

A Study of Entrepreneurial Success in Small Scale Enterprises in Chittoor District of Andhra Pradesh

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Abstract: *Small-scale sector constitutes a major part of Indian economy. It plays 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. However, the success of small-scale enterprises depends on a number of factors like age, gender, family environment, education, investment, training programmes, type of business, personal values, moral support and professional support. A multitude of these factors may encourage entrepreneurial spirit among people and thus helps in building successful entrepreneurs.*

The present empirical study aims at recognising the factors contributing to the success of entrepreneurs and examining the relationship between characteristics of entrepreneurs, features of small scale enterprises and entrepreneurial success. The study revealed that technical knowledge, trade information and training and experience are the key factors contributing to the success of entrepreneurs. It also revealed that there is a significant difference between the demographic factors such as age, gender, education and success of entrepreneurship.

Key Words: Entrepreneur, Entrepreneurship, Entrepreneurial Success, Small Scale Industries

Introduction

Entrepreneurship is important not only for initiating industrial activity but also for continuously making necessary adaptations and diversified patterns to suit the changes in technology as well as social demands and needs. This means, the role of an entrepreneur is of crucial importance at all stages of economic development. Today, it is realised that entrepreneurship and innovativeness are required in all walks of life, and not just for industrial and economic development. Thus, study of entrepreneurship deserves significance.

The Oxford Dictionary¹ defines an entrepreneur as “a person who sets up a business or businesses, taking on financial risks in the hope of profit”.

It was Richard Cantillon², an Irishman living in France, who early in the 18th century first identified the entrepreneur and his unique risk-bearing. He defined an ‘entrepreneur’ as “a person who buys factor services at certain prices with a view to selling their product at uncertain prices in future”.

Entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. According to Schumpeter,³ “entrepreneurship is essentially a creative activity, and it consists of doing such things that are generally done in the ordinary course of business. It is essentially a phenomenon that comes under the wider aspect of leadership”.

A.H. Cole⁴ defines entrepreneurship as “the purposeful activity of an individual or group of individuals, undertaken to initiate, maintain, or augment a profit-oriented business unit for production and distribution of economic goods and services”.

Definition of Micro, Small and Medium Enterprise

There is no universally accepted definition of what a small business or medium business is. In addition, the definition of MSMEs differs from country to country and definitions change over time. Generally MSMEs are defined in many ways based on the number of employees, the amount of capital invested, the value of annual turnover, and/or management by independent owners or part owners. The Parliament enacted the Micro, Small and Medium Enterprises Development Act (MSME Act), which came into effect from October 2nd, 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector.⁵ According to the Act, MSMEs are:

Table 1: Investment Ceiling of MSMEs

Type of Enterprise	Manufacturing	Services
	Investment in plant and machinery	Investment in equipment
Micro	Does not exceed 25 lakh rupees	Does not exceed 10 lakh rupees
Small	More than 25 lakh rupees but does not exceed 5 crore rupees.	More than 10 lakh rupees but does not exceed 2 crore rupees.
Medium	More than 5 crore rupees but does not exceed 10 crore rupees.	More than 2 crore rupees but does not exceed 5 crore rupees.

Source: MSME Development Act 2006

Entrepreneurial Success in Small Scale Enterprises

Small-scale sector constitutes a major part of Indian economy. It plays 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. However, the success of small-scale enterprises depends on a number of factors like age, gender, family environment, education, investment, training programmes, type of business, personal values, moral support and professional support. A multitude of these factors may encourage entrepreneurial spirit among people and thus helps in building successful entrepreneurs.

A summary of the success factors of entrepreneurs based on literature reviewed is shown below:

Table 2: Summary of the Success Factors of Entrepreneurs Based On Literature Reviewed

Researcher (s)	Factors
S.S. Khanka (1990) ⁶	Caste and family
Ravichandra (1991) ⁷	Understanding of oneself, self-confidence, and willingness to take risk
Attahir (1995) ⁸	Level of education, prior experience and personal qualities
Gadenne (1998) ⁹	Owners' personal characteristics and enterprise

	objectives
Pelham (2000) ¹⁰	Firm size, or industry characteristics, and market orientation
Mallika Das (2000) ¹¹	Hard work and perseverance, quality of the product, uniqueness of offerings, variety of products offered, people skills, marketing skills and the support provided by their spouses.
Sree Ram (2003) ¹²	High level of motivation, self-confidence, dynamism, hard work, and work experience
Muhammad Aminul Islam, Ezaz Mian and Muhammad Hasmat Ali (2008) ¹³	Products and services, the way of doing business, management know-how and external environment
Nasrul Quadir and Mohammad Saleh Jahur (2011) ¹⁴	Relationship Factor and Organization Factor in order of magnitude
Wei Ying Chong (2012) ¹⁵	Reputation of honesty, good customer service and hard work
<i>Prasanna Parameswarappa Raravi (2013)¹⁶</i>	Infrastructure support, government policy and regulation, management style, financial support, technological up gradation and human resource

On the basis of available literature and counseling with the experts, the researcher has made an attempt to analyse the relationship between entrepreneurial success and various socio-economic factors as mentioned below.

