

# Factors Relevant for the Development of Small Business Management in Andaman and Nicobar Islands



Treemurutulu. B

**Abstract:** *This paper examines the key factors influencing the development of micro and small businesses in the Andaman and Nicobar Islands. This study specifically focused on the relevant aspects from the islands' perspectives. This study utilised primary data sources collected in the South Andaman Islands (Andaman and Nicobar Islands), and the obtained data were analysed using SPSS. The study's findings demonstrated that tourism, as well as marine and wood-based businesses, have significant potential in the Andaman Islands. The study's findings highlighted the significance of subsidies and incentives for island promotion and sustainable development, which can be achieved through capital investment, as well as transportation subsidies, critical for both new and existing businesses on islands. Cargo transportation from the mainland to islands is the primary mode of sea transportation and the only mode between island regions. Under these circumstances, the Andaman and Nicobar Islands rely heavily on manufacturing and service businesses as a lifeline. Hence, micro- and small companies will play a vital role in employment generation, production, and investment, thereby driving the economy's growth. As a result, the administration of the islands should implement appropriate policy measures based on the relevant factors in the islands' region. The local administration needs to support and provide easy access to finance, transportation, and other facilities for small businesses in the Andaman and Nicobar Islands.*

**Keyword:** *MSMES, Small Business Development, Relevant factors, Subsidy and Incentives in Andaman and Nicobar Islands*  
**JEL Classification:** *L15, Q01*

## I. INTRODUCTION

Globally, micro, small, and medium-sized enterprises are becoming key players in the economies of nations and the broader business ecosystem. In the context of the United Nations (UN) agenda, MSMEs help in the achievement of Sustainable Development Goals (SDGs), relating mainly to industrialization, shared growth, and decent work (OECD, 2017, [1]). MSEs have become one of the most essential tools for dealing with economic and social issues and achieving development goals in both developed and developing nations (Bai et al., [2] 2021; Miah et al., 2015; OECD, 2017).

MSEs have been recognized as indispensable components of national development. They have also been recognized internationally as economic growth and development instruments (Oppong et al., 2014, [3]; Osotimehin et al., 2012). Each region has different potential, including marine, agricultural, forest-based, handicrafts, food processing, animal husbandry, and various other sectors.

India has the 2<sup>nd</sup> largest population in the world, over 130 crores. India faces significant socio-economic challenges, including unemployment, poverty, and low investment, which have a profound impact on the country's micro and macro economies. Micro and small businesses are a driving force for the future economy. They are globally recognised and focus on micro and small enterprises due to their low investment requirements and excellent employment opportunities, as well as the balanced growth of rural and urban areas. MSEs play a significant role in economic, social, and development activities, make substantial contributions to the gross domestic product and improve the general population's living standards. MSMEs have reflected economic growth in recent years, adopting many new structural changes in response to global demands. The government of India has consistently implemented numerous new initiatives and schemes to further support and advance manufacturing and service enterprises in India. In the 21st century, the Indian government has implemented countless relevant and transformative decisions related to "Make in India," "Startup India," "Skill India," and "Digital India," among others. In this direction, various schemes exist, including the Prime Minister Employment Generation Program, the linked capital subsidy scheme for technology, the Credit Guarantee Scheme, the Entrepreneurial and Skill Development Program, and the marketing support scheme for MSMEs.

The research contributes new evidence to the existing literature on MSMEs, highlighting the need to strengthen the needs of MSMEs in India. The results obtained from this study are beneficial for the development of MSMEs in the Andaman and Nicobar Islands. The study's objectives are as follows: to investigate the key factors relevant to micro- and small-scale enterprises in South Andaman, and to identify the factors that are beneficial for the development of small businesses in the Islands region. This research problem was investigated, followed by a review of the literature on factors that may impact MSEs. The following section is based on a review of the literature on relevant factors for micro and small-sized businesses, as detailed below.

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\*Correspondence Author(s)

**Dr. Treemurutulu. B\***, Assistant Professor, Department of Commerce, Andaman College, Andaman & Nicobar Islands, E-mail: [treemurutulub@gmail.com](mailto:treemurutulub@gmail.com), ORCID ID: <https://orcid.org/0000-0002-4101-0171>

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## II. REVIEW OF LITERATURE

This section is focused on the review of literature on relevant factors for the development of micro and small enterprises based on the previous studies in the study area, such as those listed below:

