

EFFECTS OF ENTREPRENEURSHIP TRAITS ON THE SUCCESS OF MSMEs

Dr.SumathiPremkumar, Dr.K.Premkumar

Department of Management Studies, Muthayammal Engineering college, Namakkal, Tamil Nadu, India

Abstract-The objective of this study is to examine the effects of entrepreneurship traits on the performance of MSMEs .Simple random sampling procedures were used and a sample of 151 MSMEs were selected for the study. A structured questionnaire was used to collect data on entrepreneur and firm characteristics affecting success of MSMEs. The data were sought and analyzed using SPSS statistical package analysis. Based on the findings derived managerial competence, educational qualifications, work experience, location, size of the firm, period the enterprise has operated and business sector all have statistically significant positive effects on the success of MSMEs in the Tamilnadu state.

Key Words: MSMEs, Entrepreneurship traits, Managerial competence, Work experience

1. INTRODUCTION

In this contemporary and competitive global economy, MSMEs have significantly become a powerful engine for economic growth and development. Most of the economies across the globe have realized the important contribution of MSMEs towards achievement of sustainable growth, employment and poverty reduction. In India it is estimated that 80 percent of formal business entities in the country are MSMEs; and such MSMEs contribute 50 percent to GDP. The MSMEs account for about 60 percent to employment. Given that research on success of MSMEs has dominated the center stage in the area of industrial development, the magnitude of MSMEs success cannot be over emphasized; especially in such today's global economy featured by rising trends of industrialization. In an effort to augment development of MSMEs, the academic institutions have played a considerable support to MSMEs across various sectors. To make such support successful, the investigation of factors affecting success of MSMEs has broadened from largely focusing on institutional arrangements to analyzing the effects entrepreneur traits will have on success of such MSMEs. Entrepreneur traits with effects on MSMEs success include gender, age, education, work experience, and managerial competence etc.

2. RESEARCH PROBLEM

The Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the economic and social development of the country, often acting as a nursery of entrepreneurship. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. Every year numerous new MSMEs are started in the Indian economy, but a very disturbingly high rate of failure in this segment has become a serious cause for concern to industrial development of the economy. According to the Ministry of MSMEs approximately 80 percent of new businesses fail within their first five years of operation.

3. MSMEs IN THE DEVELOPING WORLD

MSMEs are the only realistic employment opportunity for millions of impoverished communities. A significant proportion of MSMEs in developing countries are involved in traditional activities serving small, localized markets with little or no technological dynamism. In reality, few 'graduate' into larger or more modern technologies.

4. OBJECTIVE OF THE STUDY

To analyze whether entrepreneurship traits have any effects on the success of MSMEs

4.1 Hypotheses of the study

Ho: Entrepreneurship traits do not have significant effects on success of MSMEs Ha: Entrepreneurship traits do have significant effects on success of MSMEs.

4.2 Significance of the Study

Given the significant contribution MSMEs have towards GDP, poverty elevation, employment creation and social development, the results of this study will yield use full insights regarding the levels to which entrepreneur traits affect MSMEs success. The results will assist relevant measures that positively contribute to enhancement of success of MSMEs in the economy.

5. LITERATURE REVIEW

Several studies on factors influencing success of MSMEs have been conducted. Here a review of few studies by

International Journal of Technical Research & Science

various authors at international and national levels are highlighted in order to get an in-depth knowledge of the different traits. Islam & Siengthai (2010) viewed that most of the core processes of human resource management; particularly recruitment and selection, performance appraisal, and training and development have significant positive impacts on success of MSMEs. Cacciolatti, Fearn & McNeil (2011) examined that SMEs that make good use of structured marketing information in conjunction with good marketing strategies present a higher chance of growth. Mahmoud (2011) concluded that the higher the level of market orientation, the greater the level of performance of MMs.

