CHAPTER - 7

MACRO BUSINESS ENVIRONMENTAL FACTORS - ANALYSIS OF SURVEY DATA

As the macro environmental factors are purely external, the support of different agencies like the Government, banks, etc. is required to create a conducive business environment in the State. Hence for assessing the present external business environment in Kerala, the responses of two main groups, such as the Manufacturing Entrepreneurs and the Facilitators are considered. The sample consists of 150 Manufacturing Entrepreneurs (100 Micro-Units and 50 Small-Scale Units) and 90 Facilitators (30 each from the three groups –bank managers, industries extension officers and representatives of local bodies). Both the groups are given the same interview schedule, with a view to identifying their opinion regarding the impact of ‘Macro Business Environmental factors’ upon the manufacturing enterprises in Kerala.

The Impact of Macro Business Environmental Factors

In the present study, Macro Business Environmental Factors are classified and analyzed under the following heads:

7.1. The Impact of Economic Factors,
7.2. The Impact of Technological Factors,
7.3. The Impact of Natural Environmental Factors,
7.4. The Impact of Governmental Factors,
7.5. The Impact of Political Factors,
7.6. The Impact of Demographic Factors,
7.7. The Impact of Socio-Cultural Factors and
7.8. The Impact of Global Factors.

7.1. The Impact of Economic Factors

It is difficult to give a precise account of the factors contributing to the economic environment of a country or a State. It comprises a wide spectrum of items like the infrastructure, price level changes, monetary policy of the RBI, strategies of the Central and State Government etc. The identified economic factors connected with entrepreneurial environment are the condition of roads, the facilities of railways, supply of electricity, charges for electricity and water, waste disposal facilities, telephone and internet facilities, rural electrification, traffic management in the State, the availability of land and its costs, national economic growth, present price level changes, monetary policy of the RBI, higher prices of agricultural produce and fund flows from the NRIs.

Considering the collective opinion of the entrepreneurs and facilitators, on the different economic environmental factors, the railway facilities (m=4.25), the availability of telephone internet facility (m=4.75), the national level economic growth (m=4.18), the higher price of agricultural produce (m=4.22) and the inflow of funds from the NRIs (m=4.19) are the ‘most favourable’ factors to the entrepreneurial community, because the mean values of these factors are greater than 4.

The costs of basic utilities like electricity and water (m=3.31) and rural
electrification (m-3.74) are treated as ‘favourable’ because their mean values lie between 3 and 4.

The respondents acknowledge that the supply of electricity (m-2.33), the facilities for waste disposal (m-2.48), general price level changes (m-2.42) and the monetary policy of the R.B.I (m-2.20) are ‘unfavourable’ to the entrepreneurs (Their mean values are between 2 and 3).

The condition of roads (m-1.51), traffic management in the State(m-1.65) and the availability of land for industrial purposes and its cost (m-1.22) are found to be the ‘most unfavourable’ factors in the economic environment of the State. (The Mean values are between 1 and 2).

The study attempts to examine the opinions of the entrepreneurs and the facilitators on each of these factors. There is a difference of opinion between the entrepreneurs and facilitators with regard to the impact of the monetary policy of the R.B.I and also about the impact for higher prices of agricultural produce on the demand of the industrial products. The entrepreneurs consider the monetary policy of the RBI as the ‘most unfavourable’ to them (m-1.82) while the facilitators think that it exerts only an ‘unfavourable impact’ (m-2.84). According to the entrepreneurs, the phenomenon of the roaring prices of agricultural produce seems to be the ‘most favourable’ to the industrial sector (m-4.45), while the facilitators believe it to be ‘favourable’ (m-3.84). About the other components, both the entrepreneurs and the facilitators have the same opinion.

From the above analysis, it can rightly be concluded that the ‘economic factors’ ‘favourable’ (m>3) in the industrial environment are:
• the facilities of railways (m-4.25),
• Cost of basic utilities like electricity and water (m-3.31),
• Telephone, Internet facilities (m-4.75),
• Rural electrification (m-3.74),
• National Economic growth (m-4.18),
• Higher prices of agricultural produce (m-4.22) and
• Inflow of funds from NRIs (m-4.19).

The study proposed to probe the reasons for the current state of positive impact. The area under the present study is well connected with railways and telecommunication facilities. In Kerala, the small-scale and micro-sector enterprises in the manufacturing sector obtain power at a comparatively low tariff of Rs. 3.25 per unit which is very much below the rates for shops and commercial establishments (more than Rs 6 per unit). The industries located in the rural areas are getting power connection without much difficulty. The national economic growth gives a boost to the purchasing power of the people in Kerala. This is highly beneficial to the industrial sector. The agricultural produces in the State, especially rubber, coconut and pepper, are receiving remunerative prices and Kerala is known for huge fund flows from the NRIs. These situations also increase the purchasing power of the people. These are the factors which have contributed to the favourable state of affairs.

The factors found unfavourable (m<3) to the entrepreneurs are:

• The condition of the roads (m-1.51),
• The supply of electricity (m-2.33),
• The waste disposal facilities (m-2.48),
• The traffic management in the State (m-1.65),
• The availability of land for industrial purpose and its cost (m-1.22),
• The higher changes in price levels (m-2.42) and
• The monetary policy of the R.B.I (m-2.20).

The reasons for the aforementioned factors remaining unfavourable have been discussed in detail. The condition of the roads, especially to the rural areas, where most of the micro enterprises are located, is quite pathetic especially during the rainy season. Frequent interruption of power is a common phenomenon in the State. Most of the small-scale units are forced to use generators to ensure uninterrupted power. But the micro sector cannot afford it. The want of adequate devices for the disposal of industrial waste is a factor that obstructs the growth of industries. As the State is thickly populated, the land to be set apart for industry is very scarce. Moreover, the cost of land is very high, compared to the land used for industrial purpose in the other States. The land value of the developed plots or in the industrial estates, owned by the Government agencies like the DIC, KINFRA, the SIDCO etc. is really affordable to the entrepreneurs, but the availability of such land is highly limited. The monetary policy of the RBI, which influences the rate of interest on industrial loan, like the frequent changes in C.R.R, Repo rate and S.L.R is yet another element adversely affecting the entrepreneurial community.

