

Entrepreneurial Support in the SSI Sector: A Case Study of Jharkhand

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ABSTRACT

The lack of an enabling business framework and scarcity of support structure can undermine the SSI entrepreneurial activity in any country. 15 variables under environmental forces were chosen, to examine, the entrepreneurial support being provided by Jharkhand government.

The study has revealed that the variables: chances of new business success, government encourages the promotion of SSI units, obtaining finance from Banks /SFCs is easy, interest rates on loans from Banks /SFCs is highly competitive, Inspector Raj does not exist in Jharkhand, getting licenses /approvals is easy and attitude of political parties towards entrepreneurship is healthy are having scores less than 3 on a 5 – point interval scale. ANOVA test has revealed that entrepreneurial support across the study locations (Ranchi, Jamshedpur and Bokaro) are significantly different.

It has been postulated in the research that entrepreneurial success is a function of entrepreneurial traits, attitude, business skills and environmental forces. The pooled multiple regression results reveal that – coefficient has registered the highest value for entrepreneurial traits (0.5528) followed by business skills (0.4684), attitude (0.0841) and environmental forces (0.0784). A low – coefficient for environmental forces (0.0784) suggests that the entrepreneurial support is not facilitating the growth of SSI units in Jharkhand state.

A high – coefficient for environmental forces (0.2570) for the study location Jamshedpur suggests that AIADA is providing the necessary entrepreneurial support to the SSI entrepreneurs for their overall development, growth and success. The study for location Ranchi has registered a low – coefficient (0.0937) and 62.32% of the Ranchi entrepreneurs are average performers indicating that RIADA is not providing any entrepreneurial support. It is a matter of grave concern that negative – coefficient (- 0.2347) has been registered for study location Bokaro and 50.98% of the entrepreneurs are average performers suggesting that all the efforts of the Bokaro entrepreneurs are going in vain and the entrepreneurial support is totally dysfunctional and in shambles. SPSS 12.0 software was used to calculate the regression coefficients for the predictor variables.

Key Words: Entrepreneurial support, Effectiveness of SSI entrepreneurs, AIADA, BIADA, RIADA

1. Introduction

Small scale industries (SSI) occupy a place of strategic importance in the Indian economy in view of its contribution to employment, production and exports. They are extremely important for the health of any country. The small sector in India has now been identified by the government as one that can assist in generating additional employment, indigenising technology, leveraging cheap labour and flexibility of operations to create competitive advantage for Indian industry (Mitra R and Pingali V, 1999).

The SSI entrepreneur is the backbone of any economy, as an entrepreneur is regarded as fourth factor of production i.e. after land, labour and capital. Probably this is the lasting solution to the burning problem of unemployment in the country (Singh B M and Namboodri K V A, 2006).

The opportunities in the SSI sector are enormous due to the following factors: being less capital intensive, reservation of items to be manufactured by the small sector, ease of funding and subsidies provided to SSI entrepreneurs, help

in procuring machineries and raw materials, training manpower, providing technical and managerial skills to SSI entrepreneurs, reservation of items exclusively to be purchased by the government and growth in requirements for ancillary units due to the increase in number of green field units coming up in the large sector. This sector is ideally suited to build on the strengths of our traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices.

The characteristics of the Indian economy allow complementary existence for various diverse types of manufacturing units. The promotional and the protective policies of the government have ensured the presence of the SSI sector in an astonishing range of products, particularly in consumer goods. However, the bugbear of the sector has been the inadequacies in capital, technology and marketing (www.sidoonline.com).

In spite of all these initiatives taken by the government and support institutions, the SSI sector in Jharkhand has not been performing well. Large number of SSI units are sick

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with little scope of any improvement in the near future. Sickness in the industrial sector results in locking up of resources, wastage of capital assets, loss of production and rising unemployment in Jharkhand.

2. Problem Statement

The major reasons for the poor performance of the SSI sector in India and Jharkhand in particular has been attributed to: inadequacy of working capital, delay in sanction of working capital, time gap between sanction of term loan and working capital, poor and obsolete technology, problem related to availability of raw material, in - adequate demand and other marketing problems, erratic power supply, poor management, inadequate attention to R & D, diversion of resources and inability of the SSI units to face competition due to liberalisation and globalisation (www.smallindustryindia.com). As such, this study considered each of these problems of paramount importance.

1. The SSI entrepreneurs perceive that the environment is not conducive for growth and they are in the grip of negative influence that small business enterprises cannot flourish within Jharkhand state.
2. Because of the poor performance of the small business sector most entrepreneurs are leading a stressed life and it has an impact on their effectiveness.
3. The government and financial institutions are not extending the necessary support for growth of the small business enterprises in Jharkhand state.
4. Most of the SSI entrepreneurs are finding it difficult to market their products and the reasons could be catering to a single customer. The SSI units are ancillary to large organisations in the vicinity.
5. The industrial activity is located in places with very poor infrastructure and support facilities, accessibility of customers is difficult and procurement of inputs is from far off places. The location and physical infrastructure problems are significant issues with the SSI entrepreneurs.

