

## Death of Firms: A Qualitative Study of Gaya District (Bihar)

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### Abstract

The objective of this study is to examine the reason for closure of the business in Bihar's Gaya district, since it plays an important role in Bihar's economy to generating the employment. While this study is based on primary data. Which is collected by schedule and interviews. Observation method has played crucial role in this study. Moreover this study discusses the reason of chosen that occupation and also the reason for leaving that firm. This study also find that there is lack of official data on death of firm in government of India. The study also find that age is determining factor behind the death of firm because as age decline their health is also not supporting and lack of helping hand they are keen to shut down their firm. Despite of that due to lack of managerial and analytical capacity many firm closed.

**Keywords:** Informal Sector; Self-Employment; Death of Firm.

### Introduction

Despite the presence of a large number of firms in the informal sector in India, very little is known about their characteristics and evolution over time. Indian economy has preponderance of informal and unorganized sector both in terms of number of workers and enterprises. This segment of economy has vulnerabilities, and the study of unorganized sector based on reliable data is desirable for important decision making and addressing the problems faced. Unorganized or informal sector constitutes an important part of the Indian economy. More than 90% of workforce and about 50% of the national product are accounted for by the informal economy (NCEUS). And this informal sector comprises high proportion of socially and economically underprivileged sections of society. There are also growing interlinkages between formal and informal economy. For inclusive growth of this sector to be guaranteed, it needs special attention. A balanced growth requires that the needs of the sector in terms of credit, skills, technology, etc. are addressed. However, it is increasingly realized that

lack of reliable statistics on the size, distribution and economic contribution of the sector has been a major constraint in providing a realistic understanding of the significance of the Indian economy, leading to its neglect in planning. Keeping in mind the above facts, the particular study, 'Death of firms', attempts to take a small step ahead towards focusing on the informal sector and one of its concerns "death" or closure. It implies closure of a small establishment or proprietorship owing to reasons not under control of the proprietor. These reasons may be market oriented or idiosyncratic. Such reasons or factors may be inevitable further depending on the managerial capabilities of the firm owner. However, there are many other determinants which need to be explored through this study. The further importance of this study can be revealed through a comparison with labor regulations like The Factories Act, 1934. This act applies to establishments employing 10 or more persons with power use or 20 or more persons. It aims to improve the working conditions in factories; its scope also extends to include welfare, health of workers. Similarly, legislation like The Minimum wages Act

ensures minimum wages for the workers working both in formal and informal establishments. But discrimination and exploitation of informal workers is apparent. All the legislations are focused mainly towards formal workers. But what about the workers working in informal establishments? In spite of the predominance of informal workers, there is no proper legislation regarding the welfare of those workers. Attention needs to be provided not only in terms of government intervention, but also in form of research activities. It is a well-known fact that much of research activities ultimately go into government planning and decision-making. As far as this particular topic is concerned, "Death of firms", causes threat to the livelihood of the proprietors. Proprietors may include small vendors, shop owners etc who have 'hand to mouth' existence. Closure of such businesses goes unregistered and unnoticed. It is urgent that such activities get due recognition and acclaim so that the livelihood of such marginal people may be secured through relevant government programs. Informal sector provides livelihood to millions of people, yet their contribution to economic development is negligible. It consists of typically small inefficient firms run by poorly educated entrepreneurs. They produce low-quality products for low-income consumers using little capital and adding little value. Informal firms enjoy advantage like avoidance of tax and regulations. However, they do not threaten formal firms; the increase in value that informal entrepreneurs would achieve by operating formally is too small to offset the additional costs that would arise from taxes and regulations. Thus, the giant informal sector competes unfairly with law-abiding formal firms (Farrell 2004). Supporting this view, one must understand that informal sector needs to be monitored and studied so that they can be brought under the purview of government and the hidden entrepreneurial abilities be tapped. However, it also cannot be denied that informality is a byproduct of

poverty (Porta and Shleifer, 2014) in a developing country like India, and formalizing it would be a tedious task. So, at this juncture, it can be said that informal sector requires extra attention in policy making, for example, making formalization easy, so that the demerits of informalization to the economy can be checked. And studies like this particular one is a little drop to the ocean which would serve the above purpose.

