

Entrepreneurial Ecosystem Assessment in the Surgical Cotton Gauze and Bandage Cloth Cluster



Selvarani Mariappan, Muthulakshmi, Balakrishnan, Leena Jenefa

Abstract: *Creating a sustainable entrepreneurial environment is vital for the success of cluster development. Surgical cotton and Bandage Cloth manufacturing is the traditional business for the people at Chatrapatti, Tamil Nadu, India. This cluster has more than 100 micro enterprises providing employment and contributing significantly to export. This research aims to assess the entrepreneurial ecosystem at Chatrapatti. A structured questionnaire is framed and collected from the 55 entrepreneurs at Chatrapatti and the result reveals that 92 percent of the entrepreneurs started sole proprietorship type of business without any business family background. 70 percent of them are degree or diploma holders, the majority of them are in the age category of 25 and above without prior industry experience from the same industry. The result reveals that capital, labor and raw material availability are the most influential factor to venture into the bandage cloth manufacturing business. Desire to make money, fear of unemployment and passion for self-employment are the highly motivating factors for starting the business. The entrepreneurs' skill assessment reveals that the entrepreneurs have good ability in fundraising and estimating the cash flows for the business. They have good negotiating and communication skill but lack the strategy for promoting the product using the social media and website for reaching the global market. Research result highlighted that the entrepreneurs are having good networking with supplier, and good ability in inventory management. Factor analysis revealed that the friends and family support, network, the success of friends in business are the highly motivating factors for starting the business. The entrepreneurs felt that the municipality compliance regarding the pollution control highly affects their business and need support from government to implement recycling technologies and supportive funding for implementing*

Keywords: *Entrepreneurial ecosystem, environment, skill and funding, factor analysis, motivational factor*

I. INTRODUCTION

Government of India has formulated new policy measures and schemes to engage academia, industry, non-government organisation and investor to create the

entrepreneurial culture, innovation, and development of enterprises in India. Developing and uplifting Micro Small and Medium Enterprises (MSME) is crucial for the sustainable development of India. The policy note 2018-19 of MSME department disclosed that the contribution of India's MSME is 45% to manufacturing and about 40% to exports and the National manufacturing Policy set the target of manufacturing sector contribution from 16% to 25% in GDP by 2022. Development of MSME's is possible with the creation and presence of good entrepreneurial Ecosystem. Table I reveals the exponential growth of MSME in Tamil Nadu in the sectors like garments, automobile components, and textile, etc. for the past ten years.

TABLE I Trend in the Growth of MSMEs in Tamil Nadu

Year	Number of Registered units	Investment (Rs.crore)	Employment (Numbers)
2007-08	27,209	2,547.14	2,42,855
2008-09	32,049	3,557.89	2,94,255
2009-10	41,799	3,214.22	1,51,743
2010-11	57,902	5,872.37	4,05,233
2011-12	70,758	7,429.59	5,02,381
2012-13	83,348	8,751.54	5,83,436
2013-14	1,16,393	18,939.87	4,94,990
2014-15	1,43,104	24,349.65	6,51,180
2015-16	1,42,136	34,411.90	8,15,315
UAM * (as on 31.3.2016)	41,656	6,218.69	2,96,687
2016-17	2,67,310	36,221.78	18,97,619
2017-18	2,17,981	25,373.12	13,78,544

Source: MSME Policy Note - 2018-19

As per Industrial Profile of Virudhunagar district 2012-13 report, the Surgical Cotton Gauze and Bandage Cloth cluster in Chatrapatti has 100 Micro/Small companies, 5 Medium and Large companies, and producing Rs.110 Crores worth of Surgical Cotton Gauze and Bandage Cloth. It provides employment to 12,000 workers and contributes Rs.20crores to export.

Recently Indian government has announced medicinal bandages as technical textile and allotted harmonized system (HS) code. This will assist in identifying product during export and import and avail the subsidies and incentives. Moreover, the government of India probably is going to consider bringing mandatory standards for technical textiles items to boost the make in India initiative which will also develop quality in safety, health, and security.

