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DEMOGRAPHIC VARIABLES AND SUCCESS STATUS OF LEATHER INDUSTRY ENTREPRENEURS—AN EMPIRICAL STUDY

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Abstract

The Indian Leather Industry occupies a place of prominence in the Indian economy and accounts for substantial export earnings, generation of employment opportunities etc. In Tamil Nadu, only a few towns like Vaniyambadi, Ambur, Pernambut, Vellore, Ranipet, Pallavaram, Dindigul, Erode, and Trichy are popularly known as Leather Cities. The export of leather and leather products from India during the current financial year is expected to be US dollars five billion while its performance during the previous financial year was about US dollars 2.5 billion. As the industry's contribution to the economic development of the nation is very large, it is very essential to assess its status in terms of entrepreneurial success. There is a general belief that certain demographic factors like age, educational qualification, experience, ancestral background, native place etc contribute to the success among the leather industry entrepreneurs. The author in this research article has made an attempt to find out the relationship between these demographic variables and the entrepreneurial success. Dr Akhouri's Entrepreneurial Economic Success Index (EESI) technique was applied to determine the success status of leather industry entrepreneurs. For cross analysis between the demographic variables and the success level, chi-square technique was applied. It has been proved in this study that experience of the entrepreneurs and their ancestral backgrounds do have significant relationship with entrepreneurial success level. But the other three demographic variables namely, age, educational qualifications, and the nativity of respondents have no significant relationship with entrepreneurial success level.

Introduction

In the present scenario of globalization, survival of industries has become very difficult and more so the survival of small and medium enterprises in urban and semi urban areas. Unless entrepreneurs equip themselves with technological advancement, innovative thinking, concentrate on reducing cost of production, and gathering up to date information about men, material, machine and market, their survival is a question mark. The only way to overcome this problem is by achieving entrepreneurial skill, by arousing awareness among younger generation and assessing entrepreneurial achievements at regular intervals. It is true that Small Scale Industries (SSIs) significantly contribute to the nation's economic development. In India, there are about three million SSI units and they account for 17 million employment, contribute to over 40% of the total manufacture and generate more than 45% of the total exports.

In India, the leather industry is very much concentrated in certain pockets, especially in Tamil Nadu, West Bengal and Uttar Pradesh. In Tamil Nadu, only a few towns like Vaniyambadi, Ambur, Pernambut, Vellore, Ranipet, Pallavaram, Dindigul, Erode, and Trichy are popularly known as Leather Cities. Nearly 50% of Indian leather industry is situated in Tamil Nadu. Out of the leather industries of Tamil Nadu, 60% of the tanneries are situated in Vellore District and that too in four towns, namely, Vaniyambadi, Ambur, Pernambut, and Ranipet. In these four towns, at present more than 550 tanneries are situated. The leather industry took roots in Vellore District more than a century ago and has left its indelible mark on the economic landscape of the region.

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At the national level, leather industry is providing direct employment opportunities to nearly 2.5 million people in the semi-urban and rural centres, particularly to women and weaker section of society. According to the Chairman, Council for Leather Exports, Chennai, India's leather exports for 2004-05 stood at US \$ 2.38 billion (about Rs. 10700 crores) and the export target by 2010 is US \$ 5 billion which in turn, will generate additional one million employment opportunities mostly in rural areas. In view of the excellent export performance of the leather sector, the Government of India has allocated a total sum of Rs.400 crores during the Tenth Five Year Plan period (2002-07). The focus of these schemes will be on modernization and technology upgradation of manufacturing facilities in all sub segments of the leather sector (Rs. 290 Crore) and strengthening of infrastructure facilities (Rs. 110 Crore). This central assistance of Rs.400 crore is expected to generate a total investment of Rs. 2000 crore in the leather sector.

