Market Orientation and Its Influence on the Business Performance of Micro Enterprises in Kerala

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Abstract
MSMEs play a vital role in India's industrial sector and are now the country's main source of economic growth. Due to their substantial contribution to output, exports, and employment, micro, small and medium-sized businesses now hold a crucial place in the Indian economy.
The study's primary goal is to examine how Kerala's micro enterprises perform in relation to market orientation. Customer orientation, Competitor orientation and the interfunctional coordination are the dimensions of market orientation taken into consideration for the study. A total of 237 samples were used for the study, and the sample was chosen using the systematic random sampling method. Multiple regression analysis and Pearson's correlation are the study's primary analytical methods. The study discovers a correlation between the between performance of Kerala's micro enterprises and the Market orientation.

Keywords: Market Orientation, Micro Enterprises, Business Performance, Customer orientation, Competitor orientation, interfunctional coordination.

Introduction

The portion of the MSME sector in India is made up of micro enterprises, which concentrate on low-investment companies that promote economic inclusion and employment in rural areas. They flourish in Kerala as there are many focused government initiatives and a high concentration of entrepreneurs. Basole, A., & Chandy, V. (2019)In most dynamic economies, microenterprises have been the main drivers of job growth. India is home to millions of dispersed entrepreneurs who have the potential to create jobs, as well as thousands of microenterprise clusters. Promoting this kind of mass entrepreneurship is essential to solving India's employment problem. Case studies of clusters in general and women entrepreneurs in particular demonstrate that returns to entrepreneurship are significantly increased when critical elements like market connections, infrastructure, credit, and collective action are present. The application of fourth industrial revolution technologies to expand market access and join global value chains in a way that gives women entrepreneurs more agency is also giving rise to inspiring tales. The MSME sector has grown to be one of the nation's most active sectors and is crucial to the country's regional economic equilibrium (Kumar et.al. 2017).

According to recent data, there are over 2.5 million MSMEs in Kerala, with micro firms accounting for around 93% (or 2.3 million units), creating jobs for almost 4.5 million people. With 7,705 new micro/small units registered in early 2015–16 alone, the state is ranked 12th in the country, demonstrating consistent growth. 37 development plots under the Directorate of Industries and Commerce are important hubs.
Market orientation concentrates corporate tactics on determining and satisfying client demands via investigation and modification. Businesses that use this strategy put customer preferences ahead of internal presumptions, producing goods and services that closely match consumer needs. Product-oriented strategies, on the other hand, prioritize innovation without direct customer involvement.

Definition of Small Scale Enterprises

Table 01: Classification of MSMEs

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises Rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs. 2.5 crore and Annual turnover not more than Rs. 10 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 25 crore and Annual turnover not more than Rs. 100 crore	Investment in Plant and Machinery or Equipment: Not more than Rs. 125 crore and Annual turnover not more than Rs. 500 crore

Source: Ministry of micro, small and medium enterprises.

This is the revised classification which is applicable with effect from April 2025. Micro enterprises are those with Investment not more than Rs. 2.5 crore and Annual turnover not more than Rs. 10 crore.

Literature Review

Shoham, A., Rose, G. M., & Kropp, F. (2005). The paper identifies a research gap on the generalizability of market orientation and attempts to quantitatively evaluate its effect on business performance. To compile empirical research on the direct and indirect effects of market orientation on performance outcomes, a thorough meta-analysis was carried out. And the results show that market orientation has substantial direct, indirect, and overall effects on performance, depending on the performance metrics and geographic region. Constraints indicate that market orientation has a consistent impact on performance, with potentially greater effects through previously unconsidered indirect pathways. The data shows that market orientation is more successful in less developed nations, offering managers insightful information. The study improves knowledge of the impacts of market orientation and provides marketing strategists with a more sophisticated conceptual framework.
Cho, Y. H., & Lee, J. H. (2020).This article's main goal was to investigate how market orientation mediates the link between financial performance and entrepreneurial orientation. A total of 174 valid survey questionnaires were gathered from Korean entrepreneurs looking for business advisers or angel funding for expansion. We were able to evaluate the mediating effects of the market orientation dimensions between the entrepreneurial orientation and financial performance dimensions thanks to our special research methodology. The links between financial performance and innovative-proactiveness are totally mediated by the market orientation dimension of customer orientation. The association between innovative-proactiveness and financial performance is partially mediated by the competition orientation

dimension of market orientation. Growth-seeking entrepreneurs must enhance customer orientation, competition orientation, and innovative-proactiveness in order to boost financial performance.

