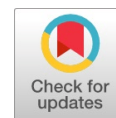


# Factors Relevant for the Development of Small Business Management in Andaman and Nicobar Islands



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**Abstract:** The paper explores the key factors relevant to the development of micro and small businesses in the Andaman and Nicobar Islands. This study specifically focused on the relevant factors from the islands' perspectives. This study used primary sources of data collected in the South Andaman Islands (Andaman and Nicobar Islands), and the obtained data were analyzed using SPSS. The findings of the study proved that tourism business and marine and wood-based businesses have huge potential in the Andaman Islands. The study's findings highlighted the significance of subsidies and incentives for island promotion and sustainable development, which could be accomplished through capital investment, as well as transportation subsidies, which are critical for 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 this situation, the Andaman and Nicobar Islands totally rely on manufacturing or service businesses as a lifeline. Hence, micro- and small businesses will play a vital role in employment generation, production, investments, and the growth of a small business. 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 enterprises are becoming key players in the economies of nations and the wider ecosystem of firms. 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 important 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]; Osoimehin et al., 2012). Each region has different potential, such as marine, agriculture, forest-based, handicrafts, food processing businesses, animal husbandry, and various others.

India has the 2<sup>nd</sup> largest population in the world over 130 crores. India faces major socio-economic problems such as unemployment, poverty, and low investment, which have a serious impact on the micro and macro economies of the country. Micro and Small business is a driving force for the future economy, it is globally recognized and focused on micro and small enterprises because of small investment and great employment opportunities, and balanced growth of the rural and urban areas. MSEs play a significant role in economic, social, and development activities, make great contributions to the gross domestic product and improve the general population's living standards. MSMEs have reflected economic development in recent years, adopting many new structural changes in response to global demands. The government of India has consistently implemented many new initiatives and schemes for further supporting and progressing manufacturing and service enterprises in India. In the 21st century, the government of India has implemented many relevant and revaluation-change decisions related to "Make in India," "Startup India," "Skill India," "Digital India," and so on. In this direction, many schemes exist, such as 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 theory of existing literature on MSMEs; the needs of MSMEs have to be strengthened in India. The results obtained from this study are especially useful for MSMEs' development in the Andaman and Nicobar Islands. The study's objectives are as follows: to investigate the main factors that are relevant for micro- and small-scale enterprises in South Andaman, as well as to identify the factors that are useful for the development of small businesses in the Islands region. This research problem was investigated, followed by a review of the literature on the factors that may have an impact on 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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## 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 the aforementioned was explored to understand the early internationalization process of global firms and entrepreneurs' internationalization decisions. His study found that global companies can enter many markets in a short time by cooperating with local network partners. Prior knowledge and networks were important to understand the rapid international expansion. The study was recommended to focus not only on the entrepreneurs' competencies but also on their behavior, 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, Nuraisyiah (2021,[6]). Micro and small businesses have emerged as the most important for addressing economic and social issues as well as archiving 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]). Small businesses and economic development in Elpitiya of Sri Lanka A primary study were conducted on 200 respondents, which comprised 100 successful and 100 failed entrepreneurs. Major 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 largely correlates with management commitment as well as 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 result of the study showed that tourism has a positive and statistically significant impact on real gross domestic product growth in the Caribbean economy. 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 gives detailed information relating to the methodology adopted in the research study. The research design, types and sources of data, profile of the study area and statistical tools that were adopted for analysis.

### A. Research Design

The research design proposed for this research work is based on well-structured schedule for investigating the relevant factors for the micro, 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 South Andaman district. The sample selection is based on stratified proportionate random sample method by which responses from 344 owners of small businesses were collected from South Andaman District. The sample size was determined by the following formula  $n = \frac{N}{1 + N(e)^2}$ , Where; n= sample size, N= Population 2,433, e = 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 business.

### B. Profile of the Study Area

Andaman and Nicobar Islands (ANI) is a Union Territory of India that lies in the Bay of Bengal. It consists of three districts, viz., South Andaman district, North & Middle Andaman district and Nicobar district. The capital of the state is Port Blair which is located at South Andaman district. Andaman & Nicobar Islands consists 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 the information about the owners characteristics of the respondents like gender, age and types of enterprises of the respondents i.e. entrepreneurs who are involved in micro and small businesses in Andaman and Nicobar Islands. The summarization of the business profile of the respondents are presented in below.

