

# **Relationship between Subjective Financial Performance and Age of Business: A Study of Handicrafts Family Business of Jammu and Kashmir**

Dr. Pratyush Tripathi<sup>1</sup>, Altaf Ahmad Mathu<sup>2</sup>

Director and Professor, Department of Management Studies, IASSCOM Fortune Institute of Technology Bhopal, India

Ph.D. Research Scholar, Department of Management Studies, Barkatullah University Bhopal, India

**ABSTRACT:** The aim of this study was to find the relationship between the Subjective financial performance and Age of the Handicraft Family Business units of Jammu and Kashmir. A purposive sample of 100 handicraft family Business units has been used to collect the required data. A self-designed questionnaire has been administered to the respondents. Chi square has been used to find the relationship between the studied variables. The contribution of the present study is that it has been conducted in Jammu and Kashmir where there is lack of information about the family Business of handicrafts. The present study will contribute to the literature of Family business. The findings of the study will help the researchers and the academicians in understanding the handicraft family business setup in Jammu and Kashmir.

**KEYWORDS:** Family Business, Handicraft, Subjective Financial Performance, Age of Business, Sales growth, Return on Capital, Return on Investment

## **I. INTRODUCTION**

The Family is no doubt the oldest and longest running social unit longest running unit in our world. Families were formed along with communities long before commerce began. In fact families often in connection with the local communities sustained themselves by self-sufficient means. (Ponzetti, 2008).

Family businesses have played a key role in the modernization of the economies of the developed and developing nations. The family's ability to provide the critical capital and entrepreneurial spirit is deemed crucial to the development of capitalism and in spurring the industrialization of the developed countries (Ramachandran, 2004).

A family business is a vital economic unit; however, its growth and success is based upon good management and governance style and a healthy business environment that enhances strength points in the business, in order to sustain the business and guarantee its continuity.

The detailed review of definitions used in various studies revealed that there is no clear distinction between the family and non-family businesses and that no single definition can capture the distinction between the two entities

European Union criteria define a family business as consisting of 'family, business and ownership'. The EU considered business as a family-owned one when "the majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs" (European Commission 2007). A Business is a family business when it's an enterprise growing out of the family's needs, built on the family's abilities worked by its hands and minds and guided by its moral and spiritual values, when its sustained by family commitment and passed down to its sons and daughters as precious as the family nature (Astrachan et al, 2002). An

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organization whose major operating decision and plans for leadership succession are influenced by Family members serving in a management or on the board (Handler, 1989)). Any Business in which Majority of ownership or control lays within a single family and in which two or more family members are or at some time were actively involved in the Business is a Family Business (Rosenblatt, 1985).

Just as the families are the building blocks of a stable society, so are family businesses important in building a stable economy. A family enterprise is by its very nature more inclined than other types of corporations to re-invest in itself to support and perpetuate wealth in future generations. The family firm has the capacity to make a long term investment and resist the pressure of analyst for short term returns which frequently burden the publicly held corporations.

The term “Handicraft” encompasses a wide range of artifacts. The informal sector which includes handicrafts, has been described International Labor organization (ILO) as part of economic activity characterized certain features like reliance on local available resources and skills, family ownership, small scale ownership, small scale operations, labor intensity, traditional technology, skills generally acquired outside the formal school system, unregulated and competitive markets. One of the best definitions of handicrafts is that adopted by UNESCO-UNCTAD/WTO (ITC) at manila, 6-8 October 1997 during symposium on crafts, which is: “Artisanal Products are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant”

Jammu and Kashmir is known throughout the world as much for its arts and crafts as for its scenic beauty and bracing climate. Its crafts range from woolen textiles of fleecy soft texture of matchless excellence in weaving, hand-woven carpets of the finest warp and weft, to the exquisite designs worked on papier-mâché, wood work, silverware. They are products of unique craftsmanship. The skill of the craftsmen and their capacity for intricate workmanship are assets, which can help development on a much larger scale. In a state where handicrafts have already proved their worth and where there are vast areas so remote as to make it impossible for major modern industries to be set up, a vigorous policy for developing handicrafts can be specially rewarding. The capital investment in handicrafts is low, their employment potential high and their location can be in the remotest parts of the state. Like handicrafts, the handloom industry is also the oldest traditional cottage industry in the state. The importance of this sector lies in the fact that it has enormous employment potential; it does not consume scarce resources, does not cause pollution and is environment friendly.