While considering all the identified economic factors together, their impact is found just favourable (m-3.05) to the micro and small enterprises in the State. The survey results are given in Table 7.1
<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Condition of roads provides good support</td>
<td>1.49</td>
<td>0.76</td>
<td>150</td>
<td>1.53</td>
<td>0.58</td>
<td>90</td>
</tr>
<tr>
<td>Railways provide good support for firms</td>
<td>4.27</td>
<td>0.68</td>
<td>150</td>
<td>4.21</td>
<td>0.63</td>
<td>90</td>
</tr>
<tr>
<td>There is uninterrupted supply of electricity</td>
<td>2.44</td>
<td>0.99</td>
<td>150</td>
<td>2.16</td>
<td>0.82</td>
<td>90</td>
</tr>
<tr>
<td>Cost of basic utilities like electricity and water is affordable</td>
<td>3.39</td>
<td>0.85</td>
<td>150</td>
<td>3.18</td>
<td>1.02</td>
<td>90</td>
</tr>
<tr>
<td>There are sufficient sites for waste disposal</td>
<td>2.61</td>
<td>1.32</td>
<td>150</td>
<td>2.26</td>
<td>0.77</td>
<td>90</td>
</tr>
<tr>
<td>Telephone and internet are affordable to small firms</td>
<td>4.80</td>
<td>0.52</td>
<td>150</td>
<td>4.68</td>
<td>0.67</td>
<td>90</td>
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<tr>
<td>Rural electrification is satisfactory</td>
<td>3.81</td>
<td>0.76</td>
<td>150</td>
<td>3.62</td>
<td>0.95</td>
<td>90</td>
</tr>
<tr>
<td>Traffic management in the State is satisfactory</td>
<td>1.60</td>
<td>0.75</td>
<td>150</td>
<td>1.73</td>
<td>0.72</td>
<td>90</td>
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<tr>
<td>Availability of land is sufficient and cost is affordable for industries</td>
<td>1.14</td>
<td>0.40</td>
<td>112</td>
<td>1.32</td>
<td>0.61</td>
<td>90</td>
</tr>
<tr>
<td>Economic growth of the nation encourages enterprises</td>
<td>4.26</td>
<td>0.63</td>
<td>150</td>
<td>4.04</td>
<td>0.76</td>
<td>90</td>
</tr>
<tr>
<td>Present price level changes are supportive to enterprises</td>
<td>2.23</td>
<td>0.99</td>
<td>150</td>
<td>2.73</td>
<td>1.22</td>
<td>90</td>
</tr>
<tr>
<td>Monetary policies of the R.B.I. are helpful</td>
<td>1.82</td>
<td>0.73</td>
<td>150</td>
<td>2.84</td>
<td>1.32</td>
<td>90</td>
</tr>
<tr>
<td>Higher prices of agricultural produces help boosting sale of industrial products</td>
<td>4.45</td>
<td>1.03</td>
<td>150</td>
<td>3.84</td>
<td>0.98</td>
<td>90</td>
</tr>
<tr>
<td>Inflow of funds from NRIs is boosting the business</td>
<td>4.22</td>
<td>0.96</td>
<td>150</td>
<td>4.14</td>
<td>1.10</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>3.07</td>
<td>0.28</td>
<td>150</td>
<td>3.02</td>
<td>0.24</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data
‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and the facilitators on the ‘impact of economic factors’ in the functioning of manufacturing enterprises in the State of Kerala”.

The hypothesis stands accepted in the case of the factors connected with the condition of roads (p-0.668), facilities of railways (p-0.530), the charges for electricity and water (p-0.080), the facilities of telephone and internet (p-0.114), rural electrification (p-0.089), traffic management in the State (p-0.177) and the inflow of funds from the NRIs (p-0.577), because the ‘p’ values of all the above factors are greater than 0.05.

But the above hypothesis is rejected in respect of factors like supply of water and electricity (P-0.022), facilities for waste disposal (P-0.020), availability of land for industrial purpose and its cost (P-0.013), national economic growth (p-0.019), present price level changes (p-0.001), monetary policy of the RBI (p-0.000) and the higher prices of agricultural produces (p-0.000) because the ‘p’ values of all the above factors are less than 0.05. Even though there is significant perceptual difference between the entrepreneurs and the facilitators in respect of the aforesaid factors, the disparity pertains merely to the degree of their being favourable or otherwise. They are of the same opinion whether the factors are found favourable or not.

Considering the identified economic factors collectively, the above hypothesis is accepted because the overall ‘p’ value (0.126) is greater than 0.05 (Table 7.1). Therefore, the study concludes that there is no significant perceptual
difference between the entrepreneurs and the facilitators in relation to the impact of economic factors on the enterprises.

7.2. The Impact of Technological Factors

High-speed technological changes have certainly contributed to the promotion of entrepreneurship in industrial and allied services. Generally, technological advancement always leads to the improvement in the process of production, transport and communication. The identified technology-related factors are the cost of technology, the State Government’s subsidy on technology, technology in product design, the use of foreign technology, the fast changes in technical know-how, and the effectiveness of the use of computer.

Considering the combined opinion of the entrepreneurs and facilitators regarding the different technological factors, fast change in technology (m=4.18) and the effectiveness of the use of computer (m=4.78) are ‘most favourable’ to the entrepreneurial community because their mean values are greater than 4. As for the use of foreign technology, the respondents revealed that its impact was favourable (m=3.98) to the entrepreneurs.

The respondents are of the opinion that the latest technology is not affordable (m=2.62), the Government’s subsidies (investment subsidies) are not sufficient and duly received (m=2.95), and the technology in product design is not sufficiently improved (m=2.75). Hence these elements are looked upon as ‘unfavourable’ to the micro and small enterprises in the State, because the mean values of these factors are between 2 and 3. No technological factor is recognized as ‘most unfavourable’ by the respondents.
The researcher proceeded to examine the impressions of the entrepreneurs as well as facilitators on the impact of the same factors. There is apparent difference of opinion between the two groups with regard to the impact of the State Government’s subsidies (investment subsidy) and the use of foreign technology. The entrepreneurs consider the impact of investment subsidies as unfavourable (m=-2.84). They argue that only meagre fund is granted as subsidies and even that is not disbursed on time. But the facilitators prefer to consider this issue of subsidies as a ‘favourable’ factor (m=3.16). A close examination is done to identify the reason for this opposite perception between the two groups. The identified reason is that the IEOs, among the ‘facilitators’ differ from the other respondents in the group. The majority of the IEOs believe that the issue of subsidies to the entrepreneurs is highly advantageous. The IEOs, being part of the subsidy disbursement office (DIC), claim that investment subsidies are sufficient to the investors and are disbursed on time.

As for the use of foreign technology, the entrepreneurs presume that its impact is ‘favourable’ (m=3.97), but the facilitators argue that its impact is ‘most favourable’ (m=4). With regard to the other technological factors, both the groups have the same impression about their impact upon the entrepreneurial community.

From the above analysis it can be summarized that the technological factors favourable (m>3) to the entrepreneurs are:

- The use of foreign technology (m=3.98),
- Fast change in technology (m=4.18), and
- The use of computer (m=4.78)
The study tries to assess the reasons for the current state of impact. The reasons for the above factors remaining favourable are quite clear. Imported machinery is being used to save power and labour and to increase productivity. The use of machinery reduces wastage and enhances the quality and attractiveness of the products. It is a widely acknowledged fact that survival and success, in a highly competitive sector, like that of the industries, depend upon the adoption of rapidly changing technology. It is seen that the majority of entrepreneurs are in the habit of using computers.

The factors unfavourable (m<3) to the entrepreneurs are:

- The cost of the latest technology (m-2.62),
- The effectiveness of State Government subsidy (Investment subsidy) (m-2.95), and
- The reliance on technology in product design (m-2.75).

Further discussion reveals the reasons for the unfavourable impact of the above factors. Even though fast change in technology is gratifying, the majority of the respondents views that its cost is not affordable to the entrepreneurs especially to the micro sector. The majority of respondents, except the IEOs are not happy with the present rate of investment subsidy. At present only a scanty 10 per cent of capital investment subject to a maximum of 5 lakh is granted as subsidy. The rate is raised to 15 per cent if the enterprise is in the thrust sector. Further investigation revealed that the formalities for getting investment subsidy, like submission of project report, audited balance sheet, copy of electricity bill, original bill of the machinery etc are very difficult for the entrepreneurs. Moreover, subsidies are not received on time. It
is advisable to increase the investment subsidy by the State government and also simplify the formalities connected with it.