The Table 1 reflects the predominance of informal sector in the Indian economy, and as such the relevance of the topic is acknowledged. In 2004-05, 92.3% of total workers lied in informal sector in comparison to a minimal 7.7% of formal sector.

### *Informal Sector*

"Informal Sector" refers to the activities in which many, if not most, urban workers regularly engage as full participants in the existing economic order (Peattie, 1980; Davies, 1979). As a social stratum, "informal sector refers to the most deprived sectors of the population, primarily in urban areas. Deprivation is variously defined in terms of access to and quality of employment, earnings and consumption. (Raczynski, 1977).

According to an ILO sponsored study, the defining characteristic of informal enterprise is ease of entry, determined by low capital and skill requirements. Street vending, domestic service, minor household repairs, custodial duties can be performed by anyone without special training or resources. This sector has workers with low levels of education and such segments of the population as women, children and aged and recent urban migrants. Their earnings are lower than workers of formal sector and their opportunities for advancement out of informal activities are severely limited. (Gerry, 1978; Tokman, 1978). Informal sector has other characteristics like reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour-intensive and adaptive

**Table 1:** Estimated Number of Informal/Formal Sector Workers in 1999-2000 and 2004-05 (in millions).

Category of workers	2004-05					
	Informal Sector		Formal Sector		Total	
Informal Workers	391.73	(99.6)	28.91	(46.2)	420.67	(92.3)
Formal Worker	1.42	(0.4)	33.65	(53.8)	35.03	(7.7)
Total	393.15	(100.0)	62.56	(100.0)	455.7	(100.0)
1999-2000						
Informal Workers	339.71	(99.5)	23.04	(42.0)	362.76	(91.5)
Formal Worker	1.79	(0.5)	31.85	(58.00)	33.64	(8.5)
Total	341.50	(100.0)	54.89	(100.0)	396.4	(100.0)

Source: Report of the Committee on Unorganized Sector Statistics, National Statistical Commission, Government of India, February 2012.

technology, skills acquired outside the formal school systems, and unregulated and competitive markets. Urban growth in India can be attributed to migration from the rural areas. The motivation behind such migration is economic in nature. The so called 'modern sector' in manufacturing and social establishments has failed to cause an increase in labour demand owing to its capital-intensive nature. However, the excess labour supply caused by migration is generally found to be absorbed by rest of the urban economy loosely termed as the 'informal sector'.

### Literature Review

There is a crisis of Indian literature on death of firms. However, there has been a lot of work done on U.S firms and other foreign firms. A review of the existing literature suggests various factors which determine the decision of the closure of a firm and ultimately its "death". *Royston Greenwood and Roy Suddaby (1997)* state a meta-theory that-Failure, exit, bankruptcy, liquidation, hostile takeovers are largely viewed as results of managerial 'bungling'. *Hopenhayn (1996)* in his study develops a model in which firms are faced with individual productivity shocks and this is the only source of uncertainty. Their decision to exit the industry depends on these shocks. He explains that as a result of this idiosyncratic uncertainty, resources are reallocated from exiting to new and expanding firms. His model further suggests that incumbent firms maximize profit with a perfect foresight on future prices and as a consequence, exit decisions are a function of the sequence of future prices.

*Rajshree Agarwal and Michael Gort (2000)*, in a neo-classical model approach, suggest that the probability of a firm's survival for a given interval of time is a function of a vector of market attributes and a vector of attributes that relate to the individual firm. Market attributes consist of variables such as growth in demand, barriers to entry, scale economies and others. *Norujuki Doi, (2000)* in his study of 101 four-digit SIC manufacturing industries over the period 1981-89 found that capital intensity and subcontracting relationships have an exit-promoting effect, while profits, industry growth, concentration and R&D opportunity have a negative relationship to exit. He also found that in industries with large initial number of firms, gross exit rate tends to increase. *John Austin and David Rosenbaum (1989)* in their study of U.S manufacturing industries try to answer the question about the forces behind exit. One answer is that exiting firms may have better