Ellis, P. D. (2006). Market orientation has a considerable impact on company performance, particularly in large, mature markets, according to quantitative data from a meta-analysis of 56 studies across 28 nations. Stronger correlations are seen when measurements are made using Kohli, Jaworski, and Kumar's MARKOR scale. According to the investigation, cultural distance from the United States reduces the significance of market orientation. It also emphasizes the significance of cultural and economic circumstances, offers standards for regional effect sizes, and sheds light on measurement modifiers. This study highlights understudied areas, including Latin America and Africa, and recommends more research on culturally modulated effects on market orientation. Results reveal that adoption of marketing concepts is influenced by cultural values, with American firms typically exhibiting greater performance correlations associated with market orientation. This study paves the way for further empirical investigation and theoretical advancement.

Han, J. K., Kim, N., & Srivastava, R. K. (1998). The study examines the effects of recent banking industry deregulation, which has given banks more freedom in service offerings, using a sample of 134 institutions from a midwestern state. A survey was conducted using a random sample of 225 banks, and the response percentage was 59.5%. Using recognized tools and information from field interviews, the study used a questionnaire to assess technical vs administrative innovativeness. Reliable scales were indicated by Cronbach's alpha coefficients, which were used to evaluate important aspects of market orientation, such as competitor and customer orientation. While corporate performance was assessed using growth and profitability criteria, innovation measures were focused on the quantity of inventions implemented in the previous five years.

Research Methodology

Population: Kerala's registered microbusinesses were the primary focus of the study. Samples of 237 were included in the study. The systematic sampling method was employed in the study.

Data collection: The study uses data from both primary and secondary sources. The interview schedule method is used to gather the primary data. The interview schedule, which has three sets of questions, serves as the measuring tool for data gathering. Respondent data is included in Section 1, organization data is included in Section 2, and 21 items on a 5-point Likert scale are used in Section 3 to measure the three aspects of MO and business performance.

Variables Used

The major variables used for the study are the market orientation and the business performances. The dimensions of Market orientation considered for the study are Customer orientation, competitor orientation, and interfunctional coordination. According to Narver and Slater (2000). Customer orientation, competitor orientation, and interfunctional coordination are the three components that make up market orientation. According to Frambach et al. (2016) Customer orientation influences financial performance across all firms, whereas competitor orientation specifically impacts financial performance only in firms with an exploratory strategy. A combination of subjective and objective indicators should be used for an appropriate performance evaluation (Vij, S., & Bedi, H. S. 2012).

Conceptual Model

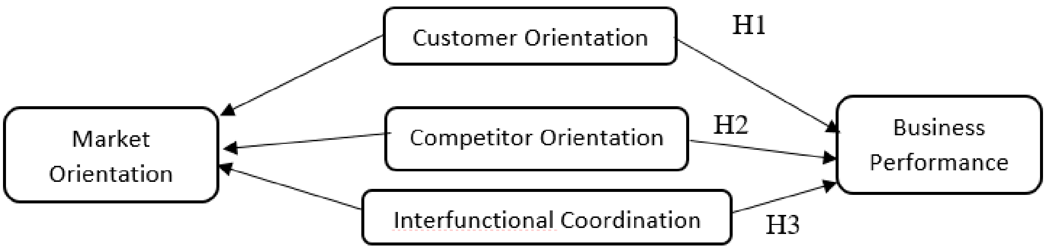

Fig no: 01

Hypotheses

The various hypotheses formulated for the study are as follows:

H1: There is significant association between MO dimension Customer orientation and the Business Performance.