Recalling the identified technological factors, it is presumed that their collective impact is favourable (m-3.56) to the entrepreneurial community in the State. The survey results are given in table 7.2.

‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and facilitators on the ‘impact of technological factors’ in the functioning of manufacturing enterprises in the State of Kerala.”

The hypothesis stands accepted in respect of the factors related to the cost of technology (p-0.062), the use of foreign technology (p-0.794), fast changes in technology (p-0.157) and the effectiveness of application of computers (p-0.275) because the p values of the aforementioned items are greater than 0.05.

But the hypothesis is rejected with regard to the factors connected with the State government’s capital investment subsidy (p-0.038) and the effectiveness of technology in product design (p-0.039). Even though there is significant perceptual difference between entrepreneurs and facilitators regarding the impact of these two factors, difference of opinion in respect of technology in product design exists only in its degree of unfavourableness. Both groups opine that this factor is unfavourable.
Table 7.2

Impact of Technological Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Latest technology is affordable</td>
<td>2.72</td>
<td>1.09</td>
<td>150</td>
<td>2.44</td>
<td>1.12</td>
<td>90</td>
</tr>
<tr>
<td>State Govt. gives attractive subsidies while acquiring new machines</td>
<td>2.84</td>
<td>1.04</td>
<td>148</td>
<td>3.16</td>
<td>1.27</td>
<td>79</td>
</tr>
<tr>
<td>Technology in product design encourages business</td>
<td>2.66</td>
<td>0.83</td>
<td>146</td>
<td>2.92</td>
<td>0.98</td>
<td>74</td>
</tr>
<tr>
<td>The use of foreign technology is boosting the business</td>
<td>3.97</td>
<td>1.07</td>
<td>145</td>
<td>4.00</td>
<td>0.76</td>
<td>85</td>
</tr>
<tr>
<td>Fast change in technology is favourable to the enterprises</td>
<td>4.25</td>
<td>1.05</td>
<td>150</td>
<td>4.07</td>
<td>0.87</td>
<td>90</td>
</tr>
<tr>
<td>The use of computer system encourages enterprises</td>
<td>4.75</td>
<td>0.52</td>
<td>150</td>
<td>4.82</td>
<td>0.38</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>3.54</td>
<td>0.39</td>
<td>150</td>
<td>3.59</td>
<td>0.39</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: survey data
By considering the identified technological factors collectively, the hypothesis is accepted because the overall ‘p’ value of 0.303 is greater than 0.05 (Table 7.2). Hence it is concluded that there is no significant perceptual difference between the entrepreneurs and the facilitators regarding the positive impact of technological factors on the enterprises.

7.3. The Impact of Natural Environmental Factors

Natural environment factors like the geographical and ecological situations are extremely relevant to any manufacturing enterprise. The identified natural environmental factors are the climatic conditions in the State, the location of the State, coastline facility and the depletion of natural resources.

While evaluating the overall responses of entrepreneurs and facilitators, climatic conditions within the State (m-4.14) and the long coastline of the State (m-4.11) are found to be the ‘most favourable’ natural environmental factors (m-4.5). But they think that the physical location of Kerala in the southernmost part of the country is unfavourable (m-2.30) to the entrepreneurs. The respondents are of the opinion that the depletion of natural resources is the ‘most unfavourable’ (m-1.40) environmental factor.

The point of view of the entrepreneurs and facilitators on each of these factors is analyzed separately. Difference of opinion is found between the two groups with regard to the impact of the long coastline of the State. While the entrepreneurs look upon this factor as exerting the ‘most favourable’ impact (m-4.29) on the entrepreneurial development, the facilitators think it to have a
‘favourable impact’ (m-3.81). Both the groups agree that this factor is favourable. But their difference of opinion pertains only to the degree of favourableness. Regarding the other three factors, both the groups have the same perception.

The above analysis, therefore, concludes that the ‘natural environmental’ factors ‘favourable’ (m>3) in the entrepreneurial environment of the study area are;

- The climatic condition in the State (m-4.14) and
- The long coastline of the State (m-4.11).

Further enquiry discloses the reasons for the current state of impact. The State of Kerala is blessed with a mild and moderate climate and she has a long coastline of 590km. Port Cochin, Vallarpadam Tranship Container Terminal and the emerging port at Vizhinjam are but a few locations gracing and enriching the entrepreneurial environment of Kerala. These are the factors contributing to the favourable industrial ambience.

The factors unfavourable (m<3) to the entrepreneurial community are;

- the geographical location of the State in the southernmost part of the country (m-2.30) and
- the depletion of natural resources (m-1.40)

The geographical location of Kerala at the farthest south of the country is unfavourable to the business community for the inflow of machinery and materials and the outflow of finished goods. Huge freight and transportation charges increase the cost of raw materials. This naturally will have its repercussions on the
profitability of small and micro enterprises. The depletion of natural resources, especially power resources, affects all industries unfavourably. Hence all the countries should take necessary steps for the conservation of non-replenishable resources. There must be a consensus among all enterprises that natural resources ought to be utilized to the optimum level, not the maximum level. Moreover, they are to be explored, not exploited.

While putting together the identified natural environmental factors, their overall impact is found unfavourable (m-2.99) to the micro and small enterprises in the State. The survey results are given in Table 7.3.

‘t’ Test analysis

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and the facilitators on the ‘impact of natural environmental factors’ in the functioning of manufacturing enterprises in the State of Kerala”. The hypothesis is accepted in the case of the factors like the climatic condition of the State (p-0.166), the location of Kerala in the southernmost part of India (p-0.514) and the depletion of natural resources (p-0.075), because the ‘p’ values of the three factors are greater than 0.05.

But the hypothesis stands rejected in respect of the factor the long coastline of the State, because the ‘p’ value of the factor (p-0.000) is less than 0.005. Even though there is significant perceptual difference between the entrepreneurs and the facilitators regarding this factor, the difference is only in the degree of favourableness. Both the groups acknowledge that this is a favourable factor.
### Table 7.3

**Impact of Natural Environmental Factors**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Climate conditions in the State are supportive to the enterprises</td>
<td>4.18</td>
<td>0.57</td>
<td>150</td>
<td>4.08</td>
<td>0.52</td>
<td>90</td>
</tr>
<tr>
<td>Geographical location of Kerala in the southernmost part of India</td>
<td>2.33</td>
<td>1.07</td>
<td>150</td>
<td>2.24</td>
<td>0.93</td>
<td>90</td>
</tr>
<tr>
<td>is not an obstacle to the inflow of raw material and outflow of goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long coastline of the State is useful to entrepreneurs</td>
<td>4.29</td>
<td>0.72</td>
<td>150</td>
<td>3.81</td>
<td>0.86</td>
<td>90</td>
</tr>
<tr>
<td>Natural resources depletion is not affecting enterprises</td>
<td>1.35</td>
<td>0.64</td>
<td>150</td>
<td>1.50</td>
<td>0.64</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>3.04</td>
<td>0.44</td>
<td>150</td>
<td>2.91</td>
<td>0.40</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data

Evaluating the four identified natural environmental factors collectively, it is observed that the overall ‘p’ value is less than 0.05 and hence the hypothesis is rejected (Table 7.3). Therefore, the study infers that there is significant perceptual difference between the entrepreneurs and the facilitators with regard to the impact of
natural environmental factors on the enterprises. This overall perceptual
difference between the two groups may be traced back to their divergent opinions on
the impact of the long coastline of the State.