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Implementation of technological changes and adoption of quality measures by micro small companies will boost the industry and its contribution to export. Assessing the present entrepreneurial ecosystem and identifying the key challenges faced by Surgical Bandage Cloth cluster in Chatrappatti and will help the government to formulate policy measures. This research work aims to assess the entrepreneurial ecosystem in Surgical Cotton Gauze and Bandage Cloth cluster at Chatrappatti.

II. REVIEW OF LITERATURE

Creating and sustaining entrepreneurial climate is a key challenge for the policymakers due to immense competition, the presence of internal and external factors and its influence on MSME is not predictable accurately. During the LPG period, studying the entrepreneurial ecosystem gains much popularity among academicians, policymakers, and entrepreneurs. James Moore (1993), in his article, coined the term ecosystem and stated that the evolution of business happens with the interaction of firms with suppliers, financiers, and customers. Rosted (2012) stated that the presence of a dynamic ecosystem will create a better opportunity for new firms to grow and provide employment. The entrepreneurial ecosystem has several variants; it may be industry-specific, geographic/area specific or started from single industry and embed with multiple industries. The economic activities in a particular area formulate clustering and create conducive environment for a geographic specific industry.

Roxas, et.al. (2006), attempted to study the environment for entrepreneurship and formulate the local entrepreneurial climate conceptual frame work by identifying the formal and informal institutions at city level in their literature research. They identified the components of local Entrepreneurial Climate by combining five dimensions of formal institutions namely: social support system; structural support system; bureaucratic processes; incentives; and policies. The informal institutions include family support, informal network, propensity of risk, and acceptance in society.

Daniel Isenberg (2011) identified the novel strategy for economic development by creating entrepreneurship ecosystem which consists of numerous elements and grouped into six domains namely culture, policies, human capital, finance, markets, and supports. Entrepreneurial ecosystem is impacted by each domain and its influence will vary from time to time. He also found that the intensity of entrepreneurship in society is impacted by the level of education, legal frameworks, and regulatory measures and capital markets.

John D. Sullivan, Aleksandr Shkolnikov, (2004) identified through their research, simple business entry, proper information disclosure, property rights, finance, efficient labour law, encourage competition, simplified tax system, eliminating price control, establishing proper bankruptcy law, and inculcating technological, financial and administrative skills of entrepreneur are essential for developing entrepreneurial ecosystem and recommended to policy makers.

The entrepreneurial environment consists of several environment forces which are either facilitating or hindering the entrepreneurial activity development in the society.

Gnyawali (1994) developed the entrepreneurial environment dimension which consists of socio, cultural, economic, and political factors. These factors impact the individual's ability and willingness to undertake business. Government policy motivates people to take a risk and start new enterprises. Simple rules and procedure encourage the entrepreneur to start a new venture (Fogel, 2001). Romanelli (1989) research found that the resources availability encourage entrepreneurship.

Yeboah (2014), research found that sociocultural environmental factors predominantly influence the development of the entrepreneurial environment. The level of education, family background, religion impacts the individual's entrepreneurial intention. Education level enhances the ability of the individuals and creates thrust for self-employment which in turn induces them to become an entrepreneur (Lucas, 1978; Kransniqi, 2009). Bwisa and Ndolo (2011), research shows that religion develops one's values, ethics and beliefs, and trust. It also influences the choice of entrepreneurial career of the individual especially women or group. Garba et al., (2013) research confirms the finding of Bwisa and Nodolo research. Family plays a crucial role in the choice of entrepreneurship. Geissler and Zanger, (2013) Wang et al., (2011) research reveals that the close association with the entrepreneur, their interaction and learning from them create a more chance to choose entrepreneurship career.

Krishna (2013) identified fear of unemployment, dissatisfaction with the current job, motivation to earn money and become self-reliant are the motivating factors for an individual to start the business. Davidson et.al, (2006) research shows that the external factors and the choice of role model affect the new venture starting the process. The research work of Davisson (1991) revealed a high correlation between education and experience with an entrepreneur's ability to start and operate a business. Hence an intensive training program which imparts entrepreneurial skills is a key for opening a small business and its success (Ladzani & Van Vuuren, 2002). Barba-sanchez and Atienza-sahuquillo (2012) research found that the making money does not attract the Spanish entrepreneur to start a new venture but creating self-employment and having business idea motivates them to venture into new business. This paper tries to assess the impact of sociocultural factors among the individual and groups entrepreneurial choice of Surgical Cotton Gauze and Bandage Cloth manufacturing business at Chatrappatti.