2.1 Objectives of the study

Against this backdrop, the present study has made an attempt to understand the important determinants of success and effectiveness of SSI entrepreneurs with specific reference to the state of Jharkhand and the detailed objectives of the study are:

1. To study the facilitating role of supportive environment in the development of SSI entrepreneurs.
2. To find out the reasons and circumstances leading to success and failure of entrepreneurs in the study

locations.

3. To identify the contributing factors towards the effectiveness of SSI entrepreneurs.
4. To find out whether the impact of environmental forces is significantly different across the study locations.

2.2 Effectiveness of SSI Entrepreneurs

Till date, though a number of studies have evaluated the small scale entrepreneurial success on the basis of entrepreneurial traits, attitude and business skills, they are highly limited to the Indian context and environment. Further, a number of studies though have paid attention towards success of SSI units across India, but none of these studies have paid due attention to the combined effect of entrepreneurial traits, attitude, business skills and environmental forces on the effectiveness of SSI entrepreneurs. It has been postulated in the research that Effectiveness = f(entrepreneurial traits, attitude, business skills, environmental forces). Multiple Regression has been used to measure the effectiveness of SSI entrepreneurs on the basis of four predictor variables namely: entrepreneurial traits, attitude, business skills and environmental forces and the dependent variable being the health of the SSI units.

The health of the SSI enterprises were categorised under the heads: "closed", "not viable", "average", "good" and "very good" on a scale of 1 – 5. Those entrepreneurs who have cited the health of their enterprises as "very good" and "good" were classified as "successful" entrepreneurs whereas those entrepreneurs who were of the opinion that their performances were "average" were classified under the category as "not so successful" entrepreneurs. Those SSI entrepreneurs who were of the opinion that their enterprises were "not viable" were considered as "unsuccessful" entrepreneurs. The closed SSI units were not considered in the study.

To be very particular no such studies have attempted to understand the success of SSI entrepreneurs in light of the above mentioned factors in Jharkhand. In this context, the main purpose of the study is to analyse the factors affecting Jharkhand entrepreneurs by critically examining the behavioural characteristics of the entrepreneur and also, examining and evaluating policies, programs, services and assistance related to SSI development and promotion. The study will generate conclusions, recommendations, some of which can be applied in the context of Jharkhand state and the same can be replicated across the country.

3. Literature Review

It has been long mooted that the environment in a country impinges on entrepreneurship intentions. Whilst it is generally believed that the environment in various

countries plays an important role in promoting entrepreneurship. There is a unanimous agreement that the psychological and traits model do not paint a complete picture of entrepreneurship, as they do not include the influence of environment variables on entrepreneurship activities.

According to Nazrul Islam et al. (1999), the researches found that the success factors of entrepreneurs before 90s differ from those after 90s. The success factors identified by researchers before 1990s emphasised on entrepreneurial traits and attitude of the entrepreneurs and did consider business skills of the entrepreneur and impact of environmental forces on entrepreneurial success.

On the other hand, studies after 1990, focussed mainly on market knowledge and well coordinated flexible persistent managerial action factors followed by risk taking capability, innovativeness, self motivation, moral attitudes, values and other environment etc. as the 'success' factors. These factors primarily focus on the managerial skills of the entrepreneur and the environmental forces affecting business success.

Most developing countries have come to realize the importance of SMEs in the process of economic development. The lack of an enabling business framework and scarcity of the support structure can undermine the entrepreneurial activity in any country. The role of the government and support institutions in the development and growth of SSI units cannot be overemphasized. The government's role in encouraging entrepreneurship is just not limited to providing an economic environment which is conducive for business and political stability. To stimulate the growth of entrepreneurship, the government must be able to provide the right combination of policies and incentives to attract individuals to become entrepreneurs and create congenial environment for growth.

Environmental Forces affecting entrepreneurship are: entrepreneurial action, knowledge about entrepreneurship, societal attitude towards entrepreneurship, salary and taxation levels, availability of personnel and supporting services, accessibility of customers and universities, general economic conditions, government policies and availability of financial support (Vepa K R, 1984).

Commercial and industrial units established under the self employment category are important sources of income as government gets excise duty, sales tax, octroi and income tax from these units which boost national income. Establishment of self employed units requires infrastructural facilities viz transport, water, electricity, market, storage and communication. In absence of these infrastructural facilities entrepreneurship will not flourish. Apart from these bottle necks encountered by the entrepreneur, there does not exist any coordination among

the implementing agencies. Many institutions have been established to facilitate growth of entrepreneurship but there is a lack of coordination among them. Such institutions overlap in developing schemes and services and hence much of government's fund and efforts are wasted (Singh B M, Namboodri K V A, 2006).

According to Kumar M G (2005), the problems faced by SMEs may be classified into two types namely: internal problems and external problems. The internal problems are: the owners of SMEs lacking the ability to present a proper business case to potential financiers, lacunae in the basic understanding of organizational structure and financing needs that are essential for sustainable growth, serious dearth of awareness, lack of information, knowledge of other possible opportunities among the SMEs and often ill formulated business plan.

