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ENTERPRISE GROWTH AND ENTREPRENEURS' SKILLS: A STUDY OF MSME'S IN RAMANATHAPURAM TAMIL NADU

H. ANIS FATHIMA

Ph.D. Part Time Research Scholar

PG & Research Department of Commerce

Thanthai Periyar Govt Arts and Science College, Tiruchirappalli, Tamil Nadu

(Affiliated to Bharathidasan University, Tiruchirappalli -24).

Abstract

Enterprises and entrepreneurial skills are effectively a combination of other competencies and abilities, including: commercial awareness, creative and innovation thinking. Entrepreneurship has been projected as one of the main tool for the development of an economy through which enterprises are created thereby providing employment opportunities. The managerial skills have no influence on high growth enterprises, the managerial skills do have an influence on high growth enterprises as compared to low growth enterprises. This practice many types of business enterprises have been established in Ramanathapuram District. This study analyzes the contribution and association of entrepreneurs in terms of managerial skills towards the growth and development of MSMEs in the Ramanathapuram District. Questionnaire technique was used for data collection from units registered with DIC and appropriate statistical tools and techniques were used for analyzing the data

Keywords: *Entrepreneurship, MSME's, Managerial Skills, Enterprise Growth, leadership, business management, time management, creative thinking, problem solving.*

1. INTRODUCTION

Entrepreneur skills include various skill sets such as leadership, business management, time management, creative thinking and problem solving. These entrepreneur skills are vital for promoting innovation business growth and competitiveness. Entrepreneurial development today has become very significant and the main key for economic development. An enterprise (MSMEs) is one of the most vital sectors of any

economy in general it helps in ensuring equitable, inclusive and employment friendly economic growth. Empirical studies have shown that small-scale enterprises are an important vehicle for meeting the objectives of developing economies, growth and equity with social justice. Thus, Entrepreneurship, Skills and Knowledge are crucial for economic growth and social development of any country. Entrepreneurship is a process undertaken by the entrepreneur to expand

his business interest. It is an activity involving innovation and creativity resulting in the establishing of an enterprise. Skill Development is an essential element for a successful entrepreneurial culture in a country, the India Economic Survey 2021 - 2022 has discussed the importance of Entrepreneurship and has called for making the Indian MSME sector more productive and competitive at the state level. This might help other entrepreneurs to have the same equivalent knowledge to help make their enterprises equally successful. There is a need for every MSME to train and maintain quality staff. The managerial skills of the entrepreneurs and attempts to analyze the contribution and association of entrepreneurs' managerial skills and growth of the enterprise in the District of Ramanathapuram. Research reveals that 50% of SMEs do not survive beyond 5 years especially in developing countries reason being due to poor managerial skills of owners and managers of SMEs. Entrepreneurship & Skill Development because it is related to some important aspects of people's lives such as better means of livelihood, employment, healthcare etc. which are at the centre of SDGs. Also, Entrepreneurship & Skill Development strengthens confidence and liberty in people by ensuring their economic independence. MSMEs contribute more than 29% to the GDP and are responsible for 50% of the country total exports. They are also accountable for one third of India's manufacturing output. MSMEs employ more than 11 crore people and the aim is to grow this number to 15 crore in the coming years. However there are many factors that determine and contribute to the success of the enterprise and those factors are unique to various conditions such as external factors and others.

Objective of the Study

To study and analyze the contribution and association of the basic

managerial skills of the entrepreneurs with high growth enterprises (MSMEs) in the Ramanathapuram District. This study is guided by this hypothesis which states that managerial skills have no significant impact on high growth MSMEs.

Review of Literature

Panda. (2002). Argue that the success of the enterprise in terms of their production and sales (CAGR). The industry average of a particular small-scale sector was taken as a benchmark for characterizing a successful enterprise, enterprises having a comparative or higher growth rate in sales and production when compared to the industry average was considered as highly successful, and those growing at half (50%) was considered moderately successful and growing at under half (50%) of the average growth rate was considered as low in success.

Packman G, Brooksbank D et al., (2005). The researchers highlighted five fundamental themes that rose up out of their examination which included management development, finance and financial management, people, marketing and planning and control and subsequently, substantiates the claims of past research, which argues that support programmes, and activities that proclaim the significance of management practice adoption are crucial to small business advancement and growth.

Yahya Z.A et al., (2011). Analyzed that the investigation in Malaysia to analyze the role and degree of management skills in deciding the accomplishment and success of entrepreneurs, and to identify the most dominant indicators/factors of the management skills in influencing the success of entrepreneurs. Descriptive examination, Pearson correlation, stepwise regression methodology and t-test findings that high entrepreneurial success was related with high business working aptitudes, abilities to acquire market share that suits their size and capacity and

aptitudes to offer increasingly extraordinary services.

