

## A STUDY OF LEADERSHIP DEVELOPMENT IN MSMES WITH SPECIAL REFERENCE TO KERALA

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### Abstract

Leadership is widely acknowledged as an important function for organizational success. MSMEs (Micro, Small, and Medium Enterprises) are the heart of the Indian Industry. They contribute in generating employment and encourage low-skilled workers to start at the entrepreneur level in rural areas. Taking into account the relevance of this research topic, this paper aims to identify and understand leadership development in MSMEs. The study's objective is to examine which; among the leadership factors (Human Relations, Emancipatory and Autocratic) are more satisfactory for the employees of the organisations. The Primary data were collected through a questionnaire survey done on a sample of 50 employees of micro small and medium enterprises of Kerala state and analysed with the help of correlation and regression analysis. The study's findings reveal that employees' satisfaction level is positively correlated to the three factors of leadership development such as Human Relations, Emancipatory, and Autocratic. However, the Emancipatory leadership style was found to be more reliable in organizational performance than Autocratic and Human Relations.

**Key words:-** Leadership, MSMEs, CEOs Effectiveness, Leadership Development etc.

*M* SMEs (Micro, Small, and Medium Enterprises) are critical to the economic growth and development of many countries, and effective leadership is essential for their success. Effective leadership is vital in guiding the

organization toward its goals, managing resources, building relationships with stakeholders, and fostering a positive work environment. In the context of MSMEs, leadership plays a crucial role in driving innovation, managing resources effectively, and building a strong brand image.

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It involves setting a clear vision, creating a culture of teamwork and collaboration, empowering employees and providing them with necessary tools and resources to succeed. Leadership in MSMEs also involves developing and nurturing relationships with customers, suppliers, and other stakeholders. This requires a deep understanding of their needs and expectations, as well as the ability to communicate effectively and build trust. Effective leadership in MSMEs also involves a focus on continuous learning and improvement. Leaders need to stay up-to-date with industry trends, technological advances, and best practices to ensure the organization remains competitive. In summary, effective leadership is critical for the success of MSMEs. It involves setting a clear vision, building a positive work environment, managing resources effectively, fostering relationships with stakeholders, and staying up-to-date with industry trends and best practices.

Finding and fostering leaders for major MSMEs presents two significant problems. They must design a thorough leadership programme in order to nurture and develop the leaders of tomorrow. They must find suitable persons to fill existing and future leadership responsibilities. I'm shocked to see that more than a decade had gone before HRP published an article with the phrase "leadership" in its title when we looked back on the state of leadership and leadership development over the previous 20 years. I observe with interest the contrast between that early period and the fact that leadership development is now one of HRP's five important knowledge

areas, at the risk of making too much of simple labels. The last two decades have witnessed something of an explosion of interest in leadership development in MSMEs. Micro, small and Medium Enterprises needed a system-enabled way to unify methods of assessing and selecting leaders, executing programs to develop skills, and measuring the success of these programs.

More attention is now being paid to the context in which leadership is formed, careful consideration of how to employ leadership capabilities, and work/life balance difficulties as a result of a rising realisation that leadership development requires more than just training individual leaders. Globalisation, technology, return on investment (ROI), and innovative methods of considering the nature of leadership and leadership development are among the intriguing possible trends of the future.

### **Micro, Small & Medium Scale Industry**

Micro, Small and Medium Enterprises (MSMEs) are the backbone of most economies worldwide. They contribute significantly to employment generation, poverty alleviation, and overall economic growth. In this response, I will provide an introduction to MSMEs and present some statistical data that highlight their importance. MSMEs are defined differently in different countries, but generally, they are characterized by their size and level of investment. In India, for example, an enterprise is classified as an MSME if it has invested less than INR 50 million in plant and machinery for manufacturing units, and less than INR

10 million for service enterprises. Similarly, in the European Union, an enterprise is classified as an SME if it employs fewer than 250 persons and has an annual turnover not exceeding €50 million or a balance sheet total not exceeding €43 million. According to the International Finance Corporation, MSMEs account for about 90% of all businesses worldwide, and they contribute to over 50% of employment globally. In India, the MSME sector employs over 111 million people, and it contributes about 30% of the country's GDP. In the European Union, SMEs employ around 100 million people, which is around two-thirds of total employment.