MSMEs have been identified as having important internal and external factors. The innovation capabilities and activities, one of which is government support in the Philippines, and the impact of government incentives on their innovation behaviour and outcomes. According to (Quimba, Francis Mark A.; Rosellon, Maureen Ane D., 2019, [4]), more MSMEs engage in knowledge management, organizational, and marketing innovation than product or process innovation. A side of those above was explored to understand the early internationalisation process of global firms and the internationalisation decisions of entrepreneurs. His study found that global companies can enter multiple markets quickly by collaborating with local network partners. Prior knowledge and networks were crucial in understanding the rapid international expansion. The study was recommended to focus not only on the entrepreneurs' competencies but also on their behaviour, including during the time before they started the firm (Svante Andersson, 2011[5]). To determine the effect of capital, quality of human resources, business management, level of competitiveness, and technology on the development of MSME businesses in the agricultural sector in Soppeng Regency. The results of this study indicated that capital, quality of human resources, business management, level of competitiveness, and technology have a positive and significant impact on the development of MSME businesses in the agricultural sector in Soppeng Regency, according to (Sitti Hajerah Hasyim, Muhammad Hasan, Nur Arisah, and Nuraisyiah, 2021,[6]). Micro and small businesses have emerged as crucial for addressing economic and social issues, as well as achieving development goals. MSEs have worked towards sustainable community livelihood in Emba Alaje, Wereda, Ethiopia. MSEs were significantly affected by different determinant factors such as infrastructures, raw materials, working premises, and human capital, as per (Getachew Ayalu, Aradom Gebrekidan Abbay, and Hossein Azadi, 2022, [7]). A primary study was conducted on 200 respondents, comprising 100 successful and 100 failed entrepreneurs, in Elpitiy, Sri Lanka. Significant factors are experience, socioeconomic background, skills and knowledge, values and expectations, industry characteristics, management and resources, labour and technology, and finances. The analysis revealed that the most significant factors affecting the success of businesses were education, management and resources, and financial and socioeconomic factors (Payagalage Ayanthi Madumali and K. Nirushan, 2017,[8]). In addition, the export propensity of South African small and medium-sized enterprises' Management experience was identified as the most significant factor influencing export-related activities,

which broadly correlates with management commitment and marketing capabilities. The correlation was also evident between management experience and government support as well as between management commitment and marketing capabilities, according to Louis Jacobus van Staden (2022, [9]). The causal link between tourism and economic growth. The study's results showed that tourism has a positive and statistically significant impact on the Caribbean economy's real gross domestic product. Tourism remains a vital source of foreign exchange and a key component of economic activity in most of the small island Caribbean economies, as mentioned (Colin Cannonier and Monica Galloway Burke, 2019, [10] Industrial Potential)].

## III. METHODOLOGY AND RESEARCH DESIGN

This section of the study provides detailed information on the methodology adopted in the research. The research design, types and sources of data, profile of the study area, and statistical tools adopted for analysis.

### A. Research Design

The research design proposed for this research work is based on a well-structured schedule for investigating the relevant factors affecting micro and small enterprises in the South Andaman district. Sample units were divided into micro and small units. The primary data was collected by the researcher using an interview schedule from micro and small businesses in the South Andaman district. The sample selection is based on a stratified proportionate random sample method, by which responses from 344 owners of small businesses were collected in the South Andaman District. The sample size was determined by the following formula  $n = \frac{N}{1 + N(e)^2}$ , where  $n$  is the sample size,  $N$  is the Population size (2,433, and  $e$  is = standard error (i.e., 0.05). Substituting these values in the formula, we get:  $N=344$ . Hence, the sample size of this study is 344 small businesses.

### B. Profile of the Study Area

The Andaman and Nicobar Islands (ANI) are a Union Territory of India located in the Bay of Bengal. It consists of three districts, namely, South Andaman District, North and Middle Andaman District, and Nicobar District. The capital of the state is Port Blair, located in the South Andaman district. The Andaman & Nicobar Islands consist of about 527 islands, both small and large, out of which only 38 Islands are inhabited.

### C. Analysis and Discussion:

In this section of the study, the empirical results of the research are presented to address the research objective. This section of the study presents information about the characteristics of the respondents, including their gender, age, and types of enterprises, specifically entrepreneurs involved in micro and small businesses in the Andaman and Nicobar Islands. The summary of the business profile of the respondents is presented below.

**Table 1. Classification based on Business profile**

Demographic factors	Particulars	Type of Enterprise		Total	$\chi^2$ Values
		Micro	Small		
Gender	Male	147 (62.03%)	90 (37.90%)	237 (68.90%)	12.60*** (0.000)
	Female	87 (81.31%)	20 (18.69 %)	107 (31.00%)	
	Total	234 (68.02 %)	110 (31.98 %)	344 (100%)	
Age (Years)	Less than 35 years	57 (74.03%)	20 (25.97%)	77 (22.38%)	9.819*** (0.007)
	36 to 50 years	92 (59.35%)	63 (40.65%)	155 (45.06%)	
	Above 50 years	85 (75.89%)	27 (24.10%)	112 (32.56%)	
	Total	234 (68.02 %)	110 (31.98 %)	344 (100%)	
Types of enterprises	Manufacturing	147 (66.22)	95 (33.78)	222 (64.53)	1.942 (0.331)
	Service	87 (71.31)	35 (28.69)	122 (35.47)	
	Total	234 (68.02 %)	110 (31.98 %)	344 (100%)	

