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Study on Failure of Textile Entrepreneurship the Case Analysis – Batticaloa District

Mr.R.Kisho kumar
Faculty of Commerce and Management, Eastern University Sri Lanka

ABSTRACT

Economic development of a developing country mostly depends on successful small enterprises like small and medium scale entrepreneurship ventures. The main purpose of the present study was to examine the Case analysis on Failure of Textile Entrepreneurship. Entrepreneurship depends on their success factors for the purpose for their survival in the market. Those are Accounting and Finance, Entrepreneurship quality and Management related factors. In this context, the research question of this study is: What are the factors contributing to the failures of the Tamils owned textile entrepreneurship in Batticaloa District? The Business failure have evaluated based on three variables such as Management, Accounting and Finance, and Entrepreneurship quality derived from the literature review. The questionnaires was issued to textile business in the study area. In Batticaloa, the textile business is mostly dominated by the Muslim community and the rest by Tamil entrepreneurs. However, it is notable that the small and medium scale textile businesses owned by Tamils were found shut-down with small time-span operations. Though there may be many reasons for their shutting down of those businesses, no study has investigated to explore those reasons. Hence, this study investigates to explore these reasons with studying a few of textile businesses that were shut-down in Batticaloa business areas.

Keywords: Entrepreneurship and Accounting and Finance

INTRODUCTION

Background of Study

Textiles are highly consumable items that lead to creation of many textile based entrepreneurship ventures everywhere in Sri Lanka. They have reasonable impacts on the consumers' buying behaviour. It is also notable that rapidly changing pattern of lifestyle creates demands for textile with fashion. These provide more opportunities for creation of textile businesses at small and medium scales. In the textile business, some of the small and medium businesses grow very quickly. They open new branches and easily capture higher market share and earn goodwill, particularly in Batticaloa regions.

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ISSN: 2455-3220
Volume 03 Issue 11
October 2017

scale textile businesses owned by Tamils were found shut-down with small time-span operations. Though there may be many reasons for their shutting down of those businesses, no study has investigated to explore those reasons. Hence, this study investigates to explore these reasons with studying a few of textile businesses that were shut-down in Batticaloa business areas.

This study is about textile businesses that were owned by Tamil community and It has been closed and away from markets and further operations. This particular case of the analysis chosen from Batticaloa business area. This shop was started as a sole proprietor in 2006. Since it starts, the owner was in 53 years old. This shop was closed in 2009. The investment invested only by the owner of the shop. This capital collected from own money and sons' money.

This business was going very nicely in earlier period. Many loyalty customers were come to their shop and they had good idea about shop. This business was going very well in same time they had a problem that was the owner had sick. Therefore the owner appointed a worker to maintain the shop. That worker did not maintain the customers and shop's management activities.

Other important reason was they got shop for rent from one of the shop owner. Hence the rent was increased. Hence suddenly they had to move another place. This was also one of the reasons to shutoff the shop. However, this investigation collects information on closure of this textile business in consideration of three aspects: namely, Management, Accounting and Finance, and Entrepreneurs' Quality related information. They are next in detail.

Research Problem

In Batticaloa business central, there are vast number of textile shops (92 respectively). Among them, there are 76 Muslims and 16 Tamil textile business entrepreneurs (Municipal Council, Batticaloa, 2012) and this implies domination of Muslim textile businesses in this area market. Muslim owned textile businesses grow rapidly and dominate with a high market share. However, there are only few Tamils textile shop owners in Batticaloa markets. It is observed that Tamil entrepreneurs enters into textile businesses and they shut down their business in short period. Further, presently operating Tamils owned textile traders also have problems of marketing to run their businesses profitably in the high competitive nature. Hence, this study aims to investigate the reasons for the failures of Tamils owned textile businesses in Batticaloa business central. In this context, the research question of this study is:

What are the factors contributing to the failures of the Tamils owned textile entrepreneurship in Batticaloa?

Objective of the Study

The specific objectives of this study are given below. These objectives have been derived from the purpose of the study. The primary objective

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Volume 03 Issue 11
October 2017

of this study is to explore the reasons of failures of the Tamils owned textile businesses in Batticaloa. This investigation can provide information to the textile entrepreneurs, in particular, where they have to provide attention to improve their textile businesses to be profitable ventures.