7.4. The Impact of Governmental Factors

Government is a political body with certain social objectives. In the present
competitive world, government intervention in business activities is a crucial factor.
Under the democratic regime prevailing in our country, the Governments both at the
Centre and the State would definitely decide the industrial policy, fiscal policy, and
tariff policy which have a profound impact on the industrial ambience of the State
of Kerala.

The identified Governmental factors are the Central Government’s policies
and industrial support, the industrial policy of the State Government, support to the
industries from the local governments, attitude of various line departments (like
pollution control board, electricity board, fire and rescue departments, town planning
department, mining and geology, forest department etc), State government’s support
to innovative enterprises, the rates of taxes, single window system under the DICs,
the policy of the Central government to protect home industries against foreign
competition, the law and order situation in the State, the facilities in the industrial
parks/development plots and the FDI policy of Central Government.

According to the entrepreneurs and facilitators, none of the above
governmental factors seems the ‘most favourable’ to the industrial environment of
Kerala. But they think that the Central Government’s policy and support (m-3.46),
rate of different taxes (m-3.41), the law and order situation in the State (m-3.46) and
the FDI the policy of the Central Government (m-3.32) are ‘favourable’ to the manufacturing enterprises. The mean values lie between 3 and 4.

The respondents observed that the industrial policy and support of the State government (m-2.70), the local governments’ attitudes while issuing licences and permits (m-2.50), the attitude of line departments while issuing certificates (m-2.05), the State Government’s support for innovative enterprises (m-2.96), the effectiveness of single window system (m-2.96) and the attitude of the government to protect home industries against foreign competition (m-2.29) are deemed to have an ‘unfavourable’ impact in the small-scale entrepreneurial sector of Kerala. Their mean values lie between 2 and 3. Facilities in the industrial parks/development plots are treated as the ‘most unfavourable’ governmental factor (m-1.94) in the State. The mean value is between 1 and 2.

These factors were subjected to further analysis. It is observed that on the question of the effectiveness of the single window system, there is difference of opinion between the entrepreneurs and the facilitators. The entrepreneurs look askance at the effectiveness of the single window system, and according to them, it is obviously an unfavourable factor (m-2.87), but the facilitators, on the contrary, consider it a benign factor (m-3.13). The reason for this different approach is that the majority of ‘Industries Extension Officers’ who fall into the category of ‘facilitators’ are admirers of the single window system. Their superior officers being part of the system, they cannot blame this system. The respondents also have divergent opinions regarding the facilities in the industrial parks/development plots. Among the entrepreneurs selected from industrial parks or development plots who affirm
that the facilities in the industrial park are ‘most unfavourable’ (m-1.66). The facilitators, on the other hand, believe that the facilities are ‘unfavourable’ (m-2.07) but not execrable. The group-wise analysis bears out that both the entrepreneurs and facilitators have more or less the same opinion regarding the status of the governmental factors, except that of the single window system.

From the above analysis it can be deduced that the Governmental factors favourable’ (m>3) to the micro and small enterprises are:

- the Central Government’s policies (m-3.46),
- the rate of different taxes (m-3.41),
- the law and order situation in the State (m-3.46), and
- the FDI policy of the Central Government (m-3.32)

An attempt is made to assess the reasons for the current state of favourable impact. The Central Government has introduced several liberal policies, programmes and incentives for the development of MSME sector. The Credit Guarantee Trust Fund (CGTMSE), Prime Minister’s Employment Generation Programme (a subsidy based loan programme), introduction of incentives for bar coding and for obtaining ISO 9000/ISO 14001 certification and optional registration for MSMEs are but a few such persuasive schemes. Among the various taxes levied, VAT is the main tariff collected from the micro and small-scale sector. The VAT rates of 4 per cent and 12.5 per cent on some products are not burdensome to the entrepreneurs because they pay tax only for value addition. If the turnover per year is less than Rs 10 lakh, no VAT need be paid. Similarly, the Central Excise Duty need be paid if only the annual turn over of an enterprise is above Rs. 1.5
crore. It may be pointed out that the annual turnover of the majority of micro units in Kerala is below this limit. Kerala is famous for better law and order. When further enquiry is made about FDI policy, the majority of the respondents opined that the FDI policy invites better technology and paves the way for finer infrastructure development.

The factors considered unfavourable (m<3) to the entrepreneurial sector are;

- the Industrial policy of the State government (m-2.70),
- the attitude of local governments while issuing licences and permits (m-2.50),
- The attitude of line departments (m-2.05),
- The support of the State Government for innovative enterprises (M-2.96),
- Single window system under the DIC (m-2.96),
- The policy of the Central Government in protecting home industries against foreign competition (m-2.29), and
- The facilities in the industrial parks (m-1.94).

Further discussion reveals the reasons for the aforesaid factors remaining unfavourable. Regarding the State Government’s industrial policy, it must be mentioned that the budget allocations for village and small-scale industries under different five year plans are inadequate. To quote an instance, in the XI plan, only 1.55 per cent of the total outlay is allocated for the small scale industrial sector. It is observed that that government provides more support to the service sector than to the manufacturing zones. The majority of the respondents complain that most of the
Panchayaths, Municipalities and Corporations are sluggish and unpunctual in issuing building permits, machinery permits and licences to the entrepreneurs. Regarding the support of Line Departments, further enquiry reveals that these departments are making unnecessary delay in issuing various certificates. As for the single window clearance system, it is found that the officers in Line Departments are not acting on time as per the directions given by the Single Window Clearance Board. Yet another distressing fact is that the infrastructure facilities in the industrial parks/development plots owned by the DICs and the SIDCO are extremely poor and pathetic.

While assessing all the identified governmental factors, it is found that their consolidated impact is unfavourable (m-2.88) to the manufacturing enterprises. The survey results are given in Table 7.4.

‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between the Entrepreneurs and the Facilitators on the impact of ‘Governmental factors’ in the functioning of the manufacturing enterprises in the State of Kerala”.