use for their physical and financial capital. The reasons that attracted them to the industry are no longer sufficient for them to stay. They may have got attracted to some other industry. Firms may also be driven out due to high costs which make it difficult to compete with the market. Excessive competition caused by existing firms, new entrants or import competition may snatch opportunities from the existing firms. *Noboyuki Harada, (2007)* in his paper examined small firm exit behaviors, on the basis of a large scale questionnaire survey. He divided his findings into 'economic-forced exit' and 'non-economic forced exit'. The logit estimates of the former suggested that exit rates were high if the manager was young and male, and the firm had loans from a financial institution as its sales tended to increase. Non-economic factors comprised reasons such as aging and health issues, 'to take life easy', 'to take a new job or start a new business', etc. According to *Storey and Johnson (1986)*, the founder of a new enterprise is strictly linked to his own background. His previous job experience also plays a vital role in the birth of a business. Instead of searching for the most profitable opportunity, a potential entrepreneur starts concentrating on a familiar sector. He acquires his technical and managerial capabilities during his previous job. Educational and family backgrounds also are key factors determining birth of new firm as an act of self-employment. Higher education and family traditions in the field of entrepreneurship correspond to higher probability of choosing a self-employment activity. (*Evans and Leighton, 1989*).

There are environmental factors also which facilitate the emergence of new firms. It is argued that presence of a small firm network can be an effective incubator for new entrepreneurs because of easier opportunities to acquire a general management capability within a small firm. According to *Brusco (1986)*, and *Garafoli (1990)*, the presence of an industrial district with its 'external economies', according to Marshall's terminology, may be an important push factor in stimulating the creation of new enterprises. According to econometric studies by *Gudgin (1978)*, and *Cathcart and Johnson (1979)*, the positive correlation between the birth of new firms and presence of small firms has been confirmed in cross sectional analyses. According to self-employment theory by *Oxenfeldt (1943)*, there are various push and pull factors with regard to the choice of the potential founder. He compares his present income and perspectives as employee and the expected income from the independent activity, if this difference is more than a given threshold, the new firm will be founded. *Storey and Jones (1987)*

discovered a positive relationship between job losses and creation of new enterprises, which turned out to be much more significant than the relationship between profits and entry rates. *Evans and Leighton* (1990) put forward estimated results where the choice of self-employment turns out to be more likely when previous job experience has been characterized by either low wages or frequent changes of job.

## Research Methodology and Observation

The objective of the study “Death of firms” is to find out the reasons behind the closure of small firms. The study attempts to bring them out to decide whether they can be established as classic determinants. The study uses literature on firm death to identify determinants and incorporate the same in questionnaire for primary data survey. The author also reviewed literature on firm birth as closure of one firm leads to birth of another.

### Sampling Design

Purposive sampling method was adopted for this study.

### Sample unit

Sample unit consists of small shop owners and vendors circulating in Bodhgaya and Gaya.

### Sample size

Total sample size in the present study is 16. It comprises 14 from Bodhgaya and 2 from Gaya.

### Data collection method(s)

*Primary Data:* The data was collected through questionnaire and interview

*Secondary Data:* The data were collected through the following sources:

- (i) Internal sources
- (ii) Articles downloaded from JSTOR, EPW etc.

### Limitations of the study

The major limitation of the study is that Government of India doesn't maintain official records regarding the closure of informal firms. So, primary data was used. Moreover, there is a crisis of Indian literature on the particular topic, as not much work has been done in the particular area. Another limitation is the small size of the sample. So, it could not be subjected to further analysis and interpretation

using statistical tools. Reason for small size can be the prevalence of job mobility and rarity of firm death. Time constraint is also another limitation.

### Observations

This section contains a detailed discussion of the observations made during the survey. A detailed analysis of the various aspects of the survey has been made to bring out the details of the study.

### Basic details

The survey on ‘Death of firms’ was conducted at Bodhgaya and Gaya. The age of most of the respondents was above 40 and it is justified because it suggests that earlier the proprietor was continuing some other business.

**Table 2:** Showing age of respondents.

Age Group	Frequency
21-40	8
41-60	7
61 and above	1

Some of the vibrant entrepreneurs are in their twenties and have also suffered business closures owing to different reasons. Majority of the respondents are married. They do not possess educational qualifications as they are street vendors characterized by poverty. So, they choose such occupations which require no educational qualification and minimal capital investment. However, some of the better off respondents possessed some basic education and rarely one or two were pursuing professional degrees.