The Textile Report (2017) of Government of Gujarat projected that the global market of Meditech industry would reach US\$20.23 billion by 2022 and initiated schemes to capitalize the market opportunity by creating more startup in Meditech industry. In Tamil Nadu, Chatrapatti is a well-known cluster for Surgical Cotton Gauze and Bandage Cloth. Assessing the current entrepreneurial climate in this cluster will help the state government to devise the policy measures and build this cluster as highly competitive. Studying the entrepreneurial eco system will unfold the entrepreneurial intention, influencing factors and issues pertaining to this industry.

III. PROBLEM STATEMENT

The Textile Report (2017) of Government of Gujarat projected that the global market of Meditech industry would reach US\$20.23 billion by 2022 and initiated schemes to capitalize the market opportunity by creating more startup in Meditech industry. In Tamil Nadu, Chatrapatti is a well-known cluster for Surgical Cotton Gauze and Bandage Cloth. Assessing the current entrepreneurial climate in this cluster will help the state government to devise the policy measures and build this cluster as highly competitive. Studying the entrepreneurial eco system will unfold the entrepreneurial intention, influencing factors and issues pertaining to this industry.

A. Objective of the Study

The objective of this research is to identify the influencing and motivating factors for starting a business, and assess the demographic, social and family factors, and skills of the entrepreneurs in Surgical Cotton Gauze and Bandage Cloth cluster at Chatrapatti, Tamil Nadu.

B. Hypothesis

Based on the objective the following hypothesis is formulated to assess the entrepreneurial ecosystem:

H1: There is no difference in the mean of the friends and family encouragement to entrepreneur to start business and the business family background.

H2: There is no difference in the mean value of age and starting business to earn money

H3: There is no association between age and the choice of entrepreneurship to implement own business idea

IV. DATA AND METHODOLOGY

The Structured questionnaire was prepared and data were collected from the entrepreneurs who are doing Surgical Cotton Gauze and Bandage Cloth manufacturing business at Chatrapatti, Tamil Nadu, India. The information of surgical cotton Gauze and bandage cloth manufacturing entrepreneur at Chatrapatti is collected from the Association. Interview with the entrepreneurs was conducted from January 2019 to March 2019. The researcher has chosen a convenient sampling covering 55 samples. A preliminary study was conducted with the sample size of 20 and the final questionnaire is framed based on the result. The questionnaire consists of two segments with three constructs in each segment one which assesses the influencing and motivating factors for entrepreneurship and another assess the financial, marketing and operational skill of the entrepreneur. Five points Likert measurement scale was used to assess the factors and 38 items were identified through a literature review. The reliability of the questionnaire is tested and the Cronbach Alpha value is at an acceptable level of 0.760. (Table II)

TABLE II Reliability Statistics

Cronbach's Alpha	No of Items
0.760	41

To identify the major influencing and motivating factors to start Bandage cloth manufacturing business at Chatrapatti, factor analysis was used. Sampling adequacy was tested by Keiser-Meyer-Olkin measure. The appropriateness of factor analysis was tested by using Correlation Matrix and Bartlett's test of Sphericity. The most influencing factors of entrepreneurship motivation were identified by using Principal component analysis.

V. ANALYSIS AND RESULTS

A. Demographic profile and Characteristics of the company

The collected data through questionnaire from the entrepreneurs are summarized and the demographic profile of the entrepreneur and characteristics of the companies they promoted is given in TABLE III.