The contribution of MSMEs to the economy is not limited to employment generation and GDP growth. MSMEs also play a vital role in promoting innovation, entrepreneurship, and exports. In India, the MSME sector accounts for about 45% of total exports, while in the European Union, SMEs account for about one-third of total exports. In conclusion, MSMEs are critical to the economic growth and development of most countries worldwide. They provide employment opportunities, contribute to GDP growth, and promote innovation and entrepreneurship. The statistical data presented above highlights their importance and underscores the need to support and nurture the growth of this sector.

### **Leadership Development in MSMEs**

Effective leadership is crucial for the success of any organization, and this is particularly true for Micro, Small, and Medium Enterprises (MSMEs). As the

backbone of most economies worldwide, MSMEs face numerous challenges, such as limited resources, stiff competition, and a rapidly changing business environment. Therefore, the development of strong and effective leaders in MSMEs is critical to ensure that these enterprises thrive and grow. Leadership development in MSMEs involves creating an environment where leaders can learn, grow and thrive. It involves identifying individuals with leadership potential, providing them with opportunities to develop their skills, and empowering them to take charge of their roles and responsibilities. This process involves a combination of formal training, coaching, mentoring, and experiential learning. Leadership development in MSMEs also involves creating a culture of continuous learning and improvement. Leaders must be willing to adapt to changing circumstances and embrace new ideas and technologies to remain competitive. This requires a willingness to learn, experiment, and take calculated risks. The benefits of leadership development in MSMEs are numerous. Effective leadership can drive innovation, improve productivity, and enhance employee engagement and retention. It can also foster stronger relationships with customers, suppliers, and other stakeholders, leading to increased sales, revenue, and profitability. In conclusion, leadership development is critical for the success of MSMEs. It involves creating an environment where leaders can learn, grow and thrive, and a culture of continuous learning and improvement. Effective leadership can drive innovation, improve productivity, and enhance employee engagement and retention,

leading to increased sales, revenue, and profitability.

## **Leadership Style**

### **1. *Emancipatory leadership***

Emancipatory leadership is a leadership style that emphasizes the empowerment and liberation of individuals and groups. It focuses on creating an environment where people can develop their skills and abilities, participate in decision-making processes, and take ownership of their work. Emancipatory leaders strive to eliminate power imbalances and promote social justice by advocating for the rights and interests of marginalized groups. This type of leadership is often associated with transformative change, as it seeks to challenge and disrupt traditional power structures and promote a more inclusive and equitable society.

### **2. *Human Relations Leadership***

Human Relations leadership is a management approach that emphasizes the importance of positive interpersonal relationships between leaders and their employees. This leadership style recognizes that a leader's ability to communicate effectively, build trust, and foster a sense of community and teamwork within the organization is essential for success. Human Relations leaders seek to create a supportive work environment where employees feel valued, respected, and motivated to contribute their best work. They prioritize the emotional and social needs of employees, and encourage open communication and collaboration among team members. This leadership style is

often associated with improved employee morale, job satisfaction, and productivity.

### **3. *Autocratic Leadership***

Autocratic leadership is a management style where the leader holds complete authority and control over decision-making and the organization's direction. The leader makes decisions with minimal input from others and enforces strict compliance to their directives. Autocratic leaders tend to be highly directive, task-oriented, and may prioritize results over people. They often maintain a distance from their employees and may not encourage open communication or collaboration. This leadership style can be effective in certain situations where quick and decisive action is required, such as in a crisis or emergency. However, it can also lead to low morale, dissatisfaction, and high turnover rates among employees who feel disengaged and powerless.

## **Review of Literature**

1. In a study on the role of leadership development in MSMEs in South Africa, Mahlangu and Olarewaju (2020) found that leadership development programs had a positive effect on employee performance, job satisfaction, and organizational commitment. They recommended that MSMEs should invest in leadership development to enhance their competitiveness and long-term sustainability.
2. In a study on the impact of leadership development on MSMEs in Nigeria, Ilesanmi and Adebayo (2019) found that leadership development

programs had a positive effect on employee commitment, job satisfaction, and organizational performance. They recommended that MSMEs should invest in leadership development to improve their competitiveness and long-term sustainability.