Table 1. Classification based on Busines profile

Demographic factors	Particulars	Type of Enterprise		Total	χ <sup>2</sup> 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. Classification based on Gender of the Entrepreneurs**

From the [Table # 1](#), it can be observed that 237 (68.90 %) are male respondents out of which 147 (62.03%) are from micro enterprises and 90(37.90%) respondents 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 Chi-square test reveals that there is a significant association ( $\chi^2 = 12.60$ ,  $df=1$ ,  $N=344$ ,  $p$  value = 0.000) between gender and the type of enterprises at 5 % of the significant level i.e., there significant relationship between gender and the business activity. It is also found that 237(68.90 %) majority of male respondents entrepreneurs.

**E. Classification based on Age group of Entrepreneurs**

The age of the respondents is categorized into three groups' viz. less than 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. Further, 155 (45.06%) respondents are in the age group between 36 to 50 years out of which 92(59.35%) are from micro enterprises 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 ensures that there is a significant association ( $\chi^2 = 9.819$ ,  $df= 2$ ,  $N = 344$ ,  $p$  value = 0.007) between the age group and type of enterprise, at 5% of the significant level. Therefore, it is also found that majority of the respondents are in the age group between 36 to 50 years.

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

From the above [Table # 1](#), 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 of 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 sector of enterprise and type of enterprise. The result of study reveals that majority of the entrepreneurs' are involved in manufacturing business and majority of the micro enterprises are engaged in providing services as it requires comparatively lesser investment.

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

This section of the study provides relevant factors to be considered for the development of MSEs in South Andaman region. The Government of India provides many facilities to encourage and promote of MSEs. Several institutional channels were established through which various support services such as subsidies are provided to MSEs in South Andaman region. In this regard, the research work proceeds to check the prospective businesses that could be carried out by small businessmen in South Andaman region, based on the perception of the entrepreneurs. 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 South Andaman region**

This section is focused on the availability of government subsidies for promoting MSEs in the study area. One of the main roles of any government scheme is to provide supportive measures so that new small business ventures survive not only in short term but also in long term. Usually, small businesses struggle for existence in the long run, mostly for want of some sort of financial aid. Hence, an attempt is made in this section to analyze the role of various government subsidy schemes. For this, the schemes are categorized viz. Capital investment subsidy, Raw Material subsidy, Transportation subsidy, Industrial Estates (Sheds / Plots) rental subsidy, subsidy for Pollution Control equipment, etc. The results of the study are given below.

Table 2. Ranking of respondents' Opinion on the Importance of Government Subsidies for the development 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 Equipments Subsidy	1.21	2.63	5
Others Subsidies	1.26	2.40	6

(Source : Primay data, figures in ranked)

From the above [Table # 2](#), it is observed that the highest mean value of 4.83 goes to 'capital investment subsidies', which is ranked first.

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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 the subsidy schemes such as finance, transportation, and industrial shed and raw materials are motivating them to continue their business activity. Having identified the major subsidy schemes that attract small business owners in South Andaman region, now the study is focused on the problems/issues faced by small business owners w.r.t infrastructural and geographical constraints that affect MSEs in the Islands.

### IV. RANKING OF POTENTIAL SMALL BUSINESSES

The section is focused on potential micro and small business opportunities that may pay reasonable returns in the Islands region. For this, to ascertain respondent’s opinion, categorization 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 in Potential Profitable Small Business Opportunity in 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 : Primay data,)

The above [Table # 3](#) gives the raked of respondents’ opinions on the potential profitable small business opportunities in 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 finding of the study shows that tourism businesses, marine, and wood-based businesses have huge potential in the Islands due to good demand from tourists for handicraft products. The above result shows that, if any entrepreneur wishes to start a new business in the Islands region, he may well consider a business activity based on the above raking. Further, it is advised to understand the availability of natural resources,

human resources, power, and technology because they also play a great role in the success of MSEs.

### V. CONCLUSION

The study attempts to find out the most significant factors for business developments in the Islands. Andaman and Nicobar Islands is gifted with abundant natural resources. Based on the above findings, the potential resources available are assessed through types of business in 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 a lot to develop infrastructure and related services to encourage businesses for tourism promotion and development. Activities such as organizing conducted tours & travels, setting up of restaurants s, plying of boats, scuba diving equipment rental business, beach resorts, etc., 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 best profitable small business in A&N Islands is business activities based on forest resources. Because Andaman and Nicobar Islands have a spectacular group of tropical Islands in the Bay of Bengal, with about 86 percent of the land area covered by a fascinating forest ecosystems. These forest-based resources provide an ample opportunity for manufacturing wooden furniture, cane, and bamboo handicrafts, hockey stick, 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 only the sole author of the article.

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