TABLE III Characteristics of a company and Demographic Profile

Variables	Categories	Frequency	Percentage
Type of Company	Sole proprietorship	51	92.7
	Partnership	4	7.3
Gender	Male	55	100
Investment	< Rs.1000000	20	36
	Rs. 1000000- Rs.1500000	22	40
	Rs.1700000- Rs.2000000	10	18
	Rs.2500000- Rs.5000000	3	5
Turnover	Rs.800000-Rs.1100000	2	4
	Rs.1200000- Rs.1500000	11	20
	Rs.1600000- Rs.1800000	6	11
	Rs.2000000- Rs.2100000	8	15
	Rs.2200000- Rs.2500000	7	13
	Rs.2600000- Rs.3000000	5	9
	Rs.3200000- Rs.3500000	7	13
	Rs.4000000- Rs.4500000	5	9
Year of establishment	2014-2018	14	25
	2010-2013	17	31
	2005-2009	15	27
	2000-2004	8	15
	<1999	1	2
Education	Illiterate	1	1.8
	High School	1	1.8
	Higher Secondary	14	25.5
	Diploma	16	29.1
	Graduate	18	32.7
Age of the entrepreneur	Post graduate	5	9.1
	<25 years	3	6
	25to 40 years	20	36
No of Employees Employed	>40 years	32	58
	7-10	10	18.2
	11-15	26	47.3
	16-20	15	27.3
Age of the firm	21-40	4	7.3
	2 to 5 years	14	25
	6 to9 years	17	31
	10 to 13 years	13	24
	14 to 17 years	4	7
Business Family Background	18 to 22 years	7	13
	No	37	67
Prior Industry Experience	Yes	18	33
	No	36	65
	Yes	19	35

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This research found that companies in the sample are promoted by male entrepreneur 100%, the majority of them are promoted in the form of a sole proprietorship (97%). 99% of the entrepreneurs in the sample is running a micro enterprise which provides employment to a minimum of 7 and maximum of 40 employees per company. For the past decade, there is a tremendous growth of startup in this cluster promoted by graduate, diploma holders, and higher secondary completed individuals. This research also found that for the past five years there is no startup from the entrepreneurs with above 40 years of age.

Surprisingly the result given in Table IV revealed that 54.5% of the entrepreneurs in the sample ventured into Surgical Cotton manufacturing business without prior industry experience and business family background.

Table IV Cross tabulation

Prior Industry Experience	Business family background		Total
	Yes	No	
Yes	12	7	19
	21.8%	12.7%	34.5%
No	6	30	36
	10.9%	54.5%	65.5%
Total	18	37	55
	32.7%	67.3%	100.0%

B. Influencing and Motivating Factors

Literature review evidenced that there are different factors motivating the people to do business and it varies from country to country. This research confirmed the components of an entrepreneurial system stated by Isenberg (2011).

TABLE V Entrepreneurial Motivating Factors

Influencing Factor	Mean	Rank	Result
Capital Availability	4.98	1	More influence
labor Availability	4.82	3	More influence
Raw Material Availability	4.96	2	More influence
Others Bad Experience	3.25	6	Neutral
Own Bad Experience	3.27	5	Neutral
Educational Background	1.53	7	Very Less influence
Government Policy/Rules	4	4	Somewhat influence
Motivated Factor	Mean	Rank	Result
Cheesed off with the present job	4	4	Motivated
Fear of Unemployment	4.45	3	Highly motivated
Desire to earn money	4.87	1	Highly motivated
Dissatisfaction with previous job	1.95	7	Less motivated
Implement own business idea	3.71	6	Motivated
Independent living	4.69	2	Highly motivated
Government support	1.47	8	Very less motivated
To put own funds	3.38	5	Motivated
Friends/Family Network	Mean	Rank	Result
Friends/Family encouragement	3.64	3	Good Support

Friends/Family success motivates to start business	3.85	2	Agree
Friends/Family are entrepreneurs	3.93	1	Agree
Large network of Friends/Family	3.93	1	Agree

The result shown in Table V highlighted that the respondents opinioned that the availability of capital, labor; raw Material and government policy are the most influencing factor for them to start the business of manufacturing surgical cotton. Contrary to the result outcome of Barba-sanchez and Atienza-sahuquillo (2012) research, our research has proven that the desire to make money, independent living, and fear of unemployment is the topmost motivating factors to start Surgical Cotton manufacturing business. The success of the friends, family members in business and network of business friends and family motivates them to start the business.

This research finding confirms the research outcome of Ozsoy, et.al (2001) who identified job security, and increasing the income is the motivating factor for Turkish entrepreneur. Benzing, et.al, (2009) found that making money is the highly motivating factor for African entrepreneurs.