The hypothesis stands accepted in the case of factors like the industrial policy of the State Government (p-0.840), the attitude of the local governments (p-0.054), the attitude of line departments (p-0.545), the State Government’s support for innovative enterprises (p-0.953), the rates of all taxes (p-0.116), the effectiveness of single window clearance system (p-0.115) and the attitude of the Central Government to protect home industries against foreign competition (p-0.179). The p values of all the above factors are greater than 0.05
## Table 7.4

### Impact of Governmental Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Central Gov't.'s policies favour new and existing firms</td>
<td>3.55</td>
<td>0.93</td>
<td>149</td>
<td>3.30</td>
<td>0.97</td>
<td>87</td>
</tr>
<tr>
<td>Industrial policies of the State Government are supportive</td>
<td>2.69</td>
<td>0.87</td>
<td>150</td>
<td>2.71</td>
<td>0.97</td>
<td>90</td>
</tr>
<tr>
<td>Local Govts. are prompt in issuing licences and permits to enterprises</td>
<td>2.38</td>
<td>0.87</td>
<td>112</td>
<td>2.66</td>
<td>1.18</td>
<td>90</td>
</tr>
<tr>
<td>Line departments are prompt while issuing certificates to the enterprises</td>
<td>2.02</td>
<td>0.82</td>
<td>112</td>
<td>2.09</td>
<td>0.84</td>
<td>90</td>
</tr>
<tr>
<td>State Government gives proper support to innovative enterprises</td>
<td>2.95</td>
<td>1.16</td>
<td>149</td>
<td>2.96</td>
<td>1.31</td>
<td>81</td>
</tr>
<tr>
<td>Rate of all types of taxes is not a burden for enterprises</td>
<td>3.51</td>
<td>1.51</td>
<td>150</td>
<td>3.21</td>
<td>0.95</td>
<td>77</td>
</tr>
<tr>
<td>Single window system under DICs is very much useful to the new enterprises</td>
<td>2.87</td>
<td>1.01</td>
<td>139</td>
<td>3.13</td>
<td>1.37</td>
<td>77</td>
</tr>
<tr>
<td>The policy of the government is favourable to protect home industries against foreign competition</td>
<td>2.24</td>
<td>0.75</td>
<td>150</td>
<td>2.38</td>
<td>0.74</td>
<td>85</td>
</tr>
<tr>
<td>Law and order situation of the State is efficient for supporting enterprises</td>
<td>3.63</td>
<td>1.08</td>
<td>150</td>
<td>3.18</td>
<td>1.07</td>
<td>90</td>
</tr>
<tr>
<td>Facilities in the industrial parks are very much useful to enterprises</td>
<td>1.66</td>
<td>0.71</td>
<td>38</td>
<td>2.07</td>
<td>0.87</td>
<td>83</td>
</tr>
<tr>
<td>FDI policy of the Central Government is not harmful to the local enterprises</td>
<td>3.46</td>
<td>1.12</td>
<td>150</td>
<td>3.07</td>
<td>1.09</td>
<td>82</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.94</strong></td>
<td><strong>0.35</strong></td>
<td><strong>150</strong></td>
<td><strong>2.78</strong></td>
<td><strong>0.37</strong></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>

Source: Survey data
But the hypothesis is rejected in the case of factors like the Central Government’s policy and support (p-0.049), the effectiveness of law and order situation in the State (p-0.002), the facilities in the industrial parks (p-0.011) and the impact of the FDI policy of the Central Government (p-0.012). The ‘p’ values are less than 0.05. Even though there is significant perceptual difference between the entrepreneurs and the facilitators regarding the impact of these factors, difference of opinion exists only in the degree of favourableness or unfavourableness. Both the groups have the same opinion regarding these factors whether they are favourable or unfavourable to the entrepreneurial community.

Evaluating the identified governmental factors collectively, the overall ‘p’ value, 0.001, is found less than 0.05 (Table 7.4) and hence the above hypothesis is rejected. Therefore the study concludes that there is significant perceptual difference between the entrepreneurs and facilitators in respect of the impact of governmental factors on the enterprises. Their significant difference in opinion is seen only in the degree of the unfavourableness of the governmental factors.

7.5. The Impact of Political Factors

Under the democratic regime of our country, the political ideology of the ruling party and the opposition will definitely influence the functioning of all enterprises. The identified political factors within the State are the attitude of political parties towards enterprises, politically motivated Harthal and Bandhs and political stability within the State.
According to the respondents, none of the identified political factors are favourable to the growth of micro and small enterprises in Kerala. They think that the attitude of political parties towards enterprises (m-2.84) and the political stability within the State (m-2.84) are not at all encouraging, ie, unfavourable to the entrepreneurial community. They reacted that the impact of Harthals and Banths in the State is the ‘most unfavourable’ (m-1.10) factor to the entrepreneurial community.

An attempt is made to examine these factors in the opinions of the entrepreneurs and the facilitators. On the question of the attitude of political parties towards the growth of enterprises, there is remarkable difference between the two groups. The majority of entrepreneurs think that the impact of this factor is unfavourable (m-2.65) to the entrepreneurial community. But the overall reactions of the facilitators show that the attitude of political parties is favourable (m-3.14) to the enterprises. A close examination is done to find out the reason for this opposite viewpoint. Then it is observed that almost all members from the local bodies, the majority of them are politicians, strongly argue that the impact of this factor is ‘most favourable’ to the entrepreneurial community. But both the groups agree on the ‘unfavourable impact’ of the other two political-related factors.

From the above analysis, it is clear that the identified political factors ‘unfavourable’ (m>3) to the manufacturing enterprises are:

- the attitude of political parties towards enterprises (m-2.84),
- politically motivated Harthals and Bandhs (m-1.10) and
- the political stability within the State (m-2.84).
The reasons for the above factors remaining unfavourable are revealed on further discussion. It is realized that several working days or producing days, are lost owing to Harthals and Bandhs. Abrupt and unforeseen Harthals, create many crucial problems for the entrepreneur, like unusual delay in the transport of raw materials and finished goods, payment of salary and wages without actual work, hitches in executing orders promptly and other logistic problems. It is severely affecting the food-based industries and those producing perishable goods.

Regarding the political stability, for the last so many years, the Kerala is ruled by left and right fronts alternately. The political ideology of the ruling front will be reflected in the industrial policy of the Government. So it is doubtful whether one government would follow the industrial policies of the preceding one.

While putting together the identified political factors, it is found that their impact is ‘unfavourable’ (m-2.26) to the entrepreneurial community. The survey results are shown in Table 7.5.

‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between entrepreneurs and facilitators on the impact of ‘Political factors’ in the functioning of manufacturing enterprises in the State of Kerala”.

The hypothesis stands accepted in relation to the factor, political stability within the State, because the ‘p’ value of this factor, 0.925 is greater than 0.05. But the hypothesis is rejected in respect of factors like the attitude of political parties
(p-0.001) and the impact of Harthals and Bandhs (p-0.002), because the ‘p’ values of these two factors are less than 0.05.

While evaluating the identified political factors collectively, the above hypothesis is rejected because the overall ‘p’ value (0.001) is less than 0.05 (Table 7.5). It shows that there is significant perceptual difference between the entrepreneurs and facilitators with regard to the impact of political factors on the enterprises. The difference is only in the degree of the unfavourableness of the political factors.

### Table 7.5

Impact of Political Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Attitude of political parties is conducive to the growth of enterprises</td>
<td>2.65</td>
<td>1.01</td>
<td>150</td>
<td>3.14</td>
<td>1.15</td>
<td>90</td>
</tr>
<tr>
<td>Harthals and Bandhs are not harmful to the industries</td>
<td>1.03</td>
<td>0.21</td>
<td>150</td>
<td>1.21</td>
<td>0.63</td>
<td>90</td>
</tr>
<tr>
<td>There is political stability in the State for encouraging enterprises</td>
<td>2.83</td>
<td>0.83</td>
<td>150</td>
<td>2.84</td>
<td>0.97</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.17</td>
<td>0.44</td>
<td>150</td>
<td>2.40</td>
<td>0.58</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data
7.6. The Impact of the Demographic Factors

There is a saying that ‘management is men, and market is people’. Market is people means that the demand for various products depends on people and their requirements. Demographic factors such as the growth rate of population, expectancy of life, the size of the family etc are relevant to all enterprises. The main identified demographic factors are the growth of population in the State, longer life expectancy of the people, the small size family in the State and the rate of literacy.

