Henry et al (1996) exploit Swedish micro-data to investigate the positive effect of a windfall gain such as a lottery winning or an inheritance on the probability of becoming self-employed. Similarly, Holtz- Eakin et al (1994) use the receipt of an inheritance as a “natural experiment” to evaluate potential entrepreneurs’ behavior when a lump sum
of capital is received. If owning a significant stock of capital is important to establish an enterprise, individuals who received an inheritance are expected to have a higher probability to start a new business. Their results show that the size of inheritance significantly affects the likelihood of becoming an entrepreneur and the amount of capital employed in the new enterprise.

Romano et al (2000) point out that firm owner’s financing decisions are crucially influenced by the firm owner’s attitudes towards the utility of debt as a form of funding that however is moderated by external environmental conditions. Small family business and owners who do not have formal planning processes in place tend to rely on family loans as a source of support. This finding can be explained referring to Sonnenfeld and Spence (1989)’s idea that family business owners are averse to debt and by the possibility of large losses in case of loan failure.

Small family firms’ reliance on family loans and debt might be related to owners’ interest in retaining control and choosing to establish limits on gearing because of risk factors and belief that stock exchange might be disadvantageous. However, Mullins and Forlani (2005) show that “entrepreneurs are more prone to choose new ventures that have higher likelihood of loss when the venture is funded with other people’s money”. The use of other people’s money can make entrepreneurs more likely to choose more uncertain ventures.

Dunn and Holtz-Eakin (2000) emphasize the importance of intergenerational links not only from a financial point of view. Parents transmit their offspring’s valuable work experience, reputation, and other components of human capital in general. In this flavour, Lentz and Lab and (1990) show that the probability that a young man is self-employed is significantly higher when his father is self-employed.
Entrepreneurship research has paid little attention to the context (especially in terms of institutions and of the policies implemented) in which new businesses are started. As firm’s ownership is significant in accounting for aggregate wealth accumulation and distribution (Gentry and Hubbard 1999, Quadrini 1999), the entrepreneurial decision turns out to be significantly constrained by the specific tax policy selected (Gentry and Hubbard 2000). Whereas a proportional tax with a full loss offset does not influence the entrepreneurial decision when the entrepreneur is a risk-neutral individual, a progressive tax with an imperfect loss offset might discourage entry: higher convexity on tax schedule, in fact, raises the tax burden.

Tan (2005) develops a stage model to examine how changes in organisational environment can affect the decision to become an entrepreneur. The turbulent but uninterrupted transition that occurred in China from 1978 to 2002 provided a unique opportunity to verify that business environment becomes more conducive to entrepreneurial activity. Socio-political continuity across the transition allowed entrepreneurs to move along the learning curve gradually and raise entrepreneurs’ commitments in risk-taking and innovation. This study shows how gradual reforms can be politically preferred to dramatic reforms in determining entrepreneurs’ willingness to commit to future growth and make more innovative and risk-oriented decisions.

Similarly, Minniti (2004) emphasizes the important role played by institutions and argues that entrepreneurial behaviour and entrepreneurship rate may depend less on individuals’ characteristics and more on relationships among individuals that are regulated by institutions themselves. Political and institutional settings are more conductive to the entrepreneurial choice when they succeed in producing a jump strong enough to push the community in the desired direction. Moreover, institutions and routines are difficult to modify in
time and the entrepreneurial attitude is contingent on the history of the considered community.

As an entrepreneurial venture requires the introduction of innovation and the handling of multiple tasks in an ambiguous environment (March and Olsen 1976), potential entrepreneurs benefit from observing other entrepreneurs through which they can acquire information and skills (e.g.) how to find competent employees, inputs, financial support, potential buyers and so on. Furthermore, the presence of a significant number of entrepreneurs legitimizes their activity and enables them to exploit established routines.

When making decision in an unknown environment, agents base their choices on “social cues” (Aldrich 1999), and participation in social networks is a crucial element for entrepreneurs (Aldrich and Zimmer 2006). As perceptions about the desirability of becoming entrepreneurs are formed on the basis of the available information set, the social network of individuals turns to affect the part of that set that is collected locally. Minniti (2005) models this influence as a network externality in which entrepreneurship exhibits increasing returns with respect to adoption. Entrepreneurship “creates a culture of itself that influences individual behaviour on its favour”.

Another determinant of a region’s vitality is represented by the presence of spin-offs (Klepper 2012). That is, firms that are founded by employees of incumbent firms in the same sector and area. In some industry, “spin-offs are legion” (Klepper and Thompson, 2005), and a possible explanation of this occurrence lies on the level of disagreement that may emerge within strong hierarchical structures in decision making.
1.10 ENTREPRENEURIAL SUCCESS FACTORS

Willingness to take action is the first and most important factor for every future and current entrepreneur. Actions are something that leads entrepreneurs to their success. The most critical and most important factors that can make an entrepreneur to become a successful entrepreneur are:

1. Knowledge about specific business issues for businesses they start.

2. Creativity, if entrepreneurs want to be unique with the power of continuously improving their business.

3. Skills can be crucial for business success which can be different for each entrepreneur and each business.

4. Intelligence to manage all possible situations and to solve the recurrent hardest problems in their business life is a prerequisite for an entrepreneur.

5. Patience is important for entrepreneurs to continue even if they lose the first battle and to understand that it is only the beginning.

6. Persistence to refuse to give up from something, or ability to keep going against their personal feelings will produce required results for the entrepreneurs.

