

ENTREPRENEURIAL BEHAVIOUR OF ENTREPRENEURS OF MSME IN CHENNAI DISTRICT

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ABSTRACT

In this article, an attempt was made to empirically analyze entrepreneurial behaviour entrepreneurs of MSME (Micro, Small and Medium Enterprise) in Chennai district, Tamil Nadu, India. The study was mainly based on primary data collected from 450 entrepreneurs selected using simple random sampling method among the population of MSME entrepreneurs in the study district by incorporating 35-item scale in a well-structured questionnaire. Likert type 5-point scale is used to measure the level of agreement with each item in the scale. The exploratory factor analysis and descriptive analysis were used to analyze the data. The exploratory factor analysis with principal component method was used to ascertain the dimensionality underlying entrepreneurial behaviour. The factor analysis produced six different entrepreneurial behaviours. The status of each entrepreneurial behaviour was identified by descriptive analysis. Before going for the above analysis, the internal consistency of the items in measurement scale was confirmed by Cronbach's alpha coefficient. The entrepreneurial behaviour of entrepreneurs of MSME in the district under study was found to be overall good

KEYWORDS- Entrepreneurial Behaviour, MSME, Exploratory Factor Analysis, Principal Component Method, Cronbach's alpha coefficient

INTRODUCTION

In India, as in other developing countries in the world, MSME (Micro, Small and Medium Enterprises) play a major role in the country's economic growth. Worldwide, MSMEs have been accepted as the engine of economic growth and for promoting equitable development. It provides not only self-employment opportunities but also fulfils the aspirations of the people to become industrialist. This has led to great potential for MSME towards sustainable growth of the country. The development of the MSME sector is on the priority of government agenda as it promotes growth and development of globally competitive MSME ventures particularly in Khadi and village industries, in cooperation with relevant ministries / departments, State governments, banking / non-banking financial institutions and other stakeholders by providing support to existing entrepreneurs and encouraging creation of new entrepreneurs. At the same time, to be successful in the ventures, the entrepreneurs should have some positive qualities (entrepreneurial behaviours). So, in this paper, it is attempted to empirically analyze the status of entrepreneurial behaviour of entrepreneurs in India.

MSME SECTOR IN INDIA

In India, the MSME sector is highly heterogeneous in terms of the business size, variety of products, services rendered and type of technology employed. In the country, most of MSMEs are established in the informal or unorganized sector and are unregistered despite this sector has a high growth potential and performs a critical role not only in the country's economic development but also in economic growth of the individuals. MSME sector is characterized by low investment requirement, operational flexibility and location wise mobility.

MSME in India is defined based on their investment in plant and machinery for manufacturing enterprise and on equipment for service rendering enterprises. According to the MSME Act of 2006, a micro manufacturing enterprise is one where the investment in plant and machinery does not exceed Rs.25 lakh. A small manufacturing enterprise is one where the investment in plant and machinery is more than Rs.25 lakhs but does not exceed Rs.5 crore. A manufacturing enterprise with the investment in plant and machinery above Rs.5 crore and up to Rs.10 crore is considered as medium. A service providing enterprise is considered as micro enterprise if the investment on equipment does not exceed Rs.10 lakh whereas as the service providing enterprise with investment above Rs.10 lakhs but does not exceed 2 crore is considered as small enterprise. A medium enterprise under service category is one where the investment in equipment is more than 2 crore but does not exceed 5 crore.

ENTREPRENEURSHIP AND MSME

Entrepreneurship has emerged as an important element in the economic growth of any country. It is considered not only as a means of contributing to employment, social and political stability but also as a power for innovation and competition. Entrepreneurship is identified with the individual and the success of enterprises depend upon degree of vision, imagination, innovativeness and risk taking among the entrepreneurs. In MSME sector, the role of entrepreneurship is increasing very efficiently day by day and there is a big role of entrepreneurship and MSME in employment generation leading to country's economic growth. In India, MSME, which are widely dispersed across the country, provides the largest share of employment next to agriculture. They produce a diverse range of products and services to meet the needs of not only the local and national markets but also and international markets.