**Table 3:** Showing educational qualification.

Educational Level	Frequency
Illiterate	3
Non-Matric	5
Matric	1
Inter	5
Graduate	2

Majority of the respondents are Hindus, some Muslims.

**Table 4:** Showing caste.

Religion	Frequency
Hindu	13
Muslim	3

One fact worth mentioning is that caste plays an important role in their choice of business. For example, respondent belonging to ‘Malakar caste’, sells flowers.

### *First Occupational/Business details*

#### *First basic occupation*

As informal firms are run by proprietors who are poor and belong to the underprivileged groups, their first basic occupation is basically small, which require less of capital investment. For example, their first ventures were tea shops, rickshaw pulling, egg stalls etc. This is the case with the marginalized ones. However, those who are little better off have their initial business like hotel, clothing, dairy farm etc. They are those who have good initial capital and can start such businesses properly.

#### *Age of the respondent during first occupation*

First business obviously suggests that the proprietors are in their twenties. However, there are some exceptional cases where one starts business at a tender age to support their families. For example, a rickshaw puller started pulling rickshaw in his teens as he had no other option to support his family.

#### *Reason for choice of that occupation*

As informal firm owners are people belonging to poor background, their choice of occupation is characterized by tasks driven by the motive of supporting the livelihood of their families. For example, a rickshaw puller chose his occupation only because he had no other option to feed his family. Reasons for choice of first occupation however reflect diversity as far as the samples are concerned. Choice of occupation is also determined by family business. For example, for a respondent flower selling was a family business, so he chose the same. He may have gained the experience for running the same since he was a child. Another determinant affecting choice is the previous job experience of the person. For example, a person previously as a helper in a hotel chose to open his own hotel and run it using the experience he has gathered at his previous workplace. In the same manner, a person a medical store as his first occupation has previously worked as a compounder in a medical store. Choice of occupation is also determined by the profit-motive of the proprietor. If he thinks that this business will fetch him good profits, he goes for it. Such profit is however not guaranteed, it is just the personal discretion of the proprietor. His choice of business may also be the reason for the closure of his business. For example, a person opens a mobile accessories shop driven by profit motive, but later it fails because of lack of demand in the market. Some businesses are also

commenced because the proprietor analyses that there is no competition for it in the market. For example, a person opened a hotel near Bodhgaya 80 feet temple as there was no other hotel beside. However, his business closed because competition arose with passage of time. Another important reason is characterized by the place where the business is located. Many people open handicraft shop at Bodhgaya as it is a tourist place. Similar was the case with a tour and travel business owner. Some business choices are affected by the caste of the proprietor. For example, a person belonging to the barber community opened a hair cutting salon. However his choice was also supplemented by the less capital requirement factor, i.e. a mirror and a chair is enough. Some proprietors choose a business because it is a peaceful one and there are no complexities involved. For example, a hotelier opened a hotel as he thinks it is a peaceful business. Some business choices are determined just with the fact that he is unemployed and he had to do something. This response was recorded from a ring shop owner. Small ventures like egg stall and tea stalls are opened just because they require less of capital and there are no major manual efforts involved. A unique factor determining firm choice apart from conventional ones was that a person opened a dairy farm because of his love for animals.

#### *Help for starting the business*

Majority of the respondents were helped by their friends and family members. Close relatives provide necessary capital required for the establishment of business and that too without any rate of interest. However, many of the businesses are started without any external help and they come up with self-generated capital like savings. Some of them were helped by their father.

#### *Time taken to start the business*

On an average, it takes 2-3 months for a business to commence. The proprietor arranges for necessary capital and other fixed assets and equipments during the time interval. However, it takes minimal time to start petty businesses like tea stalls and vegetable shop or egg stalls.

#### *Duration of that occupation*

There is no uniformity regarding the duration of first occupation among the samples. For example, an egg stall owner had been selling eggs for past 20 years. Shops like footwear, mobile shops, hotel continued for 2-3 years. However, businesses involving bigger investment continue for long

because they have to recover the sunk costs. For example, a restaurant business continued for 10 years. Ultimately, the duration of occupations does not present a consistent picture.