Relationship between:

- age and entrepreneurial success;
- gender and entrepreneurial success;
- education and entrepreneurial success;
- investment (capital) and entrepreneurial success; and
- form of organisation and entrepreneurial success.

Objectives of the study

The present empirical study aims at recognising the factors contributing to the success of entrepreneurs and examining the relationship between characteristics of entrepreneurs, features of small scale enterprises and entrepreneurial success.

Relevance of the Study

Given the increasing significance and visible impact of Entrepreneurship in wealth-creation and employment-generation, one shall consider it critical to India's growth and development. The present study is a modest attempt primarily to explore the critical success factors that influence the success of small business owners in Chittoor district of Andhra Pradesh State in India. Through an analysis of theoretical information and empirical results it is possible to facilitate a better understanding of how entrepreneurs operating in small and medium enterprises sustain success, thus enabling learning that contribute to the body of knowledge relating to entrepreneurship development in India.

Sample Design

The Chittoor district comprises of 3 revenue division viz., Tirupati, Chittoor and Madanapalle. By the end of March 31st, 2013, there are 723 small-scale enterprises (excluding micro units) in the Tirupati division, 785 units in the Chittoor division and 637 units in the Madanapalle division belonging to different industry groups. A thorough analysis of all these units is a difficult task and therefore, to keep the inquiry within manageable but yet reliable, stratified random sampling method was adopted and a sample of 214 number of units was taken for the study.

In order to ensure equal representation to all the geographical regions of the study area, adequate care has been taken to distribute the samples proportionately (10%) among all the areas in the district. Thus, the present study covers 214 number of units.

Table 3 - Sample Distribution

Industry category	Tirupati division		Chittoor division		Madanapalle division		Total	
	Total	Sample	Total	Sample	Total	Sample	Total	Sample
Agro based	105	11	121	12	90	9	316	32
Forest based	8	1	9	1	8	1	25	3
Textile based	81	8	31	3	59	6	171	17
Mineral based	91	9	131	13	91	9	313	31
Engineering based	85	8	113	11	81	8	279	27
Animal husbandry	9	1	21	2	9	1	39	4
Chemical based	9	1	8	1	8	1	25	3
Other	335	33	351	35	291	29	977	97
Total	723	72	785	78	637	64	2145	214

Source: District Industries Centre

The information for the study has been collected through both primary and secondary sources.

Data Analysis

The relationship between age and success of entrepreneurship is assessed and the results are shown in table 4.

In order to find whether age has an impact on entrepreneurial success, the χ^2 is applied. For this, a null hypothesis has been established that age is independent of entrepreneurial success.

The χ^2 – calculated value (2.137) is greater than the table value. Therefore, it can be concluded that there is a significant relationship between the age and entrepreneurship success.

Table 4 - Age and Entrepreneurial Success

Chi-square value	p-value	Level of success				Total
		Not satisfied with success	Highly successful	Successful	Fairly successful	
2.137	0.907					
Age	20 - 35 years	13	24	25	16	78
		16.7%	30.8%	32.1%	20.5%	100.0%
	36 - 50 years	8	18	19	17	62
		12.9%	29.0%	30.6%	27.4%	100.0%
	51 - 65 years	14	18	23	19	74
		18.9%	24.3%	31.1%	25.7%	100.0%
Total		35	60	67	52	214
		16.4%	28.0%	31.3%	24.3%	100.0%

Source: Researcher's compilation based on Primary data

The relationship between gender and success of entrepreneurship is analysed and depicted in table 5.

Table 5 - Gender and Entrepreneurial Success

Chi-square value	p-value	Level of success				Total
		Not satisfied with success	Highly successful	Successful	Fairly successful	
9.86*	0.020					
Gender	Male	27	46	51	28	152
		17.8%	30.3%	33.6%	18.4%	100.0%
	Female	8	14	16	24	62
		12.9%	22.6%	25.8%	38.7%	100.0%
Total		35	60	67	52	214
		16.4%	28.0%	31.3%	24.3%	100.0%

Source: Researcher's compilation based on Primary data

The χ^2 test is applied to study the nature of relationship between gender and entrepreneurial success. For this, the null hypothesis has been formed that there is no relationship between gender and entrepreneurial success.

The χ^2 – calculated value (9.86) is larger than the table value. Hence, it can be stated that there is a significant difference between the gender and entrepreneurship success.