Paramasivan C & Azhagu Raja R (2014) Micro enterprises provide employment generation or self employment opportunities with local resources but the micro enterprises are facing lot of problems from its establishment to existing. The main objective of the study is to know the performance of micro enterprises in Thiruvarur District of Tamil Nadu

Olowu D.Y.M and Aliyu I, (2015). Indicated that the examination was intended to look at the Impact of managerial skills on SSB's, and SSB performance was based on Sales growth and Profit. Managerial skill was measured in the areas of Planning, organizing, leading and controlling skills. The data was analyzed using descriptive statistics and simple linear regression analysis. The investigation found that managerial skills have significant impact on SSBs performance.

Ikuplati A.O et.al, (2017). Study sought to examine entrepreneur's Managerial Skills as determinants for development of SMEs in Nigeria. Growth was measured in terms of No. of workers and No. of customers. The data was analyzed by utilizing Standard Regression examination to measure the relationship between the independent and dependent variables.

Role of Entrepreneurship and Skill Development in Economy of a Country

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an

entrepreneur in the economic development of an economy is discussed in a systematic and orderly manner as follows.

(1) Promotes Capital Formation:

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities lead to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

(2) Creates Large-Scale Employment Opportunities:

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

(3) Promotes Balanced Regional Development:

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

(4) Reduces Concentration of Economic Power:

Economic power is the natural outcome of industrial and business activity. Industrial development normally lead to concentration of economic power in the hands of a few individuals which

results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

(5) Wealth Creation and Distribution:

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

(6) Increasing Gross National Product and Per Capita Income:

Entrepreneurs are always on the lookout for opportunities. They explore and exploit opportunities,, encourage effective resource mobilisation of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

(7) Improvement in the Standard of Living:

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

(8) Promotes Country's Export Trade:

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange

from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

(9) Induces Backward and Forward Linkages:

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

(10) Facilitates Overall Development:

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

RESEARCH METHODOLOGY

The study enterprises registered on or before 2015 with the District Industries Centre's (DIC), Ramanathapuram was taken, since a seven year time period was to be considered for identifying high growth, and only sole-proprietors type of business venture was selected and included for this study using stratified random sampling technique. Data was collected from the population of the study by using survey questionnaire. A standardized questionnaire was used which was divided into two sections and all the questions were close ended form. The data was analyzed using descriptive statistics, correlation and simple linear regression analysis with Statistical Package for Social Science (SPSS) version 22 to test the

hypothesis on the impact of managerial skill on MSME performance in Tamil Nadu state. The analysis was based on the 482 MSMEs registered with the Directorate of Commerce and Industries. This study we have considered all the three Indicators and the following ratios were calculated:

1. Return on Investment Ratio = $NP/Investment*100$
2. Sales/Investments ratio = $Sales/Investment*100$.

3. Sales growth = $\frac{\text{sales beginning yr} - \text{sales of end year}}{\text{Sales beginning year}}$.

ANALYSIS AND RESULTS

To Determine the Association between MSMEs and Managerial Skills of the Entrepreneurs the Pearson correlation coefficient was processed to assess the relationship among the four variables of the managerial skills as with Sales Growth of all the MSME enterprises as appeared in Table I.

Table 1
Pearson Correlation Table Showing The Association Between The Msmes And Sales Growth

Correlations						
	No	Planning	Organising	Leading	Controlling	Sales Growth
Planning	482	1	.839	.539	.575	.132
Organizing	482		1	.585	.614	.173
Leading	482			1	.717	.445
Controlling	482				1	.362
Sales Growth	482					1

Correlation is significant at the 0.01 level (2-tailed). Correlation is significant at the 0.05 level (2-tailed)

The outcomes demonstrates that all the four variables i.e. planning, organizing, leading and controlling skills were significant with Sales Growth. Among the variables, Leading skills have the highest correlation($r=0.445$) although the strength of correlation is medium, followed by Controlling skills with ($r=0.362$). On the contrary despite what might be expected, planning skills($r=0.132$) and organizing skills ($r = 0.173$) have low correlation which is close to 0. However, the overall results was found that there is a correlation between the variables, all are positively

correlated at a significant level of 0.01, but the associations are found to have low correlation for planning and organizing, but leading and controlling showed to have a positively medium correlation with sales growth.