In the light of the responses of the entrepreneurs and facilitators collectively, the impact of the factors like population growth within the country (m-4.09), longer life expectancy of the people in the State (m-4.10) and high rate of literacy in the State (m-4.73) are appraised ‘most favourable’ to the micro and small enterprises in the State. The mean values lie between 4 and 5. The respondents are of the opinion that the ‘small size of the family exerts an unfavourable impact (m-2.32) on the entrepreneurial community (m is between 2 and 3).

An attempt is made to compare the impressions of the entrepreneurs and facilitators on the same factors. Difference of opinion is seen with regard to the impact of the factor, high age and life expectancy of the people upon the growth of entrepreneurship in a country. The entrepreneurs consider that the impact of this factor is ‘most favourable’ (m-4.24) whereas the facilitators view the same factor as ‘favourable’ (m-3.88). With regard to other three factors, both groups have the same opinion regarding their degree of favourableness or unfavourableness.

From the above analysis it follows that the ‘Demographic Factors’ favourable (m>3) to the micro and small entrepreneurs are:
• the rate of population growth within the country \( (m=4.09) \),
• the longer life expectancy in the State \( (m=4.10) \) and
• the high literacy of the people \( (m=4.73) \).

An enquiry into the reasons for the above factors remaining favourable is quite appropriate at this juncture. The size of the population is invariably an important determinant of the demand for industrial products. As per 2001 census, India is in second place with regard to population. Although the State of Kerala accounts for only 1 per cent of the total area of India, it accommodates about 3 per cent of the country’s population. The census also brings out that the average life expectancy of Keralites is 74 years. The high life expectancy and the dense population would definitely increase the demand for industrial products. In respect of literacy, Kerala ranks foremost among the Indian States. No doubt, high rate of literacy is a blessing to any industry.

The only factor unfavourable \( (m<3) \) to the entrepreneurs is:

• The small-size family in the State \( (m=2.32) \).

It is observed that the respondents have given their answers, taking into account the demand for products in terms of the number of people and not based on the disposable income of each family. Another note-worthy aspect is that the larger the number of members in a family, their mutual support will be a great strength to the business.

Appraising the identified Demographic Factors together, their concerted impact is ‘favourable’ \( (m=3.81) \) to the micro and small enterprises in the State. The survey results are given in Table 7.6.
Table 7.6
Impact of Demographic Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Population growth is supportive to the enterprises</td>
<td>4.13</td>
<td>0.72</td>
<td>150</td>
<td>4.01</td>
<td>0.71</td>
<td>90</td>
</tr>
<tr>
<td>Longer life expectancy of people in the State is</td>
<td>4.24</td>
<td>0.90</td>
<td>150</td>
<td>3.88</td>
<td>0.67</td>
<td>90</td>
</tr>
<tr>
<td>supportive to the enterprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-size family in the State is supportive to business</td>
<td>2.25</td>
<td>1.42</td>
<td>150</td>
<td>2.43</td>
<td>1.18</td>
<td>90</td>
</tr>
<tr>
<td>High literacy rate of the State is supportive to business</td>
<td>4.80</td>
<td>0.45</td>
<td>150</td>
<td>4.61</td>
<td>0.63</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>3.86</td>
<td>0.48</td>
<td>150</td>
<td>3.73</td>
<td>0.49</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data

‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and the facilitators on the ‘impact of the Demographic factors’ in the functioning of the manufacturing enterprises in the State of Kerala”.

The above hypothesis is accepted in respect of factors like the growth of population in the country (p-0.202) and the small size of the family (0.296) because
the ‘p’ values of the above-mentioned factors are greater than 0.05.

The hypothesis is rejected in relation to factors like the higher expectancy of life (p-0.001) and the higher literacy of the people (p-0.007). The ‘p’ values are less than 0.05. Even though there is significant difference between the entrepreneurs and the facilitators regarding the impact of these two factors, difference of opinion exists only in the degree of favourableness. Both the groups concur that these factors are favourable to the entrepreneurs.

By appraising the identified demographic factors collectively, the above hypothesis is accepted, because the overall ‘p’ value of 0.062 is greater than 0.05 (Table 7.6). Naturally, the study infers that there is no significant perceptional difference between the entrepreneurs and facilitators on the impact of the demographic factors.

7.7. The Impact of Socio-Cultural Factors

The socio-cultural fabric is an important environmental factor that must be looked into while formulating business strategies. The type of business to be started, the type of products to be manufactured, the marketing strategies to be used etc are influenced by the general structure and the culture of the society. The main socio-cultural factors identified are the religious composition of the population, the affection to white-collar jobs, impact of religious festivals like Onam, X’mas, and Ramzan, the effectiveness of entrepreneurs hailing from the entrepreneurial family, the approach of social reformers towards enterprises, the attitude of Keralites in taking risk, the effectiveness of business education in colleges/ Institutes/
Universities, the effectiveness of technical education in the State, the business education at school levels, the social status of the entrepreneurs and the influence of investment habit of Keralites in real estate upon the entry of entrepreneurs into business.

As per the collective responses of the selected entrepreneurs and facilitators none of the aforesaid socio-cultural factors show ‘most favourable’ impact to the entrepreneurial community in the State. But they view that the implications of different religions (m-3.95), different religious festivals (m-3.63), the entrepreneurs hailing from entrepreneurial families (m-3.84), business education in colleges/institutes/universities (m-3.90), and the status of entrepreneurs in the society (m-3.25) have made ‘favourable’ impact upon the manufacturing enterprises in the State. (The mean values are between 3 and 4).

The respondents reveal that the attitude and support of social reformers (m-2.73), the effectiveness of technical education system (m-2.94) were ‘unfavourable’ to the entrepreneurial community (mean values were between 2 and 3).

The respondents maintain that the attitude of Keralites towards white-collar jobs (m-1.91), the risk aversion of Keralites (m-1.50), the lack of business education at the school level (m-1.43) and the culture of Keralites to invest in gold and real estates (m-1.33) have placed ‘most unfavourable’ impact upon the growth of micro and small manufacturing enterprises in the State. (The mean values are between 1 and 2).

An attempt is made to verify the same factors in terms of the opinions of the entrepreneurs and facilitators. There is difference of opinion between them with
regard to the impact of Keralites’ affection for white-collar jobs upon entrepreneurship, and they also differ regarding the impact of religious festivals upon the sale of industrial products. With regard to the former, the entrepreneurs think that it has an ‘unfavourable impact’ (m-2), while the facilitators consider it to be ‘most unfavourable’ (m-1.76). Regarding the latter, the entrepreneurs treated it to have a ‘favourable’ factor (m-3.29), while the Facilitators believed it to be the ‘most favourable’ (m-4.16) factor. With regard to other factors in Table 7.7, both groups have the same perception on the extent to which they are favourable or otherwise.