The formulated hypotheses were tested by using ANOVA and Chi Square. The statistical test result shown in Table VI, confirms the fact of entrepreneurs without proper education, business family background and age factor ventured into this business.

TABLE VI ANOVA & Chi Square test Result

Null Hypothesis	F	Sig.	Result
H1: There is no difference in the mean of the friends and family encouragement in entrepreneurial career choice and the business family background.	9.34	.004	Reject null hypothesis
H2: There is no difference in the mean value of age and starting business to earn money	1.80	.176	Accept null hypothesis
H3: There is no association between age and the choice of entrepreneurship to implement own business idea	26.271a	Asymp. Sig. (2-sided) .000	Reject null hypothesis

C. Entrepreneurial Skill Assessment

The entrepreneurial skill set was assessed in the areas of finance, marketing and operational by having three constraints with 19 items in the questionnaire. This identified the skills possessed by entrepreneurs, which help them to enter into business and lagging skill set for further development.

The entrepreneurial skill assessment result shown in Table VII shows that as for as managing money the respondents strongly agrees that they have strong skills in cash flow forecasting, negotiating with financier, and funding arrangement but lack in financial statement preparation and Payroll maintenance.



The respondents are strong in selling, marketing research and communicating with the customer but lack in formulating promotional strategy and using social and internet media for promoting business. Procurement of material is not the issue for the entrepreneurs in Chatrapatti. They strongly agree that they have good inventory management skill and good experience in the purchase and dealing with the supplier. They felt that government regulation strongly affect their business.

Table VII Skill Assessment

<i>Managing Money</i>	<i>Mean</i>	<i>Rank</i>	<i>Result</i>
Budget Skill	3.95	5	Agree
Fund Raising	4.05	4	Agree
Preparing Financial Statement	3.45	8	Undecided
Cash flow Forecast	4.53	1	Strongly Agree
Payroll Experience	3.89	7	Agree
Tax Payment	3.91	6	Agree
Arranging Credit	4.35	2	Agree
Accounting	4.31	3	Agree
<i>Marketing research</i>	<i>Mean</i>	<i>Rank</i>	<i>Result</i>
Marketing research	4.53	2	Strongly Agree
Pricing strategies	3.78	5	Agree
Promotional strategy	3.35	6	Undecided
Customer communication	4.51	3	Strongly Agree
Sales experience	4.55	1	Strongly Agree
Competitor analysis	3.8	4	Agree
Using social media	1.65	7	Strongly Disagree
<i>Operational Experience</i>	<i>Mean</i>	<i>Rank</i>	<i>Result</i>
Purchasing experience	4.58	3	Strongly agree
Inventory management	4.67	2	Strongly agree
Experience with suppliers	4.84	1	Strongly agree
Web Development	1.35	4	Strongly Disagree
<i>Factor</i>	<i>Mean</i>	<i>Rank</i>	<i>Result</i>
Municipality rules affecting business	4.75	1	Strongly agree

D.Social and Cultural Factors

Interview with the respondent revealed that community funding plays a major role in entrepreneurs to venture into the development of new companies in this cluster. The weaving community living in Chathrapatti, Tamil Nadu and their social integration fills the gap of lack of government and institutional funding in this sector. The trust of the people in this community is a great asset for flourishing and sustaining this industry in this area. New entrepreneurs get funds from their society community funding system for machinery purchase and starting a business without giving any collateral security for loan, and written document for their loan amount. This trust, cooperative set up prevail in this society creates a favorable environment for a new entrepreneur to venture into this business.

Finding the most influencing factors for entrepreneurship is the aim of this research. Factor analysis has chosen for finding this. Before doing the factor analysis, its appropriateness and sampling adequacy are tested by correlation matrix, KMO and Bartlett's Test of Sphericity. The result of Bartlett's Test of Sphericity and KMO measure are shown in Table VIII revealed that the sampling is adequate and there is a mediocre correlation between the factors. The Bartlett's Test of Sphericity is significant and suggested the suitability of factor analysis.

Factor analysis is performed separately for influencing and motivational factor and skill set assessment. Table IX displays the four most influencing and motivational factors obtained through principal component factor analysis and the extracted 14 items with high eigenvalues for motivational factors together explains 73% variance.