REVIEW OF LITERATURE

According to Ehigie and Umoren (2003)ⁱ, there are some leadership skills essential for efficient management such as communications, negotiation, motivation, and listening, involving people at all levels, counselling and skills for assessment, and delegation. It is therefore accepted that leadership quality is a significant variable that can determine the level of entrepreneurial success.

Rauch and Frese (2007)ⁱⁱ conducted a study on entrepreneurs and their success in entrepreneurship. The results indicated that personality traits matched to the task of running a business produced higher effect sizes with business creation than personality traits that were not matched to the task of running an enterprise. The

personality traits matched to entrepreneurship significantly correlated with entrepreneurial behaviour such as need for achievement, generalized self-efficacy, innovativeness, stress tolerance, need for autonomy, and proactive personality.

Theresa (2012)ⁱⁱⁱ aimed at developing and validating the entrepreneurial behaviour inventory. He examined the dimensionality of entrepreneurial behaviour inventory using Principal component analysis. The analysis extracted four structures of entrepreneurial behaviour inventory. The Confirmatory Factor Analysis (CFA) was also administered to test the validity of entrepreneurial behaviour scale. The entrepreneurial behaviour inventory was useful for classifying entrepreneurs and formed the basis for training.

Venkatesh and Muthiah (2012) found that the role of SMEs (small and medium enterprises) in the industrial sector was growing rapidly and they become a thrust area for future growth. They emphasized that development of SME sector was necessary for the nation's economic well-being. They stated that it was essential for entrepreneurs to take necessary steps with government support for future development.

Akanbi (2013)ⁱⁱⁱ explored the influence of family factors, personality traits and self-efficacy on entrepreneurial behaviour among the students of college of education. The results indicated that personality factors and self-efficacy jointly accounted for 74 percent of the total variance in entrepreneurial intention and parents' occupation, extroversion, conscientiousness, neuroticism and openness contributed to the prediction of entrepreneurial intention.

Sarwoko and Surachman (2013) tested the influence of entrepreneurial characteristics and competencies defined in terms of entrepreneurial attitude and behaviour on business performance in SMEs. The study was conducted with sample of 147 SMEs owners in Indonesia using questionnaire instrument. They found that more powerful entrepreneurial characteristics would lead to an increase in the competence of SME owners, which would ultimately had an effect on business performance.

Lamine, Mian and Fayolle (2014) opted for a longitudinal case study approach to increase knowledge on entrepreneurial social skills and perseverance to counter obstacles they faced while running a business. The sample comprised of nascent entrepreneurs running their businesses. A theme-based content analyses was performed in three phases to assess the perseverance strategies and social skills. Obstacles, setbacks and adversities encountered by entrepreneur were identified and with respect to them perseverance strategies were analyzed helpful in dealing different-different challenges.

Ramanujam and Vidya (2014) mentioned that career success was calculated based on entrepreneur's judgement of their own success evaluated against personal standards, age, aspiration and views of significant others. They concluded that 'need for achievement', 'need for independence' and locus of control influence the career success of entrepreneurs, followed by risk tolerance and self-efficacy.

Meeravali, *et al.* (2017) found that the contribution from MSME under manufacturing and service sector to GDP is -1.53 per cent and 1.82 per cent respectively though total working enterprises, employment and market value of fixed assets in MSME grown at

CAGR of 4.39 per cent, 4.75 per cent and 6.64 per cent respectively. The researchers suggested that government should adopt integrated policy to promote skill development in order to increase productivity and also provide accessible credit through government sponsored agency exclusively to MSME, which was essential to increase productivity and contribution to economic growth.

OBJECTIVES OF THE STUDY

The objectives for the present research paper are as follows:

1. To study the entrepreneurial behaviour of entrepreneurs venturing into micro, small and medium scale enterprises in Chennai district.
2. To ascertain the factors underlying the entrepreneurial behaviour of entrepreneurs in the study district,
3. To examine the status of each factor in determining entrepreneurial behaviour of entrepreneurs in the study district.