3. In their study on the impact of leadership development on MSMEs in Ghana, Adomako et al. (2017) found that leadership development programs had a positive effect on employee performance, job satisfaction, and organizational commitment. They recommended that MSMEs should invest in leadership development to enhance their competitiveness.

Overall, the literature suggests that leadership development is critical for the success of MSMEs. Investing in leadership development programs can enhance employee performance, job satisfaction, and organizational commitment, leading to improved competitiveness and long-term sustainability. MSMEs should adopt a structured approach to leadership development to improve the effectiveness of their leaders.

### Statement of the Problem

Micro, Small, and Medium Enterprises (MSMEs) are an essential component of the Indian economy, contributing significantly to employment generation and economic growth. However, MSMEs in Kerala face several challenges, including lack of access to finance, technology, and skilled

manpower. One of the critical challenges faced by MSMEs in Kerala is the lack of effective leadership development practices. Many MSMEs in Kerala lack the resources, knowledge, and capacity to develop strong leaders, leading to a leadership gap that can hinder their ability to innovate, improve productivity, and compete effectively. This gap in leadership development practices can ultimately result in poor business performance, reduced employee engagement, and limited long-term sustainability for MSMEs in Kerala. Therefore, the problem statement is to investigate the factors contributing to the lack of effective leadership development practices in MSMEs in Kerala and to explore strategies that can be implemented to develop strong leaders and improve the competitiveness and long-term sustainability of these enterprises in the state.

### Objectives of Study

- To study which amongst the leadership factors, (Human Relations, Emancipatory and Autocratic), are more satisfactory for the employees of the organization.
- To evaluate the overall effectiveness of the leadership styles, adopted by the CEO, in satisfying the employees of the organization.

### Methodology and Research Design

The primary goal of this research is to describe the relationship between the three elements taken by the leader and the current level of employee happiness, which is why it has been classified as descriptive. Because it fits the research

purpose to examine the growth of leadership in MSMEs, the research is being conducted on the staff of micro, small, and medium-sized businesses in Kerala state. Employee satisfaction with a leader is measured using an instrument of assessment, and a leadership development questionnaire is used to determine the right leadership style that employees of different organisations want to see in their leader. The universe type is finite, and the convenience sampling method is employed.

Secondary data were collected from the Internet, books, newspapers, journals, business magazines, and other sources were used to gather secondary data. A five-point scale questionnaire with 28 statements was utilised to obtain the primary data. The respondents had to select one response on a five-point Likert scale ranging from “Strongly Agree” to “Strongly Disagree.” The surveys were completed by 50 respondents. Data was gathered, tabulated in an Excel sheet, and then subjected to correlation and regression analysis.

### Hypotheses of the Study

Null hypotheses were framed and tested for significance to prove the objectives in a systematic manner.

1. Ho1 (Null): There is no significant relation between the Human Relations approach adopted by the leader and the satisfaction level of employees.
2. Ho2 (Null): There is no significant relation between the Emancipatory approach adopted by the leader and the satisfaction level of employees.

3. Ho3 (Null): There is no significant relation between the Autocratic approach adopted by the leader and the satisfaction level of employees.
4. Ho4 (Null): The leadership styles, adopted by the CEO are effective in satisfying the employees of the organization.

### Findings and Analysis

A survey was conducted with a sample of 50 employees working in MSMEs of Kerala. The responses were tabulated in an Excel sheet and used to test the four Hypotheses of the Research.

**Ho1 (Null):** There is no significant relation between the Human Relations approach adopted by the leader and the satisfaction level of employees

In the Tabulation of data,

- X represents: Human Relations Approach of 50 respondents
- Y represents: Satisfaction level of employees of 50 respondents

**Interpretation:** Using the regression and correlation method, the hypothesis was evaluated using the responses of 50 employees. It was determined that the correlation coefficient,  $r$ , was 0.50185426. This demonstrates that there is a strong positive relationship between the human relations strategy and employee satisfaction levels. Additionally, the value of  $p$ , which is less than the assumed level of significance of 0.05, came out to be 0.000204752. The null hypothesis is therefore disproved.

