

The Impact of Skill Related Factors on Microentrepreneurial Success in India

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Abstract—Microenterprise plays an important role in the economic development of the Indian economy, that are undergoing transition from the traditional subsistence to a modern industrial economy. These microenterprises play an important role in India as they are effective tools for employment generation, empowerment of women, contributing to the country's GDP, sustainable living and social upliftment of the society. The present study tries to determine the skill related factors of Indian microentrepreneurs with special reference to Jharkhand State. The study measures microentrepreneurial success. A set of three factors like- communication skills, leadership skills and human relation skills were identified from prior research works and from interviews with experts.

A survey was conducted to collect data of all three factors following its degree of influence of these factors on microentrepreneurial success in Jharkhand State. Finally, a multiple regression analysis is carried out to examine the relationship between these three factors and microentrepreneurial success.

Keywords: Microentrepreneurs, skill related factors, success

1. INTRODUCTION

The Micro, Small and Medium enterprises (MSMEs) play a pivotal role in the overall economic development of India. It not only acts as a substantial role in putting up large scale employment opportunities at relatively lower cost than large industries. It also aids in the industrialization of rural and backward areas, thereby, decreasing regional imbalances. MSMEs are complementary to large industries as ancillary units and contribute enormously to the socioeconomic development of the country. MSMEs constitute more than 80% of the total number of industrial enterprises and supports industrial development in the country. MSMEs contribute nearly 45% to the manufacturing sector and approximately 40% to the Indian export sector. MSMEs contribution to the Indian GDP is about 8% and the sector has registered a growth rate of about 11%. (FICCI MSME Summit, 2012). According to the Final Report of the Fourth All India Census of Micro, Small and Medium Enterprises published in 2006-07 of the number of enterprises registered, microenterprises alone is about 15 lakhs which is about 95% of the total MSME sector. The MSME generates about 93 lakhs employment of which microenterprises alone generate about 65 lakhs employment

which is nearly 70% of the total MSME sector and the gross output of the MSME sector is approximately 7 crores of which microenterprises alone generate about 3 crores which is approximately 44% of the total MSME sector. MSME promotes the formation of micro and small enterprises in the country with the aim of creating self-employment and upgrading the skills of living and potential entrepreneurs.

According to the Micro, Small and Medium-Scale Enterprise Development Act (MSMED Act, 2006) of the Government of India, an enterprise is categorized under microenterprise if it has an investment up to Rs 25 lakhs in plant and machinery, excluding land and buildings, and Rs 10 lakhs in manufacturing and service rendering enterprises, respectively.

Small business success had been defined in various ways by different scholars. Scholars like (Cooper, 1985; Hisrich, 1990; Krueger, 1993; Lussiers and Pfeifer, 2001) found that experience of an entrepreneur as a factor affecting business success. Masuo *et al.* (2001) said that small business success is normally specified in terms of economic or financial measures which include return on assets, profits, sales, employees and survival rates; and no financial measures, such as customer satisfaction, personal development and personal realization. Panda (2008) defined entrepreneurial success in terms of growth in sales turnover, growth in profit after tax and return on net worth over a period of five years. Chivukula *et al.* (2009) used growth in employment as a measure of success; hence growth in the number of employees from when the business was started to the current number of employees was taken to represent growth in the business.

The present study measures microentrepreneurial success in terms of business outlook. Business outlook had been recognized in the existing literature as an important variable representing entrepreneurial success (Cooper and Dunkelberg, 1986; Chaganti *et al.*, 1995; Ehigie and Umoren, 2003 and Choubey, Sinha and Pattanayak 2013).

The present study aims to measure microentrepreneurial success in terms of skill related factors of Indian microentrepreneurs. A set of three factors like-communication, leadership and human relation skills of microentrepreneurs, is identified from prior research works.

2. A REVIEW OF RELATED LITERATURE

2.1 Leadership Skill

Leadership is often defined as a process through which power is used to direct and coordinate the activities of group members to meet a goal (Yukl and Van, 1992; and Yukl, 2006). Leadership essentially involves a relationship of mutual loyalty between a leader and a group of followers in reaching of a collective goal. Effective leaders are able to recognize outstanding group performances like- the founding and growth of successful entrepreneurial firms. Successful entrepreneurs must have a clear mission, purpose and values to be divvied up and sold to others (Thompson, 1999) and are good leaders (Cutting and Kouzmin, 2000). Jong and Hartog (2007) observed that leadership is a pertinent skill factor that contributes significantly to business success.

2.2 Communication Skill

Communication is also viewed as an all important skill of entrepreneurs. According to Montagno *et al.* (1986), suggested that communication concept must be regarded as a multidimensional which has some aspects that are regarded as important, like an entrepreneur should be able to discuss, explain, market and sell their good or service. It is also important to be able to interact effectively with their business team. Also, entrepreneurs need to be able to express themselves clearly both verbally and in writing.

2.3 Human Relation Skill

“Any business organization is made up of socio-technical resources. The social elements are the human beings and interpersonal interactions, while the technical elements are the infrastructures put in place to smoothen the effective running of the business. Although it is possible to fix the errors arising from the physical use of the infrastructures, it is not so with the social elements” (Adejimola, 2008). The ability to form and build relationships are linked to managerial role and thus engaging in such role requires entrepreneurs to fit themselves with appropriate human relation skills that will heighten the possibility of business success.