The external problems are: the entrepreneur of the SMEs, often confronts a less than affable environment (a plethora of regulations and inspections of the state - Inspector Raj) that make them victims of corruption, experiences difficulties in accessing adequate finance from banks and other financial institutions, confronts a higher rate of interest because of the risk perception due to lack of well developed credit information sharing systems, faces difficulties in technological up-gradation because of lack of support services for technical know - how and access to long term finance, faces difficulties in weathering market fluctuations, experiences delays in the settlement of dues from large scale buyers and also, is more vulnerable to external shocks as the size of the enterprise may constrain him in weathering the stresses and strains.

To promote entrepreneurship in the country, what primarily is needed, is that all the government agencies, banks, universities, professional and technical institutions, corporate and non government organizations (NGOs) actively participate in setting up skill and entrepreneurial development institutes (EDIs) and not only provide skill development but also commit to their settlement and hand holding.

Apart from providing the necessary skills and hand holding exercise, post training contact with the trained entrepreneurs, is also desired which is acknowledged as the kingpin of good follow-up, which in practice is rarely attempted in a systematic manner. One of the major criteria to improve the results of entrepreneurship development program (EDP) is intensive and systematic follow-up of trained entrepreneurs (Singh B M, Namboodri K V A, 2006).

A survey conducted by Accenture (2000), (an international management consultancy firm), (published in the Economic Times, 6th July, 2001) concluded that 75% of the Indian executives see bureaucratic problems as one of the major hurdles of progress, 78% cited lack of incentives

and the government does not do enough to encourage entrepreneurship, 50% felt that the government had a negative attitude towards entrepreneurship and 68% felt that there was a lack of entrepreneurial role models in the country. Barriers to entrepreneurship include negative attitude towards success, reluctance to be seen as buckling the trend and aversion to risk and failure.

According to XLRI (2000), (published in Hindustan Times, 20th May, 2001), in the survey, the perception of industrialists outside Bihar/Jharkhand was explained: 100% of the entrepreneurs felt that the atmosphere was not conducive for industrialisation, 87% of the industrialist believed that the government does not understand the cost of delayed decisions, 83% of the entrepreneurs had the perception that the business community is a cash cow that can be milked as and when required, 82% felt that the exploitative ground reality of the police force and government officials was the root cause of all problems for the business and the industry, 78% felt that setting up a business was cumbersome, time consuming process and full of corruption, 75% felt that absence of a good social infrastructure was a big constraint in promoting industrialisation in Jharkhand state, 74% felt that too many corrupt inspectors and supervisors at ground level had made working very difficult, 68% of the respondents were of the opinion that industrialists from other states will be reluctant to invest in Jharkhand, 64% believed that most of the industries were sick unless revived potential investors will not come to Jharkhand and 50% had cited the problems of corruption, law and order and bad image of Jharkhand.

According to the researcher's observation, the SSI entrepreneurs who have not succeeded in their endeavour are coined as failures and are seen as outcasts from their fraternity. The socio cultural barriers create negative impact on these SSI entrepreneurs who were not successful. Failure is often seen as the workings of the cruel, any opportunity to learn from past mistakes was lost in the quest to pin the blame.

Some of the views expressed by Jharkhand SSI entrepreneurs in a focus group study are as follows:

- (1) Entrepreneurship is linked with group activities,
- (2) Whether government subsidies will be of any help,
- (3) Inconsistency in getting orders affects the enterprise,
- (4) Climate of industrial activities needs to be conducive,
- (5) Mindset of customers of treating "LOCAL UNITS" as inferior in comparison to units of other states,
- (6) Performance of big enterprises in the vicinity affects the performance of SSI units,
- (7) Unproductive time being spent mostly with various governmental departments and financial institutions,
- (8) Treating smaller enterprises as reduction gear where efforts may not give higher returns proportionately,

- (9) Lack of training facilities available with the entrepreneurs for their employees and self improvement,
- (10) Lack of experience of first generation entrepreneurs,
- (11) Lack of innovation to re-energise the enterprise,
- (12) Carrying business with obsolete technology hampering business performance,
- (13) Most of the entrepreneurs are managing different functional areas themselves and they are also, engaged in doing everything themselves (Prasad A, Shaw T, Haran H, 2003).

3.1 Profile of Study Area

Jharkhand is a state in eastern India carved out of the southern part of Bihar state on November 15, 2000, with 22 districts. Jharkhand is famous for its mineral, wealth and forestry products. The industrial city of Ranchi is its capital. Some other major cities and industrial centres are Jamshedpur, Bokaro and Dhanbad (which was once a part of West Bengal). Jharkhand shares its border with the states of Bihar to the north, Uttar Pradesh and Chattisgarh to the west, Odisha to the south and West Bengal to the east. Some of the other major cities and industrial centres are Sindri, Giridih, Gumla, Deogarh, Ramgarh and Hazaribagh.