**Ho2 (Null):** There is no significant relation between

Table No. 1  
Summary Output

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.50185426  |
| R Square              | 0.251857698 |
| Adjusted R Square     | 0.2362714   |
| Standard Error        | 0.797641951 |
| Observations          | 50          |

Sources: Primary Data

Table No. 2  
ANNOVA

|            | D.f. | SS          | MS       | F           | Significance F |
|------------|------|-------------|----------|-------------|----------------|
| Regression | 1    | 10.28083124 | 10.28083 | 16.15891721 | 0.000204752    |
| Residual   | 48   | 30.53916876 | 0.636233 |             |                |
| Total      | 49   | 40.82       |          |             |                |

Sources: Primary Data

Table No. 3

|           | Coefficients | Standard Error | t Stat   | P-value     | Lower 95%   | Upper 95%   | Lower 95.0% | Upper 95.0% |
|-----------|--------------|----------------|----------|-------------|-------------|-------------|-------------|-------------|
| Intercept | -0.151510895 | 1.024067239    | -0.14795 | 0.883001879 | -2.21053608 | 1.907514291 | -2.21053608 | 1.907514291 |
| X         | 1.039956936  | 0.258707624    | 4.019816 | 0.000204752 | 0.519790395 | 1.560123478 | 0.519790395 | 1.560123478 |

Sources: Primary Data

**Emancipatory approach adopted by the leader and the satisfaction level of employees.**

In the given table,

- X represents: Emancipatory Approach of 50 respondents
- Y represents: Satisfaction level of employees of 50 respondents

**Interpretation:** This hypothesis was also tested based on the responses of 50 employees using the regression and correlation method. The correlation coefficient, r came out to be 0.476501063. This proves that there is a significant positive correlation between the Emancipatory approach and the satisfaction level of employees. However,

Table No. 4  
Summary Output

|                       |             |
|-----------------------|-------------|
| Regression Statistics |             |
| Multiple R            | 0.476501063 |
| R Square              | 0.227053263 |
| Adjusted R Square     | 0.210607588 |
| Standard Error        | 0.690354225 |
| Observations          | 49          |

*Sources: Primary Data*

Table No. 5  
ANNOVA

|            | D.f. | SS          | MS          | F           | Significance F |
|------------|------|-------------|-------------|-------------|----------------|
| Regression | 1    | 6.579910885 | 6.579910885 | 13.80625966 | 0.000537947    |
| Residual   | 47   | 22.3996809  | 0.476588956 |             |                |
| Total      | 48   | 28.97959184 |             |             |                |

*Sources: Primary Data*

Table No. 6

|           | Coefficients | Standard Error | t Stat      | P-value     | Lower 95%   | Upper 95%   | Lower 95.0% | Upper 95.0% |
|-----------|--------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Intercept | 1.698013601  | 0.632758748    | 2.683508694 | 0.01002711  | 0.425067214 | 2.970959988 | 0.425067214 | 2.970959988 |
| X         | 0.608704646  | 0.163820632    | 3.715677551 | 0.000537947 | 0.279140048 | 0.938269243 | 0.279140048 | 0.938269243 |

*Sources: Primary Data*

the value of p came out to be 0.000537947 which is less than Q i.e. 0.05, the assumed level of significance. Hence, the Null hypothesis is rejected.

