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Managerial Efficiency of Small Business Owners in South Andaman District, India

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Abstract:

This study investigates the efficiency of managerial practises adopted by the owners of f small enterprises in south Andaman region. The study is based on primary source of data, collected during the period from November, 2015 to May, 2016. The study used a stratified random sample of 400 respondents from South Andaman District. The findings of the study shows that small business owners are efficient in managerial planning and customer relations practices. In addition to this, the results of multiple regression model shows that independent variables such as age, business experience, educational qualification, working hours of enterprises are significantly influencing the profitability of small enterprises. Based on the findings, it is recommended that small business entrepreneurs should adopt efficient managerial practices to manage the overall affairs of the enterprises.

Keywords: South Andaman, small business, managerial efficiency

JEL Classification: O43, L21, L26 and C40

1. Introduction

In the present world of globalization, the role of Micro, Small and Medium Enterprises (MSMEs) play significant role in almost every country's economic growth. In particular, this sector significantly contributes to gross domestic product in Indian economy, in terms of industrial production, export, employment generation etc. Today, the scenario of Indian SMEs has changed completely. MSME are considered as the backbone of Indian economy. Due to the growing importance of MSMEs, the government is framing various policies to develop a business eco system that enables and continuously support small business that are gearing to deliver the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets. MSMEs can play increasingly significant role in the emerging of the Indian economy. The development of this segment is extremely critical to meet the national imperatives of financial inclusion and generation of significant levels of employment across urban, urban and rural areas across the country. Further, it can nurture and support development of new age entrepreneurs who have the potential to create globally competitive businesses from India.

In the contemporary competitive world, there is a demand for managing MSMEs with novel management skills. Particularly, there is need of managerial efficiency to decision making and organisational competitiveness. The managerial inefficiency or poor managerial ability will affect the growth of MSMEs. The lack of essentially needed managerial skills is a serious threat to the continued survival and profitability of small business in developing economies, which avert the rapid growth of SMEs. The key challenges to the long term survival and viability of small business and enterprises are lack of basic entrepreneurial and managerial skills, poor efficiency, lack of access to finance required for growth and development, lack of relevance of technical and managerial skill that are required by entrepreneurs, lack of accurate information related to the risk of survival of small business. Improving the efficiency in managerial and technical skill stated alone can enable small business and enterprises to play a major role in alleviation of poverty and job creation in several emerging market economies. Adequate managerial efficiency is a serious concern for MSMEs facing a highly competitive environment. The issues of managerial efficiency, organisational performance and competitiveness have become essential part for survival and competitive success of firms.

Due to the importance of managerial efficiency for small business owners highlighted above, an attempt is made to determine the entrepreneurial skill and managerial ability and capability of small business owners, focusing on the managerial practices of entrepreneurs in the South Andaman District of Andaman and Nicobar Islands. In particular, this study attempts to know how small enterprises significantly contribute to reduction of unemployment, economic development, production of goods and services and effectiveness in utilization of available resources of the Islands, by running their business profitable.

2. Review of Literature

Nwachukwu, I. N., R. O. Mejeha, and E. Kalu (2011) based their study on the managerial efficiency among agri-business firms in Abia State in Nigeria with specific interest in analysing their socio-economic characteristics, managerial efficiency level and its determination. The study employed 50 firms on the basis of their investment. Their findings suggested that periodic training and capacity building programme be organised for the managers to enhance their expertise and managerial competency. *Nwaduikwe, Uche .C and Court Ogele Timinepere (2012)* investigated management styles and organizational effectiveness of private enterprises in Anambra State of Nigeria. A sample size of 129 managers was drawn from the three levels of management of private enterprises from the eight industrial groups. They found that private enterprises should adopt management styles in tandem with the achievement of set goals. The study by *Mateja Drnovsek, Joakim Wincent and Melissa S. Cardon (2010)* focused on entrepreneurial self-efficacy and used three source of dimensionality. The research finding that entrepreneurial self-efficacy is best seen as a multidimensional construct made up of goal and control belief and propositions for how these two different dimensions will play a role in the process of starting up new business. *M. Mohd. Rosli (2011)* examined the factors determining the performance of SMEs in the Malaysian auto-parts industry. Using multiple regression analysis, it is evident that firm's age and foreign equity are significantly related to the performance of the firms. The finding provide an important signal for SMEs for entering joint ventures with foreigners in order to achieve better performance and more importantly to compete in the growing open market mechanisms. *Neethu Lazar and Geo Paul (2015)* studied whether the entrepreneurial competencies influence entrepreneurial characteristics of business performance and found that strong entrepreneurial characteristics and the higher competence of the owner ultimately leads to higher business performance. They related competency with the concept of knowledge, skill and attitude of a person. *Letha Devi.G, P.Khandekar and Chandrappa T (2014)* examined the rural localities of Bangalore district with the sample size of 180 dairy enterprises from rural areas. The knowledge level about improved dairy husbandry practices shows maximum direct effect and scientific orientation shows maximum indirect effect on management efficiency. Their family education status, herd size, input availability, market facilities, level of knowledge about improved dairy, economic motivation, scientific orientation, achievement motivation, self-confidence and innovation found positive and significant relationship with management efficiency of entrepreneur. *N. Suresh Babu and G.V Chalam (2014)* investigated the relationship between the components of working capital efficiency and firms' profitability of Indian leather industries with secondary source of data period from 1997 to 2011, collected from Centre for Monitoring Indian Economy (CMIE). They found that profitability insignificant positive relationship of inventory conversion period and significant positive relationship of average collection period. From the review of existing research work relating to small business, it is identified that there is only few studies focusing on efficiency of the entrepreneur based studies in Indian Small business. Therefore, the present study is an attempt to fill this gap on the efficiency of small entrepreneurs through testing their managerial practices particularly focusing on their day-to-day business management for example planning, customer relations, social relation of the firm, marketing technique, and relation to other supporting institutes. Besides this, the owner's age, education qualification, experience and working hours of entrepreneur is also taken into consideration to check their impact on performance of small enterprises and the managerial skill and capability of small business owners. Basically, there is no such study carried out specifically focusing on the efficiency of small entrepreneurs and the profitability of the enterprises in South Andaman region. Therefore, to fill the research gap, suitable objectives were framed and the study is carried out in South Andaman district of the Andaman & Nicobar union territory, to find out the factors that influence the entrepreneurs' efficiency. This study seeks to address the issues with the following objectives.