3.2 Profile of Support Agencies

Ranchi Industrial Area Development Authority (RIADA): It is an autonomous body set-up by the erstwhile government of Bihar (now Jharkhand government) under Industrial Area Development Authority Act, 1974 to cater to the needs of industries set up in its control area. For the last thirty three years, it has been playing a progressive role in the industrial development of seven tribal districts.

RIADA has been entrusted fundamentally with the task of establishing industrial areas. It has also taken the responsibility of providing continued assistance to the units which come up in these industrial areas. It provides a total package of assistance at a single point to the entrepreneurs, be it selection of the project, location, providing developed land/sheds, arranging term loans and bank finance, power, water supply, technical know-how, market tie up and disbursement of incentives of the state government. Large engineering and mining industries and premier consultancy organizations like Central Coalfields Ltd. (CCL), Heavy Engineering Corporation Ltd. (HEC), Usha Martin Industries Ltd., Metallurgical and Engineering Consultants Ltd. (MECON) and Central Mining Planning & Design Institute Ltd. (CMPDIL) provide scope for ancillaries.

Adityapur Industrial Area Development Authority (AIADA): It caters to the needs of industries set-up in its controlled area in Adityapur (an industrial area in the study location Jamshedpur located at 130 kilometres from Ranchi), it is

striving to excel as customer focused knowledge based organisation through its innovative practices. The total investment in infrastructure at Adityapur industrial area is to the tune of Rs. 30 billion, which is increasing every year with large number of units being set-up. Average turnover of the industrial area is about Rs. 35 billion. Uninterrupted power supply 24X 7 is made available to the industrial units located in its industrial area. There is no dearth of technical expertise in and around the industrial area – with well equipped National Metallurgical Laboratory (NML), sophisticated Indo Danish Tool Room & Training Centre (IDTR), National Institute of Technology (NIT), Xavier labour Relations Institute (XLRI), polytechnics and numerous private training outfits providing vocational courses in subjects ranging from technical level work like welder and fitter, training in design and drafting including CAD, IT education etc. (www.aiadaonline.com).

Majority of the SSI units in the study location Jamshedpur are ancillary to Tata group of companies and they are assured of regular flow of orders and large industries do the hand holding of the SSI entrepreneurs in product development and also, supply scarce raw materials which are difficult to procure from the open market. Majority of the large business houses located in Jamshedpur, utilise the full potential of the SSI units based on their capabilities.

Bokaro Industrial Area Development Authority (BIADA): To cater to the needs of industries set up in its controlled area, Bokaro Industrial Area Development Authority (BIADA), an autonomous body was set up by the erstwhile government of Bihar (now Jharkhand government) under Industrial Area Development Authority Act, 1974. Bokaro is known as steel city, because the largest steel plant of Asia is situated here. The giant public sector Steel Authority of India Ltd. (SAIL) has their steel plant situated at Bokaro Steel City known as Bokaro Steel Plant. About forty thousand people have been working in this plant day and night. The Coal India Ltd., a public sector has two of its subsidiaries in Bokaro district i.e., Central Coalfields Ltd., and Bharat Coking Coal Ltd., respectively. Both of these subsidiaries have rich infrastructure in the area.

The private sector multinational Indian Explosives Ltd., has its explosives unit at Gomia which has a huge infrastructure. The Damodar Valley Corporation Ltd., has two big captive power plants situated at Bokaro and Chandrapura. Jharkhand State Electricity Board (JSEB) has one of their power captive plants located at Lalpania near Tenughat. This unit also has rich infrastructural support in the area (www.bokaro.nic.in). Several SSI units are situated in this industrial area and they are having infrastructural support from BIADA. Majority of the SSI units are ancillary units to Bokaro Steel Plant and they are heavily dependent upon the steel plant for their survival and sustenance.

5. Research Design

The study is empirical in nature and information has been gathered across three study locations, namely Ranchi, Jamshedpur and Bokaro districts of Jharkhand to understand entrepreneurial support being rendered by the government. These cities were selected because most of the SSIs are concentrated in these regions. In choosing the small scale units, those SSI units which are being encouraged, promoted and assisted in their growth and viability by the support agencies namely RIADA, AIADA and BIADA for promoting and overall development of the SSI units in their jurisdiction have been considered in the study.

5.1 Sampling Plan

While choosing the sample, a list of industries was prepared from the exhaustive list of the total number of SSI units existing in the study location, i.e., Ranchi, Jamshedpur and Bokaro. The list was obtained from the Directorate of Industries, government of Jharkhand. The list pertains to the period 2010 – 11.

5.2 Sample Size

In Ranchi, the number of operating SSI units was 346, in Jamshedpur it was 535 and in Bokaro it was 256 (Table - 1) and the total number of SSI units in these industrial areas was 1,137. A sample has been drawn from each study location, viz., Ranchi, Jamshedpur and Bokaro which constitutes about 20% of the total population. Thereby a total number of 227 sample SSI units were chosen under the study by adopting 'Simple Random Systematic Interval Sampling' technique.