From the above analysis, it can be rightly concluded that the socio-cultural factors favourable (m>3) to the industrial environment are:

- the absence of direct implication of religious composition upon entrepreneurship (m-3.95),
- the impact of religious festivals upon the sale of industrial products (m-3.63),
- the entrepreneurs hailing from entrepreneurial families (m-3.84),
- the effectiveness of business education at college/university/institute level (m-3.90) and
- the status of entrepreneurs in the society (m-3.25).

Further discussion revealed the reasons for the favourable impact of the above-mentioned factors. The State of Kerala is very well known for secularism and communal harmony. The people belong to different religion, but religious diversity, in no way, acutely affects business. During festival seasons like Christmas, Onam, Ramzan etc the sale of almost all industrial products reaches the
climax, especially because the companies offer attractive discounts. It is also seen that businessmen from traditionally entrepreneurial families excel others. For business education, there are so many good colleges, universities and management institutes in the State, which are functioning well. The entrepreneurs are well respected since they provide employment opportunities to many.

The identified socio-cultural factors reckoned unfavourable (m<3) to the development of micro and small manufacturing enterprises are:

- the affection of Keralites for white-collar jobs (m-1.91),
- the attitude of social reformers towards industrial growth (m-2.73),
- the risk aversion of Keralites (m-1.50),
- the technical education system within the State (m-2.94),
- business education at school level (m-1.43), and
- the influence of the investment habit of Keralites in gold/jewellery or real estates (m-1.33).

The reasons why the above-mentioned factors remain unfavourable are subjected to close analysis. Being 100 per cent literate, Keralites generally prefer white-collar jobs which involve no risks and consequent anxieties. Hence there is scarcity of daring entrepreneurs. Unless the craze for white-collar jobs is repressed, the growth of enterprises in the State is very precarious. On the question of the effectiveness of technical education, it may be pointed out that technical education is not wholly based on pragmatic grounds. It is the general impression of the respondents that the majority of young technically qualified hands, though, theoretically well-versed, has little pragmatic know-how. This is a serious problem,
but can easily be solved by modifying the curriculum, with the inclusion of six months’ compulsory training. Besides, it is essential that the school curriculum must be improved, incorporating business studies. The majority of the respondents feel that Keralites like to make huge profits over-night. Naturally, they are more interested in real estate business than in venturing upon entrepreneurial activities which may yield slow returns. Another suggestion is that the Entrepreneurial Development Clubs (ED CLUBS) in Higher Secondary Schools and Colleges in the State must be rejuvenated to mould bold and venturesome entrepreneurs.

While considering the identified socio-cultural factors together, their concerted impact is found “unfavourable” (m-2.76) to the manufacturing enterprises in the State. The survey results are given in Table 7.7.

‘t’ Test Analysis

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and facilitators on the impact of ‘Socio-cultural factors’ in the functioning of manufacturing enterprises in the State of Kerala”.

The hypothesis stands accepted on the factors of non-implication of different religious compositions upon the enterprises (p-0.455), affection of Keralites for white-collar jobs (p-0.054), the efficiency of entrepreneurs from entrepreneurs’ families (p-0.893), the effectiveness of technical education systems within the State (p-0.358), business education at school level (p-0.625) and the influence of investment habit of Keralites in gold or real estates (p-0.843) (The ‘p’ values of all the factors are greater than 0.05).
### Table 7.7
**Impact of Socio-Cultural Factors**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Religious composition within the State does not affect business unfavourably</td>
<td>3.99</td>
<td>1.06</td>
<td>150</td>
<td>3.88</td>
<td>1.15</td>
<td>90</td>
</tr>
<tr>
<td>Keralites’ affection for white-collar jobs is not hindering business</td>
<td>2.00</td>
<td>1.04</td>
<td>150</td>
<td>1.76</td>
<td>0.75</td>
<td>90</td>
</tr>
<tr>
<td>Religious practices and festivals influence the sale of industrial product favourably</td>
<td>3.29</td>
<td>1.78</td>
<td>139</td>
<td>4.16</td>
<td>0.87</td>
<td>90</td>
</tr>
<tr>
<td>Entrepreneurs hailing from entrepreneurial family are more efficient</td>
<td>3.83</td>
<td>1.28</td>
<td>150</td>
<td>3.86</td>
<td>1.19</td>
<td>90</td>
</tr>
<tr>
<td>Social reformers support the growth of the enterprises</td>
<td>2.62</td>
<td>0.77</td>
<td>150</td>
<td>2.92</td>
<td>0.82</td>
<td>87</td>
</tr>
<tr>
<td>Risk aversion of Keralites never hinders entry of new entrepreneurs to the sector</td>
<td>1.41</td>
<td>0.71</td>
<td>150</td>
<td>1.66</td>
<td>0.85</td>
<td>90</td>
</tr>
<tr>
<td>Colleges and Universities in the State are providing good business education</td>
<td>3.97</td>
<td>0.69</td>
<td>150</td>
<td>3.78</td>
<td>0.76</td>
<td>90</td>
</tr>
<tr>
<td>Technical education system within the State is highly effective</td>
<td>2.99</td>
<td>1.04</td>
<td>150</td>
<td>2.86</td>
<td>1.12</td>
<td>90</td>
</tr>
<tr>
<td>Preliminary idea about entrepreneurship is provided at school level</td>
<td>1.45</td>
<td>0.55</td>
<td>150</td>
<td>1.41</td>
<td>0.54</td>
<td>90</td>
</tr>
<tr>
<td>Entrepreneurs have high status in the society</td>
<td>3.11</td>
<td>1.21</td>
<td>150</td>
<td>3.48</td>
<td>1.13</td>
<td>90</td>
</tr>
<tr>
<td>Culture of the Keralites to invest in jewellery or real estate does not affect their entry into business</td>
<td>1.34</td>
<td>0.69</td>
<td>150</td>
<td>1.32</td>
<td>0.63</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.72</strong></td>
<td><strong>0.32</strong></td>
<td><strong>150</strong></td>
<td><strong>2.82</strong></td>
<td><strong>0.27</strong></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>

Source: Survey data
But the hypothesis is rejected in respect of factors like the effect of religious festivals upon sales (p-0.000), the support of social reformers to industrial growth (p-0.005), the attitude of Keralites towards taking risks (p-0.015), the effectiveness of business education in colleges/ institutes/universities (p-0.049) and the status of entrepreneurs in the society (p-0.022) (The ‘p’ values of all these five factors are less than 0.05). Even though there is significant perceptual difference between the entrepreneurs and facilitators regarding the impact of these factors, there is difference of opinion pertaining only to the level of favourableness or unfavourableness. Both groups have the same opinion regarding these factors whether they are favourable or unfavourable.

Considering the identified socio-cultural factors altogether, the above hypothesis stands rejected, because the overall ‘p’ value (0.012) is less than 0.05 (Table 7.7). Hence, the study concludes that there is significant difference in the perceptions of the entrepreneurs and facilitators on the impact of socio-cultural factors on the enterprises.

7.8. The Impact of Global Factors

It is a truism to say that the global environmental factors definitely influence the business activities of the micro and small enterprises in a country. The identified ‘global factors’ are the effect of globalization and liberalization, the impact of hike in crude oil price and the effect of international depression.

