AN EMPIRICAL INVESTIGATION OF FACTORS INFLUENCING EXIT INTENTIONS OF MICRO AND SMALL ENTERPRISES IN INDIA

Thesis

Submitted in partial fulfilment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

by

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August, 2020**

DECLARATION

by the Ph.D. Research Scholar

I hereby declare that the Research Thesis entitled **An Empirical Investigation of Factors Influencing Exit Intentions of Micro and Small Enterprises in India** which is being submitted to the **National Institute of Technology Karnataka, Surathkal**, in partial fulfillment of the requirements for the award of the Degree of **Doctor of Philosophy** in School of Management is a bonafide report of the research work carried out by me. The material contained in this Research Thesis has not been submitted to any University or Institution for the award of any degree.

(K.Socrates, 155059HM15P02)

School of Management

Place: NITK, Surathkal.

Date: August 2020

CERTIFICATE

This is to certify that the Research Thesis entitled **An Empirical Investigation of Factors Influencing Exit Intentions of Micro and Small Enterprises in India** submitted by **K. Socrates** (Register Number: 155059 HM15P02) as the record of the research work carried out by him, is accepted as the Research Thesis submission in partial fulfilment of the requirements for the award of the degree of **Doctor of Philosophy**.

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ABSTRACT

India is one of the fastest growing economies in the world and its socio-economic growth is tightly coupled with the growth of the micro, small and medium enterprise sector. Recognizing its potential in the nation's development, the Government of India is increasingly strengthening the entrepreneurial ecosystem to promote start-ups and innovation-led growth in this sector. Despite these numerous support measures, enterprise closure is prevalent and most of the closed enterprises are Micro and Small Enterprises (MSE). Paradoxically the reasons for such closures are not known due to the unorganized and proprietorship nature of this sector. Research findings indicate that entrepreneurial exits have a substantial impact on future entrepreneurial activities in the country. These reasons necessitate the need to gain a better understanding of the exit decisions of Indian MSE owners.

Existing research on entrepreneurial exit has primarily focused on the conceptualization of the exit phenomenon, identification of the motives and the exit strategy of the exiting entrepreneur, factors influencing exit intention, exit planning and timing, and the post-exit activities of the exited entrepreneurs. A large share of empirical studies has investigated the impact of various internal and external factors on firm exits in developed countries. Recently, researchers have shown interest in investigating the actual exit strategies adopted by the exited small business owners. A few studies have acknowledged that the intentions and motivations of the entrepreneurs affect their choice of exit strategy. These studies have empirically examined the influence of personal level triggers on the exit intention of small business owners using behavioural theories. Based on the literature review, it is found that the key factors influencing the choice of exit option still remain largely unexplored, particularly in the context of micro and small enterprises of developing countries. The existing research in this area is mostly of a qualitative and country-specific nature. Since the Indian business environment is different from that of other countries and since there is a lack of research on entrepreneurial exits in an Indian context, this study responds to the need of research in understanding the determinants of the exit intentions of Indian MSE owners.

This research aims at empirically investigating the influence of individual, firm, and market environment related factors on various exit intentions of Indian MSE owners using the theory of planned behaviour. A questionnaire-based survey approach is used to collect the primary data for this study and hypotheses are tested on a sample size of 360 MSE owners having a working enterprise in industrial estates of Karnataka state. Statistical Package for the Social Sciences (SPSS) software is used to perform both descriptive and multiple regression analysis of the data obtained. The analysis has revealed that high human capital, strong psychological ownership, high firm performance, suitable firm location, severe market competition, low product demand is related to an entrepreneur's intention to exit. Our results indicate that entrepreneurs with a high level of entrepreneurial skills and entrepreneurial experience demonstrate subsequent entrepreneurial re-entry intention. Incidentally, entrepreneurs with strong psychological ownership prefer to pass-on the firms to their family, since their psychological ownership negatively influences exit intention. Owners of high performing firms derive exit intention to harvest their past investment to pursue other activities. Strategic location of the firm influences the exit intention of the owner to reap maximum benefits through harvest sale. Owners who are facing unfavourable market conditions, namely severe market competition and low product demand, intend to opt for distress sale to avoid failure. Although this research contributes to entrepreneurial exit research, the results might also be of interest to the entrepreneurs and policymakers trying to understand the conditions leading to entrepreneurial exits.

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LIST OF ABBREVIATIONS

Abbreviations	Expansion
EU	European Union
FDI	Foreign Direct Investment
FL	Firm Location
FP	Firm Performance
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GII	Global Innovation Index
HC	Human Capital
IBC	Insolvency and Bankruptcy Code
IPO	Initial Public Offering
KMO	Kaiser-Meyer-Olkin
KSSIDC Ltd.	Karnataka State Small Industries Development Corporation Limited
LBO	Leveraged Buy-Out
M & A	Mergers and Acquisitions
MBO	Management Buy-Out
MSE	Micro or Small Enterprises
MSME	Micro, Small, and Medium Enterprises
MUDRA	Micro Units Development & Refinance Agency
NPA	Non- Performing Asset
NInC	National Innovation Council
OECD	Organization for Economic Cooperation and Development
PCA	Principal Component Analysis
PO	Psychological Ownership

PSED	Panel Study of Entrepreneurial Dynamics
RBV	Resource-Based View
SIDBI	Small Industries Development Bank of India
SME	Small, and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
TPB	Theory of Planned Behaviour
USA	United States of America
VC	Venture Capitalist

CHAPTER 1

INTRODUCTION

This chapter discusses the necessary background to the study and introduces the issue of business exits. The chapter starts off by presenting the research context with the background information of the country under investigation. This is followed by the research questions, research objectives, and the rationale for the study. The chapter concludes with the organization of the thesis and a chapter summary.

1.1   THE IMPORTANCE OF SMALL BUSINESSES IN THE GLOBAL ECONOMY

Entrepreneurship is the backbone of any progressive economy and has been globally regarded as a catalyst that accelerates the industrial growth of a country (Cumming et al., 2019; Ovidiu Stoica et al., 2020). The economic development of a country is directly related to industrial growth and precisely for this reason, entrepreneurship occupies a prominent place in the growth of nations (Acs et al., 2018). Both developed and developing nations seek to achieve sustainable economic and social development through the growth of Micro, Small, and Medium Enterprises (MSMEs) (Aparicio et al., 2020). Further, MSMEs are acknowledged worldwide as the drivers of socio-economic development because of their significant contribution to employment generation, Gross Domestic Product (GDP) growth, poverty reduction, export earnings, and innovation (Bosma et al., 2018; Sutter et al., 2019).

Worldwide, MSMEs represent more than 90 % of total businesses, more than 70 % of total employment and 50% of GDP (ICSB, 2019). Among the Organization for Economic Cooperation and Development (OECD) countries, they represent approximately 99% of total businesses, account for 70% of jobs, and generate 50-60% of value addition (OECD, 2019). Within the European Union (EU) countries, MSMEs constitute nearly 99.8% of total enterprises, provide 66.8% of employment, and generate around 58% of value addition (EC, 2019). In the United States of America (USA), they represent 99.9 % of total enterprises, 47.5% of country's employment, and 44 % of GDP (SBA, 2019). Between Asia-Pacific countries, MSMEs make up more than 96% of all businesses, provide 62% of employment, and account for 42% of GDP (OECD/ERIA, 2018). Figure 1.1 depicts the contribution of small businesses in the global economy. In emerging economies, this sector contributes around 33% of GDP and 45% of employment. Observing the recent trend, employment in MSME sector has steadily increased to a level of 34.8 % in 2016 at the global level and incidentally, the forecast for new jobs required by 2030 is 600 million to absorb the growing global workforce (ILOSTAT, 2019).
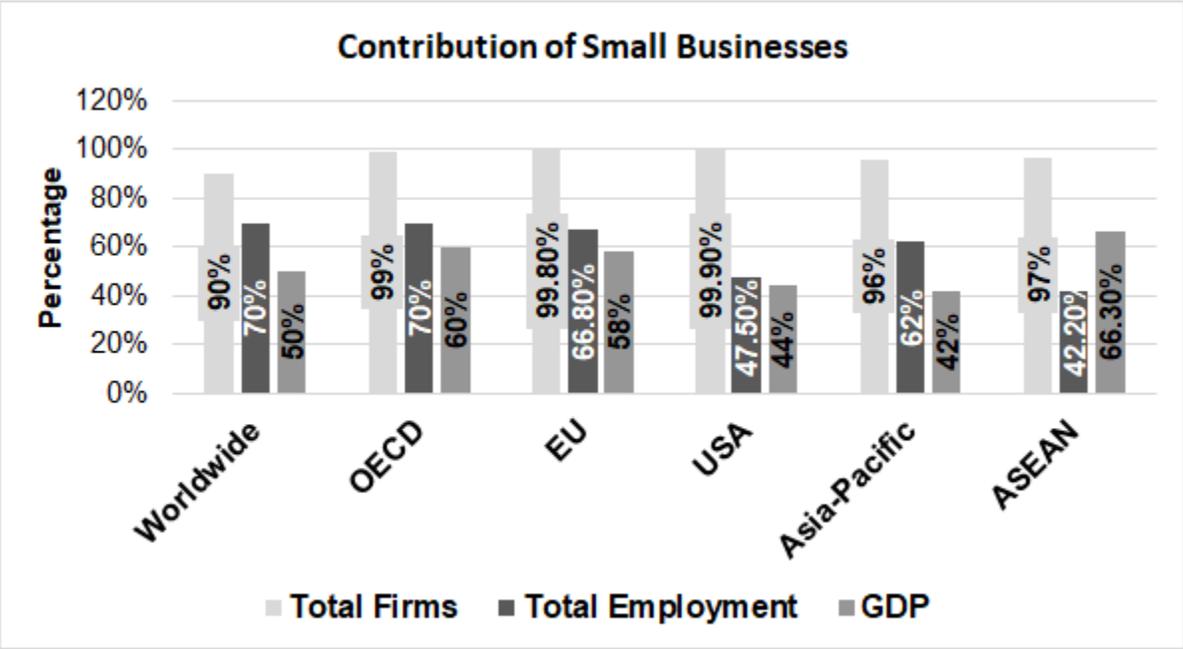
Figure 1.1: Contribution of Small Businesses in the Global Economy (OECD, 2019; EC, 2019)

Recognizing the importance of MSMEs, countries give top priority to the development of this sector through various policy initiatives and schemes. Many countries have enacted specific laws to promote the overall development of this sector, such as the Small Business Act-1953 of USA, Small Business Act, 2008 of the European Union (EU), and the MSME development Act, 2006 of India. While these laws intend to promote overall progress of the SME sector, they do so by focusing on different aspects. The focus of the SME policy of the USA is on competition and innovation, while the SME policy of the EU focuses on job creation and fostering competitiveness. The MSME Development Act of 2006, which forms the backbone of India's MSME policy, aims at developing and fostering competitiveness in Indian MSMEs (MSME Act, 2006).

Researchers have considered the enterprise development cycle to be synonymous with lifecycle of the living organisms, including the stages of birth, growth, maturity, and exit (Lu & Wang, 2018). Enterprises at different stages have different characteristics, require very specific inputs to crossover to the next stage, and encounter different risks. Based on the country's policy direction, the importance and quantum of assistance provided vary across the stages. Most of the countries' interventions focus on the key growth factors of MSMEs, including human resource development, access to credit, access to markets, access to technology, ease of doing business, innovation, and networking. Countries aim at providing a series of support measures to address these issues through formal and informal financial instruments (IMF, 2018). The majority of governments across the globe provide support services through various advisory agencies to improve the competitiveness of this sector. Most of the developing countries give much effort to improve the number of entrepreneurs and enterprises in order to fulfill the social obligations of providing employment. Considering their significance in the growth of member countries (OECD, 2019), the United Nations General Assembly declared 27th June as International Day for MSMEs. Thus, in every country, there is a strong association between the development of the MSME sector and employment creation.

Irrespective of economic status, every country provides a distinct definition to this sector for bringing out various support measures. A proper definition of what constitutes an MSME is essential for assessing the performance of this sector and for bringing out suitable support

measures for the development of this sector. Surprisingly, there is no single definition of MSME which is globally accepted. According to the IFC MSME Country Indicator, out of 120 economies, 12 countries have no exact definition, 26 countries have more than one definition and 50 definitions from 75 countries have considerable heterogeneity in their terminologies (Berisha and Shiroka Pula, 2015). These definitions are generally based on the turnover, sales, number of employees, assets, independence, and legal status, etc. (Sannajust, 2014). The lack of a universal definition of MSMEs is a major challenge in the cross-country analysis of MSME data. The approach and support for this sector vary geographically depending on the country's economic, political, and social environments. The reasons for the differences in support measures across the countries are due to diversity in business contexts, culture, and the level of industrialization. India has recently given a new definition for the MSME sector based on investment limit and annual turnover to ensure ease of doing business as well as to increase the formalization of this sector as given in Table 1.1.

Table 1.1: Revised Indian MSME Definition (The Gazette of India, 01.06.2020)

Revised MSME Classification (Effective from 01.07.2020)			
Composite Criteria: Investment in Plant and Machinery or Equipment & Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services Enterprises	Investment < Rs.1 crore and Turnover < Rs.5 crore	Investment< Rs.10 crore and Turnover < Rs.50 crore	Investment< Rs.50 crore and Turnover < Rs.250 crore

1.2 THE ROLE OF MSME SECTOR IN THE INDIAN ECONOMY

India is emerging as one of the rapidly rising economic powers and its fiscal growth is firmly associated with the development of MSME sector (IMF, 2018). The recent economic survey of India states that the MSME sector is the definite way forward in accelerating large scale job

opportunities and promoting the industrialization in underdeveloped regions as compared to large industries (Economic Survey, 2020). Furthermore, these enterprises are described as '*nurseries for innovation and entrepreneurship and the gateway to global growth*'. The significance of the MSME sector in India is well demonstrated by its increasing contribution of 28% to GDP, around 120 million jobs through 66 million units, and 40% to exports earning through 8,000 diverse products and services (MSME Annual Report, 2019). For the past few years, this sector has sustained a growth rate of over 10.8 % per annum. Also, new enterprises are formed every year at around 23% in the manufacturing category and 31% in the services category. This explains India's increased interest in the establishment and promotion of MSMEs since the 1970s. The landscape of the Indian MSME sector is given in Figure 1.2.

MSMEs account for 95 % of enterprises, out of which 94.94 % come under the micro sector, 4.89 % in the small sector, and 0.17 % in the medium sector respectively. These enterprises are spread across remote geographies of vast areas with around 45 % of the units in rural areas. MSME sector in India is extremely diverse with respect to ownership pattern, size, area of operation, type of industry, products offered, turnover, technology adoption (Sunil et al., 2017; Kumar et al., 2019). More than 80 % of employment is generated by the enterprises in the unorganized sector. Of the 120 million jobs generated in the sector, the micro sector accounts for around 97 percent while the small and medium sectors constitute 2.88 percent and 0.16 percent of total employment respectively. Among the registered enterprises, around 90 percent are proprietary concerns, 4 percent are partnership entities, 3 percent are private companies, and 14 percent are women-owned enterprises (MSME Annual Report, 2019). The heterogeneous nature of MSMEs makes it difficult for policy-makers to customize policies to suit every enterprise. In fact, nearly 94 percent of the units are in the unorganized sector category, which means that there is no record available on the conditions of these enterprises. This lack of information hampers the formulation of the right policies and measures to support the diverse needs of this sector. Currently, the Ministry of MSME has taken the necessary steps to have a data bank of working MSMEs in the country to overcome the issue of tracing.

Indian MSME Sector

- **Contribution**
  - GDP (28%)
    - Manufacturing sector (7.5%)
    - Service sector (31.5%)
  - Employment — 120 million (60% of total employment)
  - Total Exports — 45% (US $137.1 billion)
  - Number of MSMEs — 63.34 million (80% of total number of industries)
  - Annual compound growth rate (6.43%)
  - Manufacturing output growth rate (45%)
  - No. of products (8000)
- **Status**
  - Registered (4%) — Avg. per unit employment (6 persons)
  - Unregistered (96%) — Avg. per unit employment (2 persons)
- **Scale**
  - Micro enterprises (99%) — Employment share (97%)
  - Small enterprises (0.52%) — Employment share (2.88%)
  - Medium enterprises (0.01%) — Employment share (0.16%)
- **Constitution**
  - Proprietorship (96%)
  - Partnership (1.2%)
  - Private (0.4%)
  - Co-operative (0.3%)
  - Others (2.1%)
- **Category**
  - Manufacturing sector (31%)
    - Avg. per unit employment (3 persons)
    - Employment share (32%)
    - Annual compound growth rate (6.14%)
  - Service sector (69%)
    - Avg. per unit employment (2 persons)
    - Employment share (68%)
    - Annual compound growth rate (6.56%)
- **Ownership**
  - Male owned (79.63%)
  - Female owned (20.37%)
- **Distribution**
  - Rural (51%) — Employment share (45%)
  - Urban (49%) — Employment share (55%)

Figure 1.2: MSME Landscape in India

India has some inherent advantages that shape the future of entrepreneurship in India, such as an increase in the young workforce of 120 million, 60 percent of GDP being driven by a rising domestic demand (CSO Report, 2017), an increase in the middle-class population of more than 267 million, a healthy households savings share of 22 percent, huge infrastructure investments in smart cities (Sunil et al., 2017), industrial corridors, technological and knowledge infrastructure projects by the government, a steady inflow of Foreign Direct Investment (FDI) of around USD 80 billion (IBEF Report, 2019), huge technology penetration with 600 million Internet users, untapped potential of women with entrepreneurial talent and untapped markets in underserved rural areas, etc. (KPMG Report, 2016).

Innovations are the key to the growth of MSMEs and as per the National Knowledge Commission of India, new innovations are introduced in around 17% of the units. As per the Global Innovation Index (GII) rankings, India continues to be the most innovative economy in Central and Southern Asia by improving its global rank to 52 in 2019. India is potentially dominating an aging world in terms of human resource potential for another 50 years and will have the largest workforce of 899 million by 2025. Hence, the challenge before the government is to provide a supportive ecosystem not only to increase the number of new entrepreneurs and start-ups but also to induce the right people to become entrepreneurs and increase the quality of existing enterprises.

1.3   THE CHARACTERISTICS OF INDIAN MSME SECTOR

The significant characteristics of the MSME sector are its attributes such as lower capital and technology investment, high absorption of labor with traditional skills, use of local resources, exportability of products and services, backward and forward linkages to promote industrial development in rural areas, and building an inclusive and sustainable society.

Figure 1.3 shows the characteristics of the Indian MSME sector. Because of its highly labour-intensive nature, employment is provided to a major part of the non-agriculture labour force in India. Evidence suggests that the size and persistence of small enterprises have withstood

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the changes in trade, technology, demographics, urbanization, etc., and are better positioned to create more jobs and tap into India's demographic dividend. In addition, MSEs promote, new skills, new business processes, innovative ideas and indigenization. They adapt easily to changing market conditions and act as the backbone of large industries.

Indian MSME sector

- Employment Generation
- Exports Promotion
- Equitable Income Distribution
- Rural Areas Development
- Technology Development
- Domestic Demand Satisfaction
- Absorption of Latent Resources and skills
- New Inventions
- Products Commercialization
- Large Industries Growth
- Promotion of Industrial Relations

Contribution | Heterogeneity

- Size
- Ownership Pattern
- Area of Operation
- Type of Industry
- Products Offered
- Turnover
- Technology Adoption

Advantages

- Less Capital Intensive
- Mostly Proprietorship
- Uses Local Resources
- Uses Traditional Skills
- Quickly Adopts to Changing Market Demands
- Produces Niche Products

Figure 1.3: The Characteristics of Indian MSMEs

1.4 THE SUPPORT SYSTEM FOR INDIAN MSME SECTOR

At present, Indian MSMEs have matured enough to manufacture and export an assorted list of items ranging from needles to components for space-crafts. This would not have been possible without the relentless efforts of entrepreneurs and the contributions of successive governments by introducing suitable policies over the years in support of this sector. The Indian government is increasingly accelerating the growth journey of MSMEs by enabling conditions through policy initiatives, schemes, incentives and grants for pre-entry, entry and post-entry growth. The government also plays multiple roles - from that of a motivator to a moderator, protector to facilitator, purchaser to enabler and promoter to supporter - with the sole motive of creating high-

quality enterprises. Based on the various policy initiatives, a wide range of schemes and programmes (MSME Schemes, 2015) have been brought out by the Ministry of MSME and supporting organizations to address various aspects of enterprise development. Besides, in order to implement these supportive measures in favour of this sector, the government has established the support system at different levels for enterprise development as listed below.

- Entrepreneurship and Skill development
- Providing sufficient capital
- Providing the necessary infrastructure
- Latest testing facilities, management practices and quality certification
- Support for modernization and technology upgradation
- Support for design and product development and packaging
- Support for the national and international markets and
- Development of clusters

These support measures help this sector to become globally competitive, and enable enterprises within this sector to graduate to the next level - from micro to small, small to medium and medium to large (MSME Schemes, 2015). In addition to the Ministry for MSME, the Government of India has established an MSME policy and a separate Ministry of Skill Development and Entrepreneurship. In addition, the government is providing a number of support measures for the promotion of first-time entrepreneurs and technology start-ups. India ranks 3rd globally in the start-up ecosystem with 4200 startups. Indian start-ups have attracted an investment of over 3 billion USD so far. Notable policy initiatives include Micro Units Development and Refinance Agency Limited (MUDRA), Small Industries Development Bank of India (SIDBI), National Manufacturing Policy, Science & Technology, Innovation Policy, National Entrepreneurship Network, major reforms in Foreign Direct Investment (FDI), Startup India, Standup India, Make in India, Invest India, Digital India and National Innovation Council (NInC), Zero defect & Zero effect certification, etc. to satisfy the needs of this sector and to promote and develop MSMEs (MSME Schemes, 2015). Although the MSME Development Act, 2006 caters to the needs of this sector, a task force was set up in 2009 to study various issues such as credit support, infrastructure support, market support, labor rehabilitation, tax benefits and exit policy for having a greater emphasis on the continuous development of this sector.

1.5   ISSUES AND CHALLENGES OF INDIAN MSME SECTOR

Despite these support measures, out of 189 countries, India is ranked at 155th in starting a business and 130th position on ease of doing business (IMF, 2018). Among the G20 economies, India is ranked 11th with respect to access to funds and 19th in tax and regulations. In the Global Competitiveness Index (GCI) 2015-16, India is ranked 55th out of a total of 144 countries. The number of MSMEs in India is not growing in proportion to the rise in population and consumer size (Mukherjee, 2018). A robust support system is warranted to encourage more youth to enter into entrepreneurship in order to start enterprises and strengthen our position on the global map.

Besides, MSMEs face specific barriers and challenges that hamper their full growth potential. Issues such as access to adequate and timely finance, availability of suitable technology and skilled manpower, the capacity to innovate and compete internationally, digital and market knowledge, etc. continue to remain key challenges for the growth of MSMEs (OECD, 2019; RBI, 2019). However, access to finance is globally considered as the prime growth constraint for MSMEs with an estimated current credit gap of 1.2 trillion USD. In developing countries, around 70% of MSMEs are facing this challenge.

1.6   GLOBAL SCENARIO OF MSME EXITS

Despite the incentives and intensive efforts of the governments, the MSME sector remains in a dynamic state with a reasonably good percent of new ventures and with a significant percent of closures. Besides this, the Micro, Small & Medium enterprises often experiment with new creative and innovative ideas of entrepreneurs that also lead to higher levels of business failures. Closing down of enterprises has been a continuous feature across countries. Globally, almost 50 percent of new small enterprises exit from the market within 5 years of their entry, and 80 percent of firms entering and leaving are small and medium-sized enterprises. As per the GEM report-2017 (Sunil et al., 2017), business discontinuation rates are almost the same in both the factor and efficiency-driven economies with 6% and 5% respectively. Around 450,000 SMEs exit annually in the European Union, and a third of all European entrepreneurs will retire within the

next ten years (OECD, 2019). In Australia, the exit rate was 12.7% in 2018. The global merger and acquisition (M & A) activity reached a total of USD 3.7 trillion during the full-year 2016 (Thomson Reuters, 2019). Worldwide, less profitable businesses are closed and business failure is consistently the prime reason for one–third of exits. The majority of business exits are related to various personal and business reasons, including harvest, retirement, or pursuit of another activity.

As per All India Censuses of MSMEs of registered enterprises, as given in Figure 1.4, an average of 34% of units were found to be closed over a period of 10 years (MSME Census, 2011). As prevalent in other countries, hardly 30 percent of the new enterprises survive more than five years in India. Most of the closed businesses in India are Micro or Small Enterprises (MSEs) because of their vulnerability. Insufficient credit, poor management, misuse of working capital, improper accounting, replacement of the product itself, obsolete products and competition from unknown sources are few reasons which lead to a decline in sales, lower profit and abrupt losses. As a result, an enterprise may fall out of favor with customers and accumulate high debt, leading to bankers behaving indifferently, suppliers declining credit facility, cash flow difficulties and ultimately leading to decline. Under these circumstances, not only is the enterprise in peril, but also the bank which financed the enterprise faces the problem of Non- Performing Asset (NPA). As per the CIBIL & SIDBI report-2018, the overall recognized NPA exposure of MSME is around Rs. 81,000 Crores as on March 2018 (CIBIL- SIDBI Report, 2018).
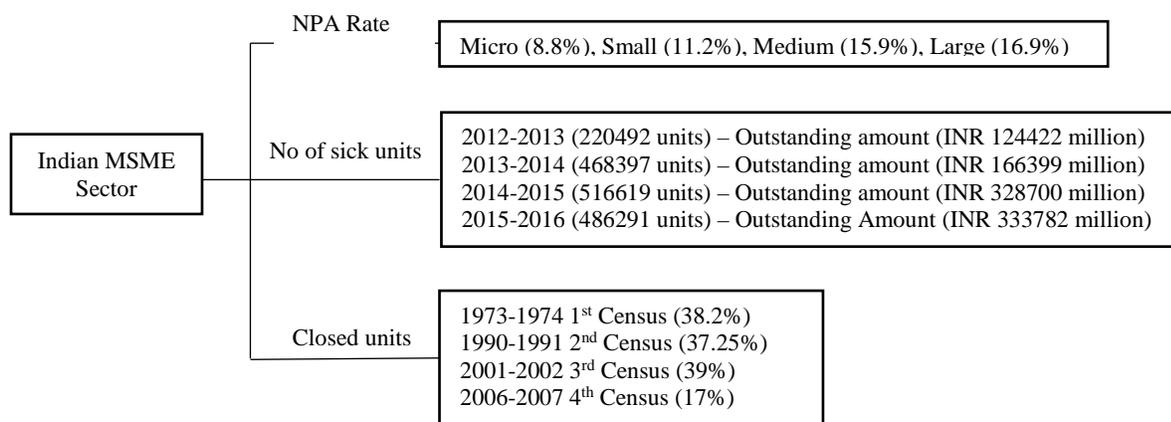
Figure 1.4. Closure Statistics of Indian MSME sector

The Revival and Rehabilitation Framework for MSMEs formulated within the provisions of Section 9 of the MSME Development Act, 2006 (MSME Schemes, 2015) benefits the MSME accounts which are stressful or incipient towards failure. This framework enables the banker to identify such stressful accounts, and also the insipient account holder can voluntarily approach the banker for a remedy. Thus, the entrepreneur whose account is under stress will get one last chance to set right the problem and to revive the operation. The existing Insolvency and Bankruptcy Code (IBC) offers a solution for the insolvency of firms, the ownership of firms and individuals (IBC, 2016; RBI, 2019). Since the overwhelming majority of the MSMEs are proprietorship or partnership firms, there is a necessity for a suitable legal system to address insolvency. Delegated rules in this regard are currently under discussion for extending the benefits to individuals. The outcome of the IBC provision for individuals can lift the creditor's confidence, as the creditors will be assured of recovering defaulted loans. This will increase the credit flow to MSME in the Indian economy and also lessen the credit gap as well. Having an efficient, speedy insolvency system in place will complement the MSMEs and facilitate the quick transfer of their productive assets to more efficient activities elsewhere. More importantly, better implementation of these provisions will reduce the cost of credit to MSMEs and financing becomes more affordable and timely available. In countries where an insolvency and bankruptcy code is practiced, the cost of credit is less and the bankers are willing to finance with ease since they are assured of their equity. Suitable reforms of the insolvency legislation in Brazil resulted in an average reduction of 7.8 percent from 16.8 percent in the cost of credit. The retention of employees after the exit of owners is one more vital concern which has to be addressed.. Keeping this in mind, the revised restructuring laws in the United Kingdom mandated new owners to retain all employees of enterprises in bankruptcy cases. Incorporating these provisions into the current IBC will resolve many outstanding non-performing assets for better use and, in turn, remove the fear of failure among the prospective entrepreneurs.

Furthermore, the available data only provides limited insight into business failure and does not cover intentional exits and compulsory sales. Also, the MSME census data does not mention the reasons for the closure due to the difficulties in locating the owners concerned in the unorganized sector for collecting the details. The closure of an enterprise is considered to be a

laborious process in India. The non-existence of an exit policy in India emphasizes the need to provide a case-by-case workable solution and also instils fear of failure among the potential entrepreneurs (MSME Taskforce report, 2010). In India, the fear of failure associated with social stigma negatively impacts the choice of a person becoming an entrepreneur. Exit options are very important to investors because this provides a way in which they can reap the benefits of their investments. As per the Planning Commission report 2014, Indian investors are constrained by regulations that make investment and exit cumbersome. Removing hindrances and hurdles in doing business will unleash new-age entrepreneurial talents, and the youth can make entrepreneurship as a career choice. Considering the above facts and reasons, there is a vital need for having an easy insolvency and a smooth exit policy for MSMEs in India.

1.7   MOTIVATION OF THE STUDY

India is currently facing a new challenge to create sufficient employment opportunities for the expected increase in the workforce of around 600 million by 2022. Sustainable growth of the MSME sector is the key solution to solve this unemployment problem. In view of the above, the Government of India is making every effort to build a strong ecosystem with the aid of different regulatory mechanisms and strategies for the formation and development of these enterprises, and closure of enterprises, and also to enable them to operate in an organized economy. While substantial support measures exist for the creation and growth of these enterprises, sufficient support measures are not available to fulfil the requirements of MSMEs at the exit stage. Enterprise exits often occur in micro and small enterprises due to their vulnerability. A suitable exit facility will help both performing and non-performing MSMEs to exit the market. Underperforming MSMEs may prefer to exit to come out from their liabilities, whereas well-performing MSMEs may like to harvest their past investments. A country like India, with an enormous resource crunch, cannot afford to leave aside the non-performing MSMEs for a long time, blocking the resources and opportunities of others. Apart from personal investment losses for an entrepreneur, the blocking of capital, job losses and revenue for the government are not the intended outcomes for policymakers. Fear of failure associated with social stigma negatively affects the individual's choice of becoming an entrepreneur. This is the main reason why more educated and experienced individuals do not opt for an entrepreneurial carrier. This may be one

of the reasons why there are not more than 10 MSMEs per 1000 inhabitants in India. Business ecosystems with easier exit policies not only encourage entrepreneurship, but are also crucial to retaining employment and business continuity.

Schumpeter's theory of creative destruction postulates that both business entry and exit processes are important forces behind the economic progression of a country. The MSME exits may be a source of the evolution of new ventures. The entry of new firms causes the inefficient ones to exit from the market, so that the resources of the existing firms can be reallocated to more productive new entrants. In many European countries, the transferred businesses outperform start-ups in terms of their survival rate, growth rate, and innovation (Teeffelen, 2012). Easy exit procedures not only improve the utilization of stagnated resources of distressed firms, but also eliminate the fear of failure from the potential entrepreneurs and thus promote more entry into entrepreneurship (IMF, 2018).

Exits are important to investors, especially to venture capitalists who are compensated and rewarded for generating high returns within a short time span. Easier exit policy will encourage more investments by venture capitalists and other investors. The existing business transfer support system focuses mainly on mergers and acquisitions of large enterprises and data is available on such transfers. However, business exits occur primarily in Micro and Small Enterprises (MSE) due to multiple economic and non-economic reasons, and every entrepreneur will eventually leave the firm. MSE exits are often not recorded anywhere due to the informal nature of this sector, so data on MSE exits are not available for any research.

In fact, the rate of entry and exit are significantly correlated across industries in both developed and developing countries. Easier business exits will also improve the exiting entrepreneur's chances of restarting a new prospective business in the future. Business re-entry is very important in improving the business environment in developing countries such as India. Much less is known about serial entrepreneurship in India. Hence, easier exit procedures not only reduce the barriers to exit, but also stimulate more entry.

The research on entrepreneurial exit in India is very rare. As the business environment in the country strongly favours the survival of enterprises, the findings of other countries on exits cannot be applied to the Indian context. Since the majority of Indian MSMEs are owned and managed by individuals, the decision of the entrepreneurs or founders to exit from their entrepreneurial career is prima facie the outcome of the intentions developed in their minds over a period of time leading to the transfer of ownership for a purpose. At a time when the government is keen to develop an appropriate exit policy for the MSME sector, it is imperative to comprehend the factors that are responsible for the exit intentions of Indian MSE owners and their choice of exit options.