The three regions of the state – Jammu, Kashmir and Ladakh – specialize in different crafts. The main crafts of the three regions are:

1. Jammu – Basholi Painting, Calico Painting, Phoolkari.
2. Kashmir – Carpets, Kashmiri Shawls, Wood Carving, Papier-mache, Chainstitch, Crewel, Namda.
3. Ladakh – Wood carving & Painting, Clay Moulding, Ladakh Pashmina Weaving, Ladakh Carpet, Thanka and Fresha Painting.

## II. LITERATURE REVIEW

**Santiago (2015)** examined causes which inhabits family Business to move forward. The study was case study based on five family business firms. The results of the study found that business declines actually resulted from the failure of family members to address the challenges that brought change in different life cycle dimensions such as some family members felt incapable of introducing innovations in the family business **Garcia et al (2015)** attempted to understand the family influence on Mexico craft workshops. The study was descriptive in nature and sample of the study was composed of 48 workshops belonging to five States of the Mexican Republic inside which were. “Family influence” was measured through the sub scale “culture” composed of 12 questions taken from the instrument Family-Power, Experience and Culture. **Madini et al (2013)** studied the impact of family ownership, state ownership and major shareholders on the financial reporting of the firms and the study reported that there was no significant relationship the variables of corporate ownership and financial reporting. **Chung and Chan (2012)** examined the implication of ownership structure and family leadership on the performance of the affiliated Chinese family firms. The research

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results indicate that the ownership structure of the affiliate firm influences the likelihood that family leadership will be used. **Zachary (2011)** studied the importance of family system in family business management. The study was exploratory based on the previous work done in the family business. The study found that few researchers have examined the family system in detail and the study further concluded that family with its own dynamics was an important and fundamental entity for creating and sustaining behavior of family members in management of family business. **Daraghma and Alsinawi (2010)** investigated the three variables that have an effect on the financial performance of the family business in Palestine. The three variables are board of director characteristics (size and composition), management ownership and the capital structure. The data have been collected from 28 Palestinian family businesses. . The results of the study indicated chief executive officer CEO Chairman Separation did not have any significant impact on the financial performance of the firm while as CEO Chairman Duality has significant impact on the financial performance of the company. **Jena (2008)** reported that handicrafts products of India have enough opportunities in global and in home markets and it needed artisan's careful interventions in understanding globalization practices. The study further stated that handicraft artisan's need both financial and skill based support in form of loan assistance and training from government. **Sciascia and Mazzola (2008)** examined the nonlinear effects between family involvement and ownership management in family business, the data for the study had been collected from 620 privately held firms in Italy. Regression analysis was used to find the relationship between family involvement and ownership management. The study reported a negative quadratic relationship between family involvement in management and performance of family businesses. **Giron et al (2007)** examined the strategy and factors for success of handicrafts family business in Mexico, the study was descriptive in nature and the factor analysis and correlation was used as statistical tool for the analysis. The results of the study reported that the strategies focused only on product provide limited prospective; price and promotion seem to be essential in economic creation of resources and market interchange, income creation and artisan's satisfaction. Price seems to be the most important strategy with a profit orientation. **Westhead and Howorth (2006)** examined the association between the ownership and the management profiles and performance objectives of family firms. . The results indicated management rather the ownership structure of the family was significantly associated with selected firms performance the results also showed that the family CEOEs were associated with lower propensity to export. **Anderson et al (2005)** investigated the extent to which and how entrepreneurs capitalized on resources embedded in the family, beyond the formal traditionally defined boundaries of the family firms. Both qualitative and quantitative approaches have been used in the study. The findings of the study reported that about one quarter of the sample of the study of entrepreneurial network ties were kin and most of that worked outside the formal family firm. Those ties provided a range of very important resources, both professional and effective in nature and such beneficial ties extended the family firm without experiencing the typical hazards of external linkage

### III. METHODOLOGY

In this study a family Business is any Business in which Majority of ownership or control lays within a single family and in which two or more family members are or at some time were actively involved in the Business is a Family Business (Rosenblatt, 1985)

A Business that is owned and managed by one or more family members (Handler and Elman 1988)

The aim of the research is to study the relationship between subjective performance of handicraft family Business and age of handicrafts family business units in Indian State of Jammu and Kashmir.