LITERATURE REVIEW

Nowadays, the factors of production are the crucial that enhance every economy to grow and develop. They are in economic terms: land, labour, capital, and entrepreneurship. Entrepreneurship is a knowledge-based skill that integrates all of the other factors (land, labour and capital) to conduct better economic activities and produce economical products with desired results (Ramawickrama, 2011).

Saleem and Abideen (2011) further indicate that entrepreneur is the person who identifies market opportunities and use them with the resources integrated to create value for goods and services and to achieve preferred result for the venture. They further indicate that entrepreneurship is not only integrating the resources but also transforming innovations into value added goods and services.

According to Cooper and Artz (1995), economic performance may not be limited by entrepreneurial success. Simplest definition of success is the same to continuous business operations and the failure is the going out of business. Aldrich, Rosen and Woodward (1987) indicate that successful entrepreneurs' networks of acquaintances provide ideas, access to potential investors and access to potential customers. In this context, Ostgaard and Birley (1996) confirm a link between entrepreneurs' networking behaviours and the growth of their ventures.

According to Ibrahim and Goodwin (1986), successful entrepreneurs have some special talent like creative, flexible and independent. According to Mitton (1989), entrepreneurs have qualities of facing unknown circumstances and uncertainties. He also argues that the main characteristic of an entrepreneur is innovativeness. He cites Ho and Koh (1992) and Robinson and Sexton (1994) and emphasizes that comparatively successful entrepreneurs are highly innovative.

The entrepreneurial role models and their impacts generally interrelate to involve with entrepreneurs. Therefore, the entrepreneurial role models have considerable ability to enterprise success. In this context, Cooper (1995) indicates that "experience or occupational background of the entrepreneurs, family members, skill, knowledge, role models, supports and the economic conditions of the entrepreneurs, and access to capital" are the crucial motivators to direct entrepreneurs to successful in their ventures.

ISSN: 2455-3220
Volume 03 Issue 11
October 2017

Dimensions of Business Failure

This study assesses Business failure with fourteen dimensions. Those are "Planning, Organizing, Leading, Controlling, Liquidity ratio, Budget, Cash flow, Budget, Liquidity ratio, Price level, Current ratio, Innovation, Risk Taking, Ambition, Discipline, Positive Attitude".

Dimension 1: Planning

Planning is the core area of all the functions of management. It is the foundation upon which the other three areas should be build. Planning requires management to evaluate where the company is currently, and where it would like to be in the future. From there an appropriate course of action to attain the company's goals and objectives is determined and implemented.

Dimension 2: Organizing

Getting organized is the second function of management. Management must organize all its resources in order to implement the course of action it determined in the planning process. In determining the internal structure, management must look at the different divisions or departments, the coordination of staff, and what is the best way to handle the necessary tasks and disbursement of information within the company.

Dimension 3: Leading

Management is about getting things done. Leadership is about achieving goals by creating a direction for a business and inspiring employees to take initiative and make the right decisions. Enterprise managers need the skills to motivate, lead and influence others. Enterprise aims to employ people who can take on a leadership role and help to grow the business for the longer term. Its management and training programmes help to provide employees with the skills necessary to lead others.

Dimension 4: Controlling

Controlling is the last of the four functions of management. It involves establishing performance standards based on the company's objectives, and evaluating and reporting actual job performance. Once management has done both of these things, it should compare the two to determine any necessary corrective or preventive action.

Dimension 5: Break even analysis

It is a specific way of presenting and studying the inter relationship between cost volume and profit, and establishes a relationship between revenue and cost with respect to volume.

Dimension 6: Liquidity ratio

Liquidity ratios are a set of ratios or figures that measure a company's ability to pay off its short term debt to obligations. This is done by measuring a company's liquid assets against its short term liabilities.

Dimension 7: Profitability ratio

Profitability Ratios show how successful a company is in terms of generating

ISSN: 2455-3220
Volume 03 Issue 11
October 2017

returns or profits on the Investment that it has made in the business. If a business is liquid and efficient it should also be Profitable.

Dimension 8: Innovation

To be innovative is to possess the ability to be creative or individualistic; these same traits are considered benefits in owning a business (U.S. Small Business Administration, 2008). Innovation is one of the key success factors at the top of the list in the fashion industry. The SBA describes business innovation in two ways; inventing something, or creating something from an existing idea (U.S. Small Business Administration, 2007).

Dimension 9: Risk taking

It is the ability of entrepreneurs to strive to be the pioneer in the industry, setting realistic goals, manage risk by researching and assessing relevant risk factors. It also includes the ability to utilized available resources efficiently and being aware of their strength and weakness.