7. Team work can only make the entrepreneurs achieve success.

8. Calculated risk-taking is an important attribute for a successful entrepreneur since each business startup is at some level risky.
9. Self-Confidence is really an important and key factor for a successful entrepreneur.

10. Experience will increase business potential energy. Employing all present and previous experience will enhance the prospects of the success of a business activity.

11. Talent is something inborn in an entrepreneur and at times can be replaced with knowledge.

12. Honesty is important in every case, but at times honesty, can be the biggest enemy of an entrepreneur.

13. Right Connections mean more possibilities for building a successful business.

14. Luck is a psychological factor and cannot be included as a serious factor for success.

Thus, entrepreneurship has resulted in millions of new businesses being formed throughout the world. Millions of company formations occur despite recession, inflation, rapid technological obsolescence, lack of infrastructure, high interest rates, economic-uncertainty and the anxiety and fear for failure. These business formations are very personal human processes that, although unique, have some common characteristics.

There are various factors like change from present life style, childhood family environment, education, personal values, age, work history, role models and support systems, moral support network and professional support network which go in building successful entrepreneurs.

The dynamic world offers a challenging environment to every businessman. Those who can successfully face this challenge and find an
opportunity through the problem survive and excel in business. The incompetent, the inexperienced and the risk averters perish over a period of time. It is not only the entrepreneurial skill but also some other factors like family background, personal characteristics, entrepreneurial support, and social recognition, risk-taking ability that go in building a successful entrepreneur.

1.11 SIGNIFICANCE OF THIS STUDY

The purpose of this study is to understand the factors contributing to the success of entrepreneurs in manufacturing in automotive ancillary industries. The socio-demographics of entrepreneurs of automobile manufacturing industries would be helpful to understand socio-economic status of the entrepreneurs which would critically influence the level of success of business. The reasons for starting own business would be useful to identify the most important reasons for starting own business by the entrepreneurs.

The personal attitudes and competencies for success of business in manufacturing in automotive ancillary industries would be helpful to review the existing level of attitudes and competencies of the entrepreneurs and would pave the way to improve further to achieve the higher level of success. The inter-relationship between factors contributing to the success of entrepreneurs and level of success of business would be useful to identify the direct relationship between the factors contributing to the success of entrepreneurs and level of success of business.

1.12 SCOPE OF THIS WORK

During the last few years, the government and financial institutions have infused huge amounts of money for training to undertake entrepreneurial
activities by giving various concessions, incentives, export facilities and other subsidies. But a close scrutiny on the emergence of the new breed of entrepreneurs and their performance suggest that, despite liberal financing and provision for marketing, very few entrepreneurs are successful at gross root level.

Since Tamil Nadu is being popularly hailed as “Detroit” of India as it has a large Automotive and Ancillary sectors, this work considers entrepreneurs of automotive industries in Chennai. Automotive industry plays a crucial role in the State economy and has been one of the key driving factors, contributing 8% to State GDP and giving direct employment to 220000 people. More than 100 companies in the Automotive and Automotive Ancillary industry are located in this state, maintaining highest production norms by implementing internationally recognized quality standards. Chennai has emerged as India's largest automotive and automotive components exporter in India. Tamil Nadu has the largest automotive components industry base. Currently, Tamil Nadu accounts for above 32 per cent of India's production capacity. Automotive manufacturers operate "Just - in-Time" avoiding inventory costs. The state has a well-developed automotive and automotive component industry. It is the hub of Indian automotives industry. Several automotive and automotive ancillary units are located in Tamil Nadu. It has manufacturing facilities across the automotive spectrum from tractors to battle tanks.

With this background, the present research is carried out to study the “Factors contributing to the Success of Entrepreneurs in Manufacturing in Automotive Ancillary Industries” with the following objectives:
1.13 OBJECTIVES OF THIS WORK

1. To examine the socio-demographics of entrepreneurs of automotive manufacturing industries.

2. To study the reasons for starting own business in manufacturing in automotive ancillary industries.

3. To analyse the association between socio-demographics and tendencies for success of business.

4. To study the personal attitudes and competencies for success of business.

5. To examine the factors contributing to the success of entrepreneurs.

6. To analyse the relationship between level of success and factors contributing to the success of entrepreneurs.

7. To examine influence of factors contributing to the success of entrepreneurs on level of success of business.

8. To analyse the interrelationship between factors contributing to the success of entrepreneurs and level of success of business.

1.14 HYPOTHESES

1. There is no significant difference in reasons for starting own business by the entrepreneurs.

2. There is no significant difference in tendencies of entrepreneurs for success of business.
3. There is no significant association between socio-demographics and tendencies for success of business.

4. There is no significant difference in personal attitudes for success of business by the entrepreneurs.

5. There is no significant difference in competencies for success of business by the entrepreneurs.

6. There is no significant difference in factors contributing to the success of entrepreneurs.

7. There is no significant relationship between level of success and factors contributing to the success of entrepreneurs.

8. There is no significant influence of factors contributing to the success of entrepreneurs on level of success of business.

9. There is no significant interrelationship between factors contributing to the success of entrepreneurs and level of success of business.

1.15 ORGANISATION OF THE THESIS

The first chapter deals with the introduction, statement of the problem, objectives of the study, hypotheses, scope and importance of the study.

The review of literature is presented in the second chapter.

The third chapter deals with research methodology.

The fourth chapter deals with socio-demographics and source of finance for entrepreneurs in manufacturing in automotive ancillary industries.
The fifth chapter deals with factors contributing to the success of entrepreneurs in manufacturing in automotive ancillary industries.

The sixth chapter comprises of summary of findings, conclusion and recommendations.