1.8 RESEARCH QUESTIONS

The main objective of this research is to determine the factors that influence the exit intentions of Indian MSE owners and to test the mediating role of their exit intention on the choice of exit options. Thus, this research proposes to address the following research questions.

1. What are the various factors influencing the exit intentions of Micro and Small Enterprise owners?
2. Do these factors play a role in influencing the exit intentions of Indian MSE owners?
3. Do these factors influence the choice of their exit paths?
4. Does the exit intention of MSE owners mediate the choice of exit paths?

1.9 SCOPE OF THE STUDY

This study is limited to only Indian Micro & Small Enterprises located in Karnataka state. Also, this study does not cover either the partnership firms or private limited companies coming within the definition of MSEs, or the owners of medium enterprises. Due to lack of knowledge and dearth of evidence on entrepreneurial exits in India, it aims to understand the various factors that influence the exit intentions of Indian MSE owners. Thus, this study employs an exploratory survey-based

approach for investigation. Since this research intends to identify the exit intentions of the owners, it considers 4800 owners of MSEs involved in service and manufacturing activities functioning in the Industrial Estates of Karnataka State Small Industries Development Corporation Ltd. (KSSIDC) across the state as the population. The exit paths considered in this study are taken from the proposed National Policy Framework for Exit document, published by the Ministry of MSME, Government of India. The factors are identified by considering the characteristics of Indian MSEs and the prevailing ecosystem. Since the study is about the exit intentions of MSE owners, the theory of planned behaviour is used for conceptual model development. This research certainly provides the knowledge on exit intention, exit triggers, and intended exit strategies of Indian MSE owners. This knowledge will be useful for the entrepreneurs to plan their exit as well as to policymakers and practitioners in bringing the appropriate support measures for easing the exit process.

1.10   ORGANIZATION OF THE THESIS

The rest of the thesis is organized as follows.

Chapter 2 provides a detailed literature review of existing research work on the determinants of entrepreneurial exit and exit modes. The research gaps found in the existing literature are also highlighted.

Chapter 3 presents the research objectives along with the conceptual model and the development of hypotheses.

Chapter 4 presents the research methodology adopted for this research. The adopted survey method, the details of population and samples, as well as the construction of questionnaires and data collection procedures are explained in this chapter.

Chapter 5 presents the empirical results of this study. This chapter presents the results of the descriptive analysis and multiple regression analysis. Discussions based on the research findings are also included in this chapter.

Chapter 6 presents the conclusions and implications of the research. It concludes with the limitations of this research and recommendations for future research.

1.11   SUMMARY

This chapter has introduced the research area and presented the background of the study with respect to MSME exits. It has explained the importance of MSME exits and the motivation for the study. It has also stated the research problem and objectives. Furthermore, it has outlined the organization of the entire thesis.

CHAPTER 2

LITERATURE REVIEW

This chapter presents the review of literature on entrepreneurial exit. It briefly explains the life cycle of an enterprise and the entrepreneurial exit process. It discusses the different types of business exit, reasons for exit and the significance of exit. It also presents the analysis of the determinants of entrepreneurial exit options and exit intentions. Finally, this chapter concludes with the research gaps identified in the literature.

2.1   LIFE CYCLE OF AN ENTERPRISE

All enterprises including MSMEs pass through different stages such as start, growth, maturity and decline. The time taken for an enterprise to move from one stage to another is not the same and varies widely from enterprise to enterprise and from entrepreneur to entrepreneur. Various researchers posit the enterprise cycle differently based on their area of study and there are no well-defined stages in an enterprise life cycle. The standard enterprise life cycle begins with start-up or market entry and ends with the decline stage as considered by many research scholars (Lu & Wang, 2018). However, such considerations have myopically missed out on the importance of the pre-start-up and exit stage. The pre-start-up stage is essential to strengthen the preparedness of a potential entrepreneur before launching an enterprise. The pre-start-up stage facilitates the entrepreneur to acquire inputs from feasibility study, market research, investor details, legal obligations, government policy and support measures for starting an enterprise. Hence the

inclusion of the pre-start-up stage of the life cycle is extremely rational. It is a fact that all entrepreneurs will eventually have to leave their business someday. Thus, the exit phase completes the full cycle as shown in Figure 2.1. Researchers consider the exit stage as the end of the life cycle of an enterprise in addition to the decline stage (DeTienne, 2010).

Understanding the enterprise lifecycle is a key aspect of entrepreneurship research over the years. Most entrepreneurial literature has paid attention to various stages of the enterprise lifecycle including firm creation, growth, and failures barring the exit stage. At present, entrepreneurial exit is becoming a growing area of scholarly interest (Aldrich, 2015; DeTienne et al., 2016b) because of its significance. Enterprise entries and exits are normal events in the entrepreneurial process and the evolution of industries is greatly driven by the entry and exit process of enterprises.
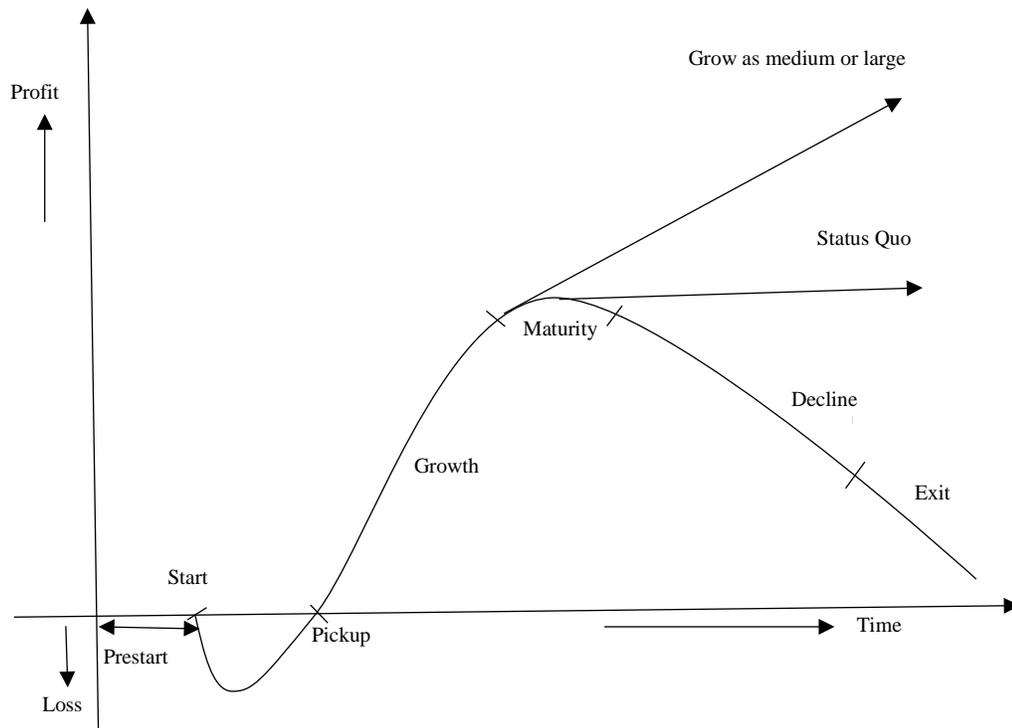
Figure 2.1: A Typical Life Cycle of an Enterprise.

Therefore, entrepreneurial exit prevails all over the world both in new and mature enterprises, and these numbers are increasing due to an increasing aging global population (EC, 2019). In addition, it does not denote the end of the enterprise's lifecycle because entry and exit are positively correlated thereby revitalizing entrepreneurial activity (Albiol, 2016). In fact, many serial or portfolio entrepreneurs will exit several times in their entrepreneurial career. Precisely for this reason, a number of studies argue that proper comprehension of the entrepreneurial exit phase is critical in understanding the complete enterprise cycle (Aldrich, 2015; Rocha et al, 2015; DeTienne et al., 2016b). Nevertheless, entrepreneurial exit has only recently attracted attention from researchers (Strese et al., 2018).

2.2   ENTREPRENEURIAL EXIT

Much of the earlier research has considered a firm as a unit of analysis to examine the exit of large organizations from the market. These studies attempt to understand the impact of the financial position of the business on exit from an economic and strategic perspective. Several researchers have felt the need to shift the focus of research from the exit of a firm to the exit of entrepreneurs of privately held firms, as owners take key strategic decisions about the firms (Sarasvathy, 2004). This has motivated researchers to conceptualize various types of exit across industries and countries. The existing studies are mostly conceptual in nature with the aim of defining what exit means and its importance to the country (DeTienne et al., 2016b). Section 2.2.1 presents the definitions of various types of exit and Section 2.2.2 discusses the significance of exit. Although many definitions are available in the literature, DeTienne (2010) presented a widely adopted definition of 'Entrepreneurial Exit'. Studies have examined the actual exit of small business owners who have already discontinued their business using national data and found that there are a variety of economic and non-economic reasons for their exit and their choice of exit routes (Parastuty et al., 2016). Section 2.3 summarizes the reasons for exit and the types of exit routes. Research has recently moved towards understanding the exit intentions of

small business owners to predict exit outcomes. As a result, studies have adopted a variety of behavioural theories to analyze the determinants of exit intentions. Section 3 presents various determinants of entrepreneurial exit options and intentions. Over the last decade, researchers have focused on several important aspects of the exit of small business owners, including the reasons for exit (why), the choice of exit path (how), time of exit (when), post-exit activities (what next) and their implications.

2.2.1   Types of Exit and Definitions

Various definitions of exit are found in existing literature. These definitions are based on the unit of analysis, willingness and decision-making ability of the owner(s), and the degree of rationality (DeTienne, 2010; Wennberg et al., 2010). Previous researchers have looked at exit from the perspective of a firm as well as an entrepreneur. In general, '*Entrepreneurial exit*' refers to the exit of the entrepreneur from the business and '*Firm exit*' refers to a firm closure, a firm discontinuance, or a firm death (Balcaen et al., 2011; Coad, 2014).

From the perspective of the firm, exit has been conceptualized as an event and a complete cessation of the organization's or firm's activities either from the market, region, industry or technology due to poor firm performance (Headd, 2003; Decker & Mellewigt, 2007; Balcaen et al., 2012; DeTienne & Wennberg, 2014). Business exit has led to organizational restructuring in large organizations and is labeled as firm closure, divestiture, or divestment (Coad, 2014). In such cases, the exit of a firm from a particular market (firm death) may lead to the exit of both the firm and entrepreneur simultaneously (Headd, 2003; Bates, 2005). In addition, the studies equated firm exit to failure and focused mainly on firm survival analysis and the time to exit (Balcaen et al., 2011; Elfenbein et al., 2015; Yamakawa et al., 2017; McKelvie et al., 2013). Business failure is defined as '*the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur*' (Ucbasaran et al., 2013). For international businesses, exit is examined as international divestment from foreign subsidiary operations (Soule et al., 2014).

Table 2.1: The Definitions and Types of Exit

Level of analysis and Key Focus	Contributions
FIRM EXIT • Organizations are resource-dependent entities • Exit as failure event • Survival analysis • Time to exit	• Exit occurs when a firm leaves an industry. It is equated with firm failure and often preceded by failure-avoiding strategies (Schary, 1991). • Discontinuance of small firms due to low performance of the firm (Shepherd et al., 2017; Gimeno, et al., 1997) • An asset-restructuring activity (Decker & Mellewigt, 2007). • Closing down or discontinuing the operations (Hessels et al., 2011) or Business death (Coad, 2014) • Firm closure due to firm failure (Ucbasaran et al., 2013)
INTERNATIONAL FIRM EXIT • A subset of firm exits • Foreign exit of a firm	• International divestment from foreign subsidiary operations (Soule et al., 2014).
ENTREPRENEUR EXIT • Firms are founded by individuals and they have a complete control over the firm • Exit as Process • Relationship between the individual and the firm • What happens before or after exit?	• Withdrawal from the decision-making and primary ownership of the firm (DeTienne, 2010) • A multi-level and multi-faceted phenomenon (Wennberg et al, 2010) • The end of the engagement of an entrepreneur in a particular venture or quitting an entrepreneurial career, but the firm continues its operations (Wennberg & DeTienne, 2014; Stam et al, 2010). • Entrepreneur exit is conceptualized as firm survival (Bates, 2005; Coad, 2014) • An entrepreneurial exit can occur in both well-performing firms and low-performing firms (Cardon et al., 2005). • Exit from entrepreneurial activities of self-employed individuals (Van Praag, 2003; Silva, 2015) • A voluntary and cognitive decision-making process (DeTienne & Wennberg, 2016; Leroy et al., 2015) • The proactive and intentional strategy of entrepreneurs (DeTienne & Cardon, 2012) • Transferring ownership of an enterprise to individuals or an organization (Dehlen et al., 2014)
TEAM MEMBER EXIT • A sub-set of entrepreneurial exits • Firms are founded by teams	• The departure of a team member from the entrepreneurial team (Gregori et al., 2020; Ucbasaran et al., 2003)
INVESTOR EXIT • Businesses have raised finance from outside investors	• Invest for timely exit (Maxwell et al, 2011) • Firm continues its operations with new investors (Botelho et al., 2019; Mason et al., 2016) • Realization of the financial gains of the investment by selling the equity stake (Wennberg et al., 2018)

From the perspective of the entrepreneur, the exit is defined as *'the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm'* (DeTienne, 2010). This perspective provides a better understanding of the firm-entrepreneur relationship (Sarasvathy, 2004). Researchers have stated that entrepreneurs exit from their venture because of a large number of financial, personal, and business reasons, and entrepreneurial exit is different from failure (Parastuty et al., 2016). It is primarily concerned with the decision of the owner, so the firm may continue to operate even after the entrepreneur's exit. Entrepreneurial exits may occur due to the exit of a mature business owner, the exit of a nascent entrepreneur, the exit of a team member, or the exit of investors. In the case of habitual or serial entrepreneurs, this is defined as '*the voluntary decision of the individual to shift from one entrepreneurial activity to other entrepreneurial activity*' (Westhead et al., 2005). In this case, an entrepreneur continues his entrepreneurial journey by starting a new enterprise while the original business may survive even after the entrepreneur has left (Shaw et al., 2019). The investor-led exits and the exit of entrepreneurial team members are considered as a subset of entrepreneurial exits. In the event of an entrepreneurial team member's exit, the other team members will continue to develop the firm (Gregori et al., 2020). The firm continues to trade under new ownership in the event of investor-led exits (Mason and Botelho, 2016). Table 2.1 summarizes the definitions and types of entrepreneurial exit.

In practice, exit could be the outcome of both success and failure of the venture. Business failure demands the compulsory closure of a business because that is the only way that entrepreneurs can liquidate a business. Entrepreneurs may also voluntarily exit from their successful businesses due to the availability of other attractive economic and non-economic opportunities. Voluntary exits are considered to be a positive outcome for the owners and ventures because they can harvest the benefits of their investment and many years of hard work. Entrepreneurial exit is therefore different from business failure. After learning from all these above points of view, this work adopts the definition of entrepreneurial exit of DeTienne (2010).

2.2.2 Significance of Entrepreneurial Exits

This section discusses the significance of different types of exits. Entrepreneurial exit and failure are important events in the evolution of industries and have a number of implications not only for entrepreneurs and their employees, but also for firms and the regional economy overall (DeTienne, 2010). Exits are likely to happen at any phase of the enterprise lifecycle, including start, growth, maturity and decline, and across industries and regions (Cardon et al., 2005).

From the perspective of an entrepreneur, entrepreneurial exit can be an interesting instrument to create wealth (DeTienne et al., 2012b), mitigate risk, grow business, seek a desired lifestyle, become an investor, participate in philanthropic activities, become a mentor, etc. The exit of the founder may infuse the business with new strategic orientations and improved resources. Previous literature acknowledged that entrepreneurial exit can serve as a precursor to entrepreneurial learning and its effect on serial or habitual entrepreneurship (Hessels et al., 2011; Hsu et al., 2017).

From the perspective of industry, entrepreneurial exit can lead to less competition and more business opportunities, the birth of new ventures, and the birth of business angels (Albiol 2016; Burke et al., 2014; Mason and Botelho, 2016). For outside investors, exits provide a way to realize the financial gains of their investments and to further invest in high growth businesses. Firm exits will allow the exploration of new management, market, technological and entrepreneurial opportunities (Carree et al., 2007). It also promotes the mobility of labour across firms which leads to knowledge spill over and productivity growth.

From the economic perspective, the entrepreneurial exit could encourage the entrepreneurial recycling process by releasing knowledge and resources into the economy, redistribution of wealth among stakeholders, the creation of new firms and new ways of doing business (Albiol 2016; Mason and Botelho, 2016; Burke et al., 2014; DeTienne, 2010). The closing down of less profitable firms is essential to the creation of wealth. Eliminating less productive businesses creates space for new companies with new concepts, processes, products and technologies that adapt to changes in the market environment (Coad, 2014). Business exit rates boosts the regeneration of the stock of businesses in the economy.

On the negative side, exit results in the closure of the units, the locking of funds of financial institutions, the loss of scarce material resources, and the loss of employment. Exit and failure are likely to cause deep financial, emotional, and social implications for the owner (Singh et al., 2015; Ucbasaran et al., 2013; Walsh et al., 2017). There is a stigma and a loss of status in society associated with entrepreneurial exit in certain environments. Fear of failure and social stigma associated with business failure are viewed as important barriers to entrepreneurial action. In order to encourage healthy and strong entrepreneurial activity in the country, a suitable support system for easier exits is needed to remove fears of failure and to encourage more venture capitalists and investors.

2.2.3 Reasons for Entrepreneurial Exit

This section summarizes the various reasons behind entrepreneurial exit. People enter into entrepreneurship for a variety of reasons; similarly, entrepreneurs leave their ventures for a multitude of reasons (Parastuty et al., 2016). The vast majority of entrepreneurial exit processes are triggered either by the decision of the entrepreneur, or by stakeholders, or by the firm/ industry level events, or by the availability of alternative opportunities. According to the GEM-2017 report, the key reasons for entrepreneurial exit are non-profitable business and personal reasons, including health problems (Sunil et al., 2017). The causes of entrepreneurial exit are grouped into four categories, such as financial reasons, personal reasons, venture based reasons (endogenous) and environmental (exogenous) reasons.

Some entrepreneurs leave their business because of their desire to make profits, and others leave their business for personal reasons (Hsu et al., 2016; Balcaen et al., 2012; Murphy et al., 2019). Many researchers interpret entrepreneurial exit as a harvest and some view it as a way to reduce risk and earn money. They also benefit from the sale of intellectual property developed by them (Wennberg & DeTienne, 2014). More studies have provided a clearer picture of many possible personal reasons for exit (Hsu et al., 2016). These include retirement, health problems, family circumstances, paid employment, new job, migration to other regions, pursuing education, etc. (Hessels et al., 2011; Justo et al., 2015). As per existing entrepreneurship

literature, women entrepreneurs are more prone to leaving their ventures than men due to personal reasons (Hsu et al., 2016). Researchers have found that the exiting entrepreneurs prefer to re-start another venture and also become investors and mentors.

Researchers have identified that venture-based reasons are one of the main reasons for an entrepreneurial exit (DeTienne & Wennberg, 2016b; Kammerlander, 2016). The lack of sufficient financial resources, resource mismanagement, unprofitable business, lack of skilled employees, lack of expertise, obsolete technology, weak management skills, lack of competitive potential and market knowledge, etc. are key reasons for exits (Parastuty et al., 2016). Interpersonal conflicts with partners and management teams may lead to entrepreneurial exit (Ucbasaran et al., 2013). Mismanagement, unrealistic planning and lack of innovation result could also result in entrepreneurial exit (Cardon et al., 2011). About 50 percent of the cases of entrepreneurial exit is due to the reasons mentioned above. Many researchers have highlighted the fact that venture related issues reduce the efficiency of business activities, creating a fear of failure among entrepreneurs. This, in turn, hinders the growth aspirations of entrepreneurs, prompting them to leave the firm.

The business environment has a strong impact on the business activities. This is the reason why the patterns of exit show marked differences across industries and regions (Decker & Mellewigt, 2007). Various features such as market problems, economic crises, changes in tax legislation, administrative barriers, regional policies, structural changes in the industry and rapid technological changes, etc. drive entrepreneurial exit (Cardon et al., 2011; Wennberg & DeTienne, 2014; Aldrich, 2015). The World Bank's report on India (2014) shows that the tax practice of the informal sector, access to finance, labour regulation, and access to land are major barriers to a profitable business environment.

To summarize, alternative reasons (passion-driven), normative reasons (profit-driven), and calculative reasons (risk-mitigation or loss-driven) (DeTienne, 2010) are three possible forces behind entrepreneurial exit. In practice, entrepreneurs leave their firm for the pursuit of better opportunities, due to their inability to meet the expectations of self and others, and their decreasing chances of achieving the goal set. Moreover, various stages of the enterprise present

different challenges for the entrepreneur (Cardon et al., 2005). The start-up stage of enterprises is limited by expertise, capital, networks and customer relations. These challenges may lead to the forced exit of the entrepreneur. In the growth stage of the enterprise, founders may sell their equity to meet the needs of the growing firm, which may lead to the dilution of the firm's ownership by the founder. This will ultimately cause the founder to withdraw from the venture. In the maturity stage, founders are less likely to quit. Some entrepreneurs may still leave the venture for harvesting their investment, retirement plans, and pursuing other activities.

2.2.4   Types of Entrepreneurial Exit Routes

Studies claim that less than 50% of entrepreneurs actually develop any exit plan or exit strategy. Entrepreneurial exit is voluntary and planned behaviour, where exit intention is a pre-event with a specific motivation for exit and entrepreneurial exit is a post-event (DeTienne et al., 2015). It is stated that approximately 70% of entrepreneurs actually leave as planned (DeTienne & Cardon, 2012b; Wennberg & DeTienne, 2014). Research has shown that entrepreneurs develop exit intentions based on personal motives and business motives (Hsu et al., 2016). Lifestyle entrepreneurs develop more emotional attachment with the firm and are therefore less likely to exit (DeTienne et al., 2013). Serial or habitual entrepreneurs plan their exit strategies early as they enter and exit multiple times. Entrepreneurs who have an exit strategy will organize their resources in a careful way that will make it easier for them to exit through the planned exit route (Albert and DeTienne, 2016).

Both business and entrepreneurial exits may take different forms that are defined as exit routes or options. An exit route is described as '*the mode through which the entrepreneur intends to exit from the firm*' (Aldrich, 2015; DeTienne et al., 2015). The choice of exit path is vital as different paths allow exiting entrepreneurs to achieve their desired objectives with varying levels of risk, reward, and complexity (Yamakawa et al., 2017). Exit routes are classified into three categories - harvest routes, intentional closure routes, and change of ownership routes (Wennberg and DeTienne, 2014).

Financial Harvest Options: The goal of entrepreneurship is to create value and any successful business builds wealth for its owners. Exiting entrepreneurs choose harvest routes to reap the financial benefits of their total investment into the business over the years. The most important motivation for them to leave the previous business is to make more profit or to take advantage of new opportunities. These entrepreneurs have tangible pre-defined objectives for exiting the business and have a high degree of motivation and self-confidence to work. The most common favourable exit options are the sale of the business, the sale of the shares to the public, the sale of the firm assets, and merger with another business, (Parastuty et al., 2016). For example, Trade sales, Initial Public Offering (IPO) and Mergers and Acquisitions (M&A) options fall under this category. These exit options guarantee that the firm continues to function after the entrepreneur's exit. The *initial public offering (IPO)* involves the sale of the shares to the public on stock market to generate funds for a firm's growth. Small, young, privately held firms and younger VC backed firms prefer IPOs for expanding capital to support further growth, while large companies look for public trading. IPO is also risky and complex. Although it may be a viable exit option, it is not suitable for all small firms (Cumming et al., 2008). *In* M&A, the resources and assets of sellers and buyers are combined to meet the strategic and financial goals of both sellers and buyers. This is suitable for small firms and VC backed firms (Bayar & Chemmanur, 2011; Cotei & Farhat, 2018). M&A is generally seen as a full exit strategy with high risk, often resulting in the replacement of an entrepreneur. *Sale of Business* is usually an open market sale to third parties. When the third party is a competitor, customer or supplier, it is referred to as a 'trade sale' (Leonetti, 2008). This exit route is a simple and relatively low-risk option. Selling a fraction of shares of the firm allows the entrepreneur to harvest a portion of its wealth while enabling the company to continue to do business. In *Leveraged buy-out (LBO)*, the buyer of a company acquires a large share of the equity to take control of the business. A *Strategic Buy-out* consists of the acquisition of other businesses to increase earnings. A trade sale is the most practiced exit choice for MSMEs because of its swift and cost-effectiveness (Harvey, 2015).

Table 2.2: Extant Research on Exit Routes

Author (Year)	Exit Routes
Gimeno et al. (1997) Everett & Watson (1998) Bates (2005) Amaral et al. (2007) Bhattacharjee et al. (2009)	Firm mortality through liquidation Firm discontinuance through sale and bankruptcy Firm closure due to business failure, Firm exit through acquisition with or without financial distress
Sharma (2003)	Entrepreneurs exit by transferring ownership to family members
Cumming (2008)	Entrepreneurs exit via sales for profit
Wennberg et al. (2010)	Firm discontinuance due to high or low the performance of the firm through Harvest Sale, Liquidation, Distress Sale and Distress Liquidation
Coad (2014)	Business survival through harvest or distress sale. Voluntary Business death through harvest or distress liquidation and involuntary death through bankruptcy
DeTienne & Chandler (2010)	Entrepreneurial Exit through Independent sale, acquisition, IPO, and liquidation
DeTienne (2010)	Exit of Entrepreneur at the start-up stage with two exit options. Bankruptcy due to failure otherwise voluntary disbanding. Growth stage options: private-equity buyouts, strategic buy-outs, IPO, family succession, and employee or management buy-out.
Leroy et al. (2010)	Voluntary exit via a transfer of business to a family member/ third party
Stam et al. (2010)	Actual and expected entrepreneurial exit via sale
Bayar et al. (2011)	Venture Capitalist (VC) exit through Trade sale, IPO and write-off
Balcaen et al. (2012)	Entrepreneurial Forced exit through bankruptcy and voluntary exit by selling the assets or selling the firm in M&A.
DeTienne & Cardon (2012)	Entrepreneurial Exit via liquidation, employee buyout, family succession, Acquisition, independent sale, IPO
Ucbasaran et al. (2013)	Innovative firms prefer M&A more than other firms
Dehlen et al. (2014)	Entrepreneurial Exit via family succession and sale to employees via a management buy-out
Wennberg & DeTienne (2014)	Entrepreneurial Exit via sale to a third party, MBO, EBO, liquidation, M&A, IPO, and shutdown
DeTienne et al. (2015)	Typology of exit options: Stewardship (independent sale, EBO and family succession), Financial harvest (IPO and acquisition), and Voluntary cessation (liquidation).
Leroy et al. (2015)	Entrepreneurial Exit - family succession, employees, or third parties via Firm sale
Silva (2015)	Entrepreneurial Exit via Bankruptcy, Voluntary liquidation, Strategic buy-out and Voluntary disbanding, Family succession, EBO, Management buy-in and buy-out, IPO, M&A, Private acquisition, Private-equity buy-out, Takeover
Kammerlander (2016)	Entrepreneurial Exit via liquidation, family buyout, management buy-in and buy-out, IPO, acquisition
Mason & Botelho (2016)	Founder exit via sale, family succession. Firm exit via bankruptcy, and M&A due to economic reasons.
Pittino et al. (2018)	Family succession is the best way to preserve the continuity and the business in the family

Stewardship Options: The entrepreneurs who choose stewardship routes are likely to prioritize the welfare of others rather than their personal gain and want to provide long-term benefits to the family, management team or key employees by passing-on the firm. At the same time, they also want to have some control and influence over the future of their business (DeTienne & Chirico, 2013; Rouse, 2016). Family succession, Employee buy-out and Management Buy-Out (MBO) options fall under this category. These options also ensure the continued functioning of the firm following the exit of the entrepreneur. Family succession entails the transfer of ownership to another member of the family or chosen successor. This can be a complex process and requires a succession plan. It entails relatively low risk and is often beneficial to the family because it preserves the firm's knowledge. Succession may require a grooming period, which may also delay the exit. In *Management Buy-Outs (MBO)*, an external management team buys or the internal management buys out the firm through which the management team acquires a company's total capital or a part of it. In *Employee Buy-outs*, the employees purchase the ownership, where employees buy a large share of the equity of their own firms. Key employees may be the best buyers because they already know the firm. In some cases, the owner hires a business manager to operate the business in such a way that the owner continues to receive income from the company through dividends. This is a fairly easy and simple option.

Voluntary Cessation Options: The entrepreneurs who choose cessation routes are likely to voluntarily terminate their venture due to the consistent poor performance of the firm and unwillingness to continue their business for several reasons (Yusuf, 2012; Wennberg et al., 2010). This type of exit is very common in start-ups (Dehlen et al., 2014). *Voluntary cessation routes* are fundamentally different from bankruptcies (Wennberg et al., 2010). Because bankruptcy has strong legal implications and involves costs and time, small firms can't afford to do so, so they prefer voluntary cessation exit options to avoid insolvency. *Distress sale* is related to the sale of a financially distressed firm. The owner has the option of preferring this route when all options have failed to break the continuing losses. The closure of the business by selling its assets to pay back the debtors, creditors and other equity stakeholders is referred to as *Liquidation*. Since this option is a simple and low-risk exit route, it is suitable for all types of firms.

Researchers have used large databases to analyse the various forms of exits. By analysing the U.S census data, it can be observed that fifty percent of the firms had survived for less than five years, seventeen percent of the successful firms are found closed and thirty-three percent of the unsuccessful firms are also found closed (Headd, 2003). By examining 223 European VC investments, Cumming (2008) found that 14% of the firms preferred IPOs, and 33% of the firms were acquired. By analysing Swedish firms, Wennberg et al. (2010) found that both unsuccessful and well-performing firms had left the market. Using the 6,118 distress-related exits in Belgium, Balcaen et al. (2012) found that 44 percent had been voluntarily liquidated, 14 percent had been acquired and 41 percent had filed for bankruptcy.

To summarise, some of the exit routes will give an entrepreneur more personal and economic value than others. Exit options such as the sale, succession, and liquidation are commonly practiced by the owners of the small businesses (Van Teeffelen and Uhlaner, 2011). Table 2.2 summarizes the existing research on exit routes. Although there are many exit routes, all available options are not suitable for small enterprises (DeTienne et al., 2016b). Issues such as the time available for departure, the size and type of the enterprise, the service duration, and the cost associated with exit process will also have an impact on the exit choices available to the exiting entrepreneur. These exit paths are country-specific and the available exit options also vary according to the type and characteristics of the business. The available exit options may influence future decisions and behavior of entrepreneurs as their outcomes are different and a well-planned exit strategy will serve as the basis for a new venture's success. Ironically, most of the entrepreneurs are really good at developing a business, but they do not know how to maximize the value of their firm.

2.3   DETERMINANTS OF ENTREPRENEURIAL EXIT

Extant research has recognized entrepreneurial exit as a complex process with uncertain outcomes. Entrepreneurial exit is viewed as a multi-level and multi-faceted phenomenon, given the substantial heterogeneity of the motivations and reasons of entrepreneurs, firm and environmental conditions, and the multitude of exit routes (Wennberg and DeTienne, 2014; Aldrich, 2015). It is decided first by setting an exit goal, then choosing the exit path and a strategy

to achieve the exit goal (Leonetti, 2008). Entrepreneurs will have divergent motives to leave the venture. A mixture of both internal and extrinsic motives leads to their decision to exit. Consequently, research has demonstrated that various intentions lead to different exit outcomes, and also both intent and motivation affect the selection of exit strategies (DeTienne et al., 2010; Leroy et al., 2007; 2010; Silva, 2015; Zhu et al., 2017). The path of exit chosen by the entrepreneur is significant, as different paths give different levels of reward, risk, complexity, and implications (Wennberg et al., 2014). Thus, the identification of factors that determine the selection of the exit strategy has become an important research challenge (DeTienne et al., 2015; Albert et al., 2016; Leroy et al., 2015; Silva, 2015).

2.3.1 Review of Entrepreneurial Exit Research

The existing studies are grouped into five categories. Considering the fact that exit happens for a number of reasons than poor firm performance, researchers have focused on diverse individual and firm related factors in determining the exit route (DeTienne et al., 2015). Another category of studies has examined the influence of factors on exit outcomes and subsequent entrepreneurial activity (serial entrepreneurship) (Ucbasaran et al., 2013). Another stream focuses on the external influences on exit, including industry conditions, macro and micro environmental factors (Wennberg & De Tienne, 2014; Aldrich, 2015). Some researchers have studied the exit of family businesses and their outcomes (Zellweger et al., 2013; Sharma et al., 2003; Salvato et al., 2010; Bachkaniwala et al., 2001). According to the literature, the factors determining the exit decision of the entrepreneur may be subdivided into two categories such as i) entrepreneur dependent factors (individual factors) and ii) entrepreneur independent factors (firm and environmental factors). A few researchers have examined the influence of various factors on the exit of young small business owners at nascent stage. Some researchers claim that the decision of business owners to exit does not take place without the intention to exit. These studies have investigated the effect of contextual influences on exit outcomes (Wennberg et al., 2014; Kautonen et al., 2013; Leroy et al., 2015). Others investigated the factors impacting the time and path of exit (Yamakawa & Cardon, 2017; Balcaen et al., 2011). Macro-economic and Firm-specific factors are related to the exit option of venture capitalists. Trade sales, IPOs, and M & As are found as the most profitable exit routes for them (Bayar & Chemmanur, 2011; Rocha, 2015). At large, entrepreneurial exit has been examined in different contexts and settings, including the context

of different countries (developed and developing), different types of industries (high and low technology), various enterprise stages (start-up, growth and maturity), young and old firms, single and multiple owner based firms (single, team, family business and international business), different types of entrepreneurs (novice, lifestyle and habitual), different types of investors (private equity, angels and venture capitalists), etc. Although most exit research has been conducted in advanced countries, some studies have investigated the firm-level exit in emerging economies, including Columbia, Taiwan, Chile, Ethiopia, Turkey, Ghana, and Indonesia (Rahyuda et al., 2017; Alvarez et al., 2013). The taxonomy of existing entrepreneurial exit research is given in Figure 2.2.