Table 1: Distribution of Samples Across the Study Locations

Study Location	Ranchi	Jamshedpur	Bokaro	Total
Operating units	346	535	256	1137
Sample size (20%)	69	107	51	227
Support Agency	RIADA	AIADA	BIADA	

5.3 Data Sources

The study had gathered quantitative information to meet the objectives of the study. The sources of the quantitative data are the sample entrepreneurs chosen under the study from the three study locations of Jharkhand state. The survey of entrepreneurs included only those SSI entrepreneurs who were from the manufacturing sector.

In gathering the quantitative information a structured closed ended questionnaire was used. The questionnaire used in the study constituted general profile of the entrepreneurs, entrepreneurial traits, attitude and business

skills of the entrepreneurs and the environmental forces that were influencing the success and failure of the sample business entrepreneurs. In gathering the information under different heads and sub-heads of the questionnaire, the statements were arranged on a 5- point Likert Scale. Each statement has 5 categories of responses: strongly agree, agree, undecided, disagree and strongly disagree. The weights given to strongly agree, agree, undecided, disagree and strongly disagree were 5, 4, 3, 2 and 1 respectively.

After finalisation of the questionnaire, a pilot study was undertaken to test the appropriateness and standard of the questions brought under the data gathering tools. As per the field reality, the questionnaire was redesigned and finalised for the study. The comments and suggestions of the respondents were incorporated in the final questionnaire.

Secondary data were also taken from brochures, pamphlets, reports, magazines and other government publications. These multiple sources of data collection were resorted to, for increasing the validity and reliability of the study. The detailed description of the different heads in the final questionnaire are as given below:

The 10 variables analysed under entrepreneurial traits were: drive and energy, responsibility, persistence, self – confidence, initiative, need for independence, tolerance for uncertainty, optimism, innovativeness, creativity and perseverance.

The 13 variables analysed under attitude were: long term commitment, persistence in problem solving, attitude to risk taking, dealing with failure, use of feedback, seeking assistance, flexibility, need for achievement, profit – orientedness, integrity, resolving issues without procrastination, positive influence and self – resolution of entrepreneurial stress.

The 12 variables chosen for analysis under business skills were: setting goals, developing business plans, delegating, dealing with work disputes, training subordinates, dealing with customers, dealing with government officials, keeping financial records, talent acquisition, marketing skills, catering to multiple customers and ethical competition.

The 15 variables chosen under the head Environmental Forces affecting growth of entrepreneurship in Jharkhand state were: necessary market information, training facility for employees within the state, necessary potential customers is available within the state, availability of business related services is of good quality, chances of new business success is very high within Jharkhand state, government encourages the promotion of SSI enterprises, labour force with necessary skills is easily available within the state, obtaining finance from banks/SFCs is easy,

interest rates on loans from banks /SFC is highly competitive, inspector raj does not exist in Jharkhand state, getting licenses/ approvals is easy, entrepreneurship is not linked with greed and self promotion, government and the investment community is encouraging entrepreneurship and attitude of political parties towards entrepreneurship is healthy.

5.4 Statistical Tools

Advanced statistical tools like ANOVA and Multiple Regression were used in the present study. In calculating ANOVA and the Regression Coefficients SPSS 12.0 package was used. Simple descriptive statistical tools like percentages and means to compare the variables under entrepreneurial traits, attitude, business skills and environmental forces were also used.

6. Data Analysis & Interpretation

The environmental forces refer to the business environment in which the business units operate. Macro – forces are the broad factors in any society and business that have an effect on all businesses and industries. Some of the macro forces are socio cultural, demographic, economic, technological, political and natural environment, and they have profound effects on the business. It is important to keep track of these forces and their trends.

While it is not possible to change the forces, one can plan and adapt the business methods to meet the needs of a rapidly changing world. To stay longer in the business a constant monitoring of the macro environmental forces is essential. The study is aimed to pin point the macro environmental forces which have an impact on the performance and success of the SSI units in Jharkhand state. In this endeavour, the present study has made an attempt to identify and analyse the environmental forces which affect the chances of business success.

From Table 2, it is observed that the environmental forces has registered a high combined average for 3.11 for study location Jamshedpur followed by 2.99 for Bokaro and 2.87 for Ranchi. It is also, revealed from the above Table that the impact of environmental forces is varying across the study locations. The environment is highly conducive for the entrepreneurs from the study location Jamshedpur though the same is not for the entrepreneurs from Ranchi and Bokaro. Scrutiny has been resorted to those environmental variables which are having a combined average less than 3.00 and are affecting the business success of Jharkhand SSI entrepreneurs.