#### *Initial capital invested*

As the proprietors do not maintain books of accounts, their responses on initial capital investment are based on approximations. Initial capital ranges from Rs 2000-3000 to even lakh. For example, initial investment for a barber was Rs 3000, small hotel was Rs 3000, a mobile accessories shop was Rs 20,000, a vegetable and fruit shop was started with Rs 20,000. Bigger shops involved bigger investments like a tour and travel shop involved a total investment of Rs 7 lakh (5.5 lakh for car & 1.5 lakh for license). A bigger hotel involved an investment of Rs 50,000. A flower shop was commenced with an initial investment of Rs 20,000. A footwear shop was opened with a total investment of Rs 2 lakh. A restaurant business was started with 2.5 lakh. A clothing business started with Rs 30,000. A dairy farm required a total initial capital of Rs 1, 20,000.

#### *Fixed Assets*

Fixed assets composition is different for different proprietors. For a hotelier, his fixed assets comprised chairs, tables, chairs, utensils, stove etc. Similarly, for a restaurateur, his fixed assets are his restaurant, furniture, utensils, etc. for a juice seller, his juice machine, for a tour and travel owner, his vehicles etc.

#### *Source of such capital*

As mentioned earlier, friends and relatives provide the necessary capital. More interestingly, some even use their dowry as initial capital for the business. For example, a dairy farm owner utilized his dowry as capital. Similarly, a hotel owner sold the jewellery of his wife for accumulating money. Donations were also a source of capital. For example, a tea stall owner started his tea stall using the Rs 15000 American donation he had received.

#### *Rate of interest*

As source of capital is limited to family and friends, no rate of interest is applicable.

#### *Reason for closure of that business*

This question is very crucial as it underlies the main purpose of the study. A very common reason stated and which is already accepted conventionally is

loss. And such loss can be attributed to a number of reasons. First and foremost, health and related causes. For example, a person who ran a hotel for 17 years chose to close the business because his body did not allow more hard labor. Similarly, health hazards, like a barber underwent a cervical operation, so he had to discontinue his business and opened a handicraft shop. In the same way, a rickshaw puller complained of chest pain and piles, therefore he discontinued the same and went for juice-selling. Such proprietors understand that they have to be secured in terms of health in order to support their families, so they switch to jobs involving less labor. Another important factor affecting closure or death is the lack of knowledge of business. A person opened a mobile accessories shop with a profit motive thinking that there is huge demand, but had to shut it down as he did not have proper knowledge of the business. Lack of earlier experience in that field is also another reason. For example, how to handle the customers, how to bargain, lack of other management skills disallows them to sustain in long run. The survey area, Bodhgaya is a tourist place, and that too determines the continuance of a business. For example, a proprietor opened a small hotel thinking it is a peaceful business, but it got closed as he didn't find many customers because tourists prefer big hotels and restaurants. Similarly, a respondent complained of off-season loss, i.e. during peak seasons, when tourists arrive, business runs well, but during other time of the year, business remains poor. Some businesses were closed because of government activities. For example, a flower shop located near Mahabodhi Temple in Bodhgaya was evacuated from the temple because the government wanted to enlarge the temple premises. So, the flower shop had to be shut down. In another government activity, a tour and travel business was closed because the government increased travel tax. Due to this, the savings of the proprietor decreased. All his savings went into paying taxes with minor savings left for him, and he found it difficult to make profits. So, he shut down the business. In a similar government induced factor, a medical shop was closed because the proprietor failed to secure license from the government.

#### *Loss during that business*

In a fashion similar with responses of initial capital investment, the responses to this question were also approximation based. No accounts are maintained regarding losses. Many respondents had no response regarding the same, however owner of a flower store quoted a loss of Rs 50,000, tour and

travel owner quoted 5 lakhs. A hotelier recorded 1 lakh loss, similarly a mobile accessories shop owner quoted 1 lakh and a footwear owner 2 lakhs.

#### *Amount realized from sale of assets of the business*

As proprietors belong to poor class, they try to utilize the assets of the previous business in their new ones, and as such they do not sell them. However, some bigger shop owners sell them off in some exceptional cases. For example, a medical shop owner who could not procure licenses sold it for 1 lakh and started a general store. Tour and travel realized 1.2 lakh from it before opening a general store. Some of them had no idea about the amount realization.