It is very important to note that the Finished Leather Export Award winners consistently hail from Vellore District and even for the year 2003-04, awards went to Vellore District, namely, M/ S Farida Prime Tannery and M/S T. Abdul Wahid Tanners Pvt. Ltd., Ambur. The Council for Leather Exports has given the awards to the above mentioned tanners and the awards were presented by Shri EVKS Elangovan, Hon'ble Union Minister of State for Commerce and Industry, Government of India at Chennai on 31st January, 2005.

Export awards for the year 2005-2006 were also presented to leather industry entrepreneurs of Shafeeq Shameel & Co. and Allah Dad Tannery at Ambur by Shri Dayanidhi Maran, Hon'ble Union Minister for Communication & Information Technology at the inaugural function of India International Leather Fair 2007 on 31st January, 2007. As the contribution of leather industry toward the economic development of our nation by way of employment opportunities and foreign exchange earnings is very high, it is essential to analyze the industry in terms of entrepreneurial success.

Statement of the Problem

In most developing countries including India, Small and Medium Enterprises (SMEs) have assumed a significant role in industrialization, employment generation and economic development. Promotion of SMEs is considered as a motivating factor for the future potential entrepreneurs to establish new industries on similar lines. In the leather sector, it is generally believed that similar ancestral background is the prime requirement of entrepreneurial success. This has prompted the Researcher to find answers to the following questions:

- 1) What is the relationship between the various demographic factors and entrepreneurial success?
- 2) Is there any relationship between entrepreneur's ancestral background and his success in the leather industry?

Objectives of the Study

In order to attain more insight into the field of entrepreneurship and to find out solution to the above mentioned research problem, the following objectives were framed:

- To determine the success status of leather industry entrepreneurs by applying the Dr. Akhouri's Entrepreneurial Economic Success Index (EESI).
- 2) To determine the relationship between the different demographic variables and the success level.
- 3) To highlight the findings of the study so as to provide knowledge to the potential future entrepreneurs.

Hypothesis

The intent of this research is to assess the success status of the leather industry

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entrepreneurs and to determine its relationship to the demographic factors with special reference to their ancestral background. Hence the following main hypothesis is framed:

 H_1 : Similar business family background will display significantly higher level of entrepreneurial success than other demographic factors.

Sample

It is already stated that in the State of Tamil Nadu, more than 60% of the total leather industries are situated in Vellore District and that too in only four towns, namely, Ambur, Vaniyambadi, Pernambut and Ranipet. Hence the tanners belonging to these four towns were considered as population for the study-i.e.550 tanners as per the records of The All India Skin and Hide Tanners and Merchants Association (AISHTMA), Chennai. It was decided to collect data at least from ten percent of the population which was rounded off to 60 numbers. The list of leather industries was obtained from the Tanners Association of these four towns. From each town or strata, a quota of fifteen leather industries was fixed to collect the data. The fifteen leather industries were selected by using random numbers. Therefore the total number of sample was 60 and hence the sampling design used was purposive, stratified, disproportionate random sampling.

Data Collection

A self styled Questionnaire cum Interview Schedule was prepared which contains two divisions. The first part of the questionnaire contains questions seeking personal information of the entrepreneurs through which the demographic variables for study were identified.

The second part of the questionnaire contains questions to elicit information about the industry and the relevant questions to determine the success level of the sample respondents.

Period of the Study

During May 2007, the data collection process was started and the Researcher was able to complete the data collection work by December 2007. Hence the period of the study may be taken as 2007.

Statistical Tools

In order to classify the respondents into three different levels depending upon their success status, namely, 'very much successful', 'successful', and 'unsuccessful,' the mathematical formula i.e. Entrepreneurial Economic Success Index (EESI), developed by Dr MMP Akhouri, was applied with the same cut off index. This EESI was developed with the basic four features, namely, propensity of risk insight for sensing the opportunities, capacity to mobilize them for attaining goal and managerial efficiency and the quality of constantly striving for progress and further growth.

$$\text{EESI=} \quad \frac{WTI}{TI} \ge \left[\frac{NP}{TI}\right] + \left[\frac{PR}{NP}\right]$$

Where WTI =
$$\frac{OC}{OCTY}$$
 of OC + $\frac{BC}{TI}$ of BC + $\frac{RC}{TI}$ of RC

WTI =
$$\frac{OC^2}{OCTY} + \frac{BC^2}{TI} + \frac{RC^2}{TI}$$

WTI= Weighted Total Investment

Or

OCTY= Own Capacity to Invest;

OC= Own Capital

BC= Borrowed Capital; RC= Raised Capital

TI= Total Investment; NP= Net Profit; PR= Profit Reinvested.