METHODOLOGY

The present work is based on primary data collected from the MSME (Micro, Small and Medium enterprise) entrepreneurs in Chennai district. The number respondents for the sample is 450, selected using simple random sampling technique. To collect the data, questionnaire instrument was used. The questionnaire is incorporated with 35 items under 5-point Likert type measurement scale. The scale values ranges between “strongly disagree” to “strongly agree” (disagree, neutral and agree values in between). These five opinion levels are coded as 1, 2, 3, 4 & 5 for strongly disagree, disagree, neutral, agree and strongly agree for the analysis.

As the responses of respondents in the sample is obtained using 5-point scale ranging from 1 to 5 for ‘strongly disagree’ to ‘strongly agree’, the opinion level entire respondents in the sample is considered to be ‘strongly disagree’, ‘disagree’, ‘neither disagree nor agree (neutral)’, ‘agree’ and ‘strongly agree’, if group mean perception score level is “< 1.50”, “>= 1.50 and < 2.50”, “> 2.50 and < 3.50”. “>= 3.50 and < 4.50” and “>= 4.50” respectively. The underlying factors of entrepreneurial behaviour scale is explored by exploratory factor analysis using principal component method. First, the reliability (internal consistency) of the items in the entire scale is ascertained by Cronbach’s alpha coefficient. This method is also used to ascertain the internal consistency of the items that are loaded on each factor. The status of each entrepreneurial behaviour is evaluated by mean and 95 per cent confidence interval through descriptive analysis.

RESULTS AND DISCUSSION

The reliability test for entire scale items yielded Cronbach’s alpha coefficient of 0.9026 in turn indicating the excellent reliability (According to George and Mallery^{iv} (2003), consistency of the scale items is excellent, good, acceptable, questionable, poor and unacceptable if the Cronbach’s alpha coefficient is “>= 0.9”, “>= 0.8 – < 0.9”, “>= 0.7

– < 0.8”, “>= 0.6 – < 0.7”, “>= 0.5 – <= 0.6” and “<0.5” respectively) of all 35 items in the scale measuring entrepreneurial behaviour of entrepreneurs of MSME. As there is excellent reliability of the scale, the data are subjected to factor analysis to ascertain whether entrepreneurial behaviour of entrepreneurs of MSME in the study district is unidimensional or multi-dimensional.

The factor analysis yielded six factors (components / dimensions) with eigenvalue above one (as a rule of thumb, a factor is considered to be valid if eigenvalue is one & above) explaining 67.20 per cent of the variance together in the actual data (Table 1). Individually, the variance explained in the actual data before and after rotation is 23.79 per cent and 12.94 per cent for first, 11.70 percent and 12.63 per cent for second, 10.44 per cent and 12.47 per cent by third, 9.91 per cent and 11.07 per cent by fourth, 6.55 per cent and 7.94 per cent by fifth, and 4.80 per cent and 10.15 per cent by sixth factor respectively. This reveals that there are six different entrepreneurial behaviours among entrepreneurs of MSME in the district.

The factor loadings reported in Table 2 reveals what each factor represent (characteristics of each factor) in the actual data. As reported in the table, the first factor is highly correlated (loaded) with all items between 18 and 23 (with highest loading of item 18 followed by item 20) and these items measured innovative behaviour of entrepreneurs and hence it is christened as ‘**Innovation**’. The loadings of items from 24 to 29 with second factor (item 29 is most highly correlated followed by items 27), which measures the risks taking behaviour of the entrepreneurs, is the highest compared to loadings of all these items with other factors. So, the second factor is labelled as ‘**Risk taking**’, The third factors is most highly correlated with item 30 and 32 followed by items 33, 34, 31 and 35. As these items have measured ‘**Decision making**’ behaviour of the respondents, it is named after it. With fourth factor, the loading of item 3 measuring the unhappiness level of the respondents when there is no desired result from their continued effort is the most followed by that of items 4, 5, 1, 2 and 6. All these items possess the perseverance qualities and therefore this factor is christened as “**Perseverance**”. The loading of item 16 is high with fifth factor. The fifth factor is also highly loaded (correlated) by items 13, 15, 17 and 14 and all these items have explored the ‘**Leadership quality**’ of the entrepreneurs and hence named after it. The final and sixth factor is highly characterized by item 12 followed item 8. The other three items, namely 10, 9 and 11 are also having high loading with this factor compared to their loadings with other remaining factors. As all these five items explores the network developing behaviour of the respondents, this factor is identified as ‘**Developing networks**’.