#### *Second Occupational/Business details*

##### *Second basic occupation*

The decision regarding second basic occupation is very crucial for the proprietor, as he has recently suffered a firm 'death' and he cannot afford another. Such decision is influenced by the fact that it should be less risky and would allow the owner to sustain in the long run. In Bodhgaya, majority of the respondents, who were earlier hotelier, tour and travel owner, footwear owner etc switched to general store shop as it is a much secured business and it is in much demand in a tourist place. It involves less of risk and no complexities are involved.

##### *Reason for choice of that occupation*

As mentioned earlier, the proprietor has to be very precautious during his second venture. This fact was inherent in the responses recorded during the survey. The choice of general store is supported by reasons like easy procurement of licenses, huge demand for such shops in a tourist place and of course meeting the livelihood of family. A restaurateur whose restaurant was shut down as his business was on leased land procured a government license for Sudha dairy from the Bihar government. Similarly, a person pursuing medical career, who had suffered death of a mobile shop business, opened a medical shop. This reveals a 'learning by doing' factor, as he learned from his previous mistake. A barber, who had closed his salon owing to health factor, opened a statue and handicraft shop, because it involved no manual labour. Similarly, a rickshaw puller started juice vending to escape manual labour. Other small vendors like vegetable started selling tea as less risk is involved. A dairy farm owner also started

tea stall to avoid risk. A hotel owner started an electronic shop as there was no competition nearby. He also had established good contacts with wholesaler. A ring shop owner ventured into cloth business as it is demanded more by tourists.

##### *Source of such capital*

Unlike their first business, where their source of capital is relatives/friends, during their second venture, source of capital for majority of the small vendors is local moneylenders like *mahajans*, because they are not capable of securing loans from banks, so they find it easier to approach the local moneylenders. However, they charge higher interest rates. Similarly, bigger proprietors also prefer fetching money from the market to loans from banks because according to them, banks involve much of formalities and takes much time to clear loans.

##### *Rate of interest*

As local money lenders are non-institutional form of credit-makers, they do not charge uniform rates. So, rates of interest vary across individuals. For example, 10-12%.

##### *Decision regarding diversification*

Diversification as a determinant of firm exit was identified in the literature, and so found a place in the questionnaire. Many wish to diversify in their own spheres. A paan shop owner wished to diversify only if he made losses. A tea shop owner wished to open a hotel and sweet shop. Juice seller didn't wish to diversify soon. A general store owner who was on a rented shop, wished to open his own shop. Some newly opened electronic and handicraft shop owners didn't wish to diversify owing to lack of funds and peacefully running business. A samosa shop owner wished to own a bigger shop. A medical shop owner wished to open a nursing home. A general store owner wanted to expand his store by incorporating a medical shop simultaneously.

##### *Risks idiosyncratic to the business*

Idiosyncratic risks were identified in one or two responses. For example, leakage of milk was a risk for Sudha Dairy, such wastage was very large and amounted to huge loss, but was not acknowledged by the Bihar government. To minimize those, the owner sells other private products at his store which is not allowed by the government. Owner of a handicraft shop responded that the wrong behavior of the owner and risk of being removed from the shop but the owner is an idiosyncratic risk for him.

*Caste as an exit determining factor for the business*

Caste was not an exit determining factor for any of the business.

*Government policies as an exit determining factor*

Government policies have had an impact on businesses. These may also include the activities of the local administration.

**Conclusion**

'Death of firms' is a constituent of labour economics, and this particular topic has not received the required attention in the research arena in India. This study approaches in its small way to find out the reason that causes 'Death' or closure of firms. As there are no official records maintained by the government of India regarding the same, the study relies on primary data. Initially, many determinants were identified from literature like profitability, firm's size, age, productivity, idiosyncratic risks etc. However, many of those were not applicable to the samples given their informal nature. The determinants identified from the study are as follows. Firstly age, Age (of the firms) as a determinant of death of firms is reflected in the literatures, and many suggest that with age, firms get stronger and are less likely to exit. But, as far as the survey is concerned, age of the proprietor and this is a major determinant of death of firm. With growing age, the proprietor's manpower declines, and he finds it difficult to continue the business as there is no helping hand for him. So, he chooses to shut the firm and start some other business which requires less of physical effort and continuous profits. Secondly, health, very close to the determinant age, is another one called health. Health of the proprietor also plays a major role in determining the continuance of business. Poor health and other health hazards turned out to be the reason for death of business. Many businesses shut down, because the proprietor continues as his body was rendered unfit owing to the excessive manpower required by his previous engagement. Proprietors of small business establishments are ignorant of the various health hazards and realize about it, only when they arise. Apart from health hazards, there are health issues which are not a result of the business, and determine his decision for closure of business as he cannot continue the same. Similarly, Managerial capabilities, the proprietors' managerial capabilities have a direct impact on the success of a business. The proprietors