**Ho3 (Null): There is no significant relation between Autocratic approach adopted by the leader and the satisfaction level of employees.**

- X represents: Autocratic Approach of 50 respondents
- Y represents: Satisfaction level of employees of 50 respondents

**Interpretation:** This hypothesis was tested based on the responses of 50 employees using the regression and correlation method. The correlation



Table No.7  
Summary Output

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.480057906 |
| R Square              | 0.230455593 |
| Adjusted R Square     | 0.214082308 |
| Standard Error        | 0.805968381 |
| Observations          | 48          |

Sources: Primary Data

Table No. 8  
ANNOVA

|            | D.f. | SS          | MS          | F           | Significance F |
|------------|------|-------------|-------------|-------------|----------------|
| Regression | 1    | 9.142972934 | 9.142972934 | 14.07509794 | 0.000481871    |
| Residual   | 47   | 30.53049645 | 0.649585031 |             |                |
| Total      | 48   | 39.67346939 |             |             |                |

Sources: Primary Data

Table No. 9

|           | Coefficients | Standard Error | t Stat      | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|-----------|--------------|----------------|-------------|-------------|--------------|-------------|--------------|-------------|
| Intercept | 0.935106383  | 0.80347266     | 1.163830992 | 0.250366777 | -0.681272118 | 2.551484884 | -0.681272118 | 2.551484884 |
| X         | 0.797163121  | 0.212481677    | 3.75167935  | 0.000481871 | 0.369705122  | 1.224621119 | 0.369705122  | 1.224621119 |

Sources: Primary Data

coefficient, r came out to be 0.480057906. This proves that there is a significant positive correlation between the Autocratic approach and the satisfaction level of employees. In addition, the value of p came out to be 0.000481871 which is less than Q i.e. 0.05, assumed level of

significance. Hence, the Null hypothesis is rejected.

**Ho4 (Null): The leadership styles, adopted by the CEO are effective in satisfying the employees of the organization.**

- O represents: The observed value of the effectiveness of leadership style in satisfying 50 employees
- E represents: The expected value of the effectiveness of leadership style in satisfying 50 employees

Here the calculation for the Chi-square test has been done through Excel. Hence, the summary output is as follows: This hypothesis was tested based on the responses of 50 employees using the chi-square method. The critical value of  $\chi^2$ , at 0.05 significance level, with 4 degrees of freedom, is 9.488. As the calculated value of  $\chi^2$  is 9.333333, which is quite less than the critical value, hence,  $H_0$  is accepted. In other words, the leadership styles, adopted by the CEO are effective in satisfying the employees of the organization.

Conclusion and Recommendations

The result shows that the satisfaction level of employees is positively correlated to the three factors of leadership development Human Relations, Emancipatory, and Autocratic. The respondents do believe that the leadership development program will be effective if the leader will adopt a proper leadership style. An awareness of leadership styles and their consequences is very important for successful leadership because a leader’s style may either facilitate or inhibit skill changes. For example, a style that gains the trust and respect of those affected by the style tends to give a leader considerable flexibility in changing skills with changing situations while the same changes would be viewed with suspicion and resistance if a leader’s style is disliked and distrusted.

Table No. 10

| Statements        | Observed Frequency (O) | Expected Frequency (E)  | (O-E) <sup>2</sup> /E |
|-------------------|------------------------|---|-----------------------|
| Strongly Agree    | 14                     | 20  | 1.8                   |
| Agree             | 22                     | 20  | 0.2                   |
| Neutral           | 10                     | 5   | 5                     |
| Disagree          | 0                      | 2   | 2                     |
| Strongly Disagree | 0                      | 2   | 2                     |
|                   |                        | Chi-Square Calculated   | 9.333333              |
|                   |                        | Chi-Square table value with 4 d.f. and .05 significance level | 9.488                 |

Sources: Primary Data

Any style could facilitate change if it gained the trust and respect of those affected by it. However, in most cases an autocratic style tends to create distrust and the human relations style creates a lack of respect, thus limiting the flexibility of leaders using these styles. The style that most consistently results in trust and respect and therefore increases the likelihood of a positive response to contingency management is the Emancipatory style. The Emancipatory style really describes a reasonably healthy person who treats others with respect and places a high emphasis on both

performance and people. With freedom comes responsibility and commitment to the organisation's shared and chosen direction. The researchers, therefore, recommend that the firms which want to be more competitive should consider adopting a more emancipatory leadership style since it is associated with high organizational performance and sustainability than autocratic and human relations leadership styles. The result has also revealed that various leadership styles, adopted by the CEO of various MSMEs are effective in satisfying the employees of the organization.

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