The relationship between education and entrepreneurial success is examined and the result is included in table 6.

The χ^2 test is applied to test the null hypothesis that the entrepreneurial success is independent of the educational qualifications of the respondents.

The χ^2 – calculated value (60.55) is higher than the table value. Hence, it can be stated that there is a significant relationship between the educational qualification and entrepreneurship success.

Table 6 - Education and Entrepreneurial Success

Chi-square value	p-value	Level of success				Total
60.55**	0.000	Not satisfied with success	Highly successful	Successful	Fairly successful	
Educational qualifications	Up to Intermediate	5	23	36	19	83
		6.0%	27.7%	43.4%	22.9%	100.0%
	Graduation	12	31	21	24	88
		13.6%	35.2%	23.9%	27.3%	100.0%
	Post-Graduation	6	6	10	6	28
		21.4%	21.4%	35.7%	21.4%	100.0%
Technical education	12	0	0	3	15	
	80.0%	0.0%	0.0%	20.0%	100.0%	
Total		35	60	67	52	214
		16.4%	28.0%	31.3%	24.3%	100.0%

Source: Researcher's compilation based on Primary data

The relationship between capital invested in the business and the entrepreneurial success is evaluated and the results are presented in table 7.

Table 7 - Investment and Level of Success

Chi-square value	p-value	Level of success				Total
8.773	0.187	Not satisfied with success	Highly successful	Successful	Fairly successful	
Total capital invested	10 lakhs - 1.75 crore	22	45	45	31	143
		15.4%	31.5%	31.5%	21.7%	100.0%
	1.75 crores 3.4 crore	6	13	14	11	44
		13.6%	29.5%	31.8%	25.0%	100.0%
	3.40 crore to 5 crore	7	2	8	10	27
		25.9%	7.4%	29.6%	37.0%	100.0%
Total		35	60	67	52	214
		16.4%	28.0%	31.3%	24.3%	100.0%

Source: Researcher's compilation based on Primary data

The χ^2 test is applied to assess the null hypothesis that capital invested in the organisation has no influence on entrepreneurial success.

Since the χ^2 – calculated value (8.773) is more than the table value; it can be acknowledged that there is a significant relationship between the capital invested and success of entrepreneurship.

The relation between form of organisation and entrepreneurial success has been examined in the following table 8.

Table 8 - Form of Organisation and Entrepreneurial Success

Chi-square value	p-value	Level of success				Total
16.94**	0.009	Not satisfied with success	Highly successful	Successful	Fairly successful	
Type of ownership	Partnership	7	15	19	20	61
		11.5%	24.6%	31.1%	32.8%	100.0%
	Limited Company	11	4	7	9	31
		35.5%	12.9%	22.6%	29.0%	100.0%
Proprietorship	17	41	41	23	122	
	13.9%	33.6%	33.6%	18.9%	100.0%	
Total		35	60	67	52	214
		16.4%	28.0%	31.3%	24.3%	100.0%

Source: Researcher's compilation based on Primary data

The χ^2 test is applied to test the null hypothesis that entrepreneurial success is independent of the form of organisation.

Since the χ^2 – calculated value (16.94) is greater than the table value; it can be approved that there is a significant variation between the form of organisation and entrepreneurial success.

Factors Contributing to the Success of Entrepreneurs

Table 9: Factors Helped To Become a Successful Entrepreneur

Weights	3	2	1	Weighted sum	Final Ranks
First three factors helped you to become a successful entrepreneur	1	2	3		
Education	31	27	45	192	
Training and experience	45	31	0	197	3
Technical knowledge	34	45	65	257	1
Availability of trade information	38	34	31	213	2
Contacts	27	38	18	175	
Capital	25	14	34	137	
Any other	14	25	21	113	
Total	214	214	214		

Source: Researcher's compilation based on Primary data

Many business people opine that there is no one concrete recipe for success, but many successful entrepreneurs have in common certain factors that have contributed to the success of their enterprises. In the present study, the researcher has tried to identify the three vital factors that significantly helped for the success of entrepreneurs. The respondents were asked to rank the factors like education, training and experience, technical knowledge, trade information, contacts with public, capital, and other factors. The results are recorded in table 9.

The study identified the three key factors that helped the respondents to become a successful entrepreneur are 'technical knowledge', 'availability of trade information' and 'training and experience'.

Conclusion

Successful business people have many traits in general with one another. They are confident and optimistic. They are disciplined self-starters. They are open to any new ideas which cross their path. They will make use of every opportunity to learn and improves their knowledge. They never let their weaknesses to dominate their determination. The present study reveals that possessing technical knowledge, capacity of gathering trade information and training and experience are the crucial factors for the successful entrepreneurship.

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