2.3.2   Relevant Theories to Entrepreneurial Exit

There are a wide range of underlying theories used to operationalize factors and systematically investigate the phenomenon of entrepreneurial exit. Previous literature has adopted theories from an economic perspective (threshold theory, information asymmetry theory, and utility-maximization theory), socio-economic perspective (psychological theories, human capital theory, and behavioural theories) and a management perspective (resource-based view, prospect theory, goal theory, social capital theory and intentional theories). The literature on entrepreneurial exit intention has particularly applied the theory of planned behavior (Azjen, 1991), prospect theory, entrepreneurial event model (Shapero et al., 1982), human capital theory (Becker, 1993), social identity theory (Bandura, 1997), and threshold theory (Gimeno et al., 1997). According to the *Theory of Planned Behaviour (TPB)*, the most powerful determinant of an individual's behavior is the intention that is determined by attitudes, perceived behavioral control and subjective norms (Azjen, 1991). As per the *entrepreneurial intentionality model* (Shapero et al., 1982), the rational and intuitive thinking of individuals is shaped by personal and environmental factors that determine intentions. *Prospect theory* suggests that entrepreneurs easily transform investments into cash in profitable situations, but in situations of loss, they delay liquidation. Sometimes, exogenous events may force the investor to liquidate. *Threshold theory* suggests that the decision to leave is due to four considerations, such as the economic success of the firm, the intangible profits associated with the business, the external incentives and the swapping costs (Gimeno et al., 1997). According to the threshold theory, the decision to exit depends on both the threshold

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of the founder's performance and the firm's economic performance. *Financial theory* suggests that an entrepreneur with substantial financial capital is more capable of finding and successfully leveraging entrepreneurship opportunities. According to Becker's *Human capital theory* (Becker, 1975), the exit decision is finally subject to the amount of accrued entrepreneurial human capital.
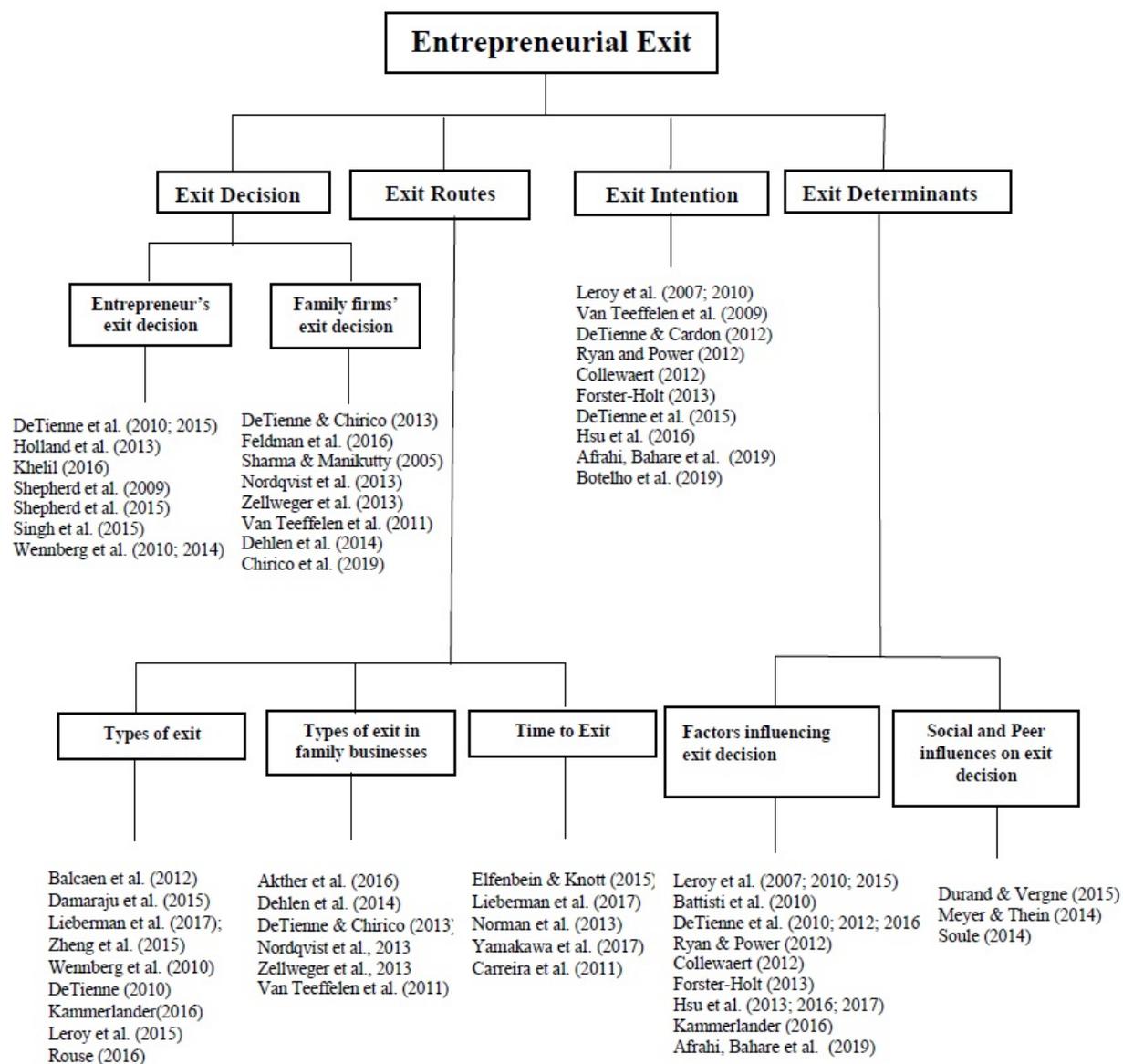
Figure 2.2: Taxonomy of Entrepreneurial Exit Research

The human capital of an entrepreneur has an effect on the identification and exploitation of opportunities. Studies have linked entrepreneurial self-efficacy to business success, fear of failure, and business termination. According to the *information asymmetry theory*, firm owners are financially motivated to implement measures that reduce the information asymmetry, which in turn affect the exit decision making (Stiglitz, 2000). According to *Sternberg's triangular theory of love*, founders are less likely to give up their enterprise if they have strong, almost loving relations with their businesses (Sternberg, 1986). As per the *social identity theory* (Bandura, 1999; Fauchart et al., 2011), the social identity of an person affects one 's actions and the social motivation of the individual also varies. *Social network theory* emphasizes the importance of social relations in the recognition of opportunities (Clausen, 2006; Caves, 1998). *The theory of serial entrepreneurship* argues that prior poor performance undermines one's self-efficacy which leads to reduced intention to pursue a subsequent, similar activity. Existing research thus demonstrates a wide range of factors as determinants of exit options and mediators between exit choices and exit outcomes.

2.3.3 Individual Level factors

This section discusses the recent research studies that have examined the influence of an entrepreneur's personal characteristics on his/her decision to exit the business. Small business owners are an incredibly heterogeneous group with varying personal characteristics. These studies commonly highlight the impact of different personal characteristics of small business owners on their exit decisions. These characteristics include demographic attributes (age, gender), human capital (education, industry and management experience, entrepreneurial skills, and self-efficiency), psychological capital, and social wealth (Albuquerque et al., 2016; Leroy et al., 2015).

2.3.3.1 Demographic Attributes

Age: Research has confirmed that young or aged entrepreneurs are more likely to leave, while middle aged remain in business for a longer period of time. Older entrepreneurs are less interested

in improving their human capital and taking risks because of their retirement age, which will make them leave (Harada, 2007; Lin et al., 2019). It is also a fact that older entrepreneurs generally like to successfully exit through harvest sales by using their social contacts and prefer distress sales to avoid failure because they are considered to be more risk-averse (Stam et al., 2010; DeTienne and Cardon, 2012; Bates, 2005). They also found that young entrepreneurs are re-starters because of lack of opportunities available to them.

Gender: Parental responsibilities are the main reasons why many women decide to leave voluntarily (Bates, 2005). Annink (2012) found that female founders struggle with a conflict of roles between being a mother and an entrepreneur. Studies indicate that married-entrepreneurs are likely to voluntarily exit than unmarried-entrepreneurs (Justo et al., 2015). It is also found that insufficient human capital and lack of opportunity to gain appropriate experience and resources for sustaining their ventures are the reasons for a large number of women to exit (Watson, 2003). Women have lower risk tolerance thresholds which prevent them from recognizing opportunities (Ucbasaran et al., 2009). Researchers have also found that women are unlikely to re-enter into entrepreneurship (Nielsen & Sarasvathy, 2011; Hessels et al., 2011).

2.3.3.2   Human Capital

Every entrepreneur has unique and valuable skills. Entrepreneurial human capital is defined as '*an individual's knowledge, skills and experience related to entrepreneurial activity*' (Ucbasaran et al., 2009; Rauch et al., 2013; Hessels et al., 2011). Human capital has been proved important for the creation and success of firms (Unger et al., 2011; Bosma et al., 2004; Bhagavatula et al., 2010). As per human capital theory, entrepreneurial knowledge increases the cognitive abilities of the entrepreneur and makes them more efficient in their entrepreneurial activities (Becker, 1964). Entrepreneurs are therefore likely to have different exit decision thresholds. Research suggests that voluntary exits can be attributed to an entrepreneur's performance thresholds (Van Teeffelen et al., 2013; Amaral et al., 2007; DeTienne et al., 2006; 2012).

Education: Education is seen as a tool for an individual to better adapt to uncertainty, deal with complex problems and explore opportunities (Simpson et al., 2004; Ucbasaran et al., 2008).

Research has confirmed that highly educated individuals are found to be more successful and continue their business (Headd, 2003). In case of low firm performance, highly educated entrepreneurs prefer 'sale' as their exit route. Wennberg et al. (2010) indicated that owners with firm relevant educational qualifications look for exit strategies that provide high value. Studies show that highly educated entrepreneurs have less propensity towards family succession than the firm's stock market trading. The role of education on entrepreneurial engagement depends on the entrepreneur's age and gender.

Entrepreneurial Experience & Skills: Previous experience of an entrepreneur is considered as an important component of human capital in the evaluation of exit choices (Van Teeffelen, 2010; DeTienne et al., 2012). Extant study illustrates managerial and prior knowledge in business are essential for the continued existence and growth of the firms (Rauch et al., 2013). Industry-specific experience of an entrepreneur has been linked to learning strategies, market opportunity identification, risk identification, and performance (Bosma et al., 2012; Mueller et al., 2014). Entrepreneurs learn from both successes and failures of their own. Research results indicate that specific-entrepreneurial skills and job-oriented expertise are critical to firm performance compared to previous job knowledge and common skills (Unger et al., 2011). Founders with general work experience may not be able to find mergers or acquirers, so they are forced to shut down their businesses by liquidation in order to carry out different activities. At the same time, founders with a high professional experience often find it comfortable to make a career change. But their greater knowledge of the particular industry makes it easier for them to pursue mergers and acquisitions. Founders having low relevant knowledge are more likely to continue their company because fewer options are available to them (van Teeffelen et al., 2013). Entrepreneurial experience is carried over into an entrepreneur's ability to build value as well as his or her desire for future harvesting. It is found that the positive correlation between business expertise and employee buyouts. Enterprise knowledge and learning are certainly related to the exit paths such as IPOs and acquisitions, and owners with firm relevant education seek for exit strategies that provide high returns. A team member with insufficient skills cannot contribute to the team, so team member exits.

Self-Efficacy: Entrepreneurial self-efficacy is defined as *'an individual confidence in their own ability to execute business tasks successfully'*. Previous research has identified both general and entrepreneurial self-efficacy as key personality traits correlated with entrepreneurial behaviour (Cardon et al., 2015). The actual exit depends on the business viability and self-efficacy of the individual (Leroy et al., 2007). Self-efficacy negatively influences firm closure whereas, fear of failure would make it less likely for them to continue their business (Khan et al., 2014; Wennberg et al., 2013). Fear of failure inhibits the growth aspirations of entrepreneurs and their subsequent re-entry into entrepreneurship (Hessels et al., 2011). Research indicates that women are more fearful of failure than men which reduces their desire to start an enterprise (Noguera et al., 2013). Long-term-oriented entrepreneurs are certain to continue the entrepreneurship activities. Entrepreneurial orientation encompasses the risk-taking, innovation, and pro-activeness ability of an entrepreneur. The fear of failure hinders the assessment of an opportunity.

2.3.3.3 Social Capital

The entrepreneur's social capital has an effect on the entry and success of the firm as entrepreneurs work by networking with other actors (Stam et al., 2008; Bastie et al., 2013). Entrepreneurial social capital refers to and advantages they have earned from the network they build with fellow businessmen and associates (Hessels et al., 2011). Social capital is a tool by which an entrepreneur can get financial support, gain credibility, and obtain additional social capital. Social capital seems to produce an encouraging effect on the possibility of ex-entrepreneurs returning to entrepreneurship. Entrepreneurial learning is also linked to networking. Contacts with family and other entrepreneurs may favour the individual to start an enterprise. Family also supports the entrepreneurs with time, money, and energy to concentrate on venture related activities, thereby reducing the likelihood of venture exit (Leroy et al., 2010; Stam et al., 2008). Thus, social capital has a major role in influencing exit.

2.3.3.4 Psychological Ownership

Psychological ownership (PO) can be defined as '*the state of mind in which an individual feels as though the target of ownership is theirs*' (Pierce et al., 2001). More knowledge, long

association, and more control over the enterprise contribute to a stronger PO. Exit is generally seen as a difficult task, especially when owners are strongly attached to the firm and thereby it influences the exit process (Hsu et al., 2017; Leroy et al., 2007). By quitting, the founder not only withdraws from primary legal or financial control, but also psychological possession. Founders consider their business as their '*baby*' and this bond makes exit less likely (Hsu et al., 2013; Zhu et al., 2017). The level of PO may vary across owners and this results in different exit routes. t is observed that owners of family businesses have strong emotional attachment with their business that makes them to concentrate on non-financial goals when they exit the firm (Zellweger et al., 2013). Firm age increases the emotional attachment of the owner to the business, which increases with time, and thus reduces the likelihood of an exit (Wiklund et al., 2013). Dehlen et al. (2014) investigated variances in the exit routes of family small business owners from Germany, Switzerland, and Austria and found that owners prefer intra-family succession. DeTienne et al. (2013) explored the influence of family and the emotional attachment of the owner on leaving family businesses. Kammerlander (2016) investigated the exit intentions of Swiss SME owners and found that owner-managers pay attention to noneconomic considerations in their exit decisions, such as high levels of affection for the firm. However, most of these researches are qualitative in nature.

2.3.4 Firm Level Factors

The firm itself plays a major part in the process of quitting the business. The factors at the firm level may be of a financial or strategic type. Firm characteristics such as age and size (Fackler et al. 2013), financial condition (Wennberg et al., 2014; Van Teeffelen et al., 2013), sector of operations, assets, location, and type of innovative processes (Cefis and Marsili, 2012) have a strong influence on the choice of exit options. The condition of the financial performance of the firm is the most mentioned reason for the exit of entrepreneurs (Wennberg et al., 2014).

2.3.4.1 Firm Performance

Several studies on firm failure research have shown that the performance of the firm is a significant indicator of the survival of a firm, which affects the exit outcome. Much of the

existing research indicates that the choice of either to remain or leave a firm depends largely on the firm's outcome (Gimeno et al., 1997; Amaral et al., 2007) and majority of the entrepreneurial exit primarily depends on the firm's performance (Wennberg et al., 2014; Bhawe et al., 2017). According to threshold theory, the exit of the firm is decided by threshold performance of the firm - if the threshold is high, then the owners are expected to sell or liquidate the firm, otherwise, it is highly possible to continue with the firm. Compulsory exit is often associated with firm failure. To avert further losses and liquidation, entrepreneurs' of firms achieving below expectation levels prefer to exit. High-performing firms are the targets for takeover, and the owners of such firms will also get a good profit for their investment (Leroy et al., 2007). One of the indicators of firm feasibility is firm performance and hence firms with consistent high performance will attract more buyers.

Prospective theory foresees that both chances and types of exit are determined by the status of gain or loss. Existing research also suggests that entrepreneurs of highly performing and poorly performing firms exit through sales and distress sales respectively (Wennberg et al., 2010; DeTienne and Chirico, 2013). They indicated that career choice and liquidation are two key reasons for these forms of exits. Business owners also exit from well-performing firms to harvest their past investments (Harada, 2007; Wennberg et al., 2010). Van Teeffelen et al. (2013) distinguish between sales and liquidation in high and low performing firms respectively. Firms with strong revenue growth are expected to leave by more profitable routes than firms with declining sales growth. A few studies are based on an entrepreneur's behavioral perspective that links firm performance as one of the variables determining the decision to quit (Leroy et al., 2007).

2.3.4.2   Firm Size and Age

There is enough evidence found in the literature to show that firm size and age are the important determinants of firm's departure. Some researchers analysed the discontinuance of nascent entrepreneurs using data from the Global Entrepreneurship Monitor (GEM) and Panel Study of Entrepreneurial Dynamics (PSED) and found that both the 'liability of smallness' and the 'liability of newness' of startups have impacted the exit (Headd 2003; Wasserman, 2003; Hessels

et al., 2011; Yusuf, 2012). Due to the liability of newness, new firms have less experience, expertise, capital, access networks, reputation, and a higher risk of survival than older firms. Research shows that descendants show less interest in succeeding the small firms and also the possibility of attracting an acceptable buyer is likely to decline with small firms. Younger and smaller firms are generally liquidated than sales (Parker, 2010). Smaller firms bear less liquidation costs and are therefore easier to liquidate (Balcaen et al., 2012). Comparatively, start-ups with innovations are riskier than start-ups without innovation and that could impact the firm's survival.

2.3.4.3 Firm Assets

The Resource-Based View (RBV) highlights that the available firm assets significantly impact the firm's performance, survival, and its competitiveness (Battisti et al., 2017). Empirical evidence supports an affirmative association of firm performance with strategic resources (Alvarez et al., 2001; Norman et al., 2013). Ironically, intangible capital have far more impact on firm's output than physical resources. Unique tangible physical resources of the firm are more attractive to buyers because their uniqueness provides a sustainable competitive advantage. The availability of a considerable amount of marketable assets may improve the value-added view of potential investors. Studies conclude that survival, growth, decline, and death of a firm are impacted by firm assets.

2.3.4.4 Firm Location

Small business development requires comparatively low investment and can thus be successfully undertaken both in semi-urban and rural areas in order to use the local resources effectively. Region-specific characteristics such as per capita income, population density, technology, entrepreneurial spill over, the presence of industrial estates and clusters, etc. may have an impact on business exit rates. Another significant determinant of exit is the spatial concentration of economic activities. More exits of small firms are likely to happen in remote and scattered parts (Freeman et al., 2012). The co-location of related firms creates more opportunity for Merger and

Acquisitions (M&A) and not the probability of closure. However, un-agglomeration economies will increase the cost of production and trigger exits. This is due to a rise in prices of insufficient resources caused by higher densities, which ultimately drive out firms from the marketplace (Fujita et al., 2013). Rural firms face different location pressures than those in urban ones. Due to severe competition in extremely developed and spread out vicinities, urban firms are less likely to survive (Headd, 2003). Thus, the firm location play a key role in determining the entrepreneurial exit (Jovanovic et al., 2003). The suitability of the firm location is determined by a variety of variables, including taxes, access to raw materials and market availability, etc. (Sridhar et al., 2010).

2.3.5   Environment Level Factors

The enterprise operates in a business environment where goods and services are produced and distributed (Oginni & Adesanya, 2013). The precis of all external and internal surroundings of a business is known as the business environment that affects business existence, growth, and improvement. The business environment presents opportunities and threats both to the formation of new ventures and the expansion of the existing enterprises. As entrepreneurship is considered as a 'regional event', circumstances and environments greatly influence the entrepreneurial behaviour. Exit patterns differ between different industries and geographical areas (Decker & Mellewigt, 2007; Sarkar et al., 2006). The key components of the regional business environment include both micro-economic and macro-economic factors, socio-economic conditions, and technological factors (Block et al., 2013; Silva, 2015; Aldrich, 2015). A country's entrepreneurial culture has proved to be a motivating factor for entrepreneurs. Entrepreneurial re-entry intentions are deeply influenced by national and institutional factors, and also economic and social pressures (Simmons et al., 2014). However, very few empirical research has investigated the effect of environmental factors on the choice of exit.

2.3.5.1   Macro-Environment Factors

The macro-environmental factors, namely the availability of credit, infrastructure, competitiveness, and lack of skilled labor, etc., are beyond the control of firms. Survival of entrepreneurs and investment promotion is possible because of a facilitating climate created by

favorable commerce, investment, and tax rules procedures, whereas the expenses for running a business increases due to the existence of an unfriendly environment (Bhattacharjee, 2009). The main restriction on SMEs' determination to survive and grow is caused by inadequate infrastructure, which in turn affects its functions, reach to the market place and raw material (Davidsson et al., 2016). Holt (2013) pointed out that harsh rules, adverse fiscal situations, poor government assistance, and varying economic conditions in other countries are few of the macro-environment factors that infringe significantly on business exit. Buehler et al. (2012) found that mandatory exit is less likely in regions with lower unemployment rates, lower tax rates, and higher public investment. Furthermore, uncertainty, structural changes in the industry, and rapid technological change are environmental features that facilitate the decision to exit (Buehler et al., 2012). As per previous research, entrepreneur traits, the institutional and competitive environments significantly impact the entrepreneurial exit outcomes (Nielsen et al., 2011; Stam et al., 2010). Environmental market forces refer to an operating, competitive, immediate environment that affects the acquisition of the resources needed to make a profit.

2.3.5.2   Micro-Environment Factors

Small enterprises generally produce goods for the domestic market and compete with local industries in both the product market and the acquisition of resources (Bartelsman et al., 2005). Products or services that provide the same benefits as other products or services of the industry are termed as substitutes. Substitutes can impact a firm's profitability. That is because consumers will turn to other replacements if they are dissatisfied. On the other hand, if there are no competitors, it would boost the company's profits. Factors that could contribute to the threat of substitutes include similar and equivalent products, and new or existing replacement products.

As per the survey of the World Bank, competition is the major deterrent for the survival of MSEs in developing countries. The existence of competing firms, suppliers, and customers in a region increases the competitive pressure. Entrepreneurship researchers stress that not having access to wherewithal and tough competition are the main reasons for exit (Mukherjee, 2018). German researchers pointed out that financial crisis and market issues force even potentially successful entrepreneurs towards the exit. The status of economic growth in the country affects

the number of available opportunities. Existing research states that saturation of demand is the main cause of failure of small businesses (Dasgupta & Sanyal 2010, Silva et al., 2015; Balcaen et al., 2011). Researchers have observed that technological, environmental and competitive factors are likely to influence the exit decisions, but this relationship has rarely been empirically examined (Wennberg et al., 2014).

The summary of the extant research on entrepreneurial exit determinants is given in Table 2.3.

Table 2.3: Extant Research on Entrepreneurial Exit Determinants.

Author (year)	Sample/Data	Key Findings
Bachkaniwala et al. (2001)	South Asian Family Businesses in the UK	Forms of succession are influenced either by firm factors and external factors
Winter et al. (2004)	A sample of 132 Non-family and family and firms in the USA	Firm resources and Human capital influence the choice of exit as sale, succession or liquidation
Stam et al. (2005)	A sample of 137 Netherland ex-entrepreneurs	The entrepreneurial skills of ex-entrepreneurs drive them to become renascent entrepreneurs
Brigham et al. (2007)	A sample of 159 small high-tech firm owners	Lower intentions for exit is related to higher satisfaction
DeTienne and Cardon (2006)	A sample of 113 firm owners from two industry sectors of the USA	The age, previous experience, and training (both form and level) of the founder affect the intention to leave. Human capital variables influence the chosen exit routes in different degrees.
Justo and DeTienne (2008)	A sample of 340 Spanish entrepreneurs	Married females leave voluntarily than males.
Leroy et al. (2007)	A sample of 172 Belgium micro-firms	Human capital, intangible assets influenced exit intentions. The profitability of the firm and the intangible assets influenced the exit.
Wennberg (2010)	Conceptual	Entrepreneurial exit is a multi-dimensional concept
Ryan & Power (2009)	A sample of 356 firms in Ireland and Scotland	The preferred option of exit is determined by firm resources, market factors through exit intentions.
Battisti et al. (2010)	A sample of 1,361 small business owners in New Zealand	The firm's size, performance and family involvement greatly influence the intention to sell or liquidate the firm
DeTienne (2010)	Conceptual	Discusses various exit reasons and exit options available for each lifecycle stage of the enterprise.
DeTienne and Cardon (2010)	A sample of 189 firm founders	The choice of exit paths depends on the human capital threshold.

Leroy et al. (2010)	A sample of 198 Belgian entrepreneurs	The intention is the key driver for inter-generational transfers, sale to a third party, and liquidation.
Stam et al. (2010)	A sample of 20,000 individuals from 27 European countries and the USA	Explore start-up exits based on market expectations and market selection. Person related factors, competitive and institutional environmental factors affect their market selection
Wennberg et al. (2010)	A sample of 1735 Sweden self-employed start-ups	Varying firm resources and human capital influence the option of four exit routes. The entrepreneurial age varies considerably across the four exit routes.
Hessels et al. (2011)	A sample of individual-level data of 24 GEM participating countries during 2004-2006	The likelihood of re-entry after exit is higher in males and entrepreneurs with low fear of failure.
Van Teefelen et al. (2011)	A sample of 112 exited small firm owners from Dutch	Rather than general human capital, specific human capital predicts transfer performance. Buyer-seller familiarity is a primary predictor of transfer success instead of family relations.
Teeffelen et al. (2012)	A sample of 157 Dutch small firm entrepreneurs	In well-performing firms, no. of years of entrepreneurial experience and ownership predict exit options. In low-performing firms, the firm's characteristics predict exit choices.
Collewaert (2012)	A sample of 65 angel investors and 72 entrepreneurs located in California and Belgium	Entrepreneur's intention to exit is stronger for entrepreneurs facing more goal and task conflicts. Importance to consider investor-business partnerships while researching their respective exit processes.
DeTienne & Cardon (2012)	A sample of 189 fast-growing young firms in the USA	The decision of an owner to make a particular choice of exit is affected by the owner's human capital The choice of exit is mediated by firm size and growth.
Ryan & Power (2012)	A sample of 236 owner-managers from Ireland and Scotland	The exit strategy is affected by firm size, firm location, industry sector, gender, and a variety of intentions.
Van Teefelen and Uhlaner (2013)	A sample of 158 Netherlands small firm owners	Human capital and the firm resources predict the exit choices of small business owners.
DeTienne & Chirico (2013)	Conceptual	High level of socio-emotional capital positively impact the succession strategy and negatively impact the exit strategies for business sale and business liquidation.
Holt, Forster (2013)	A sample of 753 Independent Businesses from the USA	Subjective factors influence the intention to retire

Hsu et al. (2013)	A sample of 104 USA entrepreneurs.	PO is related to re-entry positively.
Dehlen et al. (2014)	SMEs from Switzerland, Germany, and Austria	An owner's less knowledge about the buyer makes a family succession more likely. The owner's emotional attachment increases with firm age, so the exit is unlikely
Wennberg & DeTienne (2014)	Review	A Literature review of entrepreneurial exit research
DeTienne et al. (2015)	A sample of 1500 exited owners from less than 5-year-old firms in the USA	Typology of exit strategies includes the harvest, voluntary cessation strategies and stewardship strategies Firm-level and Individual factors predict the type of exit strategies
Justo et al. (2015)	A Sample of 219 Spanish exited entrepreneurs	Women prefer to voluntarily exit than men.
Leroy et al. (2015)	A sample of SEM Survey data of 175 entrepreneurs of Belgian micro-sized businesses	Frim Sale is positively linked to entrepreneurial experience and firm size through exit intention.
Shepherd et al. (2015)	Review	Analysis of entrepreneurial decision making and exit decision.
Yamakawa et al. (2015)	A Survey database of failed nascent entrepreneurs of Japan	Failure experience aids the entrepreneurs in the growth of subsequent business endeavors.
Akther, Sieger, & Chirico (2016)	6 family business portfolio case studies	Explores family business exit strategies.
Khan A.A (2016)	Conceptual	Exit planning practices among Australian small Businesses. Examined the level, efficacy, and determinants of exit planning among small business owners.
Davidsson & Gordon (2016)	Nascent entrepreneurs in Australia.	No direct impact of the major macro-economic crisis on emerging entrepreneurs.
DeTienne & Wennberg (2016)	Review	New directions and insights on exit from entrepreneurship:
Kammerlander (2016)	A sample of 1,354 SMEs.	The firm age and familial relationship increase the emotional attachment with the firm.
Hsu et al. (2016)	A sample of 388 married entrepreneurs from the USA.	Exit intentions for women are higher than male due to family-business management problems.
Kołdkiewicz & Wojtyra, (2016)	Review	Analysis of entrepreneurial exit strategies from a research perspective.
Parastuty et al. (2016)	A sample of 381 entrepreneurs from 8 provinces of Austria	Entrepreneurs who exit have low human capital. Temporary closure is a possible way of exiting.
Wennberg et al. (2016)	A panel data of 14,760 start-ups	Risk preferences change with the firm size and age. The likelihood of exit and growth of new businesses decreases with age and scale.
Hsu et al. (2017)	A sample of 175 local entrepreneurs in the Northeast- USA	Entrepreneurs who have lost money and low self-efficacy have re-entry intentions.

Mathias et al. (2017)	A sample of 19 exited entrepreneurs through harvest	Harvests will activate the desire of entrepreneurs to give back to the society
Yamakawa & Cardon (2017)	A sample of Survey data of 93 firms in the financial crisis	Time to exit is related to the amount of investments in the firm
Zhu et al. (2017)	A sample of 157 entrepreneurs	Family support reduces the exit intention of entrepreneurs by reducing the hindrance stress.
Pittino et al. (2018)	A sample of 93 Spanish family firms	Entrepreneurial orientation is affected by Psychological ownership
Pisoni, A. & Onetti, A. (2018)	A sample of 5,744 tech start-ups' merger and acquisition transactions in Europe and the USA	Start-up exits typically happen within a few years of the firm's establishment. Start-up acquirers from Europe and the United States prefer local companies.
Afrahi, Bahare et al. (2019)	A sample of survey data of 402 entrepreneurs in the UK	Emotional disengagement of entrepreneurs mediates the exit intentions of entrepreneurs in selecting the various exit paths.
Botelho et al. (2019)	A sample of 17 exited investments of 10 different investors in the UK.	First research to investigate how angel investors exit. Angels have a pre-planned exit strategy. Often, they develop close relations with the companies they would acquire
Chirico et al. (2019)	A sample of yearly data of non-listed firms in Sweden	Family owned firms are less likely to exit than non-family firms and they prefer to exit through mergers. Non-family firms prefer to exit through sale or dissolution.
Tsuruta (2019)	A sample of firms with managers aged 60 years from Japan	Firms with no successors have a lower growth rate Older entrepreneurs without successors may close their companies before the revenues deteriorate.

2.4   RESEARCH GAPS

Based on the literature review, the following research gaps are identified.

- One of the important events in the entrepreneurial process is founder exit. Recently, there has been a growing interest in investigating the entrepreneurial exit phenomena. The awareness of entrepreneurial exit is predominantly centered on data from developed countries. Much of the research has focused on specific small industry sectors and the conclusions are drawn from empirically analyzing the national level census data.

- Most of the empirical studies consider either individual level or firm-level factors in examining multiple exit strategies of small business owners in the context of developed countries. Researchers have also emphasized that competitive and technological factors are likely to have an impact on exit decisions, but the role of these factors in the entrepreneurial exit process is underexplored. Another area of research that has not explored much in the literature is the effect of the small business owner exit.

- A few studies have examined entrepreneurial exit in developed countries and researchers have raised a note of concern and invited researchers to probe this area further.

- There still remains a lack of knowledge about the exit of micro-enterprises in both developed and developing countries. In contrast, a whole range of practitioners' literature focuses on the importance of exit planning for this sector.

- Although several studies have been conducted in the Indian MSME sector, these studies have focused on growth-related issues such as access to credit, market access, access to technology, ease of doing business, human resource development, innovation, networking, and sickness, etc. and no study has been found that can explain entrepreneurial exits in India (Goyal et al., 2012; Charan Singh et al., 2016; Mukherjee, 2018). To the best our knowledge, there has been no empirical study in understanding the exit strategies of Indian MSME owners.