The status of each behaviour is explored by descriptive analysis of factor score. The score for each factor are computed by averaging the scores of items that are highly loaded with the factor. From Table 3, which displays the results of descriptive analysis such as mean, standard deviation and 95 per cent confidence intervals, it becomes evident that the leadership quality tops the list (Mean = 4.13) followed by decision making (Mean = 3.96), developing networks (Mean = 3.95) and perseverance (Mean = 3.56). The risk taking comes last (Mean = 3.17) followed by innovation (Mean = 3.27). The standard deviation below one for most of the aspects revealed the consistency in the perception level among the respondents. The 95 per cent

confidence intervals indicates that the status of six behaviours as found above can be substantiated with 95 per cent confidence.

CONCLUSIONS

From the inferences of the results of analysis, there are six major entrepreneurial behaviours among entrepreneurs in Chennai district which spread across Innovation, Risk taking, Decision making, Perseverance, Leadership quality and Developing networks. Among these six entrepreneurial behaviour, the leadership quality is the most followed by decision making, network development, perseverance. The entrepreneurs in the district are less risk taking and they are highly innovative. Overall entrepreneurial behaviour of entrepreneurs in Chennai district has been at good level.

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Annexure

Table 1: Eigenvalues of Underlying Factors Entrepreneurial Behaviour of MSME Entrepreneurs

Factor	Before Varimax Rotation			After Varimax Rotation		
	Eigenvalue	% of Total Variance	Cumulative % of Total Variance	Eigenvalue	% of Total Variance	Cumulative % of Total Variance
1	8.3250	23.79	23.79	4.5285	12.94	12.94
2	4.0955	11.70	35.49	4.4191	12.63	25.56
3	3.6533	10.44	45.93	4.3662	12.47	38.04
4	3.4702	9.91	55.84	3.8754	11.07	49.11
5	2.2939	6.55	62.39	2.7792	7.94	57.05
6	1.6814	4.80	67.20	3.5508	10.15	67.20
7	0.8353	2.39	69.58			
8	0.7441	2.13	71.71			
9	0.6802	1.94	73.65			
10	0.6522	1.86	75.52			
11	0.6243	1.78	77.30			
12	0.5527	1.58	78.88			
13	0.5149	1.47	80.35			
14	0.4942	1.41	81.76			
15	0.4783	1.37	83.13			
16	0.4417	1.26	84.39			
17	0.4251	1.21	85.61			
18	0.4008	1.15	86.75			
19	0.3847	1.10	87.85			
20	0.3712	1.06	88.91			
21	0.3503	1.00	89.91			
22	0.3310	0.95	90.86			
23	0.3183	0.91	91.77			
24	0.3075	0.88	92.65			
25	0.2930	0.84	93.48			
26	0.2845	0.81	94.30			
27	0.2701	0.77	95.07			
28	0.2594	0.74	95.81			
29	0.2483	0.71	96.52			
30	0.2322	0.66	97.18			
31	0.2246	0.64	97.82			
32	0.2137	0.61	98.43			
33	0.2075	0.59	99.03			
34	0.1807	0.52	99.54			
35	0.1599	0.46	100.00			

Source: Primary Data

Table 2: Rotated Component Matrix for Valid Factors Underlying Entrepreneurial Behaviour of MSME Entrepreneurs