Dimension 10: Ambition

A positive outlook is essential for the entrepreneur, who learns to see setbacks as bargain priced tuition for the valuable business lessons gained through firsthand experience. Past shortcomings, failures, or disappointments are relegated to the past so that they cannot continue to haunt the present or obstruct the future. And when things go right and business prospers, this further fuels the optimism and positive mindset of an entrepreneur, helping to give impetus and momentum for greater accomplishments and increased hopefulness.

Dimension 11: Able to communicate

Entrepreneurs recognize that the most important part of any business is the human element. Human resources – whether in the form of clients, employees, or strategic partners – are what makes or breaks a business, and communication is the key to successful relationships with people. The entrepreneur works to hone communication skills, whether those are written, spoken, or non-verbal messages conveyed through body language.

Dimension 12: Dedication

Entrepreneurs dedicate themselves to the fulfilment of their plans, visions, and dreams, and that tenacity of purpose generates electricity throughout the whole organization. One of the biggest reasons that companies fail is because they lose focus. Target a goal, clarify the objective, refine the brand, and narrow the margin of error. Regardless of what the effort might involve, an entrepreneur brings a single-minded dedication to the task by being committed to a positive outcome and ready and willing to do the needful.

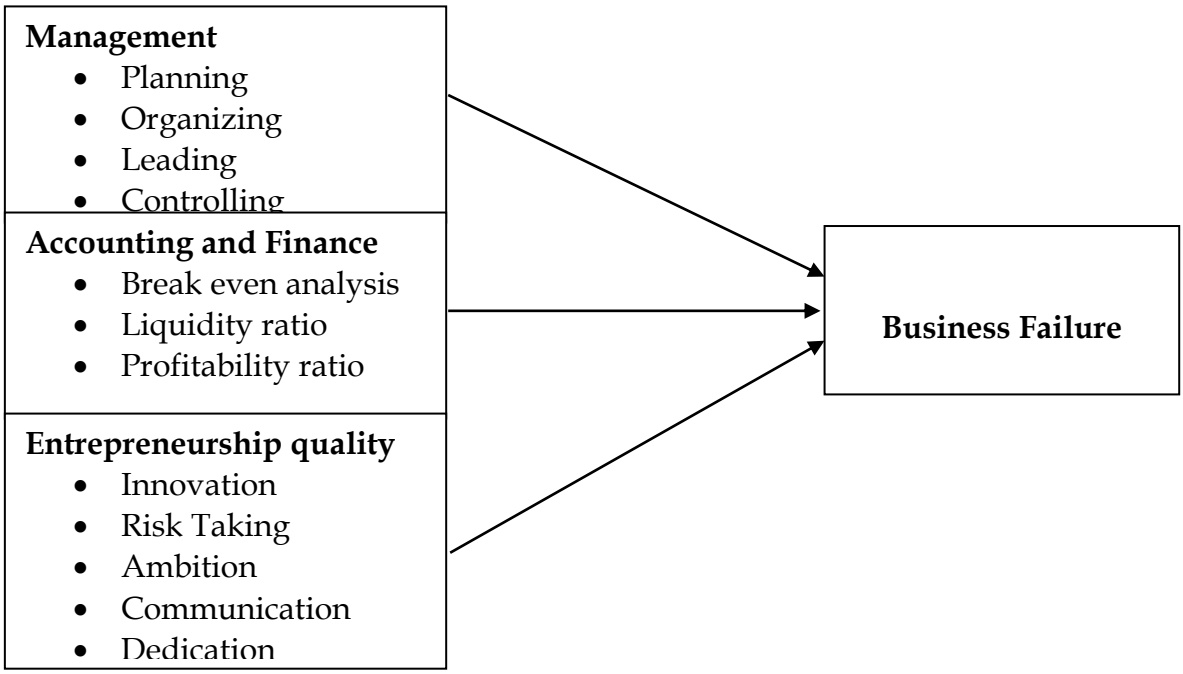
CONCEPTUALIZATION AND METHODOLOGY

This study assesses Business failure with twelve dimensions. Those are "Planning, Organizing, Leading, Controlling, Break even analysis, Liquidity ratio, Profitability ratio, Innovation, Risk

ISSN: 2455-3220
Volume 03 Issue 11
October 2017

Taking, Ambition, Discipline, Positive Attitude". The following conceptual model has been developed base on the literature.