H2: There is significant association between EO dimension Competitor orientation and the Business Performance.

H3: There is significant association between EO dimension Inter-functional coordination and the Business Performance.

Analysis and Interpretation

1.1 Descriptive Analysis Table no: 02

		Frequency	Percentage
Gender	Female	33	13.9
	Male	204	86.1
Age of the Respondent	Less than 30	27	11.4
	30 - 45	94	39.7
	45 - 60	103	43.4
	More than 60	13	5.5
Level of Education	Up to HSC	20	8.4
	ITI/Diploma	67	28.3
	Undergraduate degree	95	40.1
	Post Graduate degree	43	18.1
	Others	12	5.1
Nature of Business	Partnership	65	27.4
	private Ltd company	126	53.2
	Sole Proprietor	46	19.4
Area of the Business	Rural Area	175	73.8
	Urban Area	62	26.2

Source: Primary Data

1.2 Reliability Test

The most often used technique for assessing reliability is the internal consistency test with Cronbach's alpha. When repeating the same measurements, reliability is defined as consistently obtaining identical results. Measuring the same concepts repeatedly to determine the same progress is necessary to analyze the dependability of the list of measures. The measures' internal reliability was evaluated using Cronbach's alpha. The cronbach's alpha value is above 0.7.

Table no: 03

Measure	Item	Cronbach's Alpha
MO Customer Orientaion	6	0.906
MO Competitor Orientation	4	0.853
MO Interfunctional Coordination	5	0.892
Business Performance	6	0.995

1.3 Correlation

Table 04. Correlation analysis between five dimension of EO and business performance.

Entrepreneurial Orientation -Dimensions	Business Performance
Customer Orientaion	0.158
Competitor Orientation	0.197
Inter functional Coordination	0.116

**. Correlation is significant at the 0.01 level (2-tailed).

The analysis of the connection between the three MO aspects and business performance is presented in Table 04. Competitor orientation and business performance have a substantial Pearson correlation of 0.197 (P value 0.038), with customer orientation coming in second at 0.158 (P value 0.015). However, there is no connection between business performance and interfunctional coordination.

1.4 Regression

A multiple regression analysis was used to look at the relationships between the MO and business performance. The results of a multiple regression analysis on the three MO aspects and company performance are shown in Table 05. With a R square value of 0.427, the three MO dimensions significantly explain 42.7% of the variance in the microenterprises' commercial performance.

Table no: 05		Model Summary	
R	R Square	Adjusted R Square	Std. Error of the Estimate
.165[a]	.427	.115	3.823
a. Predictors: (Constant), MO_IC, MO_CU, MO_CO			

The results of comparing each component's strength on MO dimensions to the microbusiness performance are displayed in Table 06. The coefficients indicate which of the three MO dimensions has the most impact on the variation in company performance. The highest value for customer orientation in the column under Standardized Coefficients, Beta, is 0.183, which is significant at 0.000. With beta 0.089 at the significant

0.042, competitor orientation came in second. Business performance did not significantly correlate with inter-functional collaboration (B = 0.59, p = 0.476).

Table no: 06 **Coefficients[a]**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
MO_CU	.230	.127	.183	1.807	.000
MO_CO	.155	.217	.089	0.715	.042
MO_IC	.077	.154	.059	0.497	.476

a. Dependent Variable: Business Performance

Conclusion

MSMEs have grown in importance over time in our expanding national economy by helping to create jobs and industrialize rural areas. This industry has enough potential and opportunities to push buttons (Mannar, B. R. 2019). Many small businesses, especially micro enterprises, struggle to maintain competitive advantages to compete with large organizations through constant competition. This study looked at the relationship between market orientation and business performance using a survey of 237 micro firms in Kerala. The correlation study's findings showed that while there is a correlation between the MO dimensions of customer orientation and competitor orientation, there is none between the MO dimensiom of interfunctional coorination and business performance. The three EO dimensions significantly explain 42.7% of the variance in the business performance of micro enterprises, according to the results of a multivariate regression study on business performance and the three MO dimensions.

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