Reynolds (2001) evaluated that individuals ranging between 25 to 44 years old were the most successful entrepreneurs. Sinha (1996) concluded that successful entrepreneurs were relatively younger in age compared to the older ones. The effect of educational background on enterprise success was relatively analysed and the study found that 72 percent of the successful entrepreneurs had a minimum level of technical qualification, whereas approximately 67 percent of the unsuccessful entrepreneurs did not have any technical educational qualification. Kristiansen, Furuholt & Wahid (2003) on small enterprises in Indonesia, a significant correlation was found between age of the entrepreneur and success of the MSMEs. The MSMEs that were operated by entrepreneurs who were twenty five years old and above were more successful than the younger ones. In respect of business management experience, the entrepreneur characteristics covered age, education, managerial competence and industry experience. Kolvereid (1996) found that businesses that were run by entrepreneurs with prior entrepreneurial experience had higher survival chances and scored significantly higher success levels than those without such experience. Charney & Libecap (2000) found that entrepreneurship education produces self-sufficient successful enterprising individuals. Furthermore, the study found that entrepreneurship education increases the likelihood of MSMEs success. McMahon (2001) stated that experience on the part of the owner or manager had a significant contribution on success of small and medium size enterprises. The enterprise size also had a significant success effect success of MSMEs.

6. RESEARCH METHODOLOGY

6.1 Area of Study

In order to select the sample units the prime task before the researcher was to select the districts which should be representative of highly industrialized areas, moderately industrialized areas and also the under developed areas.

6.2 Data Collection

The source of data for the study was primary data collected through use of a structured questionnaire. The questionnaire gathered data on entrepreneur's level of agreement regarding the extent to which specific factors affect success of their MSMEs. The data on the perceived success of MSMEs was gathered using five point Likert scale questions anchored by Very Low to Very High in the range: Very Low (VL=1); Low (L=2); Moderate (M=3); High (H=4) and Very High (H=5).

6.3 Sample Selection

The population for the research survey was small and medium size enterprises in state of Tamilnadu, India. This geographical area was chosen as it comprises of the large number of industries. The respondents represented the four broad categories of MSMEs; namely Plastic, Pharmaceutical, food and manufacturing. Following initial application of purposive sampling technique, simple random sampling was further conducted to select 185 MSMEs in the respective four sectors. From the 185 returned questionnaires, 151 were fully completed; with 64.2 percent female (n=97) and 35.8 percent male (n=54) respondents; thereby yielding an 81.6 percent response rate. The response rate was considered sufficient for statistical reliability.

6.4 Research Design

The research survey of this study was conducted based on descriptive survey and correlation study designs. A survey design was chosen to ensure that collection of data accurately described the true nature of existing conditions at an explicit point in time.

Table-6.1 Comparison of MSMEs in Asia-Pacific Region

Country	MSMEs as % of all enterprises	MSME employees as % of the total employed population
Hong Kong	98.0	60.0
Japan	98.9	69.2
Malaysia	96.1	45.0 (manufacturing)
Philippines	99.6	70.0
Korea	99.8	86.7

Singapore	99.7	57.0
Taiwan	97.7	68.8
Thailand	99.7	60.0

Source: White Paper on Small and Medium Enterprises in Taiwan, 2006.

Statistical Analysis the results of the survey were analyzed using descriptive statistics and correlational techniques. The data gathered was sought and analyzed using SPSS statistical package. Prior to conducting least squares

Keiser-Olkin-Meyer Measure of Sampling Adequacy	.852
Bartlett's Test of Sphericity Approx. Chi-Square	371.575
df	28
Sig.	.000

regression analysis, the Cronbach's alpha tests were undertaken to determine scale reliability; validity of instruments and suitability of the sampling size; respectively.

RESULTS AND INTERPRETATION

Scale Reliability Reliability analysis was applied to measure consistency and internal stability of data (Table 2). The Cronbach's Alpha was computed to determine the inter-item consistency and reliability of how well items in the set used were positively correlated to one another.

Reliability of Total Items

The value of the Cronbach's alpha (= 0.826) indicate that the survey items are statistically reliable; thus the items measured a single one-dimensional latent construct. Therefore, the data that was collected for this research survey were considered internally stable and consistent.

Validity of Instruments The structural validity and suitability of the sampling items was analyzed using the Keiser-Meyer-Olkin (KMO=0.852); which was statistically significant for the analysis.

KMO and Bartlett's Test.

The Bartlett's test of sphericity of the research items of 371.575 ($p < 0.001$) confirms that data on entrepreneurship traits was suitable for further analysis. Moreover, the determinant of 0.003 indicates that the scale observed is one dimensional; thus the items are not an identity matrix.