Simple Linear Regression Analysis was used to determine whether the independent variables, which are entrepreneurs' managerial skills have any significant effect toward Business Success i.e. high growth enterprises in Ramanathapuram District. The results are shown in Table II

Table 2
Linear Regression Table Showing Results Of Managerial Skills On High Growth Enterprises

Variables	T	P	R ²	F-statistic	F.sig	R
Planning	3.228	0.001	0.026	10.418	0.001	0.164
Organizing	4.054	0.000	0.36	16.433	0.000	0.191
Leading	17.278	0.000	0.517	298.522	0.000	0.719
Controlling	13.623	0.000	0.289	185.6	0.000	0.538

The findings of the study from the table II revealed that the regression coefficients of all the four variables are statistically significant at 0.01 level (f-sig=0.001;0.000;0.000;0.000) implying that there is a slim chance for the regression coefficients to be 0 meaning the regression equation does have some validity in fitting the data. From the four variables the results show that the correlation coefficient (R) between Leading skills of entrepreneurs and the high growth enterprises in Ramanathapuram district is 0.719, implying a strong linear relationship between leading skills and high growth enterprises. The coefficient of R² is 0.517 indicating that 51.7% of the variation in the growth of MSME in Ramanathapuram district was explained by the leading skills of the entrepreneur followed by controlling skills where the correlation coefficient (R) between controlling skills and high growth enterprises was 0.538, also implying a strong linear relationship between controlling skills and high growth enterprises and the coefficient of R² is 0.289 indicating that 28.9% of the variation in the growth of MSME was explained by the controlling skills of the entrepreneur in Ramanathapuram district.

Whereas the correlation coefficient (R) between organizing skills of entrepreneurs and high growth enterprises is 0.191, implying a weak linear relationship between organizing skills and high growth enterprises, and the coefficient of R² is 0.36 indicating that 36% of the variation in the high growth MSME was explained by the organizing skills of the entrepreneur. Further, the correlation coefficient (R) between planning skills of entrepreneurs and high growth enterprises is 0.164, implying a weak linear relationship between planning skills and high growth enterprises, and the coefficient of R² which is 0.026 indicating that only 2.6% of the variation in the growth of MSME was explained by planning skills of the entrepreneur.

Linear Regression Analysis Which Was Conducted to Know the Dependency of the Dependent Variable (Low Growth Enterprises) On the Independent Variable (Managerial Skills) Simple linear Regression Analysis was further used to determine whether the independent variables i.e. the managerial skills contributes or have an influence on the low growth enterprises and if these skills are similar or not in low growth enterprises. The results are shown in Table II.

Table 3
Linear Regression Table Showing Results Of Managerial Skills On Low Growth Enterprises

Variables	T	P	R ²	F-statistic	F.sig	R
Planning	-1.252	0.211	0.003	1.567	0.211	0.057
Organizing	-2.051	0.041	0.009	4.209	0.041	0.095
Leading	-7.028	0.000	0.126	49.393	0.000	0.355
Controlling	-5.773	0.000	0.625	33.329	0.000	0.250

Results of Low Growth MSME as can be seen from table III above shows that the regression coefficients of 3 out of 4 variables are statistically significant as F-sig=(0.041,0.000,0.000) are less than 0.05 with minimum negative impact of Leading (r=0.355) and Controlling Skills (r=0.255) on Low Growth. This is evident from their

coefficients with negative values -0.355 and -0.250 respectively. F-values are statistically significant for all variables except planning skills (a regression line will not be valid for planning skills). The R² values show that the variation in Low Growth firms is not much predicted by these four Skills as leading skills

contributes only for 9.5% and Controlling skills for 6.25%. Planning and organizing skills are almost negligible with 0.3% and 0.9% of the variation in Low growth firms.

Further In-Depth Analysis Was Conducted on the Dimensions of Leading and Controlling on High Growth

Enterprises As leading and controlling skills have a strong linear relationship with high growth enterprises, therefore their respective dimensions have been considered for further in-depth analysis of their impact on high growth enterprises as shown in table IV.

Table 4
Linear Regression Table Showing Results Of Leading And Controlling Skills Dimensions In High Growth Enterprises

Variables	Unstd. coeff	Std. coeff	T	P	R ²	F	F-sig	R
Implementing decisions	0.142	0.498	12.573	0.000	0.248	158.073	0.000	0.498
Providing climate	0.167	0.525	13.515	0.000	0.276	182.655	0.000	0.525
Forming communications	0.174	0.514	13.142	0.000	0.265	172.707	0.000	0.514
Developing personnel	0.156	0.448	10.987	0.000	0.201	120.552	0.000	0.448
Establishing standards	0.134	0.378	8.942	0.000	0.413	79.959	0.000	0.378
Measuring performance	0.164	0.448	10.981	0.000	0.201	120.584	0.000	0.448
Taking action	0.166	0.417	10.095	0.000	0.175	101.918	0.000	0.418
Instigating self-control	0.173	0.404	9.681	0.000	0.163	93.713	0.000	0.404

The findings of the study revealed that dimensions such as providing climate and forming communications have a higher correlation coefficient $R = 0.525$ and $R = 0.514$, implying a strong linear relationship with high growth enterprises from amongst the various dimensions and the coefficient of R^2 is 0.276 indicating that 27.6% of the variation in the growth of MSME in Ramanathapuram district was explained by the dimension providing climate of the entrepreneur and coefficient of R^2 is 0.265 indicating that forming communication explains around 26.5% in high growth enterprises.