The Researcher has indicated the success status of entrepreneurs under Indian conditions with the help of EESI Scores. The cut off index value for India is fixed by him as upto 0.2 as Unsuccessful, more than 0.2 to 0.4 as Successful and above 0.4 as Very Successful.

With the same cut off index value, the Researcher has made an attempt to classify the success status of the entrepreneurs of leather industry in Vellore District.

Apart from the percentages, chi-square test was applied to determine the relationship between the success status and the demographic variables.

Limitations of the Study

The present study has the following limitations:

- 1) The total respondents of the study were only males. Though females are partners in the leather industry, they do not seem to take active participation in the business.
- Since the leather industry is dominated by Muslim community in Vellore District, all respondents are Muslims and hence the demographic variable 'Religion' was not compared with other variables.
- 3) This study is confined to the leather industry which carries out all production processes for the conversion of raw hides and skin into finished leather and comes under the category of Small and Medium Enterprises (SMEs). All other types of leather industry were excluded from the present study.
- 4) Those industrial units which manufacture leather goods and garments were completely ignored and did not form part of the study.

Analysis and Discussion

Success Status of Leather Industry Entrepreneurs

The Researcher has applied the Akhouri EESI technique to determine the success status among the leather industry entrepreneurs. The same cut off value, as fixed by Akhouri under Indian conditions as mentioned in **Chart-I** was applied by the Researcher to the present research work.

Town wise Success Status of Leather Industry Entrepreneurs

The Researcher was able to classify the sample of leather industry entrepreneurs of Vellore District on the basis of their success status, as given in the **Table-1** by applying the Akhouri's Entrepreneurial Economic Success Index (EESI):

It is worthy of note that 28.3% of total sample entrepreneurs are classified as 'Very Successful' as per the Akhouri Entrepreneurial Economic Success Index (EESI) with the cut off value of 0.4 & above. Thirty percent of the sample is classified as 'Successful' since they obtained the cut off value between 0.2 and 0.4. More than forty percent of the sample is classified as 'Unsuccessful' since their score was less than 0.2.

The above analysis also reveals the entrepreneurs' success status town wise. Forty percent of entrepreneurs, who belong to Ambur town, are very successful, followed by Ranipet at 33%. Twenty seven percent of Vaniyambadi entrepreneurs are very successful whereas it is just thirteen percent in Pernambut town.

More than one-third (40%) of entrepreneurs belonging to Ambur town are classified as successful. Exactly one-third of entrepreneurs belonging to Vaniyambadi town happen to be successful. Twenty seven percent of Ranipet entrepreneurs seem to be successful whereas it is just twenty percent among the Pernambut entrepreneurs.

When 'Unsuccessful' status of sample entrepreneurs are compared, it is important to note that two-third of Pernambut entrepreneurs are classified as unsuccessful. The percentages of unsuccessful among Vaniyambadi and Ranipet entrepreneurs are forty percent each. Only in Ambur town the unsuccessful rate is 20% which is the lowest among all the four towns.

Demographic Factors and Entrepreneurial Success—A Cross Analysis

The Researcher has made an attempt to find out whether the demographic variables and entrepreneurial success have got significant relationship or not. Only five demographic variables, namely, age, educational qualification, experience, ancestral background and native place were compared with the entrepreneurial success level with the help of chi-square test.

1) Age and Entrepreneurial Success Level

There is a general belief that higher the age, higher will be the success level. This hypothesis was tested with the help of chi-square test. The **Table- 2** gives the required frequency.