A high proportion of the new SSI units close down during the first year of their life and many SSI units are closing down every year indicating that these firms are not able to maintain the alignment with the environment. A change in the environment causes more uncertainty in the SSI units

Table: 2 Statistical Values of Environmental Forces Affecting Business Success

Variables	Study Locations			
	Ranchi	Jamshedpur	Bokaro	Combined Average
Availability of Market Information	3.35	3.72	3.47	3.15
Training facility for employees are available within the state	3.52	3.61	2.90	3.55
Accessibility of customers is easy	3.45	3.58	3.57	3.53
Many potential customers exists within the state	2.85	3.58	3.03	3.15
Availability of business related services is of good quality	3.15	3.45	3.15	3.25
Chances of new business success is very high in Jharkhand	2.36	2.89	3.00	2.75
Government encourages the promotion of SSI enterprises	2.87	3.45	2.80	2.75
Labour force with necessary skills is available locally	3.00	3.08	2.50	3.05
Obtaining finance from Banks/SFCs is easy	2.51	2.68	2.45	2.55
Interest rates on loans from Banks/SFCs is highly competitive	2.41	2.39	2.64	2.48
Inspector Raj does not exist in Jharkhand	2.68	2.43	2.95	2.69
Getting licences/approvals is easy	2.28	2.59	2.60	2.49
Entrepreneurship is not linked with greed and self promotion	3.14	3.01	3.28	3.14
Government and investment community encourages entrepreneurship	2.76	3.65	3.49	3.30
Attitude of political leaders towards entrepreneurship is healthy	2.66	2.58	2.95	2.79
Overall Average	2.87	3.11	2.99	2.97

than in large companies. This is due to the inability of the SSI entrepreneur to acquire market information and make necessary changes.

The variable “Chances of new business success is very high in Jharkhand state” has registered a combined average of 2.75 suggests that the entrepreneurs are not able to adapt themselves with the environment due to which they have formed an opinion that the chances of new business success are very low in Jharkhand. It also, suggests that partial adaption to the environment could be one reason for their poor performances.

Success in business is never automatic and it is not based on luck but it primarily depends upon the entrepreneur's foresight and efficient management of the enterprises. The entrepreneur can be successful if he/she is patient, willing to work hard and take the necessary steps to promote the business and overcome obstacles in a proactive way. The obstacles seem insurmountable when the business is in the nascent stage.

The study has revealed that the variable “Government encourages the promotion of SSI units”, has registered a low combined mean score of 2.75. All categories of

entrepreneurs across the study locations are of the opinion that the government is not encouraging the promotion of SSI units within the state whole heartedly. Most of the promotional schemes are only on paper and the entrepreneurs are not able to tap the advantages due to the bottlenecks in the system such as rampant corruption, hurdles in getting approvals and sanctions from various government agencies.

Access to credit has been one of the main bottlenecks in SSI development. The problems of raising finance is an issue that to some extent applies in general and to the SSI sector as a whole and the SSI entrepreneur also, face additional discrimination from the finance providers. There is an inordinate delay from the Banks/SFCs to finance the SSI units in terms of term loan and working capital requirements. By the time the loan is sanctioned the project cost gets escalated and entrepreneur is under financed and in turn it affects his/her profitability.

In this context the variable “Obtaining finance from Banks/SFCs is easy”: the variable has registered a low combined average of 2.55 for all entrepreneurs across the study location. Even though the government recognises

the financial needs of the SSI units, very little has been done to mitigate the financial needs of this sector. The study has revealed that the difficulty in obtaining finance may be due to the following reasons: the SSI entrepreneurs are unable to furnish margin money, lack of collateral and instability of the SSI sector and the sector being highly unorganised.

From Table 2, it is observed that the variable "Interest rates on loans from Banks/SFCs is highly competitive" and has recorded low combined average score of 2.48 across all the three study locations. The study has revealed that high interest rates on loans affect the profitability of all categories of units. The study suggests that reduction in interest rates and offering floating rates of interest will help the SSI units to procure funds at lower costs and become more competitive.

On an average, a factory/establishment is subject to 37 inspections annually by government functionaries. In some factories there are 67 inspections in a single year. Anywhere between 9 and 24 different inspectors (15 officers, on an average), inspect a factory in a given year, with the maximum number of visits in a single year being those of the environment officer, state pollution control board officials and labour officer.

Some of these inspectors are vested with wide ranging powers, including order of imprisonment (which ranges between 6 months and 7 years), sealing the unit and stopping the operations of the unit. Other powers comprise imposing a penalty (which could be up to Rs. 0.10 million), disconnecting water and electricity supply, filing a case in the court of law and denying renewal or cancelling the operating licence.

On examining the variable, "Inspector Raj does not exist within the state": the variable has registered a low mean score of 2.69 across the study locations. The study has revealed that all categories of entrepreneurs were of the opinion that there is a wide prevalence of Inspector Raj within Jharkhand and it acts as a deterrent force towards the growth of SSI units.

Every SSI unit has to comply with various regulations in force. These include regulatory, taxation, environmental

and certain product specific clearances. In examining the variable, "Getting licences/approvals is easy": the present study reveals that it has registered a low combined average of 2.49 for all entrepreneurs across the study locations. In this connection the study has revealed that all categories of entrepreneurs were of the opinion that getting licenses and approvals in Jharkhand was not an easy task. The study suggests that to remove these bottlenecks, the state government should set up a single window service aimed at providing the SSI entrepreneur a single point contact to meet all regulatory requirements and get approvals.