#### D. Cclassification based on the Gender of the Entrepreneurs

From Table #1, it can be observed that 237 (68.90%) of the respondents are male, out of which 147 (62.03%) are from microenterprises and 90 (37.90%) are from small enterprises. 107 (31.00%) are female respondents, out of which 87(81.31%) are from micro enterprises, and 20(18.69%) respondents are from small enterprises. The result of the Chi-square test reveals a significant association ( $\chi^2 = 12.60$ ,  $df = 1$ ,  $N = 344$ ,  $p$  value = 0.000) between gender and the type of enterprises at the 5 % significance level, indicating a significant relationship between gender and business activity. It is also found that 237 (68.90%) of the male respondents are entrepreneurs.

#### E. Classification based on the Age group of Entrepreneurs

The age of the respondents is categorised into three groups, namely, those under 35 years, 36 to 50 years, and above 50 years. From Table #1, it is observed that 77 (22.38%) of the respondents are within the age group of less than 35 years, of which 57 (74.03%) are from micro respondents and 20 (25.97%) are from small enterprises. Furthermore, 155 (45.06%) respondents are in the 36 -50 year age group, out of which 92 (59.35%) are from microenterprises and 63 (40.65%) are from small enterprises. In the age group of above 50 years, there are 112 (32.56%) respondents, of which 85 (75.89 %) are from micro enterprises and 27 (24.10%) are from small enterprises. The Chi-square test result indicates a significant association ( $\chi^2 = 9.819$ ,  $df = 2$ ,  $N = 344$ ,  $p$ -value = 0.007) between the age group and type of enterprise at the 5% significance level. Therefore, it is also found that the majority of the respondents are in the age group between 36 and 50 years.

#### F. Classification Based on Types of Enterprises:

From Table 1 above, it is observed that 222 (64.53%) respondents are involved in the manufacturing sector, and 122 (35.47%) respondents are in the service sector. The Chi-square test result for the association between the sector and the type of enterprise revealed that there is no significant association ( $\chi^2 = 1.94$ ,  $df = 1$ ,  $N = 344$ ,  $p$ -value = 0.33) between the sector of the enterprise and the type of enterprise. The study's results reveal that the majority of entrepreneurs are involved in the manufacturing business. In contrast, the majority of microenterprises are engaged in providing services, as this requires comparatively less investment.

#### G. Identification of the Factors Relevant for the Development of MSEs

This section of the study identifies relevant factors to consider for the development of MSEs in the South Andaman region. The Government of India provides various facilities to encourage and promote Micro and Small Enterprises (MSEs). Several institutional channels have been established to provide various support services, including subsidies, to Micro and Small Enterprises (MSEs) in the South Andaman region. In this regard, the research work proceeds to examine the prospective businesses that small business people in the South Andaman region could undertake, based on the entrepreneurs' perceptions. Opinions of the respondents were ascertained on various subsidy schemes available for MSEs in South Andaman.

#### H. Relevance of Government Subsidies for the Development of MSEs in the South Andaman region

This section focuses on the availability of government subsidies for promoting Micro and Small Enterprises (MSEs) in the study area. One of the primary roles of any government scheme is to provide supportive measures so that new small business ventures survive not only in the short term but also in the long term. Usually, small businesses struggle for existence in the long run, primarily for want of some sort of financial aid. Hence, this section attempts to analyse the role of various government subsidy schemes. For this, the schemes are categorised as follows: capital investment subsidy, Raw Material subsidy, Transportation subsidy, Industrial Estate (Sheds/Plots) rental subsidy, subsidy for Pollution Control equipment, etc. The results of the study are given below.

**Table 2. Ranking of respondents' opinions on the Importance of Government Subsidies for the development of Small Businesses**

Subsidy/ Assistance	Std. Deviation	Mean	Rank
Capital Investment Subsidy	0.93	4.83	1
Raw Material Subsidy	1.02	3.95	4
Transportation Subsidy	0.98	4.53	2
Industrial Estate (plot/shed) Subsidy	1.13	3.98	3
Pollution Control Equipment Subsidy	1.21	2.63	5
Others Subsidies	1.26	2.40	6

(Source: Primary data, figures in ranked)

From Table # 2, it is observed that the highest mean value of 4.83





goes to 'capital investment subsidies', which is ranked first. The second highest respondent opinion is on 'transportation subsidy' with a mean value of 4.53. The third highest respondents' opinion is for 'industrial (sheds/ plot) subsidy' with a mean value of 3.98. Followed by 'raw material subsidy' with a mean value of 3.95, 'pollution control equipment subsidy' with a mean value of 2.63, and other subsidies, etc. The above findings reveal that the MSE respondents are considering subsidy schemes, such as finance, transportation, industrial sheds and raw materials, which are motivating them to continue their business activities. Having identified the major subsidy schemes that attract small business owners in the South Andaman region, the study now focuses on the problems and issues faced by small business owners regarding infrastructural and geographical constraints that affect Micro and Small Enterprises (MSEs) in the Islands.