The subjective performance is used because in the real business world, there are many obstacles to small and medium firms' revealing their actual financial performance to the public. Scholars deliberate on the necessity of subjective measures for evaluating business performance. The use of subjective measurements for business performance is made more necessary by the relative difficulty, particularly for small firms, of gathering objective financial data. Either these types of data are unavailable, or they are obscured or manipulated by managers eager to protect their firms' reputations or avoid personal or corporate taxes (Dess & Robinson, 1984)

In addition, subjective measures allow comparison across firms and contexts, such as industry types, time horizons, cultures or economic condition (Song et al., 2005). Indeed, it can be a good alternative if the measures focus on the

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firm's current condition and the objective data may not be compatible with the intended level of analysis (Wall et al., 2004).

The study was conducted on Handicrafts Family Business of Jammu and Kashmir. Convenience sample of 100 handicraft units who have existence from last ten years in their family business have been selected for the data collection. The Self Structured questionnaire was administrated on the sample the statements related to the subjective financial performance has been designed on five point likert scale. The questionnaire was sent to the experts and vetted by them. The instrument was validated for content validity and was first pilot tested.

### IV. HYPOTHESIS

**Ho<sub>1</sub>**: There is no significant relationship between the age of Business and the subjective financial performance

<b>Table 1: Profile of Respondents</b>	
Age	% of Respondents
Under 25	19%
26-35 Years	43%
36-50 years	31%
51-65 years	7%
Education	% of Respondents
Below 10 <sup>th</sup>	27%
Above 10 <sup>th</sup>	21%
Graduate	35%
Post Graduate	15%
Above Post Graduate	2%
Generation Of Business	% of Respondents
1 <sup>st</sup>	16%
2 <sup>nd</sup>	49%
3 <sup>rd</sup>	33%
4 <sup>th</sup>	1%
5 <sup>th</sup>	1%
Age of Business	% age
10-20 years	30%
20-30	31%
30-40	25%
40-50	7%
50-60	3%
Above 60	4%
Type of Business	% age
Paper Machie	15%
Shawl	34%
Art Items	16%
Carpet	13%
Namda	15%

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## V. RESULTS AND DISCUSSION

Descriptive and Chi square test has been used to find the relationship between the age of business and the subjective financial performance. The descriptive results of the study showed that major handicraft business i.e. 39% are Shawls , Followed by 16% of art items, 13% are carpet and 15% are namda, the leading family Business are shawls it includes various types of shawls like pashmina, chakdar shwls, raffal shawls also stools which are locally and internationally demanded and shawls contribute the major export of handicraft product from Jammu and Kashmir.

### Relationship between Age of business unit and Sales growth

**Table 2: Chi-Square Between age of Business and sales growth**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.467 <sup>a</sup>	20	.003
Likelihood Ratio	19.480	20	.004
Linear-by-Linear Association	1.344	1	.002
N of Valid Cases	100		

The value of Pearson chi square as shown in table 2 has been found to be 17.46 with the asym significance value .003 which is lesser than the (.05) at 95% of confidence level hence we reject our null Hypothesis and conclude that there is significant relationship between the age of business and sales growth

### Relationship between Age of Business unit and Return on Investment

**Table 3 Chi-Square Tests between age of business unit and Return on investment**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.132 <sup>a</sup>	20	.006
Likelihood Ratio	32.979	20	.003
Linear-by-Linear Association	5.512	1	.019
N of Valid Cases	100		

The value of Pearson chi square as shown in table 3 has been found to be 30.12 with the asym significance value .006 which is lesser than the (.05) at 95% of confidence level hence we reject our null Hypothesis and conclude that there is significant relationship between the age of business and Return on investment

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### Relationship between Age of Business Unit and Return on Capital

**Table 4 Chi-Square Tests between age of business and Return on Capital**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.060 <sup>a</sup>	20	.001
Likelihood Ratio	28.115	20	.010
Linear-by-Linear Association	.972	1	.003
N of Valid Cases	100		

The value of Pearson chi square as shown in table 4 has been found to be 28.06 with the asym significance value .001 which is lesser than the (.05) at 95% of confidence level hence we reject our null Hypothesis and conclude that there is significant relationship between the age of business and Return on Capital

### VI. CONCLUSION

The study concluded that there is strong relationship between the age of business unit and subjective financial performance i.e. Sales growth, Return on capital and Return on investment. Further the study contributes in the literature of family business the profile of handicraft family businesses of Jammu and Kashmir.

### VII. LIMITATIONS AND SUGGESTIONS FOR THE FUTURE RESEARCH

The first and foremost limitation of this research is that it had been conducted only in few districts of Jammu and Kashmir and most of the data had been collected from Kashmir, small number of data from Jammu so the findings of the study may not be generalized. The findings of the study may further be validated by future researcher's subjective measures. Further to explore how family functionality has changed over time may be an important area for the future research.

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