- One open question remains unanswered is why entrepreneurs voluntarily exit from a successful firm and what factors influence their exit intention and their choice of exit options.

- Very little is known about the conditions that make entrepreneurs to exit and re-enter the entrepreneurial process. An improved understanding of serial and habitual entrepreneurship is important to all stakeholders in the entrepreneurial economy.

- The socio-economic and cultural environment for doing business in India differs from developed countries. 94% of Indian MSEs are proprietorship concerns. Hence the factors leading to an entrepreneurial exit in India may differ systematically from that in developed countries. Exit routes adopted by entrepreneurs' from different countries and cultures certainly differ in meaning and the typical view on exit routes cannot be practiced directly in India.

Therefore, there exists a gap in the existing literature regarding how Indian small business owners make exit decisions, develop exit strategies, and choose exit options. Thus, this research aims to fill some of these gaps by examining the exit intentions of Indian MSE owners and their intended exit options. Perhaps this will add new knowledge to the entrepreneurship domain, as well as for policymakers, in order to bring a certain remedy to formalize exits of MSE owners in India.

2.5   SUMMARY

A comprehensive review of the existing literature on entrepreneurial exit is discussed in this chapter. Entrepreneurial exit can be accomplished in different ways, and a proper understanding of the ways in which it is carried out will be useful to the economy as a whole. A classification of existing research on entrepreneurial exit is presented in this chapter, together with a review of the determinants of entrepreneurial exit routes and intentions. Existing studies are country-specific and industry-specific, particularly most of the research is carried out in the context of developed countries. The literature review shows that very less is currently known about the factors that drive the Indian MSE owners to leave the venture. These explanations augur well for the need for an empirical research investigating the factors that influence the exit intentions of Indian MSME owners and the mediation effect of the exit intention in their choice of exit routes.

CHAPTER 3

CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

This chapter presents the conceptual model developed based on the literature review. As the study is about the exit intentions of MSE owners, the theory of planned behaviour is adopted for the conceptual model development. In addition, each hypothesis is presented based on the rationale behind it. Consequently, the hypotheses of this research are formulated. The conceptualization and operationalization of independent, mediating, and dependent variables are also presented.

3.1   RESEARCH OBJECTIVES

The literature review reveals that there is less knowledge about entrepreneurial exits in India. As there is no research to date to shed light on the exit strategies of small business owners in India, it exhilarates the importance of investigating the exit behaviour of entrepreneurs in the Indian context. In addition, the relationship between the exit intention of MSE owners and the choice of exit routes is not fully understood (Leroy et al., 2010; 2015; DeTienne et al., 2016). Hence, the main aim of this study is to empirically examine the influence of different types of factors related to individual, firm, and market environment on the exit intentions of Indian MSE owners and their intended exit options to assess the mediating effect of exit intention. The following objectives have been set to address the above research issue.

1.   Identification of factors related to individual, firm, and market environments that influence the exit intentions of Indian MSE owners.

2.   Examining the role of these factors in influencing the exit intentions of Indian MSE owners.

3.   Assessing the mediation effect of the exit intention on the relationship between the identified factors and the intended exit options of Indian MSE owners.

3.2   CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

3.2.1   Theory of Planned Behaviour

Entrepreneurial exit exemplifies the planned behaviour of an entrepreneur because it is a voluntary decision of the entrepreneur (DeTienne & Wennberg, 2016; Leroy et al., 2015). According to intentional theories, the intention is the best measure for predicting the behavior that may be driven by various factors. The Theory of Planned Behaviour (TPB) is frequently used to understand the entrepreneurial behavior (Ajzen, 1991). The TPB is proved to be the best predictive tool considering the rarity and harder to observe behaviours that may involve unpredictable time delays (Ajzen, 1991). According to the TBP, intentions are determined by the owner's attitudes, perceived ability, and influences. TPB provides a framework for understanding the individual's intention by focusing not only on individual factors, but also on other factors (Con Foo, 2010). Entrepreneurial exit is a perfect example of such planned behaviour. Extant literature has confirmed the usefulness of TPB in analysing entrepreneurial exit intention and that varying intentions can guide to identify different exit methods (Leroy et al., 2007; 2010; 2015; Wennberg & DeTienne, 2014; Kautonen et al., 2013; DeTienne & Cardon, 2012). As such, this study uses the TPB because of its prediction capability and openness to accommodate additional predictors.

Even though existing literature has outlined that entrepreneurial exits can be accomplished by various exit paths such as sale, succession, buy-outs, Initial Public Offer (IPO), Merger and Acquisitions (M&A) and bankruptcy, these exit paths are country-specific and not

suitable for all types of enterprises (DeTienne et al., 2016). Exit choices, such as IPO, transfer to employees, or transfer to management are not considered because they would not fit for MSEs in developing economies like India. As per the exit policy framework document, mainly four exit options namely harvest sale, debt-free sale, succession, and re-entry are commonly practiced by MSE owners of India (MSME Policy Draft, 2014), and hence this research considers these four exit options for investigation.

According to the literature, the factors behind the exit intentions of entrepreneurs are related to various individuals, firms, and market environmental factors, but these factors are closely interrelated (Miller et al., 2013; Block et al. 2013). Thus, this study considers the factors relating to individual, firm, and market environment to understand the exit intention and its mediation effect on the intended exit options of Indian MSE owners.

3.2.2   Individual Level Factors on Exit Intention

As more than ninety-four percent of Indian MSEs are proprietorship concerns, the enterprise exit largely depends on the intention and decision-making ability of the owner. These owners represent an incredibly heterogeneous group with varying intentions, and it is essential to study the influence of variables that are closely associated with the entrepreneur. This research examines the influence of human capital and psychological ownership as entrepreneur-related factors in exit intentions.

3.2.2.1   Human Capital

In the micro and small enterprise segment, one of the critical resources in need is the human capital of the owner. According to human capital theory, Human Capital (HC) is nothing but the inherent qualities of the individual, including socio-demographic, general, and specific experience, competencies, and skills (Becker, 1975). Entrepreneurs vary in their human capital, because it is acquired by individuals through education, experience, and professional training (Davidsson, 2006; Rocha et al., 2015). General human capital includes the entrepreneur's

background, such as age, gender, family background, experience, education and status. Explicit human capital includes prior entrepreneurial experience, industry- explicit knowledge, and managing ability (Bosma et al. 2004; Ucbasaran et al., 2008). A large number of studies suggest that human capital is the essential catalyst for the enterprise growth and survival (Dahlqvist et al, 2000; Ucbasaran et al, 2008). Since it is an inherent talent of an entrepreneur, it can both change and moderate itself and other inputs.

Previous empirical studies have confirmed that specific human capital variables found to be strong predictors of exit choice than general human capital (Wennberg & DeTienne, 2014; Van Teeffelen et al., 2013; Simmons et al., 2014; DeTienne and Cardon, 2012; Hessels et al., 2011; DeTienne et al., 2010). DeTienne and Cardon (2010) are the first to investigate the relationship between intentions and exit. They combined the views of two theories, namely TPB and threshold theory, to investigate the consequence of individual characteristics, including age, previous experience, and education on the exit intentions of firm owners. Wennberg et al. (2010) found that entrepreneurs with high job knowledge and/or older are mostly expected to exit by harvest sale. DeTienne and Cardon (2012) have observed that education has no effect on the intentions of the entrepreneur to exit. Gender and marital status influence the exit decisions (Justo et al., 2015). Entrepreneurial experience and education are related positively to harvest sale, IPOs, and acquisitions. Many researchers linked age with accumulated life experience and found that the likelihood of harvest sale increases with age (DeTienne and Cardon, 2012; Ucbasaran et al., 2009; Wennberg et al., 2010). Most of the studies demonstrate that high entrepreneurial experience not only influences the exit choice but also increases the chance of a sale.

The entrepreneur's journey is a path of learning and researchers claim that the most successful use of entrepreneurial experience is to re-engage in entrepreneurial activities (Dias & Teixeira, 2017). They also indicate that business exit is not the end of their entrepreneurial journey, and the knowledge gained from their past entrepreneurial experience has a positive effect on their re-entry (DeTienne & Cardon, 2012; Toft-Kehler et al., 2014; De Hoer et al., 2016; Aldrich, 2015). It is also found that habitual entrepreneurs have acquired higher levels of human capital from doing business (Mueller & Shepherd, 2014). Entrepreneurs re-start a new firm immediately after leaving an earlier firm and the pace at which they re-enter into entrepreneurial

business is influenced by the accomplishment or collapse of the previous firm (Amaral et al., 2007; Ucbasaran et al., 2003). Previous entrepreneurial experience and a higher level of education enable entrepreneurs to commence a fresh venture after an exit (Stam et al., 2008). Higher education enables individuals to become more productive and innovative. Some studies find that women might not re-enter after having left the business (Bosma et al., 2012; Hessels et al., 2011; Wagner, 2005). Business persons with past enterprise knowledge are bound to once again enter into entrepreneurship (Hessels et al., 2011). Shaw et al. (2016; 2019) find that previous venture experience has increased the longevity of the next business. The role of education on entrepreneurial engagement depends on the entrepreneur's age and gender. Entrepreneurial experience improves the individual's self-efficacy, which further increases their entrepreneurial intentions (Zhao et al., 2005). The social values of a country also influence the entrepreneurial behaviour, and political, cultural, social, and economic pressures strongly influence the re-entry intentions (Simmons et al. 2014). Few researchers find that entrepreneurs having similar experiences have a greater understanding of products, markets, rivals, and consumers (Boyer and Blazy, 2014; Bastié et al., 2013). Both management and the similar experience enable the entrepreneurs to identify and exploit attractive entrepreneurial opportunities for their re-entry (Rauch et al., 2014).

The aforementioned studies indicate that a higher level of human capital is one among the significant catalyst for serial entrepreneurship and empirical studies on innovation-driven economies have shown that exited entrepreneurs prefer to re-enter into entrepreneurship (Pisoni and Onetti, 2018; Leroy et al., 2010; Albert and DeTienne, 2016; Hsu et al., 2017; Amaral et al., 2011; Hessels et al., 2011). Hence, this study uses various attributes of the human capital of entrepreneurs such as entrepreneurial experience, entrepreneurial skills, interpersonal skills, and knowledge gained from training to investigate their influence on exit intention for re-entry using the conceptual model given in Figure 3.1. This leads to the following hypotheses.

H1-a: High Human capital significantly influences the exit intention of Indian MSE owners.

H1-b: Exit intention mediates the relationship between Indian MSE owners' high human capital and re-entry
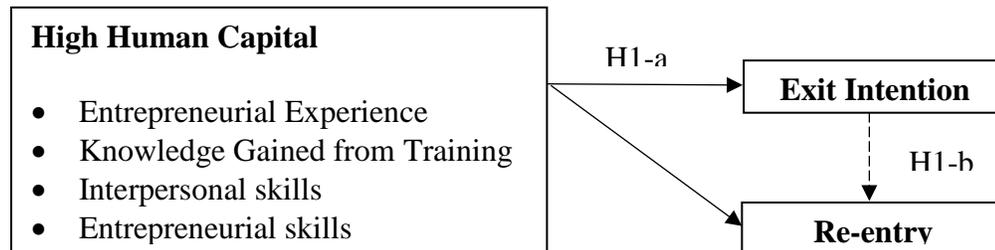
Figure 3.1: Conceptual Model- Human Capital

3.2.2.2   Psychological Ownership

Psychological Ownership (PO) refers to a person's possessive feelings of ownership of an entity (Pierce et al., 2001). As per the theory of PO, attributes such as level of control wielded on the organization, close acquaintance with the business, and personal involvement constitute the psychological ownership of an entrepreneur (Pierce et al., 2001). As per attachment theory, entrepreneurs take care of their firm like a parent protecting their child. As their self-investment on the enterprise accumulate over a period of time, the entrepreneur develops an emotional bonding with the founded enterprise (Salvato et al., 2010). This emotional attachment grows as the venture grows. By developing strong bonds with their ventures, the founding entrepreneurs make efforts to improve the growth and firm performance (Zellweger et al., 2013). As a result, entrepreneurs may develop feelings of possessiveness towards the firm (Wiklund et al., 2013; Avey et al., 2009).

Research suggests that entrepreneurs with strong PO are more committed (Wasserman, 2008; Bernhard et al., 2011) and they strive for healthy development of the firms (Chirico et al., 2019; DeTienne et al., 2013; Berrone et al., 2012). As their emotional attachment and self-involvement in the enterprise increases with time, they find it difficult to emotionally exit from the business (Nordqvist et al., 2013; Rouse, 2016; Salvato et al., 2010; Avey et al., 2009; DeTienne et al., 2013). Preceding studies have found that PO decreases the exit intention of proprietor (Leroy et al. 2007). In contrast, the findings confirm that owners with strong PO are

not generally averse to exit, in order to safeguard personal and family wealth, and to ensure their continuity in the firm, they want to pass-on to family members (Westhead, 2003; Zhu et al., 2017). The level of intimate knowledge of the proprietor about the enterprise increases the PO of an owner towards his venture. The feeling of control depicts a sense of efficacy, happiness, and generate extreme contentment when certain enviable results are attained. It has been shown that as the owner has more control over the business, he/she develops stronger psychological ownership over it. Owners who have complete knowledge and control of the firm would like to retain their identity and status in the future by passing on the firm to their heirs. It is also evident from the literature that long-tenured entrepreneurs would like to continue their business rather than maximizing their investment (Kammerlander, 2016). Because of this long-tenured association, they want the healthy firms to be in the hands of their successors instead of passing on to an outsider (Dehlen et al., 2014). Pittino et al. (2018) explain that psychological ownership enhances job satisfaction and entrepreneurial orientation. In family businesses, founders tend to retain the family identity by transferring ownership and management to family members, rather than selling the firm for monetary benefits. In this direction, researchers have examined various succession related issues such as parent successor relationship, successor characteristics, and impact of various factors on survival of family firms and attitudes and emotions of the family members, etc. (Thiele, 2017; Nordqvist et al., 2013; Bernhard, 2011).

Researchers have theorized that psychological ownership as an important predictor for entrepreneurial exit decisions and recommended the need for further studies on the psychological aspect of ownership on entrepreneurial exit (DeTienne, 2010). (DeTienne& Chirico, 2013; Rouse, 2016; Akther et al., 2016). However, less research effort has been found to empirically examine the correlation of the owner's psychological ownership with exit intention. Extending this logic, this research proposes to investigate the influence of PO on the exit intention of owners and their choice of exit path as passing-on using the conceptual model given in Figure 3.2. The dimensions derived from the existing literature to measure PO in this model are control over the enterprise, knowledge about the enterprise, social status derived, and goal achievement. In this direction, the following hypotheses are formulated to test this relationship.

H2-a: Strong psychological ownership negatively influences the exit intention of Indian MSE owners.

H2-b: Exit intention mediates the relationship between MSE owners' strong psychological ownership and passing-on.
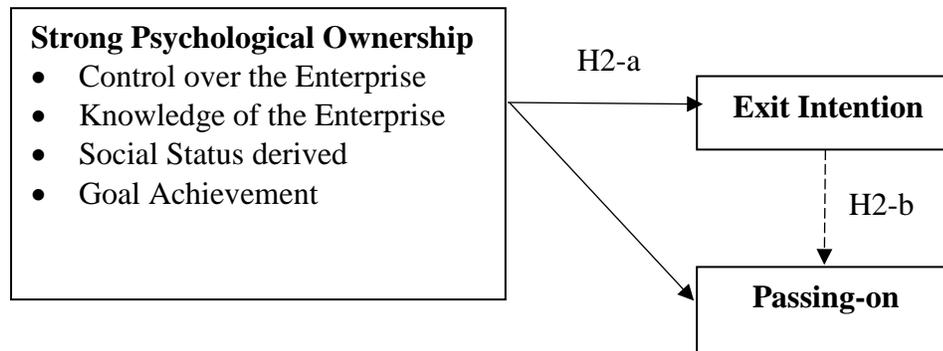
Figure 3.2: Conceptual Model - Psychological Ownership

3.2.3   Firm Level Factors on Exit Intention

A significant role in the process of leaving an enterprise is played by the firm itself. Firm related factors have a greater role in shaping the exit intentions because of their heterogeneity in type, size, age, performance levels, resources, location, and capabilities. Out of various firm related factors, in this study Performance of the firm and Location of the firm are taken into account to investigate the exit intention of entrepreneurs. Therefore, this research examines the influence of factors related to firm performance and firm location on exit intention of MSE owners.

3.2.3.1   Firm Performance

In the business domain, a firm's financial performance is related to the success of the firm in the market and its overall outcome. Firm performance is an obvious determinant of entrepreneurial satisfaction and also an indicator of the firm's viability (Wennberg et al., 2010). In developing countries, age and size of an enterprise affect its achievement, thus most studies have considered

them as determinants of firm exit (Van Teeffelen et al., 2013; Sefiani, 2013; Blackburn et al., 2013; Battisti et al., 2011). These studies show that firm exit takes place in well-performing firms because of ownership change, expansion of business, and getting hold of resources.

Even though earlier investigations have been conducted from an economic perspective, the final exit decision depends largely on the interest of the entrepreneur (DeTienne, 2010; Dehlen et al., 2012). The key rationale behind ownership exit is the financial state of the enterprise (Wennberg et al., 2014). As per threshold theory, the assessment to depart or continue with an enterprise is based upon how enterprise performances differ higher or lower that threshold. Researchers found that the majority of entrepreneurial exits occur through harvest sale of well-performing firms because of the availability of better business opportunities or better alternatives or retirement reasons (Bates, 2005; Harada, 2007). Business owners also exit from well-performing firms to harvest their past investments (Wennberg et al. 2010, Harada, 2007).

Researchers identified that the historical performance of a firm has a significant impact on different exit outcomes. Balcaen et al. (2009) suggest that mature enterprises with more physical assets are expected to be more competitive and more profitable, and thus have a higher chance for harvest sale. Battisti et al. (2010) found that performance has an impact on the business exit mode. Firm performance plays an important role in determining exit, but other firm factors may moderate the performance (Wiklund et al., 2013). Wennberg et al. (2010) focused on financial aspects with entrepreneur exit strategies and concluded that owners exit by selling well-performing firms for a profit by harvesting his/her past overall investment and selling less-performing firms for settlement of liabilities through distress sale. Leroy et al. (2007; 2010) highlighted that financial rewards of a high performing firm might induce the owner to plan for an exit, as well such firms are likely to be taken over by other firms because of anticipated profit (Leroy et al., 2007). They point out that the value of both intangible and tangible assets of the firm also triggers the exit decision. Balcaen et al. (2011) has reported the association between higher levels of firm performance with an increase in voluntary exit. DeTienne and Cardon (2012) extended the threshold theory to include multiple possible exit strategies by adopting a broader definition of exit, namely the discontinuation of ownership from a specific business from an individual perspective. Studies have measured the performance of firms by profitability level,

stock share measures, return on average assets, and the firm's strategic resources (Amaral et al., 2007; Wennberg et al., 2010; Kay et al., 2018; Bhawe et al. 2017). Studies predict the exit outcomes based on past turnover of sales (Wennberg et al., 2010; Amaral et al., 2007; Van Teeffelen, 2008; DeTienne and Cardon, 2012; Leroy et al., 2007) and on the earnings of firm owners (Winter et al., 2004; Amaral et al., 2007).

Most of the earlier investigations focused on economic perspective, whereas only a few researchers have focused on the behavioural viewpoint of an entrepreneur connecting performance of the firm as one of the exit intention variables because it could increase the owners' interest to harvest their investment or to pursue a new business opportunity or other activities (Leroy et al., 2010; 2015; DeTienne and Cardon 2010; 2012). Hence, this study uses various attributes of performance indicators of firm namely assets available, market share, firm age, and growth in profit to investigate their influence on exit intention for harvest sale as shown in Figure 3.3.   To test this relationship, the following hypotheses are constructed.

H3-a: High Firm performance significantly influences the exit intention of Indian MSE owners.
H3-b: Exit intention mediates the relationship between MSE's high firm performance and harvest sale.
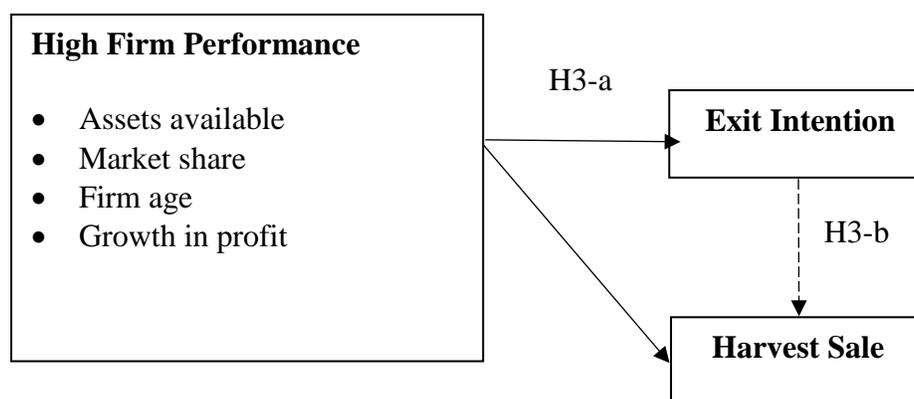
Figure 3.3: Conceptual Model - Firm Performance

3.2.3.2   Firm Location

The firm location is described as an enabler for the acquisition of resources and the development of the firm's capabilities (Freeman et al., 2012; Porter et al., 2000; Sefiani et al., 2016; Delgado et al., 2016). As per the enterprise location theories, a suitable location provides cost minimization, market opportunities, and profit maximization for small businesses (Weber, 1929; Jovanovic et al., 2003). Location factors are grouped into qualitative soft factors and measurable cost factors (Risselada et al., 2012; Sridhar et al., 2010; Vlachou et al., 2015). Soft factors include economic, social-cultural profile of the location, cost factors including availability of space, proximity to customer, supplier, markets and skilled labour, the availability of infrastructure and research institutions, etc. (Dahlqvist et al., 2000; Fujita et al., 2013).

Mainly, firm location has its implications on the availability of raw materials, human resources, infrastructure, finance, access to markets, etc. and these locational factors are found to contain pressure on firm performance (Sefiani et al., 2016; Van Teeffelen et al., 2013; Sridhar et al., 2010). The easy availability and access to resources in locations enable them to perform well in the market. Locational factors related to infrastructure, specifically transportation such as roads and rail, electricity supply, digital connectivity, etc. also enhance their performance (Lee and Cowling, 2014). The presence of government organizations, technical and financial institutions provide development opportunities for SMEs. Another notable feature is the cost of the firm which not only covers its assets, but also its distribution channels, customers, and suppliers that have been built up during the previous regime (Bastié et al., 2013). Small firms located in an industrial area have the benefit of cooperation in their business environment because they don't have to own all the requisite resources. The co-location of firms provides many advantages including the sharing of knowledge, the availability of complementary resources, and collaboration with neighbouring enterprises. This in turn may increase their market share and export opportunities (Fujita & Thisse, 2013).

Evidence from developed countries shows that exit decisions are related to locational factors. Location is of significant importance in determining firm survival. The spatial concentration entails increased competition for rare resources, which increases the production cost

thus leading to market exit. Some studies suggest that firms located in high-density regions may increase their visibility to potential buyers. Van Teeffelen and Leroy (2009) suggested that firm location influences the exit intention. Firms functioning around cities and towns are highly anticipated to leave compare to firms working in non-urban locations, because of the ample opportunities for harvest sale, thus allowing the entrepreneurs to pursue other activities (Headd, 2003). Mergers and Acquisitions (M&A) are more likely for the new firms located in high-density regions. Another important aspect is the prevalence of regional dissimilarity in patterns of exits (Santarelli et al., 2009). Hence, MSEs operating in a suitable location such as in industrial estates, where the availability of resources and good infrastructure is guaranteed, has a potential demand for purchase from newcomers. The shortage of industrial plots at present is bound to increase the demand further is an opportunity for the owners of existing firms to opt for harvest sale. Despite this importance and impact of firm location, no evidence has been found in the literature to study the relationship between entrepreneurial exit and location factors. Hence, this study uses various attributes related to firm location such as easy access to resources, approachability, availability of labour, and societal support to investigate their influence on exit intention for harvest sale as shown in Figure 3.4. Therefore, the following hypotheses are formulated to test this relationship.

H4-a: Suitable firm location significantly influences the exit intention of Indian MSE owners.
H4-b: Exit intention mediates the relationship between MSE's suitable firm location and harvest sale.
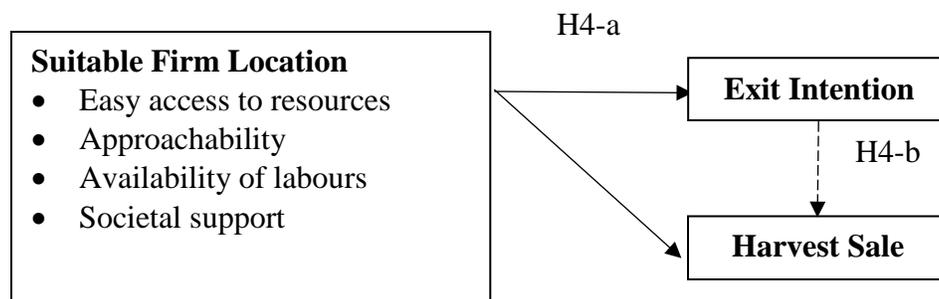
Figure 3.4: Conceptual Model - Firm Location

3.2.4 Market Environment Level Factors on Exit Intention

The small business environment is a highly complex and dynamic system of industrial, material, market, and organizational structures. The performance of small businesses is heavily affected by the business environment (OECD, 2019). There are two dimensions of the small business environment, typically general (macro) and competitive (micro) environments (Litavniece & Znotiņa, 2015). Macro-environmental factors such as socio-cultural, demographic, political-legal, macro-economic, technological and global conditions may impact the functioning of all businesses in the region. On the other hand, competitive-environmental factors, such as suppliers and resellers, customers, competitors and society, directly affect the growth of the company itself. The competitive market environment is extremely volatile and unpredictable, and strangely, entrepreneurs have little or no control over it. However, entrepreneurs can change the impact by making tactical decisions. The dynamic nature of the competitive market highly affects the viability of the MSEs, and subsequently, the entrepreneur's exit decision. The most frequently cited challenges of the firm are low demand and tight competition. After the revision of various studies mentioned above, this research investigates the influence of market competition and product demand on exit intentions.

3.2.4.1 Market Competition

Businesses rely on markets for survival and greater knowledge of competitors will lead an enterprise to prolonged market participation. According to Porter's theory, five forces involved in industry competition, namely threats from new competitors, threats from alternative products, competition enmity, buyers and suppliers negotiating supremacy, affect the profit ratio and marketplace coverage of enterprises (Porter, 2008). Direct competitors are those offering the same or identical products, and indirect competitors are those offering the substitute (alternative) products. These competitors offer similar or substitute products to the same group of customers (Sorensen, 2009). The presence of both direct and indirect competitors in the same market challenges the enterprise's growth and sustainability. The World Bank survey carried out on SMEs in developing countries states that competition presents a significant threat to the development and sustainability of the firm (Kraja & Osmani, 2013).

Due to their limited size and scale, most small businesses produce uncompetitive, limited range of products with unknown brand names which threaten their survival. They are not very competitive in nature due to a lack of competitive market knowledge, judicious investment and innovation ability (Yoshino et al., 2016). In particular, small enterprises in developing countries lack in their capacity to innovate and implement new technology to maintain their economic dominance, leading to the prospect of getting eliminated from the marketplace. Conversely, small enterprises do not have control over prices, products and services offered by other firms. The intense competition has a major effect on their profits, which may result in business failures (Holt, 2013; Khan et al., 2014). Thus, entrepreneurs of low performing firms as a result of severe market competition tend to exit through debt-free sale to avoid losses.

Various researchers have confirmed that increased competition results in the compulsory exit of small businesses due to failure (Walsh et al., 2017). Though existing studies normally relate market competition to firm failures. Conversely it is intended from this investigation to explore the correlation of Severe Market Competition with the exit intention of entrepreneurs for obvious reasons. Hence, this study uses various attributes of market competition such as a few product range, the existence of similar firms, market barriers, and less use of technology to investigate their influence on exit intention for debt-free sale as shown in figure 3.5. Thus, the following hypotheses are developed.

H5-a: Severe Market Competition significantly influences the exit intention of Indian MSE owners.

*H5-b: Exit intention mediates the relationship between MSE's Severe Market Competition and debt-free sale.*
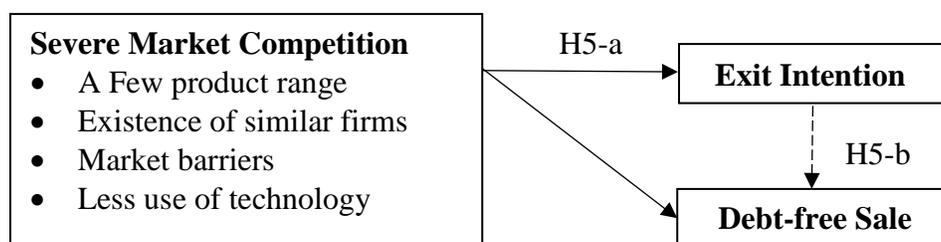
Figure 3.5: Conceptual Model – Market Competition

3.2.4.2   Product Demand

Customers are considered to be the most important factor in the micro-environment due to their impact on business. As per the neoclassical theory of supply and demand, the market is in equilibrium if the enterprises are supplying products equal to the demand (Tsoulfidis et al., 2011; Marshall, 1920). Product demand is the most important aspect of the accomplishment of small enterprises (Kangasharju, 2000). High sales indicate that local consumers are likely to have a high preference over the brand. Even companies with a large customer base are likely to be impacted by decreasing product demand and thus the market is taken over by competing firms in the same line of activity (Balcaen et al., 2012).

The most important determinant of demand is the price of the product and the price of related products. In particular, high-priced goods could lower demand if customers feel that they are not good value for money. When customers are dissatisfied and the price of the related product or substitute is also low, the demand for the product will automatically decrease (Balcaen et al., 2012; Ooghe & Prijcker, 2008).

Dasgupta and Sanyal (2010) found that customers demanding better products at a lesser price leads to business failure. The loss of customers' loyalty is cited as one of the reasons for less demand (Holt, 2013). Decreasing product demand due to ignoring the grievances of customers and unhappiness of customers are the reasons for unsuccessful businesses. Ignoring customer concerns and complaints lead to dissatisfaction among the customer that reduces demand for the product (Ooghe and Prijcker, 2008). Internal problems such as less use of technology, ineffective marketing, and distributing techniques add discomfort to the survival of enterprises. The lack of adequate market knowledge is one of the biggest obstacles for entrepreneurs in most developing countries. It is a fact that many small businesses are unable to spend large amounts of money on business promotion activities, and thus have a concentrated customer base that leads to less market coverage (Lynn, 2011). Restricted consumer dependence increases the vulnerability of small businesses (Van Teeffelen, 2009). Holt (2013) argues that the major causes of business drubbing are decreasing demand for products and sluggishness in the industry.

The buyers of the firm not only look at the assets of the firm, but also its supply chain, distribution channels, stakeholder networks, and suppliers and customers (Bastié et al., 2013). Empirical studies reveal that demand saturation results in low revenue generation, which leads to failure (Parastuty et al., 2016; Dasgupta et al., 2010). DeTienne (2010) point out that the low product demand and tight competition are the main causes for the exit. When the enterprise is not in a position to earn profit and fails to repay the creditors in time, entrepreneurs might decide to exit from underperforming firms through sales in despair to avoid further suffering and liquidation. Though, existing studies relate low demand to firm failure, here we attempt to explore the association of low product demand with the exit intention of entrepreneurs. Hence, this empirical research uses various attributes of low product demand such as low sales volume, deficient market coverage, lack of expansion, and availability of alternates to investigate their influence on exit intention for debt-free sale as shown in Figure 3.6. Thus, the following hypotheses are developed.

H6-a: Low product demand significantly influences the exit intention of MSE owners in India.
H6-b: Exit intention mediates the relationship between MSE's low product demand and debt-free sale.
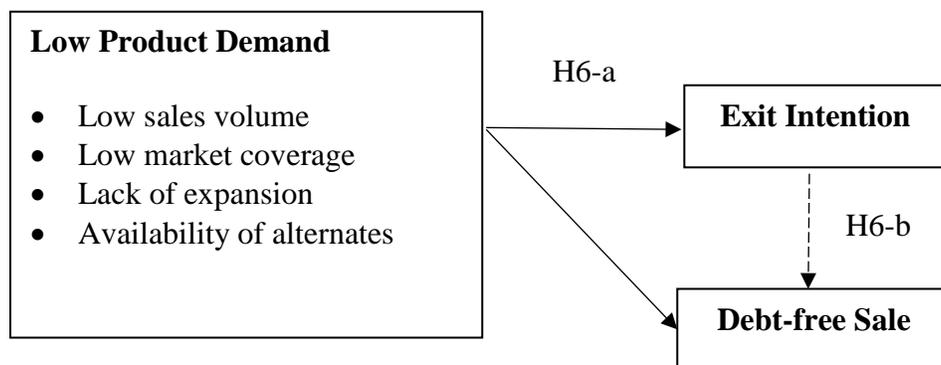
Figure 3.6: Conceptual Model – Product Demand

3.3 SUMMARY OF HYPOTHESES

H1-a: High Human capital significantly influences the exit intention of Indian MSE owners.

H1-b: Exit intention mediates the relationship between Indian MSE owners' high human capital and re-entry

H2-a: Strong psychological ownership negatively influences the exit intention of Indian MSE owners.

H2-b: Exit intention mediates the relationship between MSE owners' strong psychological ownership and passing-on.

H3-a: High Firm performance significantly influences the exit intention of Indian MSE owners.

H3-b: Exit intention mediates the relationship between MSE's high firm performance and harvest sale.

H4-a: Suitable firm location significantly influences the exit intention of Indian MSE owners.

H4-b: Exit intention mediates the relationship between MSE's suitable firm location and harvest sale.

H5-a: Severe Market Competition significantly influences the exit intention of Indian MSE owners.

H5-b: Exit intention mediates the relationship between MSE's Severe Market Competition and debt-free sale.

H6-a: Low product demand significantly influences the exit intention of MSE owners in India.

H6-b: Exit intention mediates the relationship between MSE's low product demand and debt-free sale.

Table 3.1: Conceptualization and Operationalization of Variables

Type	Variable	Variable Conceptualization	Variable operationalization	Source
Dependent Variable	Exit Options	Harvest sale, Debt-free sale, Passing-on and Re-entry	One item in 5 points Likert scale format.	MSME Policy Draft, 2014; DeTienne et al., 2015; DeTienne & Wennberg, 2016
Mediating Variable	Exit Intention	Intention to Exit	One item in 5 points Likert scale format.	Leroy et al., 2010; 2015; DeTienne & Cardon, 2012; DeTienne & Wennberg, 2016; Albert, & DeTienne, 2016; Hsu et al., 2016.
Independent Variable	High Human Capital	Experience, Knowledge gained from training, Interpersonal skills, and Entrepreneurial skills	10 items in 5 points Likert scale format.	DeTienne & Cardon, 2012; Leroy et al., 2010; Marvel et al., 2016.
	Strong Psychological Ownership	Control over the enterprise, Knowledge about the enterprise, Social status derived and Goal achievement	08 items in 5 points Likert scale format.	Berrone et al., 2012; DeTienne & Chirico, 2013; Pierce et al., 2018;
	High Firm Performance	Assets available, Market share, Firm age and Growth in profit	08 items in 5 points Likert scale format.	Wennberg et al., 2010; Al-Matari at al., 2014; van Teeffelen et al., 2013; Bhawe et al., 2017.
	Suitable Firm Location	Easy access to resources, Approachability, Availability of labours and Societal support	09 items in 5 points Likert scale format.	Sefiani, 2013; Tripathi et al., 2017; Martyniuk-Peczek et al., 2017.
	Severe Market Competition	A Few Product range, the existence of similar firms, market barriers and less use of technology	08 items in 5 points Likert scale format.	Porter, 2008; Kamboj et al., 2015.
	Low Product Demand	Low sales volume, Low market coverage, Lack of expansion and Availability of alternates	08 items in 5 points Likert scale format.	Ooghe and Prijcker, 2008; Holt, 2013

3.4   CONCEPTUALIZATION OF VARIABLES

Multiple levels of influencing factors are considered in this study and these factors are adopted from previous exit literature. The conceptualization of variables is shown in Table 3.1. In this study, individual-related factors namely human capital and psychological ownership, firm related

factors namely firm performance and firm location, and market environment-related factors namely market competition and low demand are chosen as determinants of exit intention (Albert & DeTienne, 2016; DeTienne & Wennberg, 2016; DeTienne & Cardon, 2012; Leroy et al., 2010; 2015; Hsu et al., 2016). Further, the exit intention is considered as a mediating factor to comprehend to what extent individually these factors affect the choice of exit paths such as harvest sale, debt-free sale, passing-on, and re-entry respectively (MSME Policy Draft, 2014; DeTienne et al., 2015; DeTienne & Wennberg, 2016). Human Capital (HC) is measured by means of four dimensions such as experience, knowledge gained from training, interpersonal skills, and entrepreneurial skills (Marvel et al., 2016; DeTienne & Cardon, 2012; Leroy et al., 2010; 2015). Strong Psychological Ownership (PO) is measured by using four dimensions such as control over the enterprise, knowledge of the enterprise, social status, and goal achievement (DeTienne & Chirico, 2013; Pierce et al., 2018; Berrone et al., 2012). Firm Performance (FP) is measured with the aid of four dimensions such as assets available, market share, firm age and growth in profit (van Teeffelen et al., 2013; Al-Matari et al., 2014; Bhawe et al., 2017; Wennberg et al., 2010). Firm Location (FL) is measured by means of four dimensions such as easy access to resources, approachability, availability of labors and societal support (Battisti et al. 2017; Tripathi et al., 2017; Sefiani, 2013; Martyniuk-Peczek et al., 2017; Amaral et al. 2007). Severe Market competition is measured with the assumption of four dimensions such as smaller product range, the existence of similar firms, market barriers and less use of technology (Porter, 2008; Kamboj et al., 2015), and low Product demand is measured by four perceived dimensions such as low sales volume, low market coverage, lack of expansion and availability of alternates (Gunasekaran et al. 2004; Ooghe and Prijcker, 2008; Holt, 2013).

3.5 SUMMARY

This chapter has presented the conceptual model of this research. The relationship between the independent, mediating, and dependent variables are clearly illustrated in the proposed conceptual model. Justification for the variables identified in this study is clearly explained with reference to the literature. The conceptualization and operationalization of the variables based on the literature are also addressed. The summary of the hypotheses concludes this chapter.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter explains the research methods and the methodology adopted to achieve the stated objectives. It also elucidates the research design, research approach, population, and picking up of sample, the procedure followed for data collection and questionnaire validation, and techniques and statistical tools used for data analysis. It concludes with a brief discussion on the ethical considerations of this research.

4.1   RESEARCH APPROACH

Research methodology is nothing but a scientific approach of methodically solving the chosen research problem using various research methods. It enables the researcher to identify and select appropriate methods for explaining and predicting research phenomena through which knowledge about the phenomena is acquired. Research methods are nothing but a set of procedures that help researchers to collect and analyse data for a proper understanding of issues and conditions (Kothari, 2014).

The research methods are broadly classified into quantitative and qualitative approaches. The differences between these two approaches lie mainly in objective logic, question formation, standards, and principles adopted in methodology, data collection tools, types of collected data,

and the presentation of data. Quantitative research methods are used to analyse the numerical data collected through surveys and questionnaires. Quantitative research aims to explain the collected data by constructing statistical models (Mack et al., 2005). The research techniques used in the quantitative approach are capable of uncovering the collected data in the form of statistics and numerical groupings, whereas the qualitative approach places emphasis on examining phenomena using non-numeric and descriptive tools. Qualitative research provides a rationale for the description of the data collected using unstructured interviews. Quantitative research depends mainly on a theory-derived hypothesis. The aim is to test the theory using the survey data to either validate or reject the theory (Bryman et al., 2015). In contrast, qualitative analysis focuses not on confirming or denying a theory-derived hypothesis, but on theorizing or generalizing data. Some scholars argue that qualitative and quantitative methods can comprehensively explain the phenomena. However, this study concerns with the empirical investigation of the theoretical association between study variables, which requires quantitative research methods to address research questions and objectives. Hence, in this empirical study, the quantitative research approach appears to be appropriate and preferred over the qualitative method.

4.2   SAMPLE SELECTION

Target Population: Target population refers to the category of potentially relevant participants from whom survey data are obtained (Greener, 2008). The target population of this study includes 4800 working Micro and Small Enterprises (MSEs) of manufacturing and service providers, functioning in the Industrial Estates established by Karnataka State Small Industries Development Corporation Limited (KSSIDC) in the state of Karnataka. The owners of the existing enterprises are research entities since the research seeks to find out MSE owners' exit intention from their enterprises.. Samples are dispersed throughout the state of Karnataka, India, in major industrial estates.

Sample Frame: The sample frame is called the 'accessible' population from which the sample members are drawn (Greener, 2008). The directory prepared by the respective District Small Industries Associations in each Industrial Estates in Karnataka is the source of the samples and it

is ensured that the list consists of only functional enterprises leaving aside the closed enterprises aside. The database in the directory generally provides information about the name of the owner, including e-mail address, phone number, and line of activity. This ensures that all samples are functional ones and it is a must for the survey as the study seeks to identify the exit intentions of MSE owners. Moreover, the database provides the name of the entrepreneur and the line of activity which helps to determine that the participating respondents in the study are actual business owners. This aspect is very important because the study explores the exit intentions of MSE owners and the choice of exit paths. Thus, in this study, the owners of 4800 MSEs functioning enterprises are considered as the sampling frame.

Sampling Method: For reasons of practicality, the entire population cannot be considered for the study. A sampling method is used to choose a subset of the target population to represent the target population as a whole (Cochran, 2007). It is also regarded as a cost-effective and time-effective method and is therefore the basis for any research design. Probability (random) and non-probability sampling are the most commonly used forms of sampling techniques. In probability sampling, every member has an equal opportunity to be a part of the sample, so members are chosen based on the theory of probability. In non-probability sampling, every member will not get an equal chance of being selected and there is a chance of few members getting selected more than once (Greener, 2008). In this study, simple probability sampling method is used to ensure that every member in the sample frame gets equivalent opportunity of become a sample (Hair et al. 2011). The advantage of this method is that it is least biased and contains more generalized data. In this study, the database of MSE enterprises is partitioned into four parts according to the locations of enterprises and the lists have been verified to ensure that the lists are error-free.

Sample Size: The correct size of the survey sample is important for any quantitative research. The size of the sample indicates the number of respondents participating in a study that directly impacts the statistical significance of the study. The size of the sample determines the correctness of finding the relationship that exists in the population. However, there is no specific guide available to researchers to justify the exact size of the sample which can be treated sufficient. However, the size of the sample cannot be too large or too small, and it must be optimum for an appropriate result.

There are many methods followed for calculating the sample size. Slovin's formula is commonly used by the researchers for determining the samples required for an unknown and known population number (Sevilla et al., 2007). To calculate the required number of samples, this study uses the formula $n = N/[1+N(e)^2]$, where 'n' is the size of the sample, 'N' is the size of the population and 'e' is the tolerance level. Using this formula, with 'N' as 4800, the sample size arrived is 369 at a confidential level of 95 percent. It is also observed that some studies have calculated the sample size in two steps as per Cochran (2007) method. In the first step, the number of samples required for an unknown population is determined with the help of an equation [$S = Z^2(P(1-P)/M^2)$], in which, 'S' is the number of samples, 'Z' is Z score which is 1.96 for a confidential level of 95 percent, 'P' represents the proportion of the population which is 0.5 for 50 percent and 'M' is the margin of error which is 0.05. In the second step, the identified sample size 'S' for the unknown population is included in the formula along with the known population figure to find out the required sample size, [$R = S/(1+(S-1)/P)$] where 'P' is already known population from the study. Accordingly, using the first formula, the number of samples required for an unknown population is 384, while applying this figure in the formula for the known population, samples required are 356. As per the two methods mentioned above, an optimum sample size consisting of 360 MSEs is considered for this study. The adequacy of the required samples for regression analysis is supported by the formula [(8m + 50)] where 'm' indicates the number of predictive variables. In view of the 24 predictors of this study, the minimum number of respondents required is 242 according to this formula. However, the considered sample size of 360 is more than 242 and therefore the larger sample size of 360 is retained for this study.

4.3   DATA COLLECTION

Standard data collection instruments are used to obtain accurate primary data from the respondents for conducting research. The data thus collected will later be used by the researcher to test the hypotheses using statistical techniques (Kothari, 2014). Survey methods are the commonly used methods to gather primary data from a sample of the population due to their extensive coverage, cost-effective, reliable, and flexible nature. In addition, they have internal and external validity. Methods of obtaining survey data have evolved with technological change.

There are mainly four possible ways to conduct a survey, either in-person or remotely by phone, mail, and online. Surveys use structured questionnaires to systematically collect data from individuals. The closed-ended questionnaire is generally administered by a researcher in surveys, so that respondents can choose the answer from the predefined response options. The administered questionnaire may contain different types of questions, including multiple-choice questions/checkbox questions or scaled questions (Cohen et al., 2013).

In this survey, a structured self-administered questionnaire instrument is designed with seven sections for collecting the general profile of respondents with their enterprise details, and two sections each for collecting information on respective individual, firm and environment related factors. The questionnaire is structured with closed-ended questions with checkbox options, multiple choices for collecting the profile information of the participants as dichotomous responses, and scaled options for collecting dependent, independent and mediating variables. The information that would be collected from the contributors is largely related to their perception and, furthermore, there is no prior knowledge of the contributors that makes it more complex. In order to overcome this disadvantage and enhance their contribution, a concise introduction note mentioning the reasons for this study and the importance of their participation in the survey is sent along with each questionnaire (Saunders et al., 2012). Contributors are politely informed of their freedom to contribute to the survey or not, as the response is optional. To collect primary data, the questionnaire instrument is distributed distributed by electronic mail and by post to those owners who didn't have the e-mail facility. For data collection, Likert point scales are widely used to measure the scale of each item's rating so that the total score of the items can be easily calculated and also provides the researchers with sufficient information to determine the level of dependability, precision, and consistency as compared to single scale item measures (Trochim and Donnelly, 2008). Therefore, in this study, a multi-item 5-point Likert scale is adopted to measure the perception of participants, regarding the dependent, independent and mediating variables, starting from 1 as disagree strongly, 2 as disagree, 3 as neutral, 4 as agree and 5 as agree strongly. The general profile of owners is measured on a nominal scale mainly to gather demographic features. In addition to the content validation by industry experts, the survey questionnaire is pilot tested and validated to ensure the appropriateness and suitability of the questions and the understanding of the respondents about the questions.

4.3.1 Pilot Study

A pilot study is nothing but a miniature test with minimal test samples to validate the questionnaire with the objective of testing the questions prior to the main study. This allows the scholar to test the probable responses of the samples in relation to the research issue. According to Bell (2018), the quality of a questionnaire is judged based on its explicit features namely, the size, the simplicity, the non-confusing statements, the subject inclusion, and the space for making any notes by the respondents. Accordingly, a pilot study is carried out at a nearby industrial estate with a sample size of 60 MSE owners to evaluate the questionnaire instrument. The structured, closed-ended questionnaire on the Likert type scale with multiple choices is circulated to the respondents and their responses are collected for analysis. The result of the pilot study is useful in restructuring some of the questions and in eliminating ambiguity in certain items. As a result, the reliability and validity of the questionnaires are satisfactory, indicating the feasibility and measurability of the main survey. Considering the chances for biased and irrelevant responses from the participants, the questionnaire is crafted with the utmost precision to reduce the inconsistencies and limitations mentioned above.

4.3.2 Reliability and Sampling Adequacy Tests

Reliability Test: Reliability tests are crucial to confirm the ability of the instrument to perform consistently under different conditions at all times. Cronbach's alpha is often applied to approximate the consistency of the multi-item questionnaire (Zikmund et al., 2012). The thumb rule for the standard estimation of reliability is the alpha value of 0.7 and above in the scale of 0 to 1 (Hair et al. 2011). In general, the high value of the Cronbach alpha coefficient conveys a better consistency of the measurement scale. The coefficient of Cronbach is therefore determined to measure the internal accuracy of the elements in the study instrument. Cronbach's coefficient for newly developed measures is 0.70 and above, while for previously constructed scales it is 0.60 to 0.69 for reliability. The level of reliability varies based on the coefficient value and the

value from 0.70 to 0.79 is treated as decent reliability, 0.80 to 089 is very good reliability, and finally, excellent reliability for a value above 0.90. Once the reliability test is completed, the next step is to determine the adequacy of the samples.

Sampling Adequacy: Before performing the factor analysis, Kaiser-Meyer-Olkin (KMO) sampling adequacy measure and the Barlett's Test of Sphericity (BTS) significance are confirmed for the sufficiency of samples. The KMO test confirms the adequacy of the sampling and the BTS test narrates the significance of the research to indicate the validity and suitability of the responses received to the problem. The KMO index ranges from 0 to 1 and the value above 0.6 is considered to be satisfactory for the adequacy of the sample, and the BTS check concerns the significance of the study, which must be less than 0.05 for it to be considered acceptable. If both of these conditions are shown to have higher correlations between samples, the analysis of the factor will yield reliable factors.

4.4   FACTOR ANALYSIS

Factor analysis is a set of procedures applied to derive fewer composite variables from a large number of factors. This exercise seeks to define ways to reduce the amount of information available with a large number of variables to fewer composite variables without much loss of information. Factor analysis makes it easier for the investigator to understand clearly which set of correlated variables are expected to have an effect on the analysis (Hair et al., 2011). The benefit of this analysis is that it reduces the number of variables from large to small, defines the underlying dimensions between the calculated variables and the constructs and provides proof of validity (Zikmund, 2012). Principal Component Analysis (PCA) has been recognized as an effective technique for determining the least number of variables needed to explain the maximum proportion of variation present in the collection of actual factors (Hair et al., 2011).

Factor analysis is used in this work because of its ability to realize new concepts, to sense patterns in hidden factors, and to reduce data (Cooper & Schindler, 2006). In view of the exploratory nature of the study, PCA is preferred to convert existing factors into a minimum number of components. Latent root condition procedure is used to determine dormant variables

for analysis and factors only with an Eigenvalue ≥ 1 are retained as significant factors (Hair et al., 2011), and components with a cumulative variance of 75% and above are considered to have a stronger component matrix.

Although the objective of data reduction is achieved by the resulting factors, in most cases un-rotated components do not provide information for adequate interpretation. In order to achieve a clear and more meaningful scholarly interpretation, the rotation of the factors is carried out. In view of a number of factor rotation techniques, the varimax rotation is used because it allows achievable simplification and thus maximizes the sum of variances of the required loading. In addition, varimax rotation makes a very clear distinction between quartimax and equimax rotation. Compared to quartimax and equimax rotations, the pattern of the varimax rotational technique obtained is more invariant in the evaluation of different subsets (Hair et al., 2011). In this analysis, therefore, the varimax rotation is used to obtain the most appropriate interpretation and reduction of data with a cumulative variance of a sufficient percentage. Following rotation, the factors are identified with the respective theoretical dimensions of each factor considered for investigation. Without prior specification, all items must load into their respective fundamental dimensional formation with respect to the hypothetical construction of this study. The component factors with Eigenvalue above 1 and any item of that component factor having a loading of more than 0.50 are retained for further analysis while items with loading below 0.50 are not retained. Using this criterion, items loaded onto the respective dimensional components are identified for conducting multiple regression analysis after determining the fitness of the data model.

4.5   DATA ANALYSIS

Statistics is nothing but a set of mathematical procedures that helps in organizing and analysing the data. The two techniques widely used by researchers are inferential and descriptive statistics. Descriptive statistical analysis aids in summarizing data while inferential statistical analysis enables conclusions and generalizations to be drawn about the population. Based on the number and type of variables, the statistical analysis is classified as univariate, bivariate, and multivariate. Multivariate analysis is similar to the bivariate analysis, but finds a relationship between more than two variables with more than one independent variable (Zikmund et al., 2012). A

multivariate analysis helps to determine the involvement of a third variable and also measures the effect of the relationship between two variables (more than one independent and one dependent) (Bryman and Bell, 2018). This study uses the software of the Statistical Package for Social Sciences (SPSS) to perform the descriptive and inferential statistical analysis.

4.5.1 Model Fitness

The Model Fitness of the data is confirmed by checking the Model Fitting Information, Pseudo R-Square values, and Goodness of Fit. First, the model fitting information is assessed by comparing the baseline model with the final model, and if the Chi-Square test is significant ($p <$ .05 at 95 % confidence level), the model fits better than the baseline model. Second, it is necessary to identify the Goodness-of-Fit by checking the Pearson and Deviance measures. In fact, these two measures compare the actual results for each respondent with the results predicted by the model. Both the values for these two measures must be above .05 (non-significant). It confirms that the model fits well with the data, if the actual and expected results are not significant. Third, while checking the Pseudo R-Square value, the Cox & Snell and Nagelkerke measures must be closer to 1.0 and the Nagelkerke measures must be more than 0.5 for a good fit. The Pseudo R2 value is used to estimate the percentage of the variance of the model and to indicate how much of the variance is explained by the components. The Model Fitness of the data must therefore be verified by checking the Chi-Square Significance, Pearson and Deviance Goodness of Fit and Nagelkerke Value for Pseudo R^2 before regression analysis.

4.5.2 Descriptive Analysis

Descriptive analysis facilitates a more meaningful way to describe and convey the basic features of a single variable using measures such as mean, mode, median, range, variance, standard deviation, etc. These measures help to provide a summary and quantitative description of the data (Kothari, 2004). It allows the identification and distribution of data for a single variable through simple summaries. Descriptive analysis is performed to summarize the data collected in order to understand the information with the help of graphs and frequency analysis. The Social Sciences Statistical Package is used to make charts and diagrams, represent figures in count, rate of

recurrence, and fraction. In this study, descriptive analysis is carried out for both demographic features and the factors related to the individual, firm, and market environment obtained as perceived responses of the respondents to the questionnaire. The main demographic features discussed are age, health, education, and gender of the respondents. In addition to these demographic features, information related to the route of their business entry, the constitution, the number of employees, the exit plan and the purpose of exit, etc. are also described.

4.5.3 Regression Analysis

This study aims to validate the hypotheses which show the influence of factors related to the individual, firm, and market environment on the exit intentions of micro and small enterprise owners, as well as the mediating effect of the exit intention between the factors and the exit options. Notwithstanding of a modest correlation between variables, this necessitates the need to perform the regression analysis for better understanding the relationship, and thus, hypotheses in this empirical study are proposed to be examined by regression analysis. Multiple linear regression analysis is preferred for the assessment of hypotheses. For each of the factors and the respective exit options, separate regression models are developed.

Regression analysis is preferred by researchers due to its simplicity and straightforwardness in analysing a fact or a phenomenon with consistency (Hair et al. 2011). Although there exists a better correlation between variables, which is indicated by a higher correlation coefficient and improved predictions can still be achieved by performing more advanced analysis. In this work, hypotheses are tested using a regression analysis that determines the degree to which the predictors determine the outcome variable (Martin and Bridgmon, 2012). Multiple regression models use many explanatory variables simultaneously to predict the outcome variables (Zikmund et al., 2012). Hierarchical regression analysis is used to assess the mediation effect. Predictors and mediators must be entered in a specific order to determine and describe the potential variance in coefficients of regression in the hierarchical regressions.

This study employs ordinal regression as both independent and dependent variables are measured on the ordinal scale. Specific criteria must be followed to determine whether there is

any association between variables. This value of the association is linked to a statistically significant value that suggests the conclusion on the above test. In particular, the p-value between 0 and 1 indicates the level of statistical significance. The smaller p-value specifies a stronger evidence against the null hypothesis. A p-value $\leq .05$ refers to statistically significant relationship and strong evidence against the null hypothesis with 95 percent confidence.

In regression analysis, the significant measurement is the beta coefficient (β) that represents the change in the dependent value with respect to per-unit change in the predictor variables. The beta coefficient may also indicate the degree at which each of the individual variables contributes substantially to the rationale and extrapolation of the regression model. A positive or negative correlation coefficient values indicate the direction of the relationship. The association of multiple independent variables with a dependent variable is determined by a multiple linear regression analysis. Therefore, multiple linear regression analysis is used in this study, to examine the influence of the identified factors on the exit intention of MSE owners and the mediation effect of the exit intention on the selection of exit routes. As such, separate regression models are proposed to test the hypotheses with respect to each factor.

4.5.4 Mediation Analysis

The mediator variable explains the cause-effect association with outcome variable and its predictor variables. It also affects the strength of their relationship. In a mediation model, independent variables cannot directly affect its dependent variable, rather they do so through the mediation variable. Initially, the concept of mediation effect was used in the fields of socio-psychology, organizational structure, and managing an organization for giving reasons for a specific behavioural effect, based on the belief that behaviour is mediated through a range of change processes (Baron & Kenny, 1986).

According to Baron and Kenny (1986), mediation effect is determined using the following statistical tests: (i) There must be statistically significant relationship between the predictor variables and the outcome variable (ii) There must be statistically significant

relationship between the predictor variables and the mediating variable (iii) There must be statistically significant relationship between the mediating variable and the outcome variable while controlling for the relationship between the predictor variables and the outcome variable and (iv) the relationship between the predictor variables and the outcome variable must be smaller in magnitude in condition (iii) than in condition (i). If all these conditions are met, then the hypothesized mediation exists. In case of full mediation, step (i) relationship must be reduced to non-significance in step (iii). In case of partial mediation, step (i) relationship remains significant in step (iii). In addition, the Sobel test can be performed to confirm the statistical significance of the mediating variable on the indirect effect. The above procedure is used to check the mediation influence of exit intention variable with various factors and exit paths.

4.6   ETHICAL CONSIDERATIONS

It is important for a researcher to take into account of ethical concerns that are related to research. The respondents are informed in advance about the purpose of this study. Moreover, the identity and the responses obtained from the respondents are kept confidential and are used solely for the research purpose.

4.7   SUMMARY

The research methodology adopted for this research is covered in this chapter. Detailed explanations on each component of the research methodology, including research design and approach, target population and selection of samples, data collection and validation methods, and data analysis methods and tools utilized to carry out the empirical research. The ethical considerations of this research are also presented in this chapter.

CHAPTER 5

RESULTS AND DISCUSSION

This chapter presents the statistical analysis of survey data along with the interpretation of results in context with research objectives is presented. It presents both descriptive statistics of survey respondents and the results of the hypothesis testing of the survey. Statistical Package for the Social Sciences (SPSS) software version 25 has been used to perform both descriptive and regression analysis of the data obtained. Finally, it thoroughly analyses the research findings and presents the summary of the research outcomes.

The chapter has been structured with five sections. Section 5.1 presents a descriptive analysis of data, Section 5.2 describes the outcome of factor analysis and Section, 5.3 provides hypotheses outcome of this study consequent upon regression, Section 5.4 presents a discussion on research outcomes and section 5.5 summarizes this chapter.

5.1 DESCRIPTIVE STATISTICS

Summarising of respondents' general profile and demographic details, their responses to the questionnaire relating to the individual, firm, and market environment factors are important and the same are descriptively analysed. Using SPSS software, central tendency, and variability measures are verified.

5.1.1 Description of Demographic Data

The samples considered for this empirical research are the owners of MSEs in India and the responses from non-proprietary firms are rejected from the 430 responses received from the respondents. After a thorough check, 363 responses are found to be in order, and only 360 responses are used in this analysis. The demographic characteristics of the samples show the quality of the population considered for this study. The main demographics that could support the results are age, health, education, and gender of the respondents. In addition to these demographics, information related to the route of their entry into the business, the constitution, the number of employees, the exit plan, and the purpose of exit also are discussed. These details are shown in the tables below.

Types of Enterprises and Number of Employees: It is clear from Figure 5.1 that 178 respondents belong to micro-enterprises and 106 to small manufacturing enterprises. Only 21.1 percent of the respondents are from the service enterprises, of which 28 are from micro-enterprises and 48 are of small enterprises. The majority of enterprises employ less than 10 permanent employees and only 1.9 percent of enterprises employ more than 20 permanent employees out of 360 enterprises. This justifies the fact that the majority of employees of MSEs have less than 10 employees.

Entry to Enterprise: Figure 5.1 shows that 55 percent of owners have inherited their family businesses and 45 percent of owners have started their own business. In addition, 82% of businesses are over 5 years old, 9 percent are over 20 years old, and 18.3 percent of owners have started their business in the last 5 years.

Reasons for Exit: A good number of owners have a plan to continue their current business for more than 20 years, revealing that they are comfortable with their current business as shown in Figure 5.1. It is also noted that 43.6 percent of owners want to pass on ownership to their family members, and 8.1 percent of owners want to re-enter some other prospective activity, and 28.1 percent of owners plan to sell their business for debt settlement.
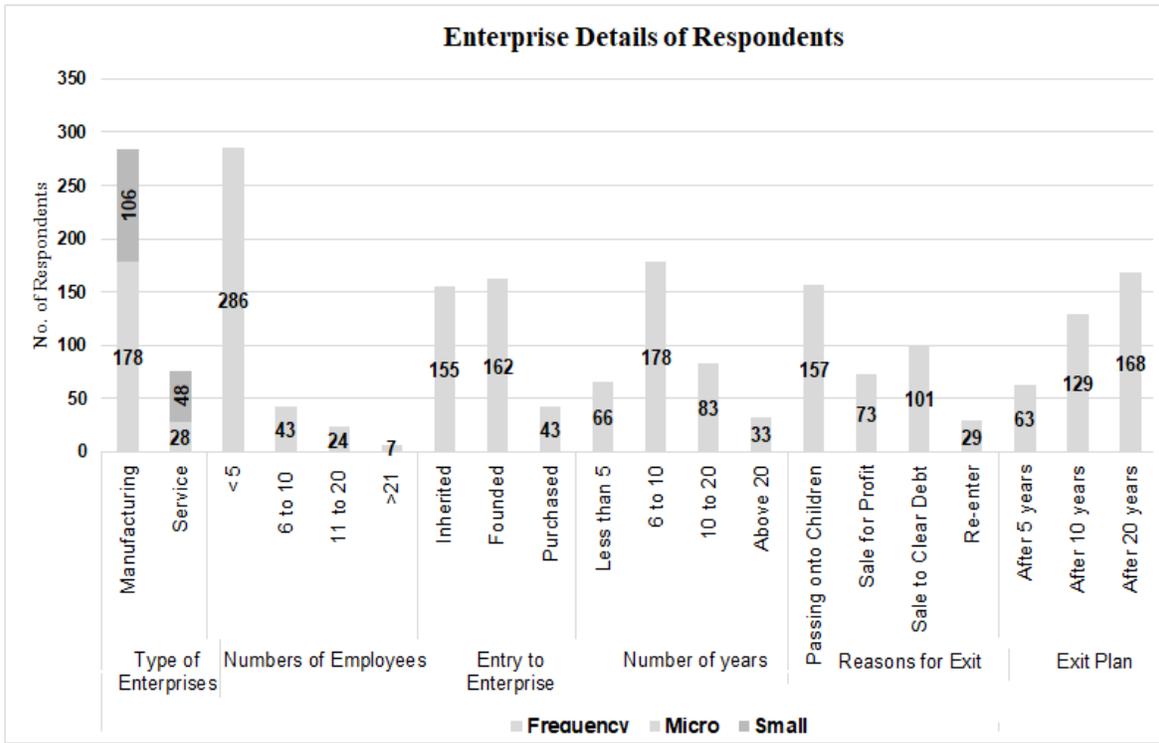
Figure 5.1: Enterprise Details of Respondents

Age, Gender Distribution, and Health condition of Respondents: The distribution of age, gender, and health status of respondents is shown in Figure 5.2. It can be seen that 9.7% of MSE owners are over 60 years of age, followed by 12.5% of respondents between 21 and 30 years of age. The highest response is from the 41-50 age group, with 33.8%, and 22% are from the 51-60 age group. The owners are mostly male individuals and 8.9 percent are female. It is also noted that 60.6 percent of the respondents are in good health and only 10.3 percent of the samples indicated that they are not in good health.

Educational Background and Level of Educational Qualification: Figure 5.2 indicates that the maximum number of contributors are not technically qualified and that only 11.6 percent of the respondents have managerial qualifications. Also, the maximum number of owners have formal education and few of them have post-graduate degrees.
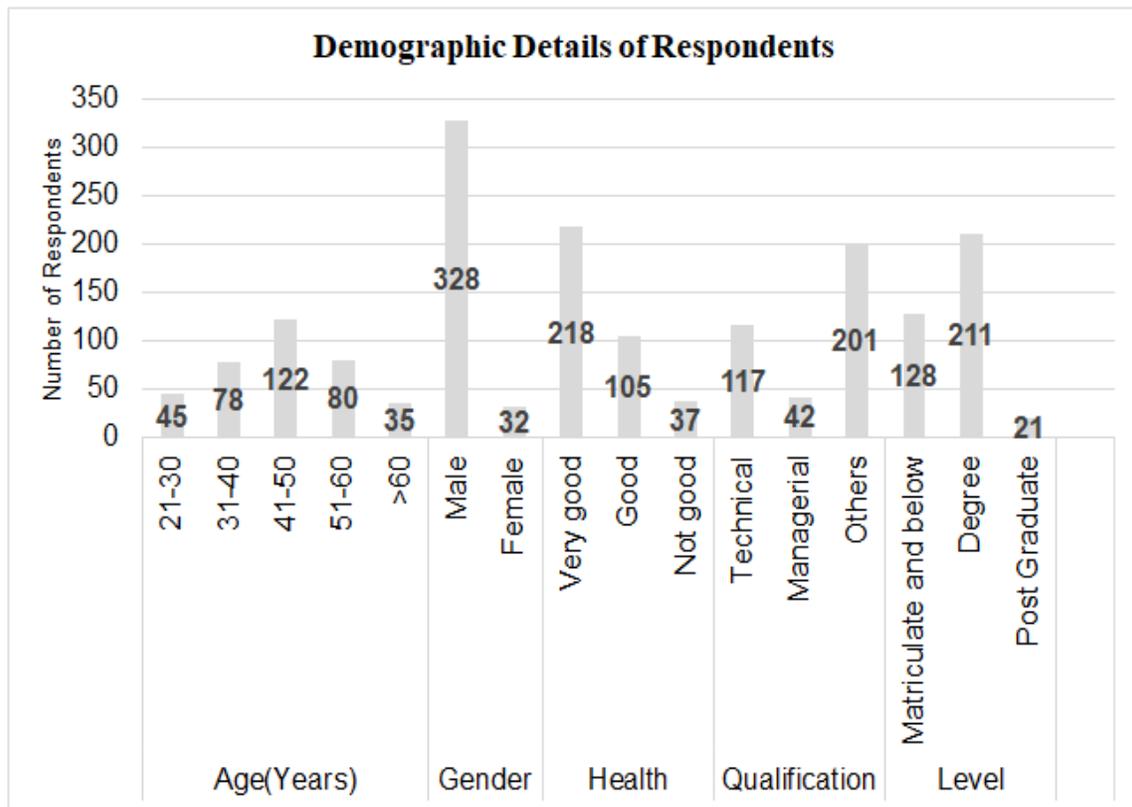
Figure 5.2: Demographic Details of Respondents

5.1.2 Description of Explanatory Variables

The data related to human capital and psychological ownership of firm owners, firm performance, and firm location of the firm, as well as market competition and low product demand of the market environment, are described descriptively in this section. Respondents are guided to give their perceived opinion on a 5-point Likert-type scale, ranging from 1 for very strong disagreements, 2 for disagreement, 3 means to neutrality, 4 means to agreement, and 5 for very strong agreement for a particular statement. These measurements are tabulated, screened, and used as data for descriptive and factor analysis.

Table 5.1: Descriptive Statistics of High Human Capital

Dimension		Items	N	Min	Max	Mean
Entrepreneurial Experience	1.	Prior job experience is very much helpful in running my business	360	1	5	3.1
	2.	Inherited business knowledge from my family	360	1	5	3.3
	3.	Experience gained from my present activity	360	1	5	3.6
Knowledge gained from training	4.	Gained knowledge from short term skill development training	360	1	5	3.0
	5.	Attained knowledge from management development programme	360	1	5	2.9
Inter-personal skills	6.	I invite feedback from my stakeholders	360	1	5	2.1
	7.	I am comfortable in dealing with customers, suppliers and banker	360	1	5	2.3
Entrepreneurial Skills	8.	I have a passion for wealth creation	360	1	5	3.4
	9.	I focus on taking advantage of available opportunities	360	1	5	3.1
	10.	I closely observe the changes taking place in the business environment	360	1	5	3.3
Exit Intention	11.	I have a passion for newness	360	1	5	0.8
Exit option	12.	I want to explore alternate business opportunities for better prospects	360	1	5	0.7

High Human Capital: The dimensions derived for measuring the human capital of the respondents are experience from past and present responsibilities, knowledge gained from training entrepreneurial skills and interpersonal skills to identify the exit intentions of the respondents and the mediation effect of their intention on the re-entry option. "I have a passion for novelty" and "I want to explore alternative business opportunities for better prospects" are the constructs used to obtain their exit intentions and their re-entry options. The first 10 items shown in Table 5.1 are intended to measure the respondents' perception of the human capital dimension.

First three items, namely, "prior job experience is very much helpful in running my business", "inherited business knowledge from my family" and "experience gained from my present activity" are designed to capture the respondents' agreement for the importance of experience as a human capital in running their enterprises. Table 5.1 depicts the respective mean values for these statements are 3.1, 3.3, and 3.6, indicating a strong agreement of the respondents. The next set of items 4 and 5 including "gained knowledge from short term skill development training" and "attained knowledge from management development programme" are intended to measure the respondents' agreement for the importance of training to upgrade their knowledge. It is understood from the average score of these items that the knowledge gained from training is an important need for their business. The third set of items 6 and 7 such as "I invite feedback from my stakeholders" and "I am comfortable dealing with customers", "suppliers and bankers" are used to measure the interpersonal skills of the respondents. The average scores show that they have experienced less in their routine activities. Finally, for the last set of items 8, 9 and 10, "I have a passion for wealth creation", "I focus on taking advantage of available opportunities" and "I closely observe the changes taking place in the business environment", the respective mean scores are 3.4, 3.1 and 3.3. These high mean scores reflect the strong agreement of respondents' views on the importance of entrepreneurial skills as human capital needed for their entrepreneurial activities. The mean score for item 11, "I have a passion for newness", relates to the exit intention of owners is very low 0.8. This shows that most of the respondents are willing to continue their present activities. Finally, the mean score for item 12, "I want to explore alternate business opportunities for better prospects", relates to the exit option, and the low mean score of 0.7 depicts that the poor response of the respondents to re-enter another entrepreneurial activity.

Strong Psychological Ownership: Control over the enterprise, knowledge of the enterprise, the derived social status and goal achievement are the dimensions used to capture the psychological ownership of the owners, as shown in Table 5.2. Exit intention and exit options are obtained by using constructs such as "I am planning to leave my business in the future" and "I am concerned about the prospects of my family". The first 8 items shown in Table 5.2 are intended to measure the respondents' perception of the PO dimension.

The mean scores of items 1 and 2, "I take all decisions in my firm" and "other people's influence in the business is negligible", are 3.2 and 3.3 which indicate their strong concern for control over their enterprises. For the next set of items, 3 and 4, "I am thorough about the process adopted in my firm" and "I have complete knowledge of customers, suppliers and my employees", the mean scores are moderately in agreement. The items 5 and 6, "my family is respected because of my business success" and "people recognize me because of my firm" are used to measure the status derived by the owners and the perception of respondents are strong as justified by the mean scores 3.4 and 3.5 for these items. The items 7 and 8 are used to extract the views of respondents over the goal achieved by them. The scores for "My firm's success helps me to fulfill my other dreams in life" and "my firm's growth is the largest accomplishment for me" are reasonably good to support goal achievement. For the statement to identify their response for exit intention, "I am planning to leave my business in future" the outcome is affirmative. Finally, to ascertain their preferred mode of exit of passing-on, the respondents gave a strong reply to the statement "I am concerned about the prospects of my family".

Table 5.2: Descriptive Statistics of Strong Psychological Ownership

Dimension		Items	N	Min	Max	Mean
Control over the enterprise	1.	I take all decisions in my firm	360	1	5	3.2
	2.	Other people's influence in the business is negligible	360	1	5	3.3
Knowledge of the enterprises	3.	I am thorough about the process adopted in my firm	360	1	5	2.9
	4.	I have complete knowledge of customers, suppliers and my employees	360	1	5	2.8
Status derived	5.	My family is respected because of my business success	360	1	5	3.4
	6.	People recognize me because of my firm	360	1	5	3.8
Goal achieved	7.	My firm's success helps me to fulfill my other dreams in life	360	1	5	3.6
	8.	My firm's growth is the largest accomplishment for me	360	1	5	3.4
Exit intention	9.	I am planning to leave my business in the future	360	1	5	3.2
Exit option	10.	I am concerned about the prospects of my family	360	1	5	3.6

High Firm Performance: Assets available, Market share, Firm age, and Growth in profit are used to capture the firm performance. The constructs used for obtaining the exit intention and exit option are "I want to involve in other activities in future" and "My firm will fetch me premium offers". The first 8 items shown in Table 5.3 are intended to measure respondents' perception of the firm performance dimension.

Table 5.3: Descriptive Statistics of High Firm Performance

Dimension	Items	N	Min	Max	Mean
Assets available	1. My firm has sufficient machinery and space to meet current operations	360	1	5	2.2
	2. My firm has competent human resources	360	1	5	1.9
Market Share	3. My firm's products have a presence in both urban and rural areas	360	1	5	2.1
	4. The number of distributors have steadily increased	360	1	5	2.3
Firm Age	5. I am able to retain my workforce for more than 5 years	360	1	5	3.1
	6. Increasing my employees salary for the last 5 years	360	1	5	2.9
Growth in profit	7. I am satisfied with the returns from my business and giving a bonus to my employees	360	1	5	2.3
	8. My firm recorded a notable sales volume in the last 3years	360	1	5	2.4
Exit intention	9. I want to involve in other activities in the future	360	1	5	2.3
Exit Option	10. My firm will fetch me premium offers	360	1	5	1.7

The first set of items 1 and 2, "My firm has sufficient machinery and space to meet current operations" and "my firm has competent human resources" are used to measure the assets available in their enterprises. The mean score is moderate for both items, indicating only a few have sufficient assets. This indicates that the availability of assets is not identical in all enterprises.

The purpose of measuring the response for the next set of items 3 and 4, "My firm's products have a presence in both urban and rural areas" and "Number of distributors has steadily increased", are to assess the market share of their enterprises. The scores are neutral and show that the market share of all enterprises are not impressive. The items 5 and 6, "I am able to retain my workforce for more than 5 years" and "increasing my employees' salary for the last 5 years", are used to assess the firms' survival of more than 5 years and economic conditions of the enterprise. Responses to these items are above moderate and indicate that not all firms are in distrust position. The responses for the items 7 and 8 are to determine the firm's profit growth using the statements, "I am satisfied with the returns from my business and giving the bonus to my employees" and "my firm recorded a notable sales volume in the last 3 years". The average scores of these items indicate that profit growth is not uniform for all respondents. Item 9 used in the questionnaire "I want to involve in other activities in future" is to confirm that the agreement of exit intention of the respondents. The mean score is moderate which affirms that few of the respondents might be willing to exit. Response to item 10, "My firm will fetch me premium offers" is drawn to conclude their exit option. It is understood from the mean score that not all firms will attract a good offer.

Suitable Firm Location: Easy access to resources, approachability, availability of labours, and societal support are the dimensions defined for a suitable firm location in this study. The constructs used to capture the exit intention and exit option are, "Absence of succession leads to explore other options" and "Location of my firm has a good demand". The first 9 items shown in Table 5.4 are intended to measure respondents' perception of the firm location dimension.

The first three items are included in the questionnaire to find out respondents' opinions on the importance of easy access to resources from the statements "Located near to City/ Town", "Convenient to access bank and other services" and "Utilities and other raw materials are easily available". The mean values for these statements are high and indicate that respondents are in agreement with the component that easy access to resources is important. Items 4 and 5 are intending to elicit the respondents' acceptance of how approachability is crucial for an enterprise. The modest mean scores 2.6 and 2.7 for these statements convey the partial support of respondents. The items 6 and 7, "I get sufficient workforce near my firm" and "the spilling effect improves the

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availability of skill", are included to measure the perception of respondents on the availability of skilled labourers. The mean scores for these statements are below average and convey that the availability of labour is not uniform across the test area. The purpose of items 8 and 9, "the firm location is free from any disturbances" and "People living nearby are supportive to my venture" are to determine the respondents' opinion on the importance of societal support to their venture. The mean scores for these items are neutral and confirmed the need for society support for the smooth conduct of business. "Absence of succession leads to explore other options" is the statement used to extract the exit intention of respondents with reference to suitable firm location. The mean score of this item indicates that few respondents are having an open mind for the exit. To know the method respondents wanted to adopt for an exit, the statement "Location of my firm brings good offers" is used and for which the mean score is low indicating that only a few are having the option of sale for a profit.

Table 5.4: Descriptive Statistics of Suitable Firm Location

Dimension	Items	N	Min	Max	Mean
Easy access to resources	1. Located near to City/ Town	360	1	5	3.5
	2. Convenient to access bank and other services	360	1	5	2.7
	3. Utilities and other raw materials are easily available	360	1	5	2.9
Approachability	4. My firm location is very convenient to suppliers/customers	360	1	5	2.6
	5. My firm is well connected by road and rail	360	1	5	2.7
Availability of labours	6. I get sufficient workforce near my firm	360	1	5	1.9
	7. The spilling effect improves the availability of skill	360	1	5	1.8
Societal support	8. The firm location is free from any disturbances	360	1	5	2.6
	9. People living nearby are supportive of my venture	360	1	5	2.4
Exit intention	10. Absence of succession leads to explore other options	360	1	5	1.5
Exit option	11. Location of my firm has a good demand	360	1	5	1.8

Severe Market Competition: Products range, the existence of similar firms, market barriers, and less use of technology are the dimensions used to indicate the level of market competition in this study. The constructs used in this analysis for extracting the exit intention and exit options are "Present market conditions reduce my market share" and "continuing my business increases my Risk". The first 8 items shown in Table 5.5 are intended to measure respondents' perception of the Market Competition dimension.

Table 5.5: Descriptive Statistics of Severe Market Competition

No		Items	N	Min	Max	Mean
Products range	1.	My firm produces few range of products	360	1	5	3.2
	2.	No new products are introduced in my firm for the last 5 years	360	1	5	3.1
Existence of similar firms	3.	More number of firms are making the same product	360	1	5	2.8
	4.	Lack of uniqueness of my products compared to other firms	360	1	5	3.1
Market barriers	5.	Difficulty in providing products at a competitive price	360	1	5	3.7
	6.	Insufficient market knowledge	360	1	5	3.4
Less use of technology	7.	Slow in incorporating technology in marketing	360	1	5	2.5
	8.	Insufficient capital for enhancing productivity	360	1	5	2.6
Exit intention	9.	Present market conditions reduce my market share	360	1	5	1.9
Exit option	10.	Continuing my business increases my Risk	360	1	5	2.1

The first two items are framed to seek the respondents' perception of the product range offered in their enterprises through the statements, "My firm produces a few range of products" and "No new products are introduced by the firm for the last 5 years". The mean scores for these statements are 3.2 and 3.1 which indicates that the product range offered is less. The items 3 and 4 are used to elicit the respondents' agreement on the presence of similar firms through "More number of firms are making the same product" and "Lack of uniqueness of my products compared

to other firms". The mean score for these items confirmed the existence of similar firms. The third set of items "Difficulty in providing products at a competitive price" and "insufficient market knowledge" are included to find out the respondents' sensitivity towards market barriers to overcome competition. The high mean scores for these items confirm the presence of market barriers hindering firm performance. The items 7 and 8, "Slow in incorporating technology in marketing" and "Insufficient capital for enhancing productivity", are to measure the respondents view on the usage of technology in the enterprise. The mean values confirmed the mixed response of the owners on the importance of the usage of technology to overcome market competition. "Present market conditions reduce my market share" is the indirect statement used to determine the owners' willingness for exit intention due to severe market competition. This low mean score indicates that few owners among the respondents might be developing exit intentions. To find out owners' exit strategy, the following statement "Continuing my business increases my Risk" is used and the mean score indicates that few owners might be opting to sell their firm to clear the debts for a peaceful life.

Low Product Demand: Low sales volume, low market coverage, lack of expansion, availability of alternates are the dimensions derived to indicate low product demand in this study. The constructs used for extracting the exit intention and exit option are "Unsatisfactory revenue returns" and "I explore other options to reduce my risk". The first 8 items shown in Table 5.6 are intended to measure respondents' perception of the Low Product Demand dimension.

The items 1 and 2, "Lack of publicity and advertisement" and "insignificant brand image", are used to draw the perception of respondents' agreement for the low sales volume. The mean values of these statements are below average and indicate the causes for a few respondents' low product demand. To measure the low market coverage, the respondents are asked directly to give their responses for items 3 and 4, "Dependence on few customers" and "Difficulty in roping sufficient distributors for my products". The mean scores for these statements are neutral and shows that few respondents are in agreement with the reason for low market coverage. "Change in customer preferences" and "Insufficient resources for product promotion and development" are the indirect items preferred to determine the owners' agreement with the reason for lack of expansion. The low average mean scores for items 5 and 6 indicate the neutral opinion of

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respondents to these statements. For items 7 and 8, "Substitutes and cheaper products dampers my sales" and "Same products are flooding from the neighbouring region", are used to find out the respondents' confirmation for the component "availability of alternates". The modest score of the mean for these items indicate that few respondents are agreeing with the above reason. To check the exit intention of owners the statement "Unsatisfactory revenue returns" is employed and the low mean score signified the possibilities of exit intention of few. "I explore other options to reduce my risk" is the indirect statement used to find out the exit mode from the owners. The moderate mean score suggests that respondents might be selecting the option of sale to reduce liability.

Table 5.6: Descriptive Statistics of Low Product Demand

No	Items		N	Min	Max	Mean
Low sales volumes	1.	Lack of publicity and advertisement	360	1	5	2.1
	2.	Insignificant brand image	360	1	5	1.8
Deficient market coverage	3.	Dependence on few customers	360	1	5	2.4
	4.	Difficulty in roping sufficient distributors for my products	360	1	5	2.6
Lack of expansion	5.	Change in customers' preferences	360	1	5	2.1
	6.	Insufficient resources for products promotion and development	360	1	5	2.4
Availability of alternates	7.	Substitutes and cheaper products dampers my sales	360	1	5	2.4
	8.	Same products are flooding from neighbouring regions	360	1	5	2.6
Exit intention	9.	Unsatisfactory revenue returns	360	1	5	1.9
Exit option	10.	I explore other options to reduce my risk	360	1	5	2.1

5.2 RESULTS OF FACTOR ANALYSIS

5.2.1 Reliability and Validity Analysis

Survey Instrument's Reliability: Reliability tests are performed to confirm the consistency of the survey instrument (Field, 2009). Cronbach's alpha (α) coefficient has been frequently used for measuring the consistency of multi-item questionnaire instruments (Zikmund et al., 2012). The Cronbach's alpha coefficient ranges from 0 to 1. The consistency of the questionnaire is

directly proportionate to the coefficient of the instrument. The acceptable alpha coefficient for behavioral science research is at least 0.70. Therefore, the Cronbach alpha reliability test is carried out for ensuring the questionnaire instrument's dependability and Table 5.7 depicts the outcome of the analysis. The Cronbach alpha coefficients confirm that the internal consistency measures of the independent variables are high (Hair et al. 2011). It indicates a fairly high reliability for all component variables and therefore components are considered for factor analysis.

Table 5.7: Reliability Test Results of Survey Instrument

Cronbach's Alpha- α		
Independent Variable	Number of items	Cronbach's alpha- α
Human Capital	10	0.781
Psychological Ownership	08	0.881
Firm Performance	08	0.793
Firm Location	9	0.793
Market Competition	8	0.771
Product Demand	8	0.763

Sampling Adequacy: Both Kaiser-Meyer - Olkin (KMO) value and the Barlett Sphericity Significance Test (Field, 2009) are verified to ensure the suitability of data for factor analysis. The Kaiser-Meyer - Olkin value confirms the adequacy of the sample and Bartlett sphericity test conveys the significance of the data. The normal KMO value varies between 0 to 1 and KMO above 0.6 is considered to be sufficient for the adequacy of the samples. The sphericity test of Bartlett measure of significance should be below 0.05 for factor analysis to be carried out in a study.

Sampling adequacy measures shown in Table 5.8 indicate that the KMO assessment is above 0.7, also Bartlett's Test of Sphericity is significant (p = 0.000) for each independent variable in the data. This indicates the relationship between the variables is positive, thus they can be used for factor analysis.

Table 5.8: Sampling Adequacy Test Results

KMO and Bartlett's Test		High Human Capital	Strong Psychological Ownership	High Firm Performance	Suitable Firm Location	Severe Market Competition	Low Product Demand
Kaiser-Meyar-Olkin Measure of Sampling		0.795	0. 891	0.802	0.749	0.843	0.814
Bartlett's Test of Sphericity	Approx. Chi-Square	619.940	1635.940	982.688	615.000	797.809	1879.478
	df	45	28	28	36	28	28
	Sig.	0.000	0.000	0.000	.000	.000	.000

5.2.2 Factor Analysis

Since reliability and sample adequacy verifications of the samples are fulfilled, analysis of factors can be carried out. Factor analysis is performed to represent various observed variables into fewer numbers of derived factors for the purpose of explaining the association of patterns within observed factors.

Table 5.9: Total Variance of Human Capital components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.052	41.417	41.417	3.052	41.417	41.417
2	1.940	20.901	62.318	1. 940	20.901	62.318
3	1.451	11.506	73.824	1.451	11.506	73.824
4	1.081	9.078	82.902	1.081	9.078	82.902

Factor Analysis of High Human Capital Components: In this analysis, a questionnaire consisting of 10 items is used to identify relevant components from high human capital namely experience from past and present assignments, entrepreneurial skills, interpersonal skills, and knowledge gained from training. This is employed to extract factors representing the entire

measuring instrument. Kaiser's principle is followed for retaining components having Eigenvalues above one. The result yielded four components with Eigenvalue above 1 from observed data, explaining a total variation up to 82.90 % as given in Table 5.9.

From the above table, it is observed that component number 1 accounts for the maximum percent of variance with 41.41 % indicating that sample data does not suffer from common method bias. Thus, these four components are finally considered significant for this study. The correlation matrix consisting of the extracted components signifies that sufficient correlation does not exist between them. Hence, an orthogonal rotation is suggested for better interpretation of the results after regression. Thus, Varimax rotation with Kaiser Normalization technique is employed to have a meaningful interpretation and the resultant component matrix is shown in Table 5.10.

Table 5.10: Rotated Component Matrix of Human Capital

Dimensions	Items for factor extraction	Component			
		1	2	3	4
Entrepreneurial Experience	1. Prior job experience is very much helpful in running my business	.036	**.739**	-.049	.078
	2. Inherited business knowledge from my family	-.013	**.631**	-.137	.121
	3. Experience gained from my present activity	.038	**.606**	-.022	.080
Knowledge gained from training	4. Gained knowledge from short term skill development training	.238	-.041	**.617**	.155
	5. Attained knowledge from management development programme	.210	-.063	**.675**	.250
Inter-personal skills	6. I invite feedback from my stakeholders	.195	.220	.123	**.655**
	7. I am comfortable in dealing with customers, suppliers and banker	.333	.327	.350	**.652**
Entrepreneurial Skills	8. I have a passion for wealth creation	**.603**	.116	.195	.144
	9. I focus on taking advantage of available opportunities	**.730**	.108	.171	-.201
	10. I closely observe the changes taking place in the business environment	**.746**	.022	.166	.060

Consequent to the rotation, extraction of factors are made based on items' loading above 0.50 in respective component's column to continue examination (Hair et al., 2011). Table 5.10 shows that Items 1, 2, 3 are highly loaded on component factor 2 and not on other factors. Similarly, items 4 and 5 are have loaded on components 3, whereas items 6 and 7 are loaded on components 4, and 8, 9 and 10 items have loaded onto factor 1. Thus, these four components representing high human capital are considered significant for multiple regression analysis.

Factor Analysis of Strong Psychological Ownership Components: A questionnaire instrument consisting of eight questions is used in this analysis to measure strong psychological ownership factors from perceived components namely control over the enterprise, knowledge about the enterprise, social status derived, and goal achievement. It is essential to extract factors that represent entire items in the instrument. From this exercise, it is found that the first three components have Eigenvalues greater than 1 and explain a cumulative variance of 85 percent in the observed variables as shown in Table 5.11. As shown in the table, the first component explains for a maximum (40.89) percent of variation indicating that sample data does not suffer from common method bias. Thus, these three components are finally considered as significant in this study. Since sufficient correlation does not exist between the extracted components, an orthogonal rotation is applied to obtain better results for interpretation, and the resultant matrix is provided in Table 5.12.

Table 5.11: Total Variance of Psychological Ownership Components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.072	40.897	40.897	3.072	40.897	40.897
2	1.811	32.383	73.280	1.811	32.383	73.280
3	1.207	12.091	85.371	1.207	12.091	85.371

From the table 5.12, it is observed that items 1, 2 items are highly loaded onto factor 3, and not on other factors. Similarly, items 5 and 6 are highly loaded on component factor 1, and items 7 and 8 have loaded onto factor 2. However, items 3 and 4 have not loaded more than 0.50

onto any components and thus dropped for further consideration. Therefore, only three components representing strong psychological ownership are considered significant for regression analysis.

Table 5.12: Rotated Component Matrix of Psychological Ownership

Dimensions	Items for factor extraction	Component		
		1	2	3
Control over the enterprise	1. I take all decisions in my firm	.185	.095	**.720**
	2. Other people's influence in the business is negligible	.171	.134	**.735**
Knowledge of the enterprises	3. I am thorough about the process adopted in my firm	.311	.331	.310
	4. I have full knowledge of my employees, customers, and suppliers	.382	.380	-.292
Status derived	5. My family is respected because of my business success	**.930**	.284	.185
	6. People recognize me because of my firm	**.920**	.179	.191
Goal achieved	7. My firm's success helps me to fulfill my other dreams in life	.249	**.645**	.114
	8. My firm's growth is the largest accomplishment for me	.119	**.712**	.216

Factor Analysis of High Firm Performance Components: In this analysis, a questionnaire having eight items have been used to extract factors from components of high firm performance, including assets available, market share, firm age, and growth in profit. These items are subjected to factor analysis and found that four components have Eigenvalues greater than 1 and explain a cumulative variance of 83.98 percent in the observed variables. The number one factor accords the highest percent (35.152) of total variance indicates that sample data does not suffer from common method bias as shown in Table 5.13. Thus, these four components are finally considered significant for this study. The resulted correlation matrix does not exhibit sufficient relationships within component factors. Hence, orthogonal rotation is performed using Varimax with Kaiser Normalization to obtain better results for regression analysis and the resultant matrix is given in Table 5.14.

Table 5.13: Total Variance of Firm Performance Components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.132	35.152	35.152	3.132	35.152	35.152
2	2.046	22.575	57.727	2.046	22.575	57.727
3	1.523	15.793	73.520	1.523	15.793	73.520
4	1.037	10.463	83.983	1.037	10.463	83.983

It is observed from the Table 5.14 that items 1 and 2 are highly loaded onto component factor 4, items 3 and 4 have loaded on factor 2, and items 7 and 8 have loaded onto factor 1. Thus, only these three components representing high firm performance are considered significant for multiple regression analysis.

Table 5.14: Rotated Component Matrix of Firm Performance

Dimension	Items	Component			
		1	2	3	4
Assets available	1. My firm has sufficient machinery and space to meet current operations	.060	.107	.204	**.655**
	2. My firm has competent human resources	.027	.241	.147	**.524**
Market Share	3. My firm's products have a presence in both urban and rural areas	.178	**.795**	.137	.239
	4. The number of distributors have steadily increased	.271	**.843**	.155	.158
Firm Age	5. I am able to retain my workforce for more than 5 years	.021	.040	-.494	-.071
	6. Increasing my employees salary for the last 5 years	.044	.115	.072	.383
Growth in profit	7. I am satisfied with the returns from my business and giving a bonus to my employees	**.891**	.212	.270	-.002
	8. My firm recorded a notable sales volume in the last 3 years	**.886**	.009	-.010	-.002

Factor Analysis of Suitable Firm Location Components: A nine-item questionnaire is used to extract factors from the components of suitable firm location including easy access to resources, approachability, availability of labours, and societal support. These items are subjected to factor analysis and found that four components have Eigenvalues above 1 and explaining a total variance of 85.09 percent for the observed variables. The first component factor has the highest representation for 31.948 percent of cumulative variation and indicates that the sample data does not suffer from common method bias as shown in Table 5.15. Thus, these four components are finally considered as significant for this study. Since the correlation matrix does not exhibit sufficient relationship within component factors, orthogonal rotation is performed to obtain improved results for better interpretation after regression analysis, and the resultant matrix is given in Table 5.16.

Table 5.15: Total Variance of Firm Location Components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.475	31.948	31.948	3.475	31.948	31.948
2	2.841	24.006	55.954	2.841	24.006	55.954
3	1.983	19.036	74.990	1.983	19.036	74.990
4	1.055	10.100	85.090	1.055	10.100	85.090

It is observed from Table 5.16 that items 1, 2, and 3 are have loaded onto factor 1, items 4 and 5 onto factor 2, items 5 and 6 are loaded onto factor 4, and items 7 and 8 have loaded onto factor 3. Thus, all these four components representing suitable firm location are considered significant for multiple regression analysis.

Table 5.16: Rotated Component Matrix of Firm Location Components

Dimension	Items	Component			
		1	**2**	**3**	**4**
Easy access to resources	1. Located near to City/ Town	**.774**	.086	-.253	.109
	2. Convenient to access bank and other services	**.656**	.285	.117	-.139
	3. Utilities and other raw materials are easily available	**.719**	.210	.190	-.090
Approachability	4. My firm location is very convenient to suppliers/customers	.291	**.603**	.103	.201
	5. My firm is well connected by road and rail	.027	**.666**	.207	.293
Availability of labours	6. I get sufficient workforce near my firm	.200	-.075	-.385	**.587**
	7. The spilling effect improves the availability of skill	.060	.294	.044	**.506**
Societal support	8. The firm location is free from any disturbances	.168	.287	**.638**	.056
	9. People living nearby are supportive of my venture	.046	.176	**.716**	.204

Factor Analysis of Severe Market Competition Components: In this analysis, the first 8 items of the questionnaire are used to extract factors from severe market competition components namely product range, the existence of similar firms, market barriers, and less use of technology. These items are subjected to component analysis and found that four components have Eigenvalue greater than 1 and explain a cumulative variance of 85.09 percent in the observed variables. The first factor explains for maximum percent (30.13) of the cumulative variation and this indicates the sample data does not suffer from common method bias as shown in Table 5.17. Thus, these four components are considered as significant for this study. Since the association between extracted components in the component matrix is missing, orthogonal rotation is performed using Varimax to obtain rotated components for an easy interpretation of the results. And thus, the resultant matrix is given in Table 5.18.

Table 5.17: Total Variance of Market Competition Components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.211	30.136	30.136	3.211	30.136	30.136
2	2.279	25.988	56.124	2.279	25.988	56.124
3	1.899	18.234	74.358	1.899	18.234	74.358
4	1.554	10.420	84.778	1.554	10.420	84.778

From the Table 5.18, it is observed that items 1 and 2 are highly loaded onto factor 1, items 3 and 4 have loaded onto factor 2, items 5 and 6 have loaded onto factor 3, and items 7 and 8 have loaded onto factor 4. Thus, all these four components representing severe market competition are considered significant for multiple regression analysis.

Table 5.18: Rotated Component Matrix of Market Competition Components

Dimension	Items	Component			
		1	2	3	4
Products range	1. My firm produces few range of products	**.784**	.080	-.210	.143
	2. No new products are introduced in my firm for the last 5 years	**.836**	.075	.032	.090
Existence of similar firms	3. More number of firms are making the same product	-.097	**.676**	.066	.096
	4. Lack of uniqueness of my products compared to other firms	.118	**.526**	.283	.032
Market barriers	5. Difficulty in providing products at a competitive price	.002	-.011	.110	**.733**
	6. Insufficient market knowledge	.124	.020	.235	**.894**
Less use of technology	7. Slow in incorporating technology in marketing	.122	.020	**.671**	-.039
	8. Insufficient capital for enhancing productivity	.236	-.211	**.595**	.363

Factor Analysis of Low Product Demand Components: In this analysis, 8 items of the questionnaire are used to extract factors of low product demand, from the components namely low sales volume, deficient market coverage, lack of expansion, availability of alternates. These items are subjected to component analysis and found that four components have Eigenvalue greater than 1 and explain a cumulative variance of 86.356 percent in the observed variables. The first component with a maximum percentage of variance 36.083 indicates that sample data does not suffer from common method bias as shown in Table 5.19. Thus, these four components are finally considered as significant for this study. It is observed that there is no association between extracted component factors and overcome this shortfall orthogonal rotation is carried out to have a better result for easy interpretation. Hence, orthogonal rotation is performed using Varimax with Kaiser Normalization method and the rotated components are given in Table 5.20.

It is noted from the Table 5.20 that both items 1 and 2 have loaded onto factor 1, items 3 and 4 have loaded onto factor 4, items 5 and 6 are loaded onto factor 3, and items 7 and 8 have loaded onto factor 2. Thus, all these four components representing Low Product Demand are considered significant for multiple regression analysis.

Table 5.19: Total Variance of Low Product Demand Components

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.467	36.083	36.083	3.467	36.083	36.083
2	2.527	24.889	60.972	2.527	24.889	60.972
3	1.892	18.653	79.625	1.892	18.653	79.625
4	1.092	6.731	86.356	1.092	6.731	86.356

Table 5.20: Rotated Component Matrix of Low Product Demand Components

Dimension	Items	Component			
		1	**2**	**3**	**4**
Low sales volumes	1. Lack of publicity and advertisement	**.806**	.323	.229	.236
	2. Insignificant brand image	**.747**	.203	.222	.187
Deficient market coverage	3. Dependence on few customers	.368	.359	-.161	**.671**
	4. Difficulty in roping sufficient distributors for my products	.262	.166	.288	**.578**
Lack of expansion	5. Change in customers' preferences	.192	.192	**.591**	.143
	6. Insufficient resources for products promotion and development	.139	.193	**.625**	.191
Availability of alternates	7. Substitutes and cheaper products dampers my sales	.250	**.789**	.212	.123
	8. Same products are flooding from neighbouring regions	.181	**.763**	.143	.179

5.3   RESULTS OF HYPOTHESIS TESTING

This study follows the principles of Baron & Kenny (1986) approach to establish the association among independent, dependent, and mediation variables in this model. Multiple regression analysis used to test the hypotheses of this research.

5.3.1   Testing the Influence of Human Capital Components on Re-entry Intention (H1-a, H1-b)

i)   Influence of Human Capital Components on Exit intention: In the hypothesis H1-a, it is proposed that high human capital significantly influences the exit intention of Indian MSE owners. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "I have a passion for newness". Before performing the regression analysis, the overall adequacy of the regression model is verified by model fitting procedures. The *chi-square test* results confirm a significant association between the variables since the p-value is

below 0.001. Goodness of Fit measures, both Pearson and Deviance values are found to be non-significant as shown in table 5.21. This indicates that the model is compatible with the data. Pseudo R-Square (Nagelkerke) measure is 0.789, which indicates that the four components together can explain more than 79 percent of the variance, and hence, the model fits well.   After verifying the overall adequacy of the model, as the dependent variable is measured in the ordinal scale, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of human capital through factor analysis as independent variables. The estimated regression coefficients for the hypothesis (H1-a) are given in the 5.22 table.

Table 5.21: Model Fitness Test for H1-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square
Model	Intercept Only	1039.492				Cox and Snell .747
	Final	.000	1039.492	346	.000	Nagelkerke .789
Goodness-of-Fit	Pearson		3665.153	1038	.480	McFadden .785
	Deviance		35.701	1038	1.000	

Table 5.22: Estimated Regression Coefficients for H1-a

Independent variables	Estimate	Std. Error	Wald	df	Sig
Component Factor 1 : Entrepreneurial skills	.596	.103	25.283	1	**.000**
Component Factor 2 : Past and Present Experience	.406	.102	19.639	1	**.003**
Component Factor 3 : Knowledge gained from training	.291	.101	10.960	1	**.000**
Component Factor 4 : Interpersonal skills	.148	.100	5.210	1	.157

From the table 5.22, it is observed that factors 1, 2 and 3 relating to the dimensions of entrepreneurial skills, experience gained from past and present career and knowledge gained from

training are statistically significant ($p < 0.05$). This implies that these dimensions of human capital influence the exit intention of MSE owners. Out of these four dimensions, the entrepreneurial skills component is having a higher regression coefficient and is the major contributor in triggering the exit intention, followed by experience and training component. Hence, hypothesis H1-a is supported that high human capital significantly influences the exit Intention of MSE owners in India.

ii) **Influence of Human Capital Components on Re-entry (Direct Effect):** The hypothesis H1-b states, Indian MSE owner's intention to exit plays a mediation role between the owner's human capital and re-entry option. The dependent variable, re-entry, is measured in the ordinal scale using the questionnaire item, "I want to explore alternate business opportunities for better prospects". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE owners' human capital on exit path is confirmed by performing the ordinal regression between the re-entry option as a dependent variable, and the identified human capital factors as independent variables. Before performing analysis, model compatibility is ensured by regular procedures. Table 5.23, indicates, a significant value for Chi-Square where p is less than 0.001, Pearson and Deviance value are non-significant. Pseudo R-Square (Nagelkerke) measure (0.772) indicates that the four components together explain more than 77 percent of variance and hence the model fits well. Consequent to model fitness, regression analysis has been exercised and the outcome is shown in Table 5.24.

Table 5.23   Model Fitness Test for H1-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R- Square	
Model	Intercept Only	943.850				Cox and Snell	.739
	Final	738.932	204.917	6	.000	Nagelkerke	.772
Goodne	Pearson		1535.596	1378	.342	McFadden	.715
ss-of-Fit	Deviance		731.765	1378	1.000		

Table 5.24: Estimated Regression Coefficients for H1-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Entrepreneurial skills	.557	.210	24.649	1	**.000**
Component Factor 2 : Past and Present Experience	.468	.156	17.142	1	**.003**
Component Factor 3 : Knowledge gained from training	.131	.107	3.898	1	**.001**
Component Factor 4 : Interpersonal skills	-.242	.105	7.430	1	.563

From table 5.24, it is observed that Entrepreneurial skills, Experience, and Training undergone factors of human capital are statistically significant. Thus, it can be inferred that these factors could be instrumental for MSE owners to select the re-entry option on the post-exit of their enterprises. Hence, it is understood that the human capital factors indeed influence the MSE owners to opt for re-entry through some other businesses for better prospects.

iii) **Mediation Effect of Exit Intention between Human Capital Components and Re-entry:** To test the mediation effect, the re-entry variable "I want to explore alternate business opportunities for better prospects" as a dependent variable is regressed simultaneously with exit intention variable "I have a passion for newness" as mediating variable and human capital component factors as independent variables to explain mediation effect of exit intention. If the mediating effect is present, the mediating variable will become significant in this regression. And the previously significant variables will be no longer significant and their respective coefficient values will reduce, to indicate a full mediation. In case of no change in the position of significance for the factors measured in the direct effect and only coefficient values of them have reduced, then the mediation effect is treated as partial. The overall fitness of the model is verified using the model fitness measures as given in Table 5.25 and the outcome of the mediation analysis is presented in Table 5.26.

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From Table 5.26, it is observed that the exit intention variable "I have a passion for newness" is significant and the regression coefficients of the factors Entrepreneurial Skills, Experience, and Knowledge gained from Training have reduced consequent upon introduction of mediation variable and they remain to be statistically significant. Thus, this indicates that there is a partial mediation effect of exit intention between the re-entry and human capital factors. Thus, hypothesis H1-b is supported.

Table 5.25: Model Fitness Test for H1-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R- Square	
Model	Intercept Only	947.433				Cox and Snell .795 Nagelkerke .785 McFadden .773	
	Final	668.544	278.889	10	.000		
Goodness-of-Fit	Pearson		1587.209	1386	0.381		
	Deviance		664.385	1386	1.000		

Table 5.26: Estimated Regression Coefficients for H1-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Entrepreneurial skills	.404	.116	17.404	1	**.001**
Component Factor 2 : Past and Present Experience	.378	.111	6.082	1	**.003**
Component Factor 3 : Knowledge gained from training	.102	.109	1.598	1	**.001**
Exit Intention: I have a passion for newness	.875	.107	67.353	1	**.000**

5.3.2   Testing the Influence of Psychological Ownership Components on Passing-on Intention (H2-a, H2-b)

i)   Influence of Psychological Ownership Components on Exit intention: In the hypothesis H2-a, it is proposed that strong psychological ownership negatively influences the exit intention of MSE owners' in India. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "I am planning to leave my business in future". Before performing the regression analysis, the overall adequacy of the regression model is verified for compatibility. The *chi-square test* results confirm the significant association between the variables (p = 0.000) as shown in Table 5.27. Goodness of Fit measures, both Pearson and Deviance values are found to be non-significant as shown in table 5.27. These outcomes confirm the fitness of the model with data. Pseudo R-Square (Nagelkerke) measure is 0.761, which indicates that the three components together can explain more than 76 percent of the variance in the model and fits well. After verifying the overall adequacy of the model, since the dependent variable is measured in the ordinal scale, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of psychological ownership as independent variables. The estimated regression coefficient for the hypothesis (H2-a) is provided in Table 5.28.

Table 5.27: Model Fitness Test for H2-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R- Square
Model	Intercept Only	897.257				Cox and Snell .662
	Final	576.318	320.939	3	.000	Nagelkerke .761
Goodness-of-Fit	Pearson		1052.422	1217	0.491	McFadden .546
	Deviance		551.070	1217	1.000	

Table 5.28: Estimated Regression Coefficients for H2-a

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Social status derived	-2.389	.178	180.851	1	**.000**
Component Factor 2 : Goal achievement	-.786	.125	39.271	1	**.000**
Component Factor 3: Control over the enterprise	-.499	.117	18.066	1	**.000**

From Table 5.28, it is observed that significant factors 1, 2, and 3 are relating to social status derived as being the owner, goal achievement of the owner and control wielded over the enterprise by the owner. These dimensions are the indicators of strong psychological ownership. It is also noticed that the regression coefficients of these factors are negative and the components value in the component matrix of the loaded items in Table 5.12 are positive. Hence, the resultant effect of regression for exit intention becomes negative, and therefore, PO factors of MSE owners negatively influence the exit intention. This result affirmatively confirms the hypothesis H2-a, that strong psychological ownership negatively influences the exit intention of MSE owners.

ii) Influence of Psychological Ownership Components on Passing-on: The hypothesis H2-b illustrates, Indian MSE owner's intention to exit plays a mediation role between the owner's strong psychological ownership and the passing-on option. The dependent variable, passing-on, is measured in the ordinal scale using the questionnaire item, "I am concerned about prospects of my family". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE owners' psychological ownership on exit path is confirmed by performing the ordinal regression between the passing-on option as a dependent variable, and the identified psychological ownership factors as independent variables. Before performing analysis, model compatibility is ensured by regular procedures. Table 5.29, indicates, a significant value for Chi-Square where p is less than 0.001, Goodness of Fit measures and Pseudo R-Square measure are non-significant. The pseudo R square value for Nagelkerke measure indicates that the three components together explain for 71 percent of variance and hence the model fits well. Consequent to model fitness, regression analysis has been exercised and the outcome is shown in Table 5.30.

Table 5.29: Model Fitness Test for H2-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square
Model	Intercept Only	995.229				Cox and Snell .524
	Final	872.184	123.045	3	.000	Nagelkerke .710
Goodness-of-Fit	Pearson		1283.554	1217	.341	McFadden .318
	Deviance		836.153	1217	1.000	

Table 5.30: Estimated Regression Coefficients for H2-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Social status derived	.968	.110	77.145	1	**.000**
Component Factor 2 : Goal achievement	.562	.103	29.803	1	**.000**
Component Factor 3: Control over the enterprise	.382	.100	14.564	1	**.000**

From the above Table 5.30, it is observed that all the factors 1, 2, and 3 are significant. This conveys that social status, goal achievement, and control over the enterprise are supporting the option of passing-on the firm to their family members in order to take care of their family's future prospects and to continue the hold over the firm indirectly.

iii) **Mediation Effect of Exit Intention between Psychological Ownership Components and Passing-on:** Baron-Kenny's method is followed to test the mediation effect. The Passing-on option variable "I am concerned about future prospects of my family" as a dependent variable is regressed simultaneously with exit intention variable "I am planning to leave my business in future" as mediating variable and psychological ownership component factors as independent variables to explain mediation effect of exit intention. The overall fitness of the model is verified using the model fitness measures as given in Table 5.31 and the outcome of the mediation analysis is shown in Table 5.32.

Table 5.31: Model Fitness Test for H2-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	1016.130				Cox and Snell	.531
	Final	874.030	142.100	4	.000	Nagelkerke	.749
Goodness-of-Fit	Pearson		1301.738	1284	.359	McFadden	.437
	Deviance		854.694	1284	1.000		

Table 5.32: Estimated Regression Coefficients for H2-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Social status derived	.799	.134	13.959	1	**.000**
Component Factor 2 : Goal achievement	.437	.109	4.321	1	**.001**
Component Factor 3: Control over the enterprise	.304	.103	2.053	1	.004
Exit Intention: I am planning to leave my business in future	.640	.151	18.025	1	**.000**

The above table 5.32 illustrates, exit intention item **"I am planning to leave my business in future"** is found significant (p = .000), and the regression coefficients of the factors 1, 2 & 3 in the direct effect have reduced much and also remain statistically significant. Thus, this indicates that there is a partial mediation effect of exit intention between the passing-on option and psychological ownership factors. Thus, hypothesis H2-b is supported.

5.3.3   Testing the Influence of Firm Performance Components on Harvest Sale Intention (H3-a, H3-b)

i)   Influence of Firm Performance Components on Exit intention: In the hypothesis H3-a, it is proposed that high firm performance significantly influences exit intention of MSE owners in India. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "I want to involve in other activities in future". Before performing the regression analysis, the overall adequacy of the regression model is verified by model fitting procedures. The *chi-square test* results confirm a significant association between the variables (p=0.000) as well as measures for Goodness of Fit, Pearson and Deviance are found to be non-significant as shown in table 5.33. These outcomes confirm the fitness of the model with data. Pseudo R-Square (Nagelkerke) measure is 0.757 which indicates that the four components together can explain more than 75 percent of the variance in the model and fits well. After verifying the overall adequacy of the model, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of firm performance as independent variables. The estimated regression coefficient for the hypothesis (H3-a) is given in Table 5.34.

Table 5.33: Model Fitness Test for H3-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	996.902				Cox and Snell	.650
	Final	625.166	371.736	4	.000	Nagelkerke	.757
Goodness-of-Fit	Pearson		1220.355	1352	.495	McFadden	.471
	Deviance		620.432	1352	1.000		

From table 5.34, it is confirmed that factors 1 and 2 are significant and are related to components conforming to Growth in profit and Market share. These two components are the resultant dimensions in this analysis and are the indicators of high firm performance. This result positively confirms the hypothesis H3-a that high firm performance significantly influences exit intention of MSE owners in India.

Table 5.34: Estimated Regression Coefficients for H3-a

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Growth in profit	2.841	.202	197.623	1	**.000**
Component Factor 2 : Market share	.730	.109	14.492	1	**.001**
Component Factor 4 : Assets available	.324	.110	8.653	1	.073

ii) **Influence of Firm Performance Components on Harvest-Sale:** The hypothesis H3-b illustrates, Indian MSE owner's intention to exit plays a mediation role between MSE's high performance and harvest sale. The dependent variable, harvest sale, is measured in the ordinal scale using the questionnaire item, "My firm will fetch me premium offers". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE owners' firm performance on exit path is confirmed by performing the ordinal regression between the re-entry option as a dependent variable, and the identified firm performance factors as independent variables. Before performing analysis, model compatibility is ensured by regular procedures. Table 5.35, indicates, a significant value for Chi-Square where p is less than 0.001, Goodness of Fit measures and Pseudo R-Square measure are non-significant. Pseudo R-Square (Nagelkerke) measure (0.718) indicates that the three components together explain more than 72 percent of variance and hence the model fits well. Consequent to model fitness, regression analysis has been exercised and the outcome is shown in Table 5.36.

From Table 5.36, it is observed that factors 1 and 4 are turned out to be significant. This outcome conveys that Growth in profit and Assets available with the enterprise is supporting the option of harvest sale to get maximum returns on investment. Normally, firms with a history of continuous profit-making with good assets will be readily acquired by the competitors and large enterprises will be interested in taking over. Thus, high firm performance significantly influences the owners for the harvest sale option.

Table 5.35: Model Fitness Test for H3-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	980.962				Cox and Snell .674	
	Final	584.140	396.822	4	.000	Nagelkerke .718	
Goodness-of-Fit	Pearson		750.080	1352	0.320	McFadden .402	
	Deviance		579.406	1352	1.000		

Table 5.36: Estimated Regression Coefficients for H3-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Growth in profit	3.077	.224	188.117	1	**.000**
Component Factor 2 : Market share	.166	.111	2.238	1	.135
Component Factor 4 : Assets available	.407	.115	12.452	1	**.000**

iii) **Mediation Effect of Exit Intention between Firm Performance Components and Harvest Sale:** To test the mediation effect, the harvest sale variable "My firm will fetch me premium offers " is regressed simultaneously with exit intention variable "I want to involve in other activities in future " as mediating variable along with high firm performance component factors as independent variables. If the mediating effect is present, the mediating variable will become significant in this regression. And the previously significant variables will be no longer significant and their respective coefficient values will reduce, to indicate a full mediation. In case of no change in the position of statistical significance for the factors measured in the direct effect and only coefficient values of them have reduced consequent to introduction of mediation variable, then the mediation effect is treated as partial. The overall fitness of the model is verified using the model fitness measures as given in Table 5.37. The outcome of the mediation analysis is shown in Table 5.38.

Table 5.37: Model Fitness Test for H3-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square
Model	Intercept Only	987.318				Cox and Snell .764
	Final	281.011	706.307	5	.000	Nagelkerke .821
Goodness-of-Fit	Pearson		1360.951	1363	.511	McFadden .715
	Deviance		281.011	1363	1.000	

Table 5.38: Estimated Regression Coefficients for H3-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Growth in profit	2.180	.366	14.233	1	.000
Component Factor 4: Assets available	.337	.152	2.272	1	.002
Exit Intention: I want to involve in other activities in future	4.602	.417	121.626	1	.000

From the regression results, it is observed that exit intention variable "I want to involve in other activities in future" is significant (p = .000) and the regression coefficients for factors 1 & 4 in direct effect have reduced and these factors remain to be statistically significant. This indicates that there is only a partial mediation effect of exit intention between the harvest-sale and high firm performance factors. Hence, H3-b is supported.

5.3.4 Testing the Influence of Firm Location Components on Harvest Sale Intention (H4-a, H4-b)

i) Influence of Firm Location Components on Exit intention: In the hypothesis H4-a, it is proposed that suitable firm location significantly influences the exit intention of Indian MSE owners. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "Absence of succession leads to explore other options". Before performing

the regression analysis, the overall adequacy of the regression model is verified by model fitting procedures. The *chi-square test* results confirm a significant association between the variables (p=0.000) as well as measures for Goodness of Fit, Pearson and Deviance values are found to be non-significant as shown in table 5.39. These outcomes confirm the fitness of the model with data. Pseudo R-Square (Nagelkerke) measure is 0.776, which indicates that the four components together can explain more than 77 percent of the variance in the model. After verifying the overall adequacy of the model, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of firm location as independent variables. The estimated regression coefficient for the hypothesis (H4-a) is given in Table 5.40.

Table 5.39: Model Fitness Test for H4-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	1015.770				Cox and Snell	.644
	Final	737.903	277.868	5	.000	Nagelkerke	.776
Goodness-of-Fit	Pearson		1288.065	1367	.537	McFadden	.671
	Deviance		729.585	1367	1.000		

Table 5.40: Estimated Regression Coefficients for H4-a

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Easy access to resources	1.152	.120	92.147	1	**.000**
Component Factor 2 : Approachability	1.035	.127	83.683	1	**.000**
Component Factor 3 : Societal support	.496	.112	18.295	1	.201
Component Factor 4 : Availability of labours	.424	.107	15.861	1	.240

From the results shown in Table 5.40, it is confirmed that Factors 1and 2 are significant and are related to the firm location components namely, Easy access to resources and Approachability. These dimensions of firm location are perceived to be influencing the exit intentions of the owners. Thus, hypothesis H4-a is supported.

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ii) **Influence of Firm Location Components on Harvest Sale:** The hypothesis H4-b illustrates, Indian MSE owner's intention to exit plays a mediation role between MSE's suitable firm location and harvest sale. The dependent variable, harvest sale, is measured in the ordinal scale using the questionnaire item, "Location of my firm has a good demand". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE owners' firm location on exit path is confirmed by performing the ordinal regression between the re-entry option as a dependent variable, and the identified firm location factors as independent variables. Before performing analysis, model compatibility is ensured by regular procedures. Table 5.41, indicates, a significant value for Chi-Square where p is less than 0.001, Goodness of Fit measures and Pseudo R-Square measure are non-significant. Pseudo R-Square (Nagelkerke) measure (0.702) indicates that the four components together explain more than 70 percent of variance and hence the model fits well. Consequent upon model fitness, regression analysis has been exercised and the outcome is shown in Table 5.42.

Table 5.41: Model Fitness Test for H4-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	999.946				Cox and Snell	.567
	Final	703.574	296.373	5	.000	Nagelkerke	.702
Goodness-of-Fit	Pearson		1098.174	1367	0.455	McFadden	.494
	Deviance		693.869	1367	1.000		

Table 5.42: Estimated Regression Coefficients for H4-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Easy access to resources	1.386	.131	112.166	1	**.000**
Component Factor 2 : Approachability	1.564	.135	133.879	1	**.000**
Component Factor 3 : Societal support	.363	.113	34.614	1	**.000**
Component Factor 4 : Availability of labours	.121	.107	8.982	1	.323

From the above results, it is observed that factors 1, 2, and 3 are significant except factor 4. This outcome suggests that easy access to resources, approachability, and societal support are supporting factors of a suitable firm location for the harvest sale option of the owners. Hence, suitable firm location significantly influences the owners for harvest sale option due to more demand.

iii) **Mediation Effect of Exit Intention between Firm Location Components and harvest Sale:** To test the mediation effect, the harvest sale variable "Location of my firm has a good demand" as a dependent variable is regressed simultaneously with exit intention variable "Absence of succession leads to explore other options" as mediating variable and firm location component factors as independent variables to explain mediation effect of exit intention. The overall fitness of the model is verified using the model fitness measures as given in Table 5.43 and the outcome of the mediation analysis is shown in Table 5.44.

Table 5.43: Model Fitness Test for H4-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	1005.491				Cox and Snell	.721
	Final	553.821	451.670	6	.000	Nagelkerke	.765
Goodness-of-Fit	Pearson		915.956	1390	0.532	McFadden	.447
	Deviance		549.662	1390	1.000		

Table 5.44: Estimated Regression Coefficients for H4-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1: Easy access to resources	1.007	.125	72.756	1	**.001**
Component Factor 2 : Approachability	1.166	.164	91.854	1	**.000**
Component Factor 3 : Societal support	.232	.148	25.133	1	.003
Exit intention: Absence of succession leads to explore other options	1.828	.171	114.930	1	**.000**

From the above table, it is observed that exit intention variable "Absence of succession leads to explore other options" is significant (p =.000) and the previous values for regression coefficients in the direct effect for the factors 1 , 2 & 3 have reduced and they continue to be statically significant. This indicates that there is only a partial mediation effect of exit intention between the harvest-sale and Suitable Firm Location factors. Thus, hypothesis H4-b is supported.

5.3.5 Testing the Influence of Market Competition Components on Debt-free Sale Intention (H5-a, H5-b)

i) **Influence of Market Competition Components on Exit intention**: In the hypothesis H5-a, it is proposed that severe market competition significantly influences the exit intention of Indian MSE owners. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "Present market conditions reduce my market share". Before performing the regression analysis, the overall adequacy of the regression model is verified by model fitting procedures. The *chi-square test* results confirm a significant association between the variables (p=0.000) as well as measures for Goodness of Fit, Pearson and Deviance values are found to be non-significant as shown in table 5.45. These outcomes confirm the fitness of the model with data. Pseudo R-Square (Nagelkerke) measure is 0.749, which indicates that the four components together can explain more than 75 percent of the variance in the model and fits well.   After verifying the overall adequacy of the model, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of severe market competition as independent variables. Table 5.46 depicts the estimated regression coefficient for the hypothesis (H5-a).

Table 5.45: Model Fitness Test for H5-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	982.402				Cox and Snell	.704
	Final	551.818	430.585	4	.000	Nagelkerke	.749
Goodness-of-Fit	Pearson		2134.778	1344	.220	McFadden	.434
	Deviance		542.114	1344	1.000		

Table 5.46: Estimated Regression Coefficients for H5-a

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Few product range	3.305	.232	84.017	1	**.000**
Component Factor 2 : Existence of similar firms	-.043	.114	.141	1	.707
Component Factor 3 : Market barriers	1.109	.117	11.107	1	**.001**
Component Factor 4 : Less use of technology	1.438	.148	22.779	1	**.000**

From the above analysis, it is confirmed that factors 1, 3, and 4 are significant ($p<0.05$). Factor 1 components are related to a few product range, factor 3 corresponds to Market Barriers, and factor 4 reveals use of Less Use of Technology. These three components are the indicators of severe market competition dimensions reflected in the regression and are the reasons for severe market competition. Thus, hypothesis H5-a is supported.

ii)   Influence of Market Competition Components on Debt-free Sale: The hypothesis H5-b illustrates, Indian MSE owner's intention to exit plays a mediation role between MSE's severe market competition and debt-free sale. The dependent variable, debt-free sale, is measured in the ordinal scale using the questionnaire item, "Continuing my business increases my risk". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE's market competition on exit path is confirmed by performing the ordinal regression between the debt-free sale option as a dependent variable, and the identified market competition factors as independent variables. Before performing regression analysis, model compatibility is ensured by regular procedures. Table 5.47, indicates, a significant value for Chi-Square where p is less than 0.001, Goodness of Fit measures and Pseudo R-Square measure are non-significant. Pseudo R-Square (Nagelkerke) measure indicates that the four components together explain more than 70 percent of variance and hence the model fits well. Consequent upon model fitness, regression analysis has been exercised and the outcome is shown in Table 5.48.

Table 5.47: Model Fitness Test for H5-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	960.768				Cox and Snell .606	
	Final	631.317	329.451	4	.000	Nagelkerke .695	
Goodness-of-Fit	Pearson		1603.718	1344	.300	McFadden .341	
	Deviance		625.536	1344	1.000		

Table 5.48: Estimated Regression Coefficients for H5-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Few product range	2.476	.181	87.334	1	**.000**
Component Factor 2 : Existence of similar firms	.142	.108	1.716	1	.190
Component Factor 3 : Market barriers	.216	.108	3.977	1	.226
Component Factor 4 : Less use of technology	.539	.110	12.502	1	**.002**

From the above analysis, it is observed that factors 1 is having a higher regression coefficient and factor 4 shows a lower value and both are significant ($p < 0.05$). This outcome suggests that a few product range and less use of technology are reasons for not able to overcome severe market competition and supporting factors for the debt-free sale option of the owners. Hence severe market competition significantly influences the owners to opt for debt-free sale to reduce risk and liability.

iii) **Mediation Effect of Exit Intention between Market Competition Components and debt-free Sale:** To test the mediation effect, the debt-free sale variable "Continuing my business increases my risk" as a dependent variable is regressed simultaneously with exit intention variable

"Present market conditions reduce my market share" as mediating variable and market competition component factors as independent variables to explain mediation effect of exit intention. The overall fitness of the model is verified using the model fitness measures as given in Table 5.49 and the outcome of the mediation analysis is shown in Table 5.50.

Table 5.49: Model Fitness Test for H5-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	963.541				Cox and Snell	.682
	Final	557.829	405.712	5	.000	Nagelkerke	.730
Goodness-of-Fit	Pearson		3897.058	1371	.120	McFadden	.420
	Deviance		554.821	1371	1.000		

Table 5.50: Estimated Regression Coefficients for H5-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Few product range	1.471	.268	8.299	1	.000
Component Factor 4 : Less use of technology	.402	.116	1.097	1	.001
Exit Intention: Present market conditions reduce my market share	1.557	.192	65.814	1	.000

From the Table 5.50, it is observed that exit intention variable "Present market conditions reduce my market share" is significant (p = .000) and the previous values for regression coefficients of the factors 1 & 4 have reduced and they continue to be statistically significant. This indicates that there is only a partial mediation effect of exit intention between Debt-free sale and severe market competition factors identified in this investigation. Hence, hypothesis H5-b is supported.

5.3.6   Testing the Influence of Low Product Demand Components on Debt-free Sale Intention (H6-a, H6-b)

i)   Influence of Low Product Demand Components on Exit intention: In the hypothesis H6-a, it is proposed that less product demand significantly influences exit intention of MSE owners in India. The dependent variable, exit intention, is measured in the ordinal scale using the questionnaire item, "Unsatisfactory revenue returns". Before performing the regression analysis, the overall adequacy of the regression model is verified by model fitting procedures. The *chi-square test* results confirm a significant association between the variables (p=0.000) as well as measures for Goodness of Fit, Pearson and Deviance values are found to be non-significant as shown in table 5.51. These outcomes confirm the fitness of the model with data. Pseudo R-Square (Nagelkerke) measure is 0.698, which indicates that the four components together can explain more than 70 percent of the variance in the model and fits well. After verifying the overall adequacy of the model, ordinal regression is performed between the exit intention as a dependent variable and the identified component factors of product demand as independent variables. Table 5.52 depicts the estimated regression coefficient for the hypothesis (H6-a).

Table 5.51: Model Fitness Test for H6-a

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	908.140				Cox and Snell	.622
	Final	563.974	344.166	3	.000	Nagelkerke	.698
Goodness-	Pearson		985.410	1213	0.519	McFadden	.364
of-Fit	Deviance		534.719	1213	1.000		

Table 5.52 Estimated Regression Coefficients for H6-a

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Low sales volume	2.180	.177	152.288	1	**.000**
Component Factor 2: Availability of alternates	1.148	.150	87.622	1	**.000**
Component Factor 3: Lack of expansion	1.101	.129	72.776	1	**.000**
Component Factor 4 : Deficient market coverage	.896	.078	57.93	1	**.001**

From the above analysis, it is confirmed that factors 1, 2, 3, and 4 are significant. Factor 1 components are related to Low sales volume, factor 2 reveals Availability of Alternates, factor 3 relates to Lack of expansion, and factor 4 corresponds to Deficient market coverage. These four components are the causes for low product demand and these constructs are the indicators of low product demand defined in the theoretical model. This result confirms the hypothesis H6-a.

ii) Influence of Product Demand Components on Debt-free Sale: The hypothesis H6-b illustrates, Indian MSE owner's intention to exit plays a mediation role between MSE's low product demand and debt-free sale. The dependent variable, harvest sale, is measured in the ordinal scale using the questionnaire item, "I explore other options to reduce my risk". As per the Baron & Kenny (1986) approach, before checking the mediation effect of exit intention, the direct effect of MSE's low product demand on exit path is confirmed by performing the ordinal regression between the re-entry option as a dependent variable, and the identified product demand factors as independent variables. Before performing regression analysis, model compatibility is ensured by regular procedures.

Table 5.53: Model Fitness Test for H6-b (Direct Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square
Model	Intercept Only	927.673				Cox and Snell .723
	Final	473.301	454.372	3	.000	Nagelkerke .775
Goodness-of-Fit	Pearson		868.438	1213	0.447	McFadden .475
	Deviance		452.599	1213	1.000	

Table 5.53, indicates, a significant value for Chi-Square where p is less than 0.001, Goodness of Fit measures and Pseudo R-Square measure are non-significant. Pseudo R-Square (Nagelkerke) measure indicates that the four components together explain more than 77 percent of variance and hence the model fits well. Consequent to model fitness, regression analysis has been exercised and the outcome is depicted in Table 5.54.

Table 5.54: Estimated Regression Coefficients for H6-b (Direct Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Low sales volume	3.171	.255	154.389	1	**.000**
Component Factor 2: Availability of alternates	1.639	.165	98.691	1	**.000**
Component Factor 3: Lack of expansion	1.451	.156	86.187	1	**.000**
Component Factor 4 : Deficient market coverage	.896	.078	57.93	1	.025

From the above analysis, it is observed that Factors 1, 2 and 3 are significant. Factors related to Low sales volume, Availability of alternates and Lack of expansion are the likely causes for low product demand leads to failure and in order to reduce the risk, debt-free sale might be the option of the owners.

iii) **Mediation Effect of Exit Intention between Product Demand Components and debt-free Sale:** To test the mediation effect, the debt-free sale variable "I explore other options to

reduce my risk" as a dependent variable is regressed simultaneously with exit intention variable "Unsatisfactory revenue returns" as mediating variable and low product demand component factors as independent variables to explain mediation effect of exit intention. The overall fitness of the model is verified using the model fitness measures as given in Table 5.55 and the outcome of the mediation analysis is shown in Table 5.56.

Table 5.55: Model Fitness Test for H6-b (Mediating Effect)

		-2 Log Likelihood	Chi-Square	df	Sig.	Pseudo R-Square	
Model	Intercept Only	937.905				Cox and Snell	.732
	Final	471.703	466.202	4	.000	Nagelkerke	.785
Goodness-of-Fit	Pearson		792.934	1288	0.540	McFadden	.487
	Deviance		456.322	1288	1.000		

Table 5.56: Estimated Regression Coefficients for H6-b (Mediating Effect)

Independent variables	Estimate	Std. Error	Wald	df	Sig.
Component Factor 1 : Low sales volume	2.648	.290	90.130	1	**.000**
Component Factor 2: Availability of Alternates	1.122	.180	62.751	1	**.001**
Component Factor 3: Lack of expansion	0.981	.171	53.266	1	**.001**
Exit Intention: Unsatisfactory revenue returns	.588	.175	11.272	1	**.000**

From the Table 5.56, it is observed that p value for exit intention variable "Unsatisfactory revenue returns" is statistically significant with a moderate regression coefficient value. Also, coefficient of regression values for factors 1, 2 & 3 have reduced compared to direct effect values in spite of remaining statistically significant. This indicates that there is only a partial mediation effect of exit intention between Debt-free sale and low product demand factors identified in this investigation. Therefore, hypothesis H6-b is supported.

5.4 FINDINGS AND DISCUSSIONS

5.4.1 High Human Capital on Exit Intention and Re-entry

In this study, the perceived dimensions derived to identify human capital are Experience from previous and present work, Knowledge acquired from Training, Inter-personal Skills and Entrepreneurial Skills. With respect to the respondents' response, using principal component analysis and varimax rotation, four factors having Eigenvalue above one have been considered as predictors to identify exit intention, exit option as a prelude in finding out the mediation effect of MSE owners.

From the outcome for the exit intention analysis, it is observed that only three factors are statistically significant ($p < .001$) and are related to entrepreneurial skill, experience gained from past and present career, and knowledge gained from training. This significant positive relationship between these independent human capital variables indicates that higher the entrepreneurial skills, knowledge gained from training, and experience of owners, the more likely that they will develop exit intention. Having adequate entrepreneurial skills and detecting new business opportunities increases the re-start intentions (De Hoer et al., 2016). The passion for wealth creation, opportunity utilization, keenly observing the changes taking place, and updating knowledge & skill are the cause for opting re-entry in the entrepreneurial process. These inclined owners are educated and have experience as identified by DeTienne & Cardon (2008; 2010) in their study to explore the impact of the experience, education, and age in selecting exit paths. Therefore, this result supports the finding that various components of human capital factors are behind this kind of exit option.

Also, it is understood that entrepreneurial experience influences the exit intention and exit choice and the finding in this empirical study is in accordance with earlier exit studies (Wennberg et al., 2010; Van Teeffelen, 2008; DeTienne and Cardon, 2012; Amaral et al., 2007;). Leaving from the present business is likely for owners due to the availability of better

opportunities elsewhere (Bates, 2005), and the outcome of this research is in line with the early findings. Despite the present firm being successful in the market, a considerable number of owners exit from the business because of a new business opportunity or better alternatives. Closing down of a previous business encourages the re-entry of an entrepreneur (Hessels et al., 2011). This reiterates the observation that owners who have intention to exit will re-enter in to entrepreneurial activity, subject to having adequate entrepreneurial skills and experience defined in this study. It is established that exit intention also partially mediates the relationship between human capital and re-entry option.

From the descriptive statistics, we understand that a small percentage of owners (8 %) in the age group of 30-40 years old are willing to exit to re-engage themselves with some other activities. The reason for the low percent of MSE owners' choice for re-entry is multi-fold in India. The concept of re-entry among MSE owners is primitive and also affected by national background, social and economic conditions (Simmons et al., 2014). This research findings inform that the intention to re-start a business is more predominant when the owner has abundant entrepreneurial skills, experience and is keen on updating the skills required for the new business. At the same time, the factors related to insignificant inter-personal skills neither influence exit intention nor the exit option. This goes well with the earlier findings that specific human capital is more relevant in predicting exact outcomes (Silva et al, 2015; DeTienne and Cardon, 2012; Leroy et al., 2010). There is a presence of partial mediation of exit intention in re-entry option. Hence, hypothesis H1-a and H1-b are supported positively in this model.

5.4.2 Strong Psychological Ownership on Exit Intention and Passing-on

The manifest dimensions developed to measure psychological ownership of MSE owners are Control over the enterprise, Knowledge of the enterprise, Social status derived, and Goal Achievement. Responses received from the participants in the survey are subjected to PAC for factor reduction and three factors covering a total variance of 85 percent with Eigenvalue above one have been retained for varimax rotation. The three rotated factors connected with the perceived psychological ownership dimensions are Social status derived, Goal achievement, and control over the enterprise. There are no loadings against the fourth factor relating to knowledge

of enterprises though it also one of the PO concepts. The results of the multiple regression indicate that all the three factors are significant ($p < 0.001$) but with negative coefficient values. This expresses the fact that in practice, stronger the psychological ownership, lesser is the perceived exit intention of owners as illustrated in earlier studies. This finding demonstrates the fact that the prediction of the owner's exit decision becomes easy if the firm is independent from owners (Amaral and Baptista, 2007; DeTienne and Cardon, 2012; Van Teeffelen, 2008). Also, it can be construed that the owners' emotional attachment and their craving for involvement in the affairs of the enterprise and keeping up the identity of the firm induce to passing-on rather than sale as an exit route of the owners (Sharma, 2003; Scholes et al., 2007). In the descriptive analysis, high mean scores indicated that the majority of the owners have accepted the fact that they got the identity from their enterprises. This supports the findings of Shepherd et al. (2009) and Cardon et al. (2005), as well as how much their firms are instrumental in achieving certain goals in their life**.** The owners' affiliation towards their firm is predominantly entrenched in non-financial motives, such as concern for family as concluded by Zellweger et al. (2012), and hence, they look forward to pass-on to their family members.

This has been vindicated in the descriptive analysis of responses that 43 % of owners prefer to pass on the ownership to their family members. In this regard, the regression result has shown significant positive values in favour of passing-on option in the analysis, thereby indicating that the owners might pass-on their firms to their family members. This has reflected the owners' perceived concern for their family members and aligns with the findings of Ikavalko et al. (2010) that the concept of control over their firms can be continued. While testing for the mediation effect of exit intention between passing-on and psychological ownership factors, the result yielded a partial mediation as per Baron-Kenny's procedure. Hence, hypotheses H2-a and H2-b are supported in this empirical model.

5.4.3   High Firm Performance on Exit Intention and Harvest sale

The dimensions considered in this empirical model for Firm Performance are Growth in profit, Market share, Firm age, and Assets available and to infer the responses, the data is subjected to PCA for component reduction. There are four factors with Eigenvalue above that have been

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retained with a total variance of 83.98 percent for rotation. On varimax rotation, the items loaded only on three firm performance dimensions namely growth in profit, market share, and assets available, and these are considered as independent variables to find out the exit intention relationship of owners.

The regression analysis reveals that component factors related to growth in profit and market share are statistically significant ($p<0.001$) and they have been perceived as firm performance dimensions responsible for triggering the exit intention of MSE owners. This result demonstrates the fact that owners of well-performing firms indeed prefer to harvest their past investments through exit (Harada, 2007; Amaral et al., 2007; Wennberg et al., 2010). Both growth in profit and market share are indicators of sales volume. A good sales volume reflects the financial strength of a firm's performance as postulated in their research. Increased financial indicators as a result of a firm's performance might increase an owner's longing for an exit (Leroy et al., 2007; 2010). Hence, firm performance factors influence the exit intentions of owners. The application of Prospect theory in behavioural finance advocates that the firm's performance is not only predicting the chances of exit but also the type of exit.

While testing for the selection of exit options, the result indicates that Growth in profit and Assets available of an enterprise are statistically significant ($p < 0.001$) and these resultant dimensions confirm option for harvest sale. Also, MSE performance has been viewed from a non-financial aspect, for example, firm assets in addition to profit and market share. Additionally, it is a natural phenomenon that firms that are performing well will have more buyers since good performance is considered as the firm's capability and this is supported by the findings of Leroy et al. (2007; 2010). Existing researches demonstrate that underperformance of a firm need not be a reason for exit, rather other motives like retirement from business could also be one of the causes for exit through harvest option (Harada, 2007). Thus MSE owners appear to give significant importance on harvesting the financial value of their firm to create retirement reserves as found out by Battisti (2008). Incidentally, 13% of owners in the sample have shown interest for harvest sale as found out in the descriptive analysis.

Strong market share and profit growth are the indications of firm performance. While analysing the factors, "steady increase in market share and growth in profit" are influencing the exit intentions of the owners. Firm performance is the outcome of the owners' ability in the conduct of enterprises successfully and which in turn encouraging them to encash their investment for a better prospect or enter into a different field prompts to exit. This might be the reason behind the scholarly query of Wennberg & DeTienne (2016) as to why entrepreneurs voluntarily exit from a business with a high level of performance. Further, results of the mediation test indicated that a partial mediation effect of exit intention exists between harvest sale and firm performance factors. Hence the hypothesis H3-a and H3-b are supported in this empirical study.

5.4.4   Suitable Firm Location on Exit Intention and Harvest sale

Firm Location constructs considered for this study are easy access to resources, approachability, availability of labour, and societal support as per the conceptual model developed in this study. Factors relating to these four dimensions of firm location are subjected to PCA and factors having Eigenvalue above one with a cumulative variance of 84 percent are subjected to varimax rotation. It is observed that items related to all the four dimensions of firm location have loaded against relevant component factors and have been treated as independent variables to find out the exit intention of owners in the regression analysis. Many studies have revealed that firm location is one of the firm characteristics responsible for performance (Porter, 2000; Freeman et al., 2012; Risselada et al., 2012).

Easy access to resources and Approachability have become statistically significant ($p < 0.001$) which indicates that easy access and approachability of firms are perceived by the respondents as suitable firm location components responsible for influencing exit intention in the empirical study. This finding has removed the vacuum observed by Van Teeffelen and Leroy (2009) that no evidence has been found in the literature to the relationship between firm location and exits with reference to approachability and resource availability. For a fabulous performance of an enterprise, certain location features namely, those which are easy to reach, those which

have sufficient availability of resources, near to market places, and provide ease of getting resources are indispensable.

Next, in the process of finding out the location factors determining owners' preference for harvest sale as an exit option, the regression test indicated that component factors relating to approachability, easy access to resources, and societal support of firm location were significant. This conforms to perceived firm location dimensions responsible for inducing respondents' decisions for harvest sale of their firm located in industrial estates that have a potential demand from buyers. It has been proved that a suitable firm location has its own advantages on access to markets, the availability of raw materials, infrastructure, human resources, finance, and other facilities and the level of availability and access to enterprises in such locations would enhance market percent, economies of scale and export opportunities (Porter, 2000; Fujita & Thisse, 2013). In addition, an acquisition facilitates the buyer to overcome certain barriers like local competition for scant resources; maintain a close relationship with similar firms set up in that area and particularly for market expansion and entry into new geographic regions (Sefiani et al., 2013). Accordingly, the owners of suitable firm locations are expecting to harvest against the demand arising out of their firm's location. Moreover, there is a shortage of well-developed industrial premises and a good number of new entrants looking for a suitable location will increase the demand for such enterprises. In the descriptive analysis, it is found out that 8 % of the owners opt for this exit mode. Further, results of the mediation test indicated that a partial mediation effect of exit intention exists between the relationship of harvest sale and firm location factors. Thus, the hypothesis of this study, H4-a and H4-b are positively supported.

5.4.5   Severe Market Competition on Exit Intention and Debt Free sale

Dimensions considered as severe market competition in this study are a few product range, the existence of similar firms, market barriers, and less use of technology as per the conceptual model. Factors relating to these four dimensions of severe market competition are subjected to PCA and factors having Eigenvalue above one with a cumulative variance of 84.7 percent are subjected to varimax rotation. It is observed that items related to all the four dimensions of severe market competition have been loaded against relevant component factors and have been treated as

independent variables to find out the exit intention of owners in the regression analysis.

Three component factors namely few products range, market barriers and less utilization of technology have turned out to be significant in the regression test and which are related to the dimensions of severe market competition. Whereas the findings of Balcean and Ooghe (2012) suggest that for a viable business, considerable market share and growth opportunity arising out of a strategic approach to the market is necessary. Direct and indirect competitors are a major setback for business survival (Barringer and Ireland, 2010) and this has been reflected in the descriptive analysis discussion. Thus, research on various exit reasons mainly recognizes that economic factors and firm viability determine exit decisions (Leroy et al., 2007; Wennberg et al., 2010) and as such owners develop exit intention to get rid of the liability.

Ultimately, profitability is an important feature of an enterprise and in the absence of business viability owners tend to exit from their enterprises. In the regression test to find out the factors responsible for exit option, a few product range ($p < 0.001$) and less use of technology are statistically significant ($p < 0.05$).To overcome severe competition, owners are expected to invest considerably in technology for updating their existing product range, care for product and services innovation by continuous improvement of designs, structure and product distribution (Lamb et al., 2008; Venter et al., 2008). Enterprises that fail to upgrade to the latest technology are bound to stay away from competition and vanish. When owners are not in a position to invest more money in technology for product improvement, they might be planning to opt for debt-free sale for a decent exit life. And this is illustrated that to avoid failure and liquidation, owners of underperforming firms are liable to consider distress sale to exit.

In fact, healthy competition improves the firm's performance, and failing to continuously update their facilities as per the changing conditions lead to competition pressure. The reasons for severe competition are a few product range, market barriers, and less use of technology. These factors are the major impediments causing incompetence of the firm's performance and lead to unviable. Under these circumstances, the owners of the aggrieved firms are compelled to sell their assets and keen on exiting to avoid further liabilities. From the descriptive analysis it is observed that 16 % of the respondents hinted for debt-free sale to lessen their liability. As per Baron and Kenny's approach, exit intention mediates partially in the relationship between debt-

free sale and severe market competition factors. Hence, the empirical study has supported hypothesis H5-a and H5-b.

5.4.6   Low Product Demand on Exit Intention and Debt Free sale

In this model, the dimensions considered for perceived Low Product Demand are Low sales volume, Availability of alternates, Lack of Expansion, and Deficient market coverage as per the conceptual model. Factors relating to these four dimensions of low product demand are subjected to PCA and factors having Eigenvalue above one with a cumulative variance of 86 percent are subjected to varimax rotation. It is observed that items related to all the four dimensions of low product demand have loaded against relevant component factors and have been treated as independent variables to find out the exit intention of owners in the regression analysis.

From the analysis, it is found that all the four components factors are statistically significant. These factors namely, Low sales volume, Availability of alternates, Lack of Expansion, and Deficient market coverage are perceived to be the reasons for low product demand and they are influencing exit intentions of owners. As found out in the studies of Balcaen and Ooghe (2006) that even for a firm with a strong base of customers, the diminished product demand and the market assault by nearby market affect the business. This is exactly reflected in this regression test that low product demand and low market coverage are troubling the firm's performance. The result of our study is aligning with the findings of Dasgupta & Sanyal (2010) and Balcaen & Ooghe (2006) that factors like demand saturation is responsible for low revenue generation and small business failure. If the negative effects of enterprise failure are more severe than the benefits, the owners are likely to exit from their business (Ucbasaran et al., 2013) and this might influence the owners' exit intention to avoid failures. As per threshold theory, poor performance is the most important determinant of exit strategies (Brauer, 2006) and owners may opt for debt-free sale. In the next process of identifying the factors triggering debt-free sale, it is observed that factors 1, 2, and 3 are significant ($p < 0.001$). These factors are related to low sales volume, availability of alternates and lack of expansion. And they are the likely cause for underperformance of the firm which might lead to debt-free sale in order to avoid loss. Our study confirms that to avoid further damage and trouble, owners of low performing firms prefer to exit

by distress sale (Block et al., 2013; Oginni et al., 2013).

The outcome of the analysis indicates that the factors "low sales and availability of alternates" are a cause of poor performance. If the condition continues, the owner will have no other option than liquidation. The above factors thus influence the exit intention of MSE owners to avoid facing pettiness and further erosion in the value of their assets. In order to avoid failure of their own creation, MSE owners are willing to opt-out of their current business in a respectful manner. It shows that low demand influences the owner's exit intention, which also mediates the option of selling their ventures to free from debts. This is confirmed from the finding of the descriptive analysis, where nearly 12 % of respondents affirm to this strategy. Further, results of the mediation test indicated that a partial mediation effect of exit intention exists between low product demand factors and debt-free sale option. Hence, both the hypothesis H6-a and H6-b are supported positively.

The Results of this investigation are summarized in Table 5.57.

Table 5.57: Summary of Results

Factors	Hypothesis	Dimensional Components	β	ρ	Influencing factor	μ	Research Outcome
Individual Related Factors							
Human Capital		Entrepreneurial Skills	0.596	0.000	Wealth creation	3.4	H1-a Supported
					Opportunity utilization	3.1	
					Observing environment	3.3	
	H1-a	Entrepreneurial Experience	0.406	0.003	Prior job experience	3.1	
					Knowledge from family	3.3	
					Present experience	3.6	
		Knowledge Gained from Training	0.291	0.000	Technical Skill	3.0	
					Management skill	2.9	
	H1-b	Passion for Newness	0.875	0.000	Re-entry	0.8	H1-b Supported
Psychological Ownership	H2-a	Social Status Derived	-2.389	0.000	Respect given to family	3.4	H2-a Supported
					Society's recognition to self	3.8	
		Goal	-0.786	0.000	Accomplishment	3.6	

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		Achievement			of Dreams		
					Lifting Firm's growth	3.4	
		Control over Enterprise	-0.499	0.000	Decision making only by self	3.2	
					No outsider's involvement	3.3	
	H2-b	Planning to leave for family	0.640	0.000	Passing-on to Family	3.2	H2-b Supported
Firm Related Factors							
Firm Performance		Growth in Profit	2.841	0.000	Satisfied with returns	2.3	H3-a Supported
					Notable sales volume	2.4	
	H3-a	Market Share	0.730	0.001	Serve urban and rural area	2.1	
					Distributors have increased	2.3	
	H3-b	To involve in other activities	4.602	0.000	Harvest past investment	2.3	H3-b Supported
Firm Location		Easy access to resources	1.152	0.000	Near to City/Town	3.5	H4-a Supported
					Near to Bank/other services	2.7	
	H4-a				Availability of Raw material and Utilities	2.9	
		Approachability /Connectivity	1.035	0.000	Convenient to Suppliers /Customers	2.6	
					Connected by Road/Rail	2.7	
	H4-b	Absence of Successors	1.828	0.000	Harvest for Retirement	1.5	H4-b Supported
Market Environment Related Factors							
Severe Market Competition		Few Product range	3.305	0.000	Produce few products	3.2	H5-a Supported
					Not introduced new products	3.1	
	H5-a	Less use of Technology	1.438	0.000	No incorporation of Technology	2.5	
					Insufficient Capital	2.6	
		Market Barriers	1.109	0.001	Uncompetitive Pricing	3.7	
					Insufficient Market Information	3.4	
	H5-b	Market condition reduces market share	1.557	0.000	Distress sale to avoid liability	1.9	H5-b Supported
Low Product Demand	H6-a	Low Sales Volume	3.305	0.000	Lack of Publicity/Advertis	2.1	H6-a Supported

					ement		
					Insignificant Brand image	1.8	
		Availability of Alternate	1.148	0.000	Cheaper/Substitutes spoil sales	2.4	
					Same Products from other areas	2.6	
		Lack of Expansion	1.101	0.000	Change in customers' choice	2.1	
					Insufficient Resource	2.4	
		Deficient Market Coverage	0.896	0.001	Dependence on few Customers	2.4	
					Insufficient Distributors	2.6	
	H6-b	Unsatisfactory Revenue	0.588	0.000	Distress sale to avoid failure	1.9	H6-a Supported

5.5   MAIN FINDINGS OF THE STUDY

This section summarizes the study results presented in the above sections and relates them to previous studies. The main findings emanating from the present investigation are given in Table 5.58.

Table 5.58: Summary of Main Research Findings

Research Contribution	Unit of analysis	Explanatory Variables	Theoretical perspectives	Outcome variable	Sample	Key Findings	In line with early findings
Study 1	Individual	High Human capital	Human Capital Theory	Exit Intention for Re-entry	360 Indian MSE owners located in the industrial estates of Karnataka state	Higher the entrepreneurial skills, knowledge gained from training, and experience of owners significantly influence the exit intention of MSE owners. Having adequate entrepreneurial skills and detecting new business opportunities increases the intention to re-start a business.	DeTienne & Cardon, 2007; 2010; De Hoe et al., 2016; 17; Hessels et al., 2011;
Study 2	Individual	Strong Psychological Ownership	Psychological Ownership theory Attachment theory	Exit Intention for Passing-on	360 Indian MSE owners located in the industrial estates of Karnataka state	Stronger Goal achievement, Control over the enterprise, and Social status derived negatively influence the exit intention of MSE owners. The owners' emotional attachment and their craving for involvement in the affairs of the enterprise and keeping up the identity of the firm will make them to prefer passing on option.	Amaral and Baptista, 2007; DeTienne and Cardon, 2012; Van Teeffelen, 2008; Ikavalko et al., 2008

tudy 3	Individual /Firm	High Firm Performance	Threshold Theory	Exit Intention for Harvest sale	360 Indian MSE owners located in the industrial estates of Karnataka state	A steady increase in market share and growth in profit are influencing the exit intentions of the owners. High firm performance encourages them to encash their past investment in the firm for a better prospect or enter into a different field prompts.	Silva, 2015; Leroy et al., 2007; 2010; Wennberg et al., 2010; Wennberg & DeTienne , 2016.
Study 4	Individual / Firm	Suitable Firm Location	Geo Locational theories	Exit Intention for Harvest sale	360 Indian MSE owners located in the industrial estates of Karnataka state	Easy access to resources and Approachability to firms influence the exit intention of MSE owners Approachability, easy access to resources and societal support of firm location induce the MSE owners for a harvest sale	Dahlqvist et al., 2000; Fujita & Thisse, 2013; Sefiani et al., 2013
Study 5	Individual / Firm	Severe Market Competition	Market competition theory	Exit Intention for Debt-free sale	360 Indian MSE owners located in the industrial estates of Karnataka state	A Few product range, market barriers, and less utilization of technology influence the exit intention of MSE owners. Direct and indirect competitors induce the owners to develop exit intention to get rid of liability	Balcean and Ooghe, 2012; Barringer and Ireland, 2010; Wennberg et al., 2010; Leroy et al., 2007;2010
Study 6	Individual / Firm	Less Product Demand	Porter's Five forces theory	Exit Intention for Debt-free sale	360 Indian MSE owners located in the industrial estates of Karnataka state	Low sales volume, Availability of alternates, Lack of Expansion, and Deficient market coverage influence the exit intentions of owners. Demand saturation induces the owners' exit intention to avoid failures	Ucbasaran et al., 2013; Block et al., 2013; Oginni et al.,2013

5.6   SUMMARY

This chapter has examined the empirical research outcomes in detail in context with the theoretical model developed in this study. The survey data collected under three elements namely individual, firm, and market environment are subjected to descriptive and multivariate analysis to infer the exit intention and mediating effect of owners of MSEs in India. The results obtained from the regression analysis indicate that some significant factors greatly influence the exit intention, and the exit intention indeed mediates the choice of exit path. The key findings of the investigation are summarized in each section. The findings from this study are not only supporting the hypotheses formed and are also consistent with the early findings.

CHAPTER 6

CONCLUSIONS AND FUTURE RESEARCH

This chapter presents the important conclusions based on the research findings and discusses the limitations encountered during this study. It also highlights the implications of this research and suggestions for future research.

6.1   RESEARCH IMPLICATIONS

Micro-and small-scale enterprises play a vital role in driving the dynamics of supply and demand in society, and for that very reason, the government is making every effort to make MSEs thrive with a slew of sops. Current procedures for closing down the entrepreneurial activities of an owner take a longer time, and an appropriate intervention will help to remove dead woods in order to make use of resources for improvement. There is very little support in place to help out exiting MSE owners, especially if they decide on an exit path other than passing on their firm to their family members. Our study findings highlight the growing interest of these owners in harvesting the economic value of their past investment for retirement purposes through business sales. This knowledge will be useful for stakeholders to create awareness among MSE owners about exit planning and to extend suitable support for acquiring the necessary skills needed to carry out this event. This study also found that MSE owners with prior experience, entrepreneurial skills, and upgraded knowledge and skills are more likely to be re-enter. This knowledge might be useful for stakeholders to encourage serial entrepreneurship with a proper exit mechanism for firms formed under other than the Start-up India Scheme.

This research certainly provides the knowledge on exit intention, exit triggers, and intended exit strategies of Indian MSE owners. Since wider scope exists in this direction, this research can be considered as an initial effort to study the enterprise exit trends in the country. Because not enough support measures are available for the exit phase of the enterprise in India, the findings of this research might also offer policymakers a basis to understand the necessary interventions for the easy exit of MSE owners and for raising awareness about exit planning among MSE owners. This work also signals a new field of research for Indian researchers to add more knowledge in this field.

The findings of this research are thus of concern not only to entrepreneurs and the academic community, but also to policy makers. For entrepreneurs, this research has provided some insights into the causes of exit and the options of entrepreneurial exit. For the academics, this work forms the basis for further inquiries into MSE exits in India. For policy makers, these findings enable them to set up the requisite support structures for exiting entrepreneurs, thus promoting entrepreneurship.

6.2   LIMITATIONS OF THE STUDY

The subject of the study, 'Entrepreneurial Exit,' was new to some respondents, who perceived it as a firm failure. This could have reflected in their responses, which might have affected the findings. The questionnaire developed in the English language caused inconvenience to some respondents in capturing their perception. It is recognized that the sample size may influence the results and limit their generalisability. Due to the paucity of resource and time, this research considers only MSE owners functioning within industrial estates located in Karnataka state as samples. Consequently, the findings of this study therefore may not be consistent with the perceptions of owners of enterprises in areas other than industrial estates. As different locations offer different costs and infrastructure facilities, locational advantages and disadvantages greatly vary, thus generalization is not suggested. The exit intentions of partners of the firm are not attempted as this study covers only MSE owners. At the same time, some MSE owners may be involved in more than one enterprise and have different exit intentions concerning different firms, and such cases are not considered in this work. The actual firm performance in terms of monetary indicators could not be captured due to privacy reasons.

6.3   CONCLUSIONS

This research shows that a considerable number of owners of Indian micro and small enterprises intend to transfer their ownership through harvest sale, passing on, and debt-free sale for a variety of reasons, including wealth generation, reducing liability, entering a new prospective field or simply for seeking a desired lifestyle. This empirical research has shown that the exit intentions of owners are primarily influenced by the factors related to the individual, firm, and market environment. However, the psychological ownership of certain owners negatively influences the exit intention as their motive is to indirectly control the firm through their heirs. Also, the exit intentions developed due to diverse dimensions play a mediating role in the selection of their exit paths. Interestingly, this study used multi-dimensional factors to verify their influence on the exit intentions as well as to identify the intended exit options of the owners, and certain factors were identified in that process. The results show that entrepreneurial experience, entrepreneurial skills, and knowledge gained from training are key determinants of re-entry intentions. Many studies have mentioned the mediating role of the firm's geographical location in the firm's performance. This study explored the role of a suitable firm location on the exit intention of the owners. This study also found the relationship between high competition and low product demand and the owner's exit intention, and found that owners prefer debt-free sale when their firms are poorly performing. The findings of the research may be of interest to policymakers to amend the conditions for the easy exit of individual owners of MSEs for varied reasons. Therefore, this knowledge will be useful for stakeholders to improve the business transfer process and to frame suitable interventions for an entrepreneurial exit. These proposed actions will encourage the entrepreneurial recycling process thereby promoting serial entrepreneurship in India and drive away the fear of failure among potential entrepreneurs. Hence, an appropriate exit mechanism will encourage premature closures in the case of distressed enterprises and encourage a greater number of new entrants to enter into entrepreneurship for a robust economic growth and the generation of employment in the country.

6.4 FUTURE WORK

A number of conceptual studies have indicated that the inherent motivation, psychological qualities, and ingenuity of an entrepreneur reduce the chances of exit. This study shows that strong psychological ownership is a deterrent to the exit of MSE owners. The effect of the other two aspects, namely the inherent motivation and ingenuity of the owners can be considered for further investigation. This study can be extended to investigate the relationship between the causes of the exit and the preferred exit strategies of the owners of start-ups as a higher percentage of start-ups discontinue their activity in India. A forthcoming research plan might divulge more than retrospective research. This work can also be extended to understanding the motivations and factors behind the actual exits of already exited owners and this model can also be tested in different economic regions. However, the main challenge in this type of research is the identification of samples. Finally, research that exclusively illustrates the profitable exits of entrepreneurs' suggestion to fellow entrepreneurs and society is highly imperative in India. This will drive away the fear of failure amongst potential entrepreneurs and encourage more new start-ups among first-generation entrepreneurs.

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Published:

Socrates, K. and Gopalakrishna, B.V., (2020). Socrates, K. and Gopalakrishna, B.V., (2020). Indian Government Interventions in Micro, Small and Medium Enterprise Development: An Enterprise Life Cycle Perspective. *Colombo Business Journal*, 11(1), 132–164. DOI:http://doi.org/10.4038/cbj.v11i1.60

Socrates, K. and Gopalakrishna, B.V., (2020). An Analysis of the Indian Entrepreneurial Ecosystem for the Promotion of Sustainable Enterprises, *Journal of Business and Management*, International Organization of Scientific Research, 22(2). 21-25. DOI: 10.9790/487X-2202052125

Kalai Socrates and Gopalakrishna, B. V (2020), "An Empirical Investigation of the Influence of Firm Performance on Exit Intention and Harvest Sale of Indian Micro and Small Enterprise Owners", *International Conference on Liberalization, Privatization and Globalization: Three Decades of Experience in India (ICLPG2020)*, 127-136, Feb 2020, India.

Kalai Socrates and Gopalakrishna, B. V (2020), "An Indian MSME Perspective on the Reasons for Entrepreneurial Exit and Possible Exit Paths", *International Conference on Science, Technology, Engineering and Management (ICSTEM20),* 13-14 March, 2020, India.

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Accepted for Publication:

Socrates, K. and Gopalakrishna, B.V., The Influence of Human Capital on the Exit Intention and Re-entry of Indian Micro and Small Enterprise Owners: An Empirical Investigation, *Small Enterprises Development, Management & Extension Journal* (SEDME), SAGE Publishing, [Accepted for publication on 22-May-2020].

Socrates, K. and Gopalakrishna, B.V., Investigating the Influence of Psychological Ownership on Intention and Passing-on option of Indian Micro and Small Enterprise Owners, *International Journal of Indian Culture and Business Management (IJICBM),* Inderscience, [Accepted for publication on 11-June-2020].

BIO-DATA

Name	-	**K. SOCRATES**
Address:	-	Deputy Director, MSME -DI, Ministry of MSME, Govt. of India. Yeyyadi, Mangalore
Educational Qualifications:	-	B.Tech (Metallurgy), National Institute of Technology, Warangal
	-	M.B.A (HRM), St Aloysius Institute of Management & Information Technology (AIMIT), Mangalore
Experience:	-	1989-1995 - Senior Process Engineer, Hindustan Copper Ltd., Rajasthan
	-	1995- Till date - Deputy Director- MSME-DI, Ministry of MSME, Government of India.
Training Undergone:	-	Training on Enterprise Development, Durham University Business School, Durham, UK, 1998.
	-	Lead Auditor - Quality Assurance since 2000.
	-	Trainer for ZED Certification since 2018

APPENDIX –A

QUESTIONNAIRE

I. Profile Information of SME Owner

Entrepreneur's Name	
Address	
Phone Number	
E-mail address	
Year of Establishment	
Activity	Manufacturing ☐ Service ☐
Constitution	Proprietorship ☐ Partnership Ltd ☐ Company ☐
Product manufactured Service offered	
Number of Employees	less than 5 ☐ 6 -10 ☐ 11-20 ☐ above 21 ☐
Entry to Entrepreneurship	First-time entrepreneur ☐ Inherited from family ☐
Planning to retire	Yes ☐ After 5 ☐ After 10 ☐ After 20 ☐
Like to retire for	Passing onto Children ☐ Sale for Profit ☐ Sell to Clear loan ☐ Start a new business ☐
Age	20-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ above 61 ☐
State of Health	Not Good ☐ Good ☐ Very Good ☐
Qualification	Technical ☐ Managerial ☐ others ☐
Level of qualification	Less than Matriculate ☐ Degree ☐ Post Graduate ☐

II. High Human Capital

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Prior job experience is very much helpful in running my business					
Inherited business knowledge from my family					
Experience gained from my present activity					
Gained knowledge from short term skill development training					
Attained knowledge from management development programme					
I invite feedback from my stakeholders					
I am comfortable in dealing with customers, suppliers, and banker					
I have a passion for wealth creation					
I focus on taking advantage of available opportunities					
I closely observe the changes taking place in the business environment					
I have a passion for newness [**Exit Intention**]					
I want to explore alternate business opportunities for better prospects [**Re-Entry**]					

III. Strong Psychological Ownership

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I take all decisions in my firm					
Other people's influence in the business is negligible					
I am thorough about the process adopted in my firm					
I have full knowledge of my employees, customers, and suppliers					
My family is respected because of my business success					
People recognize me because of my firm					
My firm's success helps me to fulfill my other dreams in life					
My firm's growth is the largest accomplishment for me					
I am planning to leave my business in the future [**Exit Intention**]					
I am concerned about the prospects of my family [Passing **on]**					

IV. High Firm Performance

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
My firm has sufficient machinery and space to meet current operations					
My firm has competent human resources					
My firm's products have a presence in both urban and rural areas					
The number of distributors have steadily increased					
I am able to retain my workforce for more than 5 years					
I have increased my employees salary in the last 5 years					
I am satisfied with the returns from my business and giving bonus to my employees					
My firm recorded a notable sales volume in the last 3 years					
I want to involve in other activities in the future [**Exit Intention**]					
My firm will fetch me premium offers **[Harvest Sale]**					

V. Suitable Firm Location

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Located near to City/ Town					
Convenient to access bank and other services					
Utilities and other raw materials are easily available					
My firm location is very convenient to suppliers/customers					
My firm is well connected by road and rail					
I get sufficient workforce near my firm					
The spilling effect improves the availability of skill					
The firm location is free from any disturbances					
People living nearby are supportive of my venture					
Absence of succession leads to explore other options **[Exit Intention]**					
Location of my firm has good demand **[Harvest Sale]**					

VI. Severe Market Competition

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
My firm produces few range of products					
No new products are introduced by the firm for the last 5 years					
More number of firms are making the same product					
Lack of uniqueness of my products compared to other firms					
Difficulty in providing products at a competitive price					
Insufficient market knowledge					
Slow in incorporating technology in marketing					
Insufficient capital for enhancing productivity					
Present market conditions reduce my market share **[Exit Intention]**					
Continuing my business increases my Risk **[debt-free sale]**					

VII. Low Product Demand

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Lack of publicity and Advertisement					
Insignificant brand image					
Dependence on few customers					
Difficulty in roping sufficient distributors for my products					
Change in customer preferences					
Insufficient resources for Product / Process development					
Substitutes and cheaper products dampers my sales					
Same products are flooding from neighbouring regions					
Unsatisfactory revenue returns [**Exit Intention**]					
I explore other options to reduce my risk [**Debt Free sale**]					