Ordinary Least Squares Regression Model Summary

Overall, the estimated model indicated that about 88 percent (Adj. $R^2 = 0.880$) variation in success of MSMEs was accounted by the period in which MSMEs have been in business, educational qualifications of entrepreneurs, size of the firm, sector of the firm, location of the firm, experience of the entrepreneur and managerial competence. The model's F-test value (= 138.739; significant at 0.05 level) also indicated that the model was highly significant.

Dependent Variable

Based on the standardized results, the period in which MSMEs have been in business, educational qualification of entrepreneur, size of the firm, sector of the firm, location of the firm, experience of the entrepreneur and managerial competence all have statistically significant positive effects on success of the MSMEs. Managerial competence and education had the highest statistically significant positive effects on MSMEs success; followed by experience, period of enterprise in business, location of firm, size of the firm and sector of the firm; respectively. Age of the entrepreneur was found to have a statistically insignificant positive effect on MSMEs success. Hence the null hypothesis that entrepreneurship traits do not have significant effects on success of MSMEs is rejected and the research hypothesis that entrepreneurship traits do have significant effects on success of MSMEs is accepted. The findings of the study revealed that entrepreneur traits have statistically significant positive effects on MSMEs success. Overall, the entrepreneurship traits account for approximately 86.5 percent variation in MSMEs success. On individual basis, about 54.2 percent variation in MSMEs success is accounted for by entrepreneurship traits.

CONCLUSION

The purpose of this study was to investigate the effects of entrepreneurship traits on success of MSMEs Tamilnadu state. The results confirmed that the period in which MSMEs have been in business, educational qualification of entrepreneur, size of the firm, sector of the firm, location of the firm, experience of the entrepreneur and managerial competence all have statistically significant positive effects on success of the MSMEs. Managerial competence and educational qualification posted the highest statistically significant positive effects on MSMEs success; followed by experience, period of enterprise in business, location of firm, size of the firm and sector of the firm; respectively. The findings that entrepreneurship traits have statistically significant positive effects on success of MSMEs in Tamilnadu State also imply that MSME entrepreneurs should improve their educational qualifications and managerial

competences in the areas of their relevant business operations. Entrepreneurs of MSME businesses should also select deliberately competitive areas for location of their businesses in order to persist competition in the market. Improvements in working experience by entrepreneurs are also a necessary element for ornamental success of their enterprises. Lastly the entrepreneurs should work more for the marketing of their enterprises for success and achievement of goals.

REFERENCES

- [1] Duh, M. (2003), "Family enterprises as an important factor of the economic development: the case of Slovenia," *Journal of Enterprising Culture*, 11(2): 111-130.
- [2] Adnan, Z., Abdullah, H.S. & Ahmad, J. (2011), "Direct influence of human resource management practices on financial performance in Malaysian R&D companies," *World Review of Business Research*, 1(1): 61-77.
- [3] Islam, M. Z. & Siengthai, S. (2010), "Human resource management practices and firm performance improvement in Dhaka export processing zone," *Research and Practice in Human Resource Management*, 18(1): 60-77.
- [4] Cacciolatti, L., Fearne, A. & McNeil, D. (2011), "Empirical evidence for a relationship between business growth and the use of structured marketing information amongst food and drink SMEs," *Academy of Marketing Conference (5-7 July 2011)*, University of Kent: United Kingdom.
- [5] Mahmoud, M. A. (2011), "Market orientation and business performance among SMEs in Ghana," *International Business Research*, 4(1): 241-251
- [6] Reynolds, P. L., Day, J., & Lancaster, G. (2001), "Moving towards a control technique to help small firms monitor and control key marketing parameters: A survival aid," *Management Decision*, 39(2): 113-120.
- [7] Sinha, T. N. (1996), "Human factors in entrepreneurship effectiveness," *The Journal of Entrepreneurship*, 5(1): 23-39
- [8] Kristiansen, S., Furuholt, B. & Wahid, F. (2003), "Internet cafe entrepreneurs: pioneers in information dissemination in Indonesia," *The International Journal of Entrepreneurship and Innovation*, 4(4), 251-263.
- [9] Kolvereid, L. (1996), "Prediction of employment status choice intentions. *Entrepreneurship Theory and Practice*; Fall: 47-57.
- [10] Charney, A. & Libecap, G. D. (2000), "Impact of entrepreneurship education," Kauffman.