2.1. Objectives of the Study

1. To analyse the socio-demographic characteristics of small enterprises in South Andaman district
2. To understand the managerial efficiency of small entrepreneurs in South Andaman district
3. To investigate the factors influencing the profitability of small enterprises in South Andaman district.

3. Research Design and Methodology

To analyse the managerial efficiency of small business owner in small business and the profitability of small business in South Andaman district, the research design is based on data collected through primary source by using structured interview schedule with open-ended and closed-ended questions administered on a random sample of 400 respondents in South Andaman district. A primary data sample was collected during the period from November, 2015 to May, 2016. To analyse the data, statistical tools such as percentage, rank analysis and multi regression analysis were used and analysed with using SPSS software. The study area focused on the capital of Andaman and Nicobar Islands i.e. Port Blair, which comes under South Andaman District. This region has variety of business activities including manufacturing, trading and commercial services.

4. Findings and Discussion

4.1. Demographic characteristics of small enterprises

This section provide the information relating to demographical characteristics of small businesses in South Andaman district of the Islands. The socio-demographic characters of the entrepreneurs and small business are summarised in Table 1 given below.

SI No.	Respondents	Frequency	Percentage
Type of operation of enterprises			
1	Manufacturing	173	43%
2	Service	227	57%
	Total	400	100
Gender			
1	Male	314	78%
2	Female	86	22%
	Total	400	100
Education			
1	Illiterate	4	1%
2	Primary	36	9%
3	Higher school	97	24%
4	Secondary School	133	33%
5	UG Degree	111	28%
6	PG/ Above Degree	19	5%
	Total	400	100
Age			
1	20-29	58	15 %
2	30-39	110	28 %
3	40-49	138	35 %
4	Above 50	94	24 %
	Total	400	100

Table 1: Socio- demographic characteristics of small enterprises
(Source: Primary source)

From the Table 1 presented above, it can be observed that majority of the small business are engaged in services with 227 (57%) respondents followed by manufacturing with 173 (43%) respondents. Based on gender, 314 (78%) are male respondents and 86 (22%) are female respondents. Based on level of education qualification of the entrepreneurs, 4 (1 %) were illiterate, 36 (9%) completed primary schooling, 97 (24%) were higher school, 133 (33%) were secondary school, 111 (28%) were under graduates and 19 (5%) respondents educational level is post graduate & above. Considering the age of the entrepreneurs, 58 (15 %) were between 20-29 years, 110 (28%) were between 30-39 years, 138 (35 %) were between of 40-49 and 94(24 %) were above 50 years.

4.2. Managerial efficiency of small business owners

In order to understand the managerial efficiency of small business owner in South Andaman district, this section provides details of various factors which constitute the effectiveness of entrepreneurs' managerial practices in running their business. Seven factors such as day-today management practices, customer relations, social relation, human resource management, work schedule, marketing and supporting institute were taken into consideration. The opinions of the respondents on the managerial practice is tabulated and ranked for the purpose of analysis. The same is presented in the Table 2 below.

SI No	Managerial Efficiency factor	Mean	Std. Deviation	Rank
1	Day-today business managerial planning	3.62	1.372	1 st
2	Customer relations of the firm	3.53	1.213	2 nