

## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study with Special Reference to Northern and Southern Regions of Kerala

Shacheendran V

Assistant Professor, Gpm Govt College Manjeswar, Kasargod,

*\*Corresponding Author:* Shacheendran V, Assistant Professor, Gpm Govt College Manjeswar, Kasargod, ,shachica@rediffmail.com

### ABSTRACT

Entrepreneurship is considered as the engine of economic growth and development. Entrepreneurial activities are the prime drivers of economic development. Region-wise there may be differences in forces influencing entrepreneurship. This possibility is examined in this paper with special reference to Kerala State, in India. Analysis of major reasons preventing entrepreneurship development in northern and southern regions of Kerala has been made. Analysis of major measures needed for promoting entrepreneurship in these regions has also been carried out. An empirical study conducted in Kerala State has proved that there are regional differences in forces influencing entrepreneurship in MSMEs.

**Keywords:** MSMEs, Regional Difference, forces influencing entrepreneurship, Northern Region, Southern Regions

### INTRODUCTION

Entrepreneurship is the 'the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risk, and receiving the resulting rewards' (Hisrich, Peters, and Shepherd 2005). It is 'the creation of new organisations' (Gartner 1990). Entrepreneurship promotes innovation, engenders competition, creates employment and thus contributes to economic wealth and spending power (Guasch, Kuznetsov and Sanchez 2002).

### NORTHERN AND SOUTHERN REGIONS OF KERALA

The study has been conducted in Kerala State. Kerala State, covering a geographical area of 38863 Square Kilometer (Sq. Km) which is only 1.18 percent of the Indian Union but accounts for 2.76 per cent of the total population. Prior to the formation of Kerala state in 1956, there were two distinct regions

(princely states) viz., Travancore-Cochin and Malabar. Hence the present study has classified the State into the northern (Malabar) and southern (Travancore- Cochin) regions. The southern Region (erstwhile Travancore-Cochin Region) consisting of Thiruvananthapuram, Kollam, Pathanamthitta, Alappuzha, Idukki, Kottayam, Ernakulam and Thrissur, and The northern Region (erstwhile Malabar Region) consisting of Palakkad, Wayanad, Kozhikode, Malappuram, Kannur and Kasaragod.

### IMPORTANCE OF THE STUDY

The MSME form of entrepreneurship as measured by the variables such as the number of MSME units set up, investment made, value of output and employment generated show that northern region has backwardness as compared to that of the southern region. Table 1 shows the status of number of MSME units registered investment, value of goods and services and employment generated by MSMEs in the northern and southern regions of Kerala.

**Table 1** Number of MSME units, Investment, Value of Goods and Services and Employment Generated by MSMEs in The Northern and Southern Regions of Kerala upto 31. 03. 2014

Region	Number of MSME Units Promoted	Total Investment (in Lakhs)	Value of Goods and Services Produced (in Lakhs)	Employment Provided (Nos)
Southern Region	165017	1013646	3787485	863654
Northern Region	70.49	70.62	75.98	72.52

## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala

as % of Kerala				
Per Capita	0.009	0.054	0.202	0.046
Northern Region	69234	421655	1197342	327290
Northern Region as % of Kerala	29.56	29.38	24.02	27.48
Per Capita	0.005	0.0288	0.082	0.022
Kerala Total	234251	1435302	4984827	1190944

*Source: Economic Review 2014*

The southern region consists of 56 per cent of the population and 55 per cent of the geographical area of Kerala State. The northern region accommodates 44 per cent of the population and has 45 per cent of the geographical area of the state. The gap between these two regions is only of 10-11 per cent. However, the table shows that, the entrepreneurship in the form of MSMEs is very lower in the northern region as compared to that in southern region. 70.44 per cent of the total MSMEs in the state are in the southern region as against only 29.56 per cent in the northern region. The per capita MSMEs promoted in the southern region were 0.009 as against only 0.005 in the northern region.

The table 2 also shows that entrepreneurship in the form of MSMEs is very lower in the northern region as compared to that in the southern region. As on 2014, 70.62 per cent of the investment made in MSMEs in the State is in the southern region as against only 29.38 per cent in the northern region. 75.98 per cent of the value of goods and services produced by MSMEs in the State is in the southern region as against only 24.02 per cent in the northern region.

The table 2 also shows that 72.52 per cent of employment generated by MSMEs in the state is in the southern region as against only 27.48 per cent in the northern region. The per capita investment made in MSMEs in the southern region was `0.054 as against only `0.0288 in the northern region.

The per capita value of goods and services produced by MSMEs in the southern region was `0.202 as against only `0.082 in the northern region.

The per capita number of employment generated by MSMEs in the southern region was 0.046 as against only 0.022 in the northern region. Thus it indicates that the northern region has not achieved proportionate status in MSME entrepreneurship as compared to that of the southern region.

### OBJECTIVE OF THE STUDY

To study the forces influencing entrepreneurship in the form of MSMEs in the Northern and Southern Regions of Kerala.

### HYPOTHESES OF THE STUDY

Alternate Hypothesis (H<sub>1</sub>): There is significant difference between the northern and southern regions of Kerala in respect of forces influencing entrepreneurship in MSMEs.

Null Hypothesis (H<sub>0</sub>): There is no significant difference between the northern and southern regions of Kerala in respect of forces influencing entrepreneurship in MSMEs.

### METHODOLOGY

The population of the study is the entrepreneurs in MSMEs in these two regions. The study is analytical in nature. It is based on both primary and secondary data. Sampling method is followed for collecting primary data. The population of the study is the entrepreneurs in MSMEs in these two regions. The study is empirical in nature based on survey method. Primary data are collected through an interview schedule. A pilot study was conducted to examine the limitations of the research plan and to test the validity of the questionnaire.

The entrepreneurs of MSMEs who registered their enterprise with DICs on or before 31<sup>st</sup> March 2012 constitute the sampling frame. Multi stage random sampling was used for choosing the sample. Simple random sampling method three districts are selected from the northern Region (Palakkad, Kasaragod and Kannur) and three districts from the southern Region (Thiruvananthapuram, Kottayam and Ernakulam). Lottery method is adopted for getting the sample districts. From the randomly selected sample districts, the total 300 sample entrepreneurs are selected. The 50 entrepreneurs are selected from each of the selected districts so that 150 entrepreneurs were selected from a region. Thus the total sample size of entrepreneurs selected from the two regions will become 300. Simple random sampling method,

## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala

using the entrepreneurs list provided by the district offices of DICs, was adopted to choose entrepreneurs from each district.

### Method of Data Analysis

The primary data collected from the entrepreneurs are edited, classified, tabulated and analysed with the help of computer software 'Statistical Package for Social Sciences' (SPSS). The analysis is carried out using Ranking technique and significance of their difference was examined using Pearson Chi-Square Test. The tables are used to present various data.

### Period of the Study

The pilot study is conducted among 30 entrepreneurs in the northern and southern regions of Kerala for a period of two months from December 2012 to January 2013. After testing the reliability and fixing the sample size, the primary data are collected using the questionnaire from 300 entrepreneurs from April 2013 to November 2013.

### ANALYSIS AND FINDINGS

In any region, there may be some unique reasons which prevent entrepreneurship development. Those reasons, if understood and managed successfully, may lead to substantial improvement in the scenario. As part of the study the researcher, based on field

understanding and after discussing with experts in this field, have identified certain reasons as preventing ones for entrepreneurship development. The entrepreneurs were told to express their opinion on those reasons with ranks. The most important reasons, in their opinion, which prevent significant entrepreneurship development, were ranked in the order of their priority. The most important reason was ranked first rank, second important reason was ranked two and third important reason was ranked three. The table 2 shows the ranking of the most important reasons, in the opinion of entrepreneurs, which prevent entrepreneurship development in northern and southern regions of Kerala.

The table shows that both in northern and southern regions, the most important reason which prevent entrepreneurship development, in the opinion of entrepreneurs, is "people's preference for safe white-collar jobs& mentally not ready to take business risks". In northern region it was ranked first by 65.3% of the entrepreneurs and that in southern region was 61.3%. In northern region, the second most important reason also was also "people's preference for safe white-collar jobs and mentally not ready to take business risks" with 21.3% ranks.

**Table2** Most Important Reasons Which Prevent Entrepreneurship Development in Northern and Southern Regions of Kerala

Reason	First		Second		Third		Chi-Square p value
	North	South	North	South	North	South	
A Distance of the District/region from industrially advanced towns	18 (12)	5 (3.3)	3 (2)	2 (1.3)	2 (1.3)	1 (0.7)	8.718 (p=0.033)
B People's preference for safe white-collar jobs& mentally not ready to take business risks	<b>98</b> <b>(65.3)</b>	<b>92</b> <b>(61.3)</b>	<b>32</b> <b>(21.3)</b>	22 (14.7)	7 (4.7)	14 (9.3)	6.689 (p=0.083)
C Poor service by Panchayat, District level Govt offices	4 (2.7)	9 (6)	11 (7.3)	16 (10.7)	7 (4.7)	8 (5.3)	3.410 (p=0.333)
D Diversion of youth's energy towards destructive activities	2 (1.3)	14 (9.3)	24 (16)	<b>23</b> <b>(15.3)</b>	27 (18)	8 (5.3)	19.652 (p=0.000)
E Unavailability of support of major entrepreneurship promotional institutions set up by Govt	2 (1.3)	2 (1.3)	16 (10.7)	18 (12)	21 (14)	16 (10.7)	0.833 (p=0.841)
F Migration of skilled persons to other districts/states/nations	14 (9.3)	5 (3.3)	9 (6)	15 (10)	11 (7.3)	18 (12)	7.523 (p=0.057)
G People's preference to invest money in non-productive avenues like Gold, house building etc	6 (4)	6 (4)	28 (18.7)	18 (12)	<b>40</b> <b>(26.7)</b>	23 (15.3)	10.834 (p=0.013)
H Lack of enough institutions to lend for MSME entrepreneurs	0 (0)	2 (1.3)	1 (0.7)	10 (6.7)	11 (7.3)	22 (14.7)	14.936 (p=0.002)
I Poor data base in district to support potential entrepreneur	5 (3.3)	7 (4.7)	19 (12.7)	17 (11.3)	22 (14.7)	<b>27</b> <b>(18)</b>	1.078 (p=0.782)

## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala

J	Less recognition for entrepreneurs	0 (0)	4 (2.7)	7 (4.7)	8 (5.3)	1 (0.7)	11 (7.3)	13.236 (p=0.004)
K	Any other.....	2 (1.3)	3 (2)	0 (0)	2 (1.3)	0 (0)	2 (1.3)	4.286 (p=0.232)

*Source: Primary Data*

However in southern region, second most important reason which prevent entrepreneurship development, in the opinion of entrepreneurs, is “diversion of youth’s energy towards destructive activities for becoming an entrepreneur” (15.3% ranks). In northern region it was ranked by 16%). In northern region, the third most important reason which prevents entrepreneurship development, in the opinion of entrepreneurs is “people’s preference to invest money in non-productive avenues like gold, house building etc.”(26.7%). In southern region, third rank is given for “poor data base in district to support potential entrepreneur” (18%). the ranking by entrepreneurs show that people’s preference for safe white collar jobs and mentally not ready to take business risks affects status of entrepreneurship development in northern region as against “diversion of youth’s energy towards destructive activities for becoming an entrepreneur” and “poor data base in district to support potential entrepreneur” hinders entrepreneurship in southern region .

Pearson Chi-Square Test shows that, since  $p=0.083>0.05$ , there is no significant difference between northern region and southern region in respect of “people’s preference to invest money in non-productive avenues like Gold, house

building etc.” as a reason for preventing entrepreneurship development in the regions. Pearson Chi-Square Test shows that, since  $p=0.000<0.05$ , there is significant difference between northern region and southern region in respect of “diversion of youth’s energy towards destructive activities for becoming an entrepreneur” as a reason for preventing entrepreneurship development in the regions. However with regard to reasons such as “poor service by panchayat, district level govt. offices”, “unavailability of support of major entrepreneurship promotional institutions set up by govt”, “migration of skilled persons to other districts/states/nations”, Pearson Chi-Square Test shows that, there are no significant difference between northern region and southern regions (as  $p=0.333>0.05$ ,  $p=0.841>0.05$  and  $p=0.057>0.05$  respectively.

In respect of preventing reasons such as “distance of the district/region from industrially advanced towns”, “lack of enough institutions to lend for MSME entrepreneurs” and “less recognition for entrepreneurs” Pearson chi-square test shows that, since p values are less than 0.05, there are significant differences between northern region and southern regions.

The table 3 shows the important measures needed to promote entrepreneurship in regions.

**Table3.** *The Important Measures Needed To Promote Entrepreneurship in Regions*

Measures	First		Second		Third		Chi-Square p value	
	North	South	North	South	North	South		
A	Enable to identify potential business opportunities in the district/region	8 (5.3)	13 (8.7)	10 (6.7)	5 (3.3)	19 (12.7)	10 (6.7)	5.995 (p=.112)
B	Plan& implement effective ideas for effective use of resources available in the district	20 (13.3)	20 (13.3)	24 (16)	17 (11.3)	17 (11.3)	5 (3.3)	9.573 (p=0.023)
C	Open more technical training institutes	8 (5.3)	10 (6.7)	9 (6)	10 (6.7)	17 (11.3)	9 (6)	2.842 (p=.417)
D	Introduce District /region specific entrepreneurial development Schemes	3 (2)	4 (2.7)	2 (1.3)	8 (5.3)	8 (5.3)	12 (8)	5.003 (p=.172)
E	Promote cluster like group initiatives in the District/region	1 (.7)	2 (1.3)	5 (3.3)	7 (4.7)	6 (4)	6 (4)	0.7 (p=.873)
F	Create common facility centres sharing costs (for R&D etc.) In	1 (.7)	2 (1.3)	4 (2.7)	4 (2.7)	7 (4.7)	7 (4.7)	.337 (p=.953)



## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala

	district							
G	Provide more sheds in industrial estates	<b>48</b> (32)	20 (13.3)	20 (13.3)	<b>41</b> (27.3)	<b>37</b> (24.7)	<b>38</b> (25.3)	19.147 (p=.000)
H	Provide more entrepreneurial awareness training for really interested youth	28 (18.7)	21 (14)	<b>59</b> (39.3)	33 (22)	14 (9.3)	29 (19.3)	16.373 (p=.001)
I	Set up a few major industrial units at Govt / Public Private Private (PPP) mode	0 (0)	10 (6.7)	4 (2.7)	6 (4)	0 (0)	9 (6)	21.027 (p=0.000)
J	Help entrepreneurs to successfully deal with environment related problems	33 (22)	<b>45</b> (30)	13 (8.7)	18 (12)	24 (16)	25 (16.7)	4.955 (p=.175)
K	Any other.....	0 (0)	2 (1.3)	0 (0)	1 (.7)	1 (.7)	0 (0)	5.003 (p=.287)

Source: Primary Data

The table shows that northern region, in the opinion of entrepreneurs, the most important measure needed for promoting entrepreneurship is providing more sheds in industrial estates. It was ranked first by 32 %, ranked third by 24.7 % of the entrepreneurs in northern region. In southern region it was ranked as the second most important measure (27.3 %). It was ranked as third most important measure by 25.3% of the entrepreneurs in southern region. It shows that entrepreneurs are finding it difficult to get land/location for developing their industrial units. Pearson Chi-Square Test shows that, since  $p=0.000<0.05$ , there is significant difference between regions as a measure for entrepreneurship development. In southern regions, the most important measure suggested by entrepreneurs (30 %) was to help entrepreneurs to successfully deal with environment related problems. In northern region it was ranked second most important measure, according to 39.3 % of the entrepreneurs, for entrepreneurship development. Pearson Chi-Square Test shows that, since  $p=0.175>0.05$ , there is no significant difference between regions in this regard as a measure for promoting entrepreneurship development. However with regard to suggestions such as “enable to identify potential business opportunities in the district/region”, “open more technical training institutes”, “introduce district / region specific entrepreneurial development schemes”, “promote cluster like group initiatives in the district / region” and “create common facility centres sharing costs (for R&D etc.) in district” Pearson chi-Square Test shows that, there are no significant difference between the regions (as