## IV. RANKING OF POTENTIAL SMALL BUSINESSES

The section focuses on potential micro and small business opportunities that may yield reasonable returns in the Islands region. For this, to ascertain the respondent's opinion, categorisation is made on the following, viz., wood-based, food-based, textiles-based, agricultural-based, marine-based, tourism-based, handicrafts-based, and other services-based enterprises.

**Table 3. Ranking of Respondents' Perception of Potential Profitable Small Business Opportunities in the South Andaman Region**

Types of Enterprises	Std. Deviation	Mean	Rank
Wood Base	0.98	5.67	3
Food Base	1.03	5.34	4
Textile Base	1.14	4.96	7
Agriculture Based	1.1	5.02	6
Marine Based	0.95	5.8	2
Tourism Based	0.92	6.16	1
Handicrafts based	1.06	5.13	5
Other Services / Miscellaneous	1.26	2.31	8

(Source: Primary data,)

The table above (Table #3) presents the rankings of respondents' opinions on potential profitable small business opportunities in the South Andaman region. From the table, it is observed that most of the respondents favoured 'tourism-based business' with a mean score of 6.16 (first rank). The next rank goes to 'marine-based businesses with a mean score of 5.80, followed by 'wood-based businesses with a mean value of 5.67, 'food-based businesses with a mean value of 5.34, 'handicraft based businesses with a mean value of 5.13, 'agricultural-based businesses' with a mean value of 5.02, 'textile-based business' with a mean value of 4.96 and lastly other businesses. The study's findings indicate that tourism, marine, and wood-based businesses have significant potential in the Islands, driven by high demand from tourists for handicraft products. The above result shows that, if any entrepreneur wishes to start a new business in the Islands region, they may well consider a

business activity based on the above ranking. Furthermore, it is advisable to consider the availability of natural resources, human resources, power, and technology, as they also play a significant role in the success of MSEs.

## V. CONCLUSION

The study aims to identify the most significant factors influencing business development in the Islands. The Andaman and Nicobar Islands are gifted with abundant natural resources. Based on the above findings, the potential resources available are assessed through the types of businesses in the Islands region. The potentially profitable business opportunities for MSEs and thrust areas were also identified for investment opportunities in micro and small businesses. Hence, there is a good profitable business opportunity in tourism-related businesses, due to an increase in the inflow of domestic (Indian mainland) and international tourists. To match this, the A&N administration is investing significantly in developing infrastructure and related services to encourage businesses in tourism promotion and development. Activities such as organising conducted tours and travel, setting up restaurants, operating boats, renting scuba diving equipment, and managing beach resorts are encouraged by ANIDCO. The areas identified for marine/fisheries exports are frozen fish, dry fish, live groupers, canning of Tuna fish, processing of fish, etc. Apart from Tourism and marine-based business opportunities, the next most profitable small business in the A&N Islands is one based on forest resources. The Andaman and Nicobar Islands have a spectacular group of tropical Islands in the Bay of Bengal, with about 86 per cent of the land area covered by fascinating forest ecosystems. These forest-based resources provide an ample opportunity for manufacturing wooden furniture, cane, and bamboo handicrafts, hockey sticks, cricket bats, mat decorative items, etc., as per (Industrial Potential Survey of A& N Islands [11]). The study has identified tourism, marine, and forest resource-based businesses to be eco-friendly for the Islands region.

## DECLARATION

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Authors Contributions	I am the sole author of the article.

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## AUTHOR PROFILE



**Dr. Treeemurutulu. B.** working as Assistant Professor, Department of Corporate Secretaryship, Andaman College (ANCOL) at Port Blair, Andaman and Nicobar Islands. He was awarded a Ph.D. degree from Pondicherry University and a Junior Research Fellowship (JRF) from the University Grants Commission (UGC), New Delhi, from 2012 to 2015.

He conducted outstanding research in small business management, international trade, and the tourism industry. He has published research papers in several reputed national and international journals. He attended many international and national conferences, presented research papers, and participated in faculty development and capacity-building workshops. He has specialised skills in SPSS, EViews, MS Excel, and R software, among others.

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