The majority of respondents feel that, of these three factors, globalization and liberalization do not affect the micro and small enterprises badly (m-3.55).
Further enquiry shows that globalization enables the Indian firms to acquire foreign technology which would help them to improve their competitiveness.

The majority of the respondents think that the effect of international depression is unfavourable (m-2.73) to the entrepreneurial community. They look upon the rocketing prices of crude oil as ‘the most unfavourable’ global factor (m-1.23) affecting the business people.

An attempt is made to examine the same factors in terms of the opinions of entrepreneurs as well as facilitators. The analysis eventually leads to the conclusion that there is no radical difference between the two groups on the level to which these factors are favourable or otherwise to the micro and small enterprises in the State.

The above analysis, therefore, rightly concludes that among the identified ‘global factors’ the only favourable element is-

- the impact of globalization and liberalization (m-3.55).

The factors detected as unfavourable (m<3) to the entrepreneurs are:

- the hike in crude oil price (m-1.23) and
- the impact of international depression (m-2.73)

An attempt is made to assess the reasons for the current state of unfavourable impact of the two above-mentioned factors. The escalating prices of crude oil inflate the expenses of transport, which, in turn, enhances the cost of production. Due to the global depression, the flow of funds from other countries has been reduced, which directly and indirectly affects the demand for the industrial products.
Taking into account all the identified global factors together, their impact is seen unfavourable (m-2.51) to the micro and small enterprises in the State.

The survey results are given in Table 7.8.

### Table 7.8

**Impact of Global Factors**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprenes are not negatively affected by globalization and liberalization</td>
<td>3.55</td>
<td>1.16</td>
<td>150</td>
<td>3.54</td>
<td>1.10</td>
<td>90</td>
</tr>
<tr>
<td>Hike in the crude oil price is not harmful to enterprises</td>
<td>1.19</td>
<td>0.50</td>
<td>150</td>
<td>1.31</td>
<td>0.51</td>
<td>90</td>
</tr>
<tr>
<td>Local enterprises are not negatively affected by international depression</td>
<td>2.90</td>
<td>1.15</td>
<td>150</td>
<td>2.46</td>
<td>0.96</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>2.55</td>
<td>0.56</td>
<td>150</td>
<td>2.44</td>
<td>0.51</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data

**‘t’ test analysis**

The hypothesis is that “there is no significant perceptual difference between the entrepreneurs and facilitators on the impact of ‘Global factors’, in the functioning of manufacturing enterprises in the State of Kerala.”
The hypothesis stands accepted in respect of factors like the impact of globalization and liberalization (p-0.953) and the hike in crude oil prices (p-0.064), because the p values of these two factors are found greater than 0.05. But the hypothesis is rejected in relation to the effect of international depression because the ‘p’ value of 0.002 is less than 0.05. Their significant difference in opinion is seen in respect of the degree of unfavourableness. Both groups have admitted that this factor is unfavourable.

By appraising the three identified global factors collectively, the above hypothesis is accepted because the overall ‘p’ value (0.130) is greater than 0.05 (Table 7.8). Hence, the study concludes that there is no significant perceptional difference between the entrepreneurs and facilitators with regard to the unfavourable impact of global factors on the enterprises.

### 7.9. Consolidated Impact of Different Macro Business Environmental Factors

The impact of the eight identified ‘Macro Environmental Factors’ such as the Economic, Technological, Natural, Environmental, Governmental, Political, Demographic, Socio-cultural and Global aspects, upon the functioning of micro and small-scale manufacturing enterprises, has been separately analyzed in the previous pages of this chapter. The study bears out the attitude of the entrepreneurs and facilitators towards the Macro Environmental Factors. According to them, the Macro Environmental Factors favourable (m>3) to the entrepreneurial community, based on the magnitude of their positive impact are:
• the demographic factors (m-3.81),
• the technological factors (m-3.56) and
• the economic factors (m-3.05).

About the overall favourableness of these three factors, there is no difference of opinion between the entrepreneurs and facilitators.

The aspects unfavourable (m<3) to the entrepreneurial community based on the magnitude of their negative impact are:

• the political factors (2.26),
• the global Factors.(m-2.51),
• the socio-cultural factors (m-2.76),
• the governmental factors (m-2.88) and
• the natural environmental factors (m-2.99).

Generally, there is no difference of opinion between the Entrepreneurs and Facilitators regarding the unfavourability of the above-mentioned factors. However, there is dispute between the two groups about the Environmental Factors. According to the Entrepreneurs, the collective impact of this factor is favourable (m-3.04), but the Facilitators consider it unfavourable (m-2.91). This difference of opinion may be traced back to their divergent views on the long coastline, with which the State is blessed. Most of the Facilitators argue that despite the long coastline, ports are very few. Cochin probably is the only port useful to the Entrepreneurs in the different parts of Kerala.

The consolidated results of the Tables 7.1 to 7.8 are given in Table 7.9.
Table 7.9
Consolidated Impact of different Macro Business Environmental Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>Entrepreneurs</th>
<th>Facilitators</th>
<th>Total</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
<td>Mean</td>
<td>SD</td>
<td>N</td>
</tr>
<tr>
<td>Economic</td>
<td>3.07</td>
<td>0.28</td>
<td>150</td>
<td>3.02</td>
<td>0.24</td>
<td>90</td>
</tr>
<tr>
<td>Technological</td>
<td>3.54</td>
<td>0.39</td>
<td>150</td>
<td>3.59</td>
<td>0.39</td>
<td>90</td>
</tr>
<tr>
<td>Natural Environmental</td>
<td>3.04</td>
<td>0.44</td>
<td>150</td>
<td>2.91</td>
<td>0.40</td>
<td>90</td>
</tr>
<tr>
<td>Governmental</td>
<td>2.94</td>
<td>0.35</td>
<td>150</td>
<td>2.78</td>
<td>0.37</td>
<td>90</td>
</tr>
<tr>
<td>Political</td>
<td>2.17</td>
<td>0.44</td>
<td>150</td>
<td>2.40</td>
<td>0.58</td>
<td>90</td>
</tr>
<tr>
<td>Demographical</td>
<td>3.86</td>
<td>0.48</td>
<td>150</td>
<td>3.73</td>
<td>0.49</td>
<td>90</td>
</tr>
<tr>
<td>Socio-cultural</td>
<td>2.72</td>
<td>0.32</td>
<td>150</td>
<td>2.82</td>
<td>0.27</td>
<td>90</td>
</tr>
<tr>
<td>Global</td>
<td>2.55</td>
<td>0.56</td>
<td>150</td>
<td>2.44</td>
<td>0.51</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>2.99</td>
<td>0.17</td>
<td>150</td>
<td>2.96</td>
<td>0.17</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Survey data

The Table 7.9 shows that the collective impact of the eight ‘Macro Environmental factors’ (m-2.98) is unfavourable to the interest of the micro and small manufacturing enterprises in the State of Kerala.

As per ‘t’ test analysis, the collective ‘p’ value (0.310) of these factors is greater than 0.05. Hence the study concludes that there is no significant perceptional difference between the entrepreneurs and facilitators as far as the general unfavourable impact of the Macro Environmental factors in the functioning of the manufacturing enterprises in Kerala.