 H_0 : Age of the Respondents and the Entrepreneurial Success Level are independent attributes.

 H_1 : Age of the Respondents and the Entrepreneurial Success Level are significantly related

The calculated value of chi-square is less than the table value for 6 df at 0.05 level of significance (3.680 < 12.6) and the null hypothesis is accepted. It is concluded that there is no significant relationship between age of the entrepreneurs and their success level.

2) Educational Qualifications & Entrepreneurial Success Level

The success status of the respondents was compared with their educational qualifications as mentioned in **Table -3**. The following hypotheses were framed:

 H_0 : There is no significant relationship between Educational Qualifications of respondents and their Success Status.

 H_1 : There exists significant relationship between Educational Qualifications of the respondents and their Success Status. By applying chi-square test, it is concluded that educational qualification and the success level of respondents are not significantly related since the calculated value of chi-square is less than the table value for 6 df at 0.05 level of significance (2.928<12.6 P=0.05). Hence the null hypothesis holds true.

3) Experience and Entrepreneurial Success Level

The third demographic variable of experience in the business was compared with the entrepreneurial success level. **Table- 4** presents the frequency of respondents for both the variables and the following hypotheses were framed:

 H_0 : The success level is the same irrespective of entrepreneurs' experience.

 H_1 : Higher the experience, higher the entrepreneurial success level.

The chi-square test results show that there is a significant relationship between experience and the success level since the calculated value is greater than the table value for 6 df at 0.05 level of significance (14.835>12.6 P=0.05). It is concluded that higher the experience, higher the success level. Thus the null hypothesis is rejected.

4) Ancestral Background and Entrepreneurial Success Level

It is already established in this study that similar family background towards business and the entrepreneurial intentions are significantly related. Hence the Researcher has made an attempt to find out the relationship between ancestral background and the entrepreneurial success level with the help of **Table-5.** The hypotheses for the present test were

 H_0 : Entrepreneurial Success and Ancestral Background of entrepreneurs are independent attributes.

 H_1 : Ancestral Background significantly contributes towards Entrepreneurial Success.

The chi-square test results reveal that there is significant relationship between ancestral back ground and entrepreneurial success since the calculated value of chi-square is more than the table value for 6 df at 0.05 level of significance (13.532>12.6 P=0.05) and hence the null hypothesis is rejected.

5) Native Place and Entrepreneurial Success Level

For testing the relationship between Entrepreneurial Success Level and the Place where they have established their leather industry, the following hypotheses were framed. The **Table- 6** gives the required frequency of these two variables.:

 H_0 : There is no significant relationship between Nativity of respondents and their Success Level.

 H_1 : Nativity of respondents and Entrepreneurial Success Level are significantly related.

The calculated value of chi-square is less than the table value for 2 df at 0.05 level of significance (1.715 < 5.99 P=0.05) and hence the null hypothesis is accepted. It can be concluded that there is no significant relationship between the native place of entrepreneurs and their success level.

In general, it may be concluded that the two demographic variables, namely, experience and ancestral background of the respondents have significant relationship with entrepreneurial success level whereas the other three demographic variables, namely, age, educational qualifications and place of tannery do not have significant relationships with entrepreneurial success levels.

Findings

It has been proved in this study that experience of the entrepreneurs and their ancestral background have significant relationship with entrepreneurial success level. But the other three demographic variables, namely, age, educational qualifications, and the nativity of respondents have no significant relationship with entrepreneurial success level. The concluding observations of this part of the study would be that greater the experience of respondents, higher will be their success level and similar business ancestral back ground contributes significantly towards achieving higher level of entrepreneurial success.