Further, the result of correlation coefficient (R) between the other dimensions with high growth enterprises are as follows, implementing decisions ($R = 0.498$); developing personnel ($R = 0.448$); measuring performance ($R = 0.448$); taking action ($R = 0.418$);

instigating self control ($R = 0.404$); establishing standards ($R = 0.378$) of entrepreneurs. The results imply that these dimensions have a moderate linear relationship or moderate impact on high growth enterprises as r is between .3 to .5 with each of their significant values of $p = 0.000$ which is less than 0.01 significant value. However we find that the coefficient of (R^2) is 0.413;0.248;0.201;0.201;0.175;0.163; indicating that 41.3% of the variation in high growth enterprises was explained or predicted by establishing standards, 24.8% by implementing decisions, 20.1% by developing personnel, 20.1% by measuring performance, 17.5% by taking action and 16.3% by instigating self-control of entrepreneurs.

Regression Coefficient Was Constructed To Show Their Linear Relationship

Table 5
The Following Table Shows The Regression Equations Of Leading Skills And Controlling Skills On High Growth

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	-0.904	0.074		0.000
	Leading(all)	0.072	0.004	0.619	0.000
1	(Constant)	-1.086	0.106		0.000
	Controlling(all)	0.065	0.005	0.528	0.000
Dependent Variable: High growth					

Table V shows the linear relationship between leading skills of entrepreneurs and high growth enterprises in the Ramanathapuram district is $Y = -0.904 + 0.072X_1$ where Y= High Growth enterprises in Ramanathapuram district and X1 the leading skills of entrepreneurs. The p-value of the model is 0.0 which is less than 0.01 significant levels clearly indicating that Leading skills have a significant role on High Growth enterprises. Similarly, the linear relationship between controlling skills of entrepreneurs and high growth enterprises in Ramanathapuram district is $Y = -1.086 + 0.065X_1$ where Y= High Growth and X1= controlling skills of entrepreneurs. The p-value of the model is 0.0 which is less than 0.01 significant levels indicates that controlling skills have a significant role on high growth enterprises.

DISCUSSION

The purpose of this study was to first identify high growth and low growth enterprises in Ramanathapuram district, to find out whether the managerial skills of the entrepreneurs contributes to the high growth enterprises it was found that entrepreneurs’ managerial skills viz. planning skills –such as establishing goals, allocating resources, making decisions and developing alternatives, and, organizing skills which included designing structure, coordinating parts, arranging delegation, managing conflict and change, had a very

low impact. The study that it is probably in the areas of leading and controlling rather than in planning and organizing that entrepreneurs and builders of small businesses need to develop their managerial skills. An influence on high growth enterprises, providing climate is one of the dimension under leading skills that has the highest impact on high growth enterprises in Ramanathapuram District. The most of the entrepreneurs in the district exhibit the skills for creating and maintaining a good organizational climate in which individual members can be motivated to achieve necessary objectives. So that they take part in the organization’s activities, the implementing decisions and developing personnel under leading skills a moderate impact on high growth enterprises in the District. The growth enterprises, we found that 3 out of 4 variables are statistically significant with minimum impact of the Leading and Controlling Skills on Low Growth enterprises but with negative values, in which clearly shows that the low growth enterprises there is neither any relation nor influence of the managerial skills.

CONCLUSION

With regard to the hypothesis that the managerial skills have no influence on high growth enterprises,. This implies that lack of managerial skills in the areas of establishing goals, allocating resources, making decisions, developing alternatives,

designing structure, co-coordinating parts, arranging delegation, managing conflict and change, developing personnel, taking action and instigating self control. It is imperative that awareness, training and development as well as institutional support to entrepreneurs of Ramanathapuram needs to be initiated by government agencies, educational institutions and even non-governmental organizations in order to promote and develop entrepreneurs and make entrepreneurship an effective tool for economic growth and development as implicated. Although the results shows that there is an association between managerial skills and enterprise growth but the relation is a low correlation with only two variables out of the four used in the study.

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