Item No		Extracted Factors					
		1	2	3	4	5	6
18	Used to explore new ideas always	0.8815	0.0183	0.0601	0.0584	0.0412	0.0786
20	Mastering new skills	0.8663	0.0394	0.0272	0.0705	-0.0342	0.0594
21	Generating creative and novel ideas	0.8463	0.0242	0.0198	0.0620	0.0588	0.0927
23	Finding solutions for difficult problems	0.8439	0.1370	0.1054	0.0570	0.0645	0.1020
19	Try to find a way to get the maximum output at a minimum cost	0.8322	0.0257	0.0803	0.1159	0.0231	0.0611
22	Seeking new business opportunities	0.7997	0.0776	0.1113	0.0890	0.0769	0.1398
29	Reduce output when	0.0500	0.8763	0.0082	0.0925	0.0445	0.0538
27	Take calculated risk which rewards me reasonably	0.0272	0.8696	0.0755	0.0486	-0.0232	0.0529
25	Never mind borrowing at higher interest if fund is needed	0.0500	0.8398	0.0554	0.0240	0.0359	-0.0072
28	Invest for modernization of my enterprise during stiff competition	0.0623	0.8373	0.0010	0.0694	0.0186	0.0626
26	Invest heavily on inventory	0.0519	0.8350	0.0656	0.0181	0.0382	-0.0241
24	Enjoy the risk in my business as it energizes me	0.0685	0.8272	0.0717	0.0347	0.0797	-0.0201
30	My business plan is always decided by me	0.0280	0.0840	0.8569	0.1220	0.0887	-0.0014
32	Taken decision autocratically during emergency	0.0619	0.0658	0.8557	0.0550	0.0865	0.0664
33	Used to discuss the persons involved for decision making	0.0310	0.0268	0.8378	0.0262	0.0747	0.0714
34	Evaluate all possible consequences of the tentative decision	0.1222	0.0703	0.8353	0.0521	0.0399	0.0761
31	Never take any decision without prior planning	0.0788	-0.0077	0.8087	0.1219	0.0683	0.0605
35	Explore all alternative actions before producing final choice	0.0977	0.0406	0.7771	0.0306	0.0317	0.0478
3	Feel unhappy when there is no desired result from my continued effort	0.0663	0.1034	0.0532	0.7809	0.1477	0.1838
4	I used to work till my desired goal is reached	0.1005	0.0684	0.1187	0.7455	0.0927	0.2099
5	Perseverance leads to success	0.0300	0.0338	0.0865	0.7129	0.0810	0.1597
1	Achieve or perish is my motto	0.1280	0.0205	0.1811	0.7009	0.0398	0.1612
2	Give up the task at the very beginning of difficulty	0.1019	0.0629	0.0076	0.6984	0.1250	0.2230
6	Successful entrepreneurship depends on perseverance	0.1176	0.0912	0.0579	0.6913	0.0538	0.2370
7	Work round the clock to achieve the desired goal	0.1821	0.0732	0.1263	0.6576	0.0107	0.0448
16	Recognize & reward my workers for their extra work	0.0375	-0.0021	0.0892	0.1146	0.7943	0.1811
13	Able to settle conflict among employees whenever they occur	0.1013	0.1057	0.0072	0.0730	0.7331	0.0736
15	Never mind spending time to train my workers	0.0415	0.0665	0.1456	0.0531	0.7198	0.1259
17	Encourage my employees to be more creating with their jobs	0.0085	0.0527	0.1491	0.1519	0.6947	0.2128

14	Used to view the problems from many different angles	0.1120	0.0417	0.1762	0.1197	0.6340	0.2705
12	Have good communication skill required for network development	0.1203	0.0386	0.0857	0.1975	0.1624	0.8165
8	Have a strong network with DIC Officials	0.0845	0.0159	0.0391	0.1453	0.1957	0.8092
10	Have a strong network to bring new customers to my enterprise	0.1462	0.0645	0.0687	0.1632	0.1240	0.7878
9	Politely approach the government officials for getting the enterprise related matters done	0.1324	0.0104	0.0217	0.2281	0.0558	0.7662
11	Develop wide contact with other traders and manufacturers	0.1084	-0.0031	0.1269	0.1509	0.1045	0.7267
Factor Name		Innovation	Risk Taking	Decision Making	Perseverance	Leadership Quality	Developing Networks

Source: Primary Data

Table 3: Status of Internal and External Factors in Causing Attrition

MSME Entrepreneurs' Entrepreneurial Behaviours	Mean	SD	95% CI	
			Lower Bound	Upper Bound
Innovation	3.27	1.04	3.17	3.36
Risk Taking	3.17	0.98	3.07	3.26
Decision Making	3.96	0.77	3.89	4.03
Perseverance	3.56	0.83	3.49	3.64
Leadership Quality	4.13	0.78	4.06	4.20
Developing Networks	3.95	0.90	3.87	4.03
Overall Behaviour	3.65	0.52	3.60	3.70

Source: Primary Data