in the sample do not possess any such professional managerial skills, but here the practical managerial skills are concerned. Many of the businesses start because the proprietors find a good scope for it but they fail because of lack of knowledge required for running the business efficiently. Moreover, some businesses are started just because the convener anticipates that there is demand for such shop, but fail to monitor further complexities involved in it. For example, a person starts hotel business in Bodhgaya thinking that it would work, but it fails as there is no demand for it in a tourist place, and he opens a general store which has more demand. His lack of managerial and analytical skills results in his closure of business. Loss is regarded as one of the major determinants causing death of business. Same is the case with many of the businesses in the samples collected where no profit/loss has been a major contributor to firm deaths. Many of the businesses are subsistence ones and are run only to secure food for the families and improve their standard of living. But if the basic motive itself is not fulfilled, they have no option but to close the business. This results in death of that particular firm. The proprietor then starts searching for some other business which would give him enough money for his livelihood. Loss, as a determinant is directly linked to managerial skills, as the proper/improper functioning of a business and subsequent profit/loss depends on the managerial skills of the proprietor. His initial decision of choosing the business affects his future prospects of profit/loss. Loss or profit is also dependent on competition. Competition, as a determinant of firm death, holds major significance. Competition may be of two types. First, one which exists beforehand, during the formation of the business. When the business fails to survive the existing competition in the market, it fails, another type of competition may be one which comes up after the establishment of the business. When the business starts, the proprietor hopes of good profits as there is no competition from other shops. But with passage of time, new businesses come up and those being more efficient than the one in question, causes the failure of the latter.

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## Appendix

### Questionnaire

#### Basic details

Name of the respondent: \_\_\_\_\_  
 Age of the respondent: \_\_\_\_\_  
 Marital status: \_\_\_\_\_  
 Educational qualification: \_\_\_\_\_  
 Religion: \_\_\_\_\_  
 Caste category: \_\_\_\_\_  
 Sub-category: \_\_\_\_\_  
 Name and address of the firm: \_\_\_\_\_

#### First Occupational/Business Details

1<sup>st</sup> Basic occupation: \_\_\_\_\_  
 Age of the respondent during 1<sup>st</sup> occupation: \_\_\_\_  
 Reason for choice of that occupation: \_\_\_\_\_  
 Year of establishment of the 1<sup>st</sup> occupation: \_\_\_\_  
 Who helped you start the business?  
 How much time it took to start the business?: \_\_\_\_  
 Duration of that occupation: \_\_\_\_\_  
 Initial capital invested: \_\_\_\_\_  
 Fixed assets: \_\_\_\_\_  
 Source of such capital: \_\_\_\_\_  
 Rate of interest: \_\_\_\_\_  
 Reason for closure of that business: \_\_\_\_\_  
 Loss during that business: \_\_\_\_\_  
 Amount realised from sale of assets of the business: \_\_\_\_\_

#### Second Occupational/Business Details

2<sup>nd</sup> basic occupation: \_\_\_\_\_  
 Year of establishment of the 2<sup>nd</sup> occupation: \_\_\_\_  
 Reason for choice of that occupation: \_\_\_\_\_  
 Duration of that occupation: \_\_\_\_\_  
 Initial capital invested: \_\_\_\_\_  
 Source of such capital: \_\_\_\_\_  
 Rate of interest: \_\_\_\_\_  
 Reason for closure of that business: \_\_\_\_\_  
 Do you wish to diversify your business?  
 Are there any risks idiosyncratic to your business?  
 Is caste an exit determining factor for your business?  
 Are government policies an exit determining factor?

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