Creating a favourable environment for enterprises and businesses to flourish within the state, the attitude of the political leaders plays a very important role. The favourable environment leads to productivity, growth, job and wealth creation. In this connection, the variable "Attitude of political parties towards entrepreneurship is healthy" has recorded a low overall combined average of 2.79. The study suggests that the attitude of the political leaders was not supportive for promotion of small scale enterprise in Jharkhand.

Further to support the above descriptive statistical analysis on the environmental forces affecting business success of SSI units advanced statistical tool ANOVA has been resorted to: H_0 : The effects of environmental forces are not significantly different across the study locations under investigation. The results of such tests in connection with the environmental forces affecting business success of SSI entrepreneurs have been furnished hereunder.

Please refer to Table 3 given below:

The value of $F = 8.843$, the variation between groups is 3.945 with 2 degrees of freedom and within groups it is 49.897 with 224 degrees of freedom, the resulting probability $p = 0.000$. Since the associated probability p is less than $\alpha = 0.05$, the null hypothesis is getting rejected. Alternatively, it can be seen that $F_{critical} = 3.036$ for 2 and 224 degrees of freedom and the calculated value of $F = 8.843$ is larger than the critical value, the null hypothesis is getting rejected.

The sample means with values of 2.973, 3.227 and 3.114

Table: 3 ANOVA Test for Environmental Forces affecting Business Success

Sources of variation	SS	df	MS	F	p-value	Fcritical
Between Groups	3.945	2	1.972	8.843	0.000	3.036
Within Groups	49.897	224	0.223			
Total	53.842	226				
Study Locations	Ranchi	Jamshedpur	Bokaro			
Mean	2.973	3.227	3.114			
Variance	0.245	0.182	0.279			

are quite different, it signifies that the impact of the environmental forces across the study locations is significantly different. The environment is more conducive for growth of the SSI sector in Jamshedpur followed by Bokaro and Ranchi. The major forces contributing to the success of Jamshedpur entrepreneurs could be due to the following: well established industrial base of companies like Tata group of companies, Timken and Cummins, industrial work force, excellent road and infrastructure, export advantage, logistical advantage catering to nearby markets and the role played by the support agency Adityapur Industrial Area Development Authority (AIADA) in promoting industrialisation in Jamshedpur district.

Effectiveness of Jharkhand SSI Entrepreneurs

To understand the effectiveness of SSI entrepreneurs across the study locations on an overall basis, multiple regression analysis has been conducted where the dependent variable is the effectiveness of the entrepreneurs and the predictor variables are entrepreneurial traits, attitude, business skills and environmental forces. The pooled multiple regression results reveal that β coefficient has registered the highest value for entrepreneurial traits (0.5528), business skills (0.4684), attitude (0.0841) and environmental forces (0.0784). The study reveals that SSI entrepreneurs in Jharkhand are partly "successful" due to their entrepreneurial traits, attitude and business skills. A low β coefficient (0.0784) for environmental forces

suggests that the supportive environment does not facilitate the growth of SSI units in Jharkhand state. The contribution of environmental forces towards effectiveness of SSI entrepreneurs is 7.84% (Table 4).

A high β coefficient (0.2570) for environmental forces, for the study location Jamshedpur suggests that the supportive environment plays a positive role and it contributes to the success of Jamshedpur entrepreneurs. The Adityapur Industrial Area Development Authority (AIADA) is the regulator for industries up-coming in the study location Jamshedpur. The formal institutional environment in the study location Jamshedpur is highly supportive to the formation and growth of the SSI sector. A high β coefficient reveals that AIADA is playing positive role and has tried to minimize regulations, red tapism in the promotion of entrepreneurship and is implementing the Jharkhand Industrial Policy in letter and spirit.

A low β coefficient (0.0937) for environmental forces, for the study location Ranchi suggests that the supportive environment is not at all contributing to the success of Ranchi entrepreneurs. The contribution of environmental forces towards effectiveness of Ranchi SSI entrepreneurs is 9.37% only.

As per the study it has been found that Ranchi Industrial Area Development Authority (RIADA) is not playing any role for the growth and promotion of SSI units in the study location Ranchi. Most of the SSI units located in Ranchi are

Table: 4 Effectiveness of Jharkhand SSI Entrepreneurs

Study Locations	Variable	R ² (*)		t Stat	Lower 95%	Upper 95%	
Ranchi (n ₁ = 69)	Traits	0.6585	0.4619	5.2622	0.2865	0.6373	
	Attitude		0.2426	2.4909	0.0480	0.4372	
	Business Skills		0.3057	2.8523	0.0196	0.5197	
	Environmental Forces		0.0937	1.1296	(-) 0.0720	0.2594	
Jamshedpur (n ₂ = 107)	Traits	0.7364	0.7186	8.1590	0.5439	0.8932	
	Attitude		0.0032	0.0352	(-) 0.1788	0.1853	
	Business Skills		0.4818	5.8034	0.3171	0.6465	
	Environmental Forces		0.2570	3.2171	0.0985	0.4154	
Bokaro (n ₃ = 51)	Traits	0.6585	0.4619	5.2622	0.2865	0.6373	
	Traits		0.4435	0.3740	2.1984	0.0316	0.7165
	Attitude		0.2112	0.8673	(-) 0.2790	0.7014	
	Business Skills		0.6391	2.9563	0.2040	1.0743	
	Environmental Forces		(-) 0.2347	(-) 1.3640	(-) 0.5811	0.1117	
Overall (n = 227)	Traits	0.6584	0.5228	8.4995	0.4016	0.6441	
	Attitude		0.0841	1.3698	(-) 0.0369	0.2051	
	Business Skills		0.4684	7.0500	0.3374	0.5993	
	Environmental Forces		0.0784	1.3358	(-) 0.0373	0.1941	