$p=0.112>0.05$ ,  $p=0.417>0.05$  and  $p=0.172>0.05$ ,  $p=0.873>0.05$  and  $p=0.953>0.05$  respectively. In respect of the measures such as “plan& implement effective ideas for effective use of resources available in the district”, “provide more sheds in industrial estates” and “provide more entrepreneurial & awareness training for really interested youth” and “set up a few major industrial units at govt/ppp mode” Pearson chi-square test shows that, since (as  $p=0.023<0.05$ ,  $p=0.000<0.05$  and  $p=0.001<0.05$  and  $p=0.000<0.05$  and respectively, there are significant differences between the regions.

### CONCLUSION

The study has shown that there is entrepreneurial backwardness in northern region as compared to that in southern region. The study has proved that there is significant difference between the northern and southern regions in respect of forces influencing entrepreneurship in MSMEs. In northern region, there is a need to change attitude of people towards entrepreneurship, by conducting more awareness and training programmes, particularly for youth. Increased supportive for entrepreneurs on the part of authorities will encourage more persons to enter into entrepreneurship. In order to divert youth towards entrepreneurship, conducive environment need to be created. Providing connectivity, setting appropriate institutions for lending to enterprises, appreciating entrepreneurs on their achievements by government etc., also assume importance. More sheds needed to provide in industrial estates in northern region. Govt agencies should give an extra care in this regard. Environment related

## Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala

issues need to be tackled on an urgent basis. Creating a district wise database of resources, setting up of major industrial units etc also assume importance for promoting entrepreneurship in the northern region of Kerala

### REFERENCES

- [1] Gartner, W. B. 1990. Who is an Entrepreneur? Is the Wrong Question. *Entrepreneurship Theory and Practice*. 13. 47–68.
- [2] Guasch, Kuznetsov, and Sanchez (2002) SMEs in Argentina: A potential engine for economic growth and employment. World Bank Sector Report. Washington. D. C. World Bank.
- [3] Hisrich, R., Peters, M., and Shepherd, D. 2005. *Entrepreneurship: 6<sup>th</sup> Ed.* Illinois: McGraw Hill. Jayasree, J. and D. Kalamony (2000) A Study on The Profile and Capabilities of Women Entrepreneurs in Kerala. *Compendium of Research Studies*. State Resource Centre. Kerala.
- [4] Kallerberg AL, Leicht KT (1991) Gender and organizational performance: Determinants of small business survival and success. *Academy of Management Journal* 34 (1). 136-161.
- [5] Khanka S. S. 2009. *Entrepreneurial Development*. S. Chand and Company Ltd. Edn pp. 33-39.
- [6] Myrdal, G. 1957. *Economic Theory and Under Developed Regions*. Duckworth.
- [7] Rahman, S A and Das D K (2005) *The Development of Small and Medium Enterprises in Bangladesh*. Stanford Journal of Business Studies. Vol. 01pp. 108-124.
- [8] Report of the Committee on Development of Small and Medium Entrepreneurs (1973) Ministry of Industrial Department. Govt. of India. New Delhi. Oct.
- [9] Report of the Internal Group to Review Guidelines on Credit Flow to SME Sector (2005) Headed by Murthy. C. S Reserve Bank of India. Rural Planning and Credit Department. Mumbai.

**Citation:** Shacheendran V., " Regional Differences in Forces Influencing Entrepreneurship in Msmes-a Study With Special Reference To Northern And Southern Regions of Kerala ". (2018). *Journal of Banking and Finance Management*, 1(2), pp.1-6.

**Copyright:** © 2018 Shacheendran V. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.