Figure 2.1: Conceptual framework of the study



(Source: Literature)

Profile information was gathered through the questionnaire. The self-administered questionnaire was used to collect personal relations to statements within management, accounting and finances and entrepreneurship quality related information, and data for this study were collected through interview. The sample was made up of the business owner or business founder who responded to questions regarding the failure factors in entrepreneurship.

A case study approach is applied, in order to meet the aim and purpose of the study carried out with the use of semi structured interviews. The objective purpose of this case study is to experience the entrepreneurial failure through the Management, Accounting and Finance, and Entrepreneurship quality aspects, to report encountered findings observed from the selected theoretical perspective

Methodology

To induce the information requirements of the study, a proper methodology has to be chosen and appropriate tools for data collection and analysis have to be selected. Therefore, a qualitative research as a primary research enables researchers to be present detailed snapshots as it were of the participants under study.

Data Collection Methods and Instruments

Consorting the literature of Yin (2003), defines case study research as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident."

The secondary data for this study is based on secondary resources that already exist. It included leaflets, newspapers, magazine articles, government publications, conference proceedings, reports, academic journals, books, statistics and unpublished manuscripts.

Data Presentation, Analysis and Evaluation

The case studies have been applied to this study because it provides a clear example of the success factors in entrepreneurship and the variability in usage as well as to describe entrepreneurial phenomena. And ultimately this study needs to find the appropriate issues for assumption and needs to confine the relationship with the dimension of the success factors. The case was used to infer theory from practice by exploring the environmental variables of the success factors in order to determine what the elements were facilitated and contributed to the entrepreneurial failure.

ANALYSIS AND DISCUSSION OF THE BUSINESS

Management Aspects

Business plan is the most important in successful entrepreneurs. Because a business plan is a document that provides direction for both operations and growth of a business, it is also a much needed for getting financing and managing operations (Granger and Sterling, 2003).

Upon entry into a market, having a well thought out business plan is important to the general success of the business. There are many aspects to a business plan in which the entrepreneur should plan ahead of time including finances, risks, marketing, and exit, as well as many others. As this context, this textile owner not plans their operations, this leads to failure of their business.

The ability for high success entrepreneurs to achieve their goal through self-efficacy may be the division point of success and failure of apparel entrepreneurs (Bandura, 1986). In the same context, the business was not any other target in achieving sales. However, it had no concern over evaluating the target performance with performance indicators. When a target is to be achieved, it is important to have performance indicators to assess whether the target can be achieved. This business had no concern about

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Volume 03 Issue 11
October 2017

the performance indicators to match with the target of sales.

Accounting and Finance Information

Finances cause with many ways to failure of entrepreneurship. When an entrepreneur spends too much money, particularly in the early stage of the business, and expends all their startup capital money before achieving profitability, there is a high possibility for the business to experience severe loss in the early stage. Likewise, by taking action without planning first, the entrepreneur acts impulsively and makes costly errors that eventually cause the business to fail (Tracy, 2005). In the same context, this business had no proper planning and spends too much of money at its initial stage with very lowest gaining.

By writing a business plan and financial plan, the entrepreneur should understand when positive cash flow should begin. It takes two or more years to merely break-even. Until the business reaches a break-even-point and begins retaining positive cash flow, there needs to be capital saved from the startup of the business. Otherwise, growth cannot be achieved and the business will fail quickly. Likewise, keeping track of all financial records is extremely important even to monitor expenditures in the business. As this business did not have effective business plan, financial plan, and better accounting practices, all these might have failure of this business.

Entrepreneurship Quality Information

According to Action coach twelve characteristics that are found within all successful entrepreneurs and without which most people will fall short of what it takes to succeed in an entrepreneurial enterprise. Such are confident, feels a sense of ownership, able to communicate, passionate about learning, team player, system oriented, dedicated, grateful, optimistic, gregarious, a leader by example, not afraid of risk or success. As this business, entrepreneur has such characters. Those are confident, able to communicate, system oriented and optimistic. And also he did not have some characters. Those are feels a sense of ownership, passionate about learning, team player, grateful, gregarious, Leader and dedicated.

According to Kotey and Meredith (1997), entrepreneurs place high value on ambition, achievement, reliability, responsibility, hard work, competence, optimism, innovation, aggressiveness, honesty, creativity, social recognition and growth. As this business, he has some characters. Those are reliability, optimism, social recognition, innovation and creativity. And also he did not have some characters. Those are high value on ambition, achievement,

responsibility, hard work, competence, honesty, and growth.

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