As shown in Table X factor analysis for Skill set lead to five factors and all the items have high eigenvalues and explains about 75% variance.

TABLE VIII KMO and Bartlett's Test Result

Influencing and Motivating Factors		
Correlation Matrix - 0.000000188		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.600
Bartlett's Test of Sphericity	Approx. Chi-Square	730.346
	df	153
	Sig.	0.000
Skill Set		
Correlation Matrix - 0.00000000526		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.731
Bartlett's Test of Sphericity	Approx. Chi-Square	886.394
	df	190
	Sig.	0.000

TABLE IX Principal Component Factor Analysis (Varimax Rotation)

<i>Influencing and Motivating Factors</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Factor 3</i>	<i>Factor 4</i>
Capital availability				0.83
Labour availability	0.551			0.69
Raw material availability		0.84		
Own bad experience			0.746	
Education			0.87	
Government support			0.82	
Fear of Unemployment	-0.695			
Desire to earn money		0.89		

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Implement own		-0.59		
Independent living		0.80		
Friends/Family encouragement	0.867			
Friends/Family success motivates to start business	0.954			
Friends/Family are entrepreneurs	0.947			
Large network of Friends/Family	0.942			

The result of factor analysis identified friends, family members' encouragement, their success; network and funding through social setup are the most influencing factor for starting business. It is evidenced that the family and the social environment is conducive for persons to do business.

TABLE X Principal Component Factor Analysis (Varimax Rotation)

Skill Set	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Accounting					0.821
Web Development				0.872	
Budget Skill	0.819				
Fund Raising	0.833				
Preparing Financial Statement	0.685				
Cash flow Forecast	0.875				
Payroll Experience	0.853				
Tax Payment	0.834				
Arranging Credit	0.929				
Marketing research	0.843				
Pricing strategies	0.751				
Promotional strategy		0.563			
Customer communication		0.923			
Sales experience			-0.67		
Competitor analysis			-0.79		
Using social media			0.687		
Purchasing experience	0.635				
Inventory management	0.733				
Experience with suppliers	0.663	0.526			

VI. RECOMMENDATION TO POLICYMAKERS

This research reveals that the funding is not the issue for the entrepreneurs to start a business in this cluster, but they lack in technological advancement, formulating promotional strategy and using social media and internet for reaching a global market. Ministry of MSME and Tamil Nadu government promote this cluster by organizing MediTech

Expo and sponsoring the entrepreneurs to participate in the international exhibition to reach the global market.

Skill development training can be given to the entrepreneurs regarding digital marketing for reaching the untapped market and reap the market potential. Government of Gujarat has already implemented the various incentive schemes for promoting this industry. An entrepreneur who establishes new plant for value addition will get 5% interest subsidy on bank loans for five years and 7% interest subsidy on new plant and machinery for five years and providing financial assistance to support environmental compliance like energy and water conservation.

Entrepreneurs in the sample felt that the government rules, especially pollution control, affect their business and permanent solution for this is not sort out so far. The researcher recommends the government to create a facility for recycling industry wastage and reduce pollution control. Government has to fund or subsidize the investment in pollution control system by the micro enterprises to ease adoption. If state government provides subsidies for water conservation and recycling this industry will flourish and the entrepreneur will concentrate on further development.

VII. CONCLUSION

The research analysed the entrepreneurial eco system prevailing in Surgical Cotton Gauze and Bandage Cloth cluster at Chathrapati, Tamil Nadu, India. This research reveals the interesting findings that the entrepreneurs in this cluster are risk takers. Without business background, education and experience ventured into this business and more number of micro enterprises is started with their supplier knowledge, managerial skills, and good funding by community. The social and family setup highly motivates and supports the entrepreneurs. Independent living, money making are the highly motivating factor for perusing entrepreneurship. This research finding is contrary with the previous studies in the aspects of implementing innovative idea as the primary motive for starting the business. The researcher believes that due to lack of this innovation motive, innovation is not taking place in terms of promoting the product, process, functional areas of business. Industry, Academic, government department and association tie-up will uplift this cluster by indicating skill gap and knowledge gap.

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