Note: Drawn from Field Survey Data, R² (*) is R² (adjusted)

ancillary units catering to public sector undertakings in the vicinity. No mentoring and no help in design and development of the products are provided by the PSUs which were quite evident in the case of Jamshedpur entrepreneurs. There is a dearth of supply orders for Ranchi entrepreneurs since the PSUs in the study location Ranchi do not have sufficient businesses for themselves. Most of the Ranchi SSI units are having ancillary status with the PSUs. The health of the public sector undertaking determines the health of the ancillary units, if the public sector undertakings go sick so do the SSI entrepreneurs.

A negative – coefficient (-) 0.2347 for environmental forces for the study location Bokaro suggests that Bokaro Industrial Area Development Authority (BIADA) is playing a negative role and is not at all contributing to the growth and success of the SSI entrepreneurs. The role of the supportive environment is totally dysfunctional and is in shambles and no entrepreneurial support is being provided to Bokaro SSI entrepreneurs.

The study has also, revealed that 62.32% of the SSI entrepreneurs in the study location Ranchi are average performers whereas 66.35% of the SSI entrepreneurs in the study location Jamshedpur are good performers (Table 5). A high percentage of average performers in the study location Ranchi amply speaks that the environmental forces are not very conducive to the development and promotion of Ranchi SSI entrepreneurs. The study on the health of the SSI units, in the study location Bokaro has revealed that 50.98% of the entrepreneurs are average performers and the situation is similar to the study location Ranchi. BIADA is not contributing towards the effectiveness of Bokaro entrepreneurs.

7. Conclusions

Based on the findings from the research it is clear that there is a need to take some corrective and effective measures at various levels such as the government, management institutions, medium and large enterprises and various association bodies to address the problems being faced by Jharkhand SSI entrepreneurs and to increase their effectiveness.

The study suggests that the supportive environment has to play a positive role for the promotion of entrepreneurship in the state. It is suggested that the government should ensure that the incentives and promotional schemes introduced by them from time to time are well known and understood by the SSI entrepreneurs for whom it is meant. The study has also, revealed that there are bottlenecks in the system such as hurdles in getting sanction and approvals from various government agencies. The government must weed out these, if it wants to attract investments in Jharkhand. It should simplify legislation, repeal restrictive laws and do away with Inspector Raj to help the SSI sector to grow to its full potential.

Access to credit has been one of the main bottlenecks to SSI development. There is an inordinate delay from Banks/ Financial Institutions to finance the SSI units. It is urgently needed that there should be speedy processing and disbursement of loans. Also, the interest rates on loans should be very competitive so that the SSI entrepreneurs can procure funds at low cost.

Lack of managerial know - how and business skills place significant constraints on the SSI development. The entrepreneur needs to possess a diverse range of skills which are functional or task based. It is suggested that the leading companies in Jharkhand should form a panel to provide business counselling on one to one basis to existing and potential entrepreneurs. By sharing know - how with smaller enterprises the large companies add a new dimension to the SSI enterprises. That is those who succeed in business should assist up-coming and less experienced SSI entrepreneurs by hand holding them and helping them in their settlement. The philosophy behind supporting the SSI units means that the SSI sector generates maximum job opportunities and contributes significantly to the government exchequer in terms of business volumes and exports.

The liberalisation of the Indian economy has generated more turbulence and competition in the business markets and it would be more challenging and difficult for the SSI sector in the coming times ahead. The organised sector is well equipped with resources to meet the competition in comparison to the SSI sector. The SSI sector is going to face

Table: 5 Health of the Sample Enterprises in the Study Locations

Health of the SSI Units	Study Locations			
	Ranchi	Jamshedpur	Bokaro	Total
Good (Successful)	21 (30.43%)	71 (66.35%)	13 (25.49%)	105 (46.25%)
Average (Not So Successful)	43 (62.32%)	27 (25.24%)	26 (50.98%)	96 (42.29%)
Not Viable (Unsuccessful)	05 (7.25%)	09 (8.41%)	12 (23.53%)	26 (11.46%)
Total	69 (100%)	107 (100%)	51 (100%)	227 (100%)

severe competition from the organised sector and hence management think – tanks, educators, policy makers and researchers should find out ways to save this vital sector from extinction.

The management of small scale enterprises differs significantly from the management of the organised sector primarily due to the background of the owner / manager and the promoters of organised companies. It is the need of the hour to introduce Small Business Management curriculum in business schools.

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