3. DATA AND METHODOLOGY

The population for this study includes the MSMEs registered with the District Industries Centre (DIC) Ranchi. However, a list comprising only 150 microenterprises was obtained from the DIC Ranchi. The simple random sampling procedure was adopted to select the microenterprises for collecting data as it

was not economical to survey all microenterprises. A sample size of 108 of the finite population of 150 microenterprises was computed at 5% confidence interval, allowing 95% level of precision. A primary survey was conducted by administering a questionnaire to the owners of the sample microenterprises (108) in Ranchi by randomly selecting them from the list of DIC. The questionnaire was administered to them through face- to-face interview after taking prior appointments.

Survey Instrument

A questionnaire was constructed to meet the research objectives addressed in the study. The questionnaire contains questions on skill related factors. A set of three factors, namely, communication, leadership and human relation skills of microentrepreneurs, are identified from prior research works. The response to each question is supposed to reflect the degree of influence of a determinant on microentrepreneurial success. The question has five response categories ranging from ‘very low’ to ‘very high’. The reliability of the developed questionnaire was tested by deploying the statistical test Cronbach’s alpha to the responses received from 108 respondents selected randomly. The Cronbach’s alpha was found to be 0.814 that is considered as a good sign of reliability of the questionnaire (Santosh, 1999).

The present study performs multiple regression analysis to examine the relationship between the communication, leadership and human relation skills of microentrepreneurs and microentrepreneurial success.

The following regression model was used:

$$\text{Entrepreneurial Success} = a + \beta_1 (\text{Communication}) + \beta_2 (\text{Leadership}) + \beta_3 (\text{Human relation}) + \varepsilon_1$$

Thus, the three factors like communication, leadership and human relation skills are considered as independent variables and microentrepreneurial success (measured as chance of success of enterprises on a 5-point rating scale) as the dependent variable.

4. RESULTS AND DISCUSSION

The problem of multicollinearity needs to be dealt in multiple regression analysis, i.e., regression coefficients become less reliable as the degree of correlation between the independent variables increases. Table 1 shows the estimation of the business success using original variables showed moderately correlated among the independent variables.

Table 2 represents the regression results. The value of Durbin-Watson statistic for the regression indicates that the residuals do not suffer from serial autocorrelation at 1% significance level. The large value of F-statistics in Table 3 show that the

explanatory variables included in the model collectively had significant impact on success.

Table 1: Correlation Coefficient of skill-related factors

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.441	.227		-1.946	.054
	Comm	.243	.070	.223	3.451	.001
	Lead	.430	.055	.451	7.859	.000
	Hum	.423	.065	.412	6.506	.000

a. Dependent Variable: Success

Table 2: Regression Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.842a	.709	.701	.39252	1.998

a. Predictors: (Constant), Hum, Lead, Comm
b. Dependent Variable: Success

Table 3: Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	Def	Mean Square	F	Sig.
1	Regression	39.051	3	13.017	84.486	.000b
	Residual	16.023	104	.154		
	Total	55.074	107			

a. Dependent Variable: Success

b. Predictors: (Constant), Hum, Lead, Comm

The positive coefficient of communication indicates that the more is the communication skill of an entrepreneur the greater is the microentrepreneurial success. Thus, the ability to communicate and convince the customers lead to the successful running of the enterprise. This is in line with the findings of Abbasi *et al.* (2011), who pointed out that communication skills are important to compete in the market as an entrepreneur. This finding is also in line of Choubey, Sinha and Pattanayak (2013) as they pointed out that an entrepreneur possessing effective communication shall enhance the chance of micro-entrepreneurial success. Further, the positive coefficient of human relation signifies that it

positively affects microentrepreneurial success. This is in line with the findings of Choubey, Sinha and Pattanayak (2013).

Similarly, the positive coefficient of leadership skill signifies that it positively affects microentrepreneurial success. The result is in line with the observation that leadership skills can lead to organizational changes and innovations in business ventures (Dafna, 2008). This is also in line with the findings of Choubey, Sinha and Pattanayak (2013).

5. CONCLUSION

This study contributes to the literature by identifying the various skills related factors, which may influence the microentrepreneurial longevity and success in the socioeconomic and cultural setting of the State of Jharkhand. The study identifies three key skills related factors, namely, leadership skills, communication skills and human relation skill, that affect microentrepreneurial success. The findings indicate that entrepreneurs having a higher effective communication skill, leadership skill and human relation skill are likely to get more success in extending their enterprises. Therefore, it is clear that microentrepreneurial success depends on external skills of entrepreneurs and therefore adequate training on skill development should be conveyed in the Jharkhand region for entrepreneurship development. Therefore, the present work has significant implications for the entrepreneurs as well as policy makers.

The study has laid the framework to explore the potential factors affecting the success of microenterprises in Jharkhand, on which a more detailed evaluation can be made. There have been suggestions during the study that possessing certain skill sets does impact microentrepreneurial success. The list of factors considered for the study may not be exhaustive and hence can be further improved by including some more sociocultural, psychological and business attributes that influence microentrepreneurial success. Further study is needed to incorporate various new variables to better reflect the sociocultural, psychological traits, occupation and skill aspects. This will serve to develop new relationships for the successful running of microenterprises in Jharkhand.

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