Suggestions

The Researcher would like to submit the following recommendations with a hope that if they are implemented, the success level may be improved further which in turn may be a boon to the leather industry of Vellore District, particularly the SMEs :

- 1) To further increase the success rate, the entrepreneurs are required to get expertise in fund management so as to increase the percentage of own capital against borrowed capital.
- 2) To carry out and implant cost effective techniques so as to reduce the cost of production and to increase the percentage of net profit after interest and tax.
- 3) Entrepreneurs are required to reinvest a lion's share of the profit in the same business so as to have a sound capital structure position.
- Continuous updating of knowledge with regard to production process by taking active participation in the trade related seminars as well as in the international leather fairs is essential for facing global competition.

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	Very Successful Entrepreneur	Successful Entrepreneur	Unsuccessful Entrepreneur
1.	Who invests at least 60% of his capacity to invest as own capital	Who invests 50% of his own capacity as own capital	Who invests less than 50% of his capacity to invest as own capital
2.	Can borrow or raise 8 times more capital than own capital	Can borrow or raise capital at least equal to his own capital	Can borrow or raise capital less than his own capital
3.	Can make a net profit (after tax & interest) of 20% of Total Investment	Can make a net profit (after tax & interest) of 10% of Total Investment	Can make net profit (after tax & interest) of less than 10% of total investment
4.	Reinvests at least 25% of the net profit for progress and further growth	Reinvests at least 20% of his net profit for progress and further growth	Reinvests less than 20% of his net profit for progress and further growth
Ind	lex value $= 0.4$ or above	0.2 or above but less than 0.4	less than 0.2

Chart - I Success Status of Entrepreneurs under Indian Conditions

Table - 1 Town-Wise Success Status of Leather Industry Entrepreneurs

Town		Total		
	Very Successful	Successful	Unsuccessful	
Ambur	6(40)	6(40)	3(20)	15(100)
Vaniyambadi	4(27)	5(33)	6(40)	15(100)
Pernambut	2(13)	3(20)	10(67)	15(100)
Ranipet	5(33)	4(27)	6(40)	15(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Figures in parentheses are percentages to row total

Age	Entre			
(in years)	VS	S	US	Total
Up to 25	3(16.7)	6(33.3)	9(50.0)	18(100)
26-35	9(40.9)	6(27.3)	7(31.8)	22(100)
36-45	3(21.4)	4(28.6)	7(50.0)	14(100)
46&above	2(33.3)	2(33.3)	2(33.3)	6(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Table - 2 Age of Respondents and Entrepreneurial Success Level

Figures in parentheses are percentages to the row total

Educational	Entrepr			
Qualifications	VS	S	US	Total
No Formal Education				
School Education	4(25.0)	7(43.8)	5(31.3)	16(100)
Collegiate Education	5(25.0)	5(25.0)	10(50.0)	20(100)
Professional/Technical	4(30.8)	4(30.8)	5(38.4)	13(100)
Education	4(36.4)	2(18.2)	5(45.5)	11(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Figures in parentheses are percentages to the row total

Experience	Entrep			
(in years)	VS	S	US	Total
Up to 5 6-10 11-15 16&above	10(45.5) 3(18.8) 4(40.0)	3(13.6) 5(31.3) 8(66.7) 2(20.0)	9(40.9) 8(50.0) 4(33.3) 4(40.0)	22(100) 16(100) 12(100) 10(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Figures in parentheses are percentages to the row total

Ancestral	Entre	Total		
Background	VS	S	US	10001
Same Business Other Business Agriculture Govt. Service	11(36.7) 4(16.7) 1(33.3) 1(33.3)	13(43.3) 4(16.7) 1(33.3)	6(20.0) 16(66.6) 2(66.7) 1(33.3)	30(100) 24(100) 3(100) 3(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Table - 5 Ancestral Background and Entrepreneurial Success Level

Figures in parentheses are percentages to the row total

Table - 6	Nativity	and	Entrepreneurial	Success	Level

Place	Entreg	Total		
	VS	S		
Native Place	16(29.6)	17(31.5)	21(38.9)	54(100)
Migrated	1(16.7)	1(16.7)	4(66.6)	6(100)
Total	17(28.3)	18(30.0)	25(41.7)	60(100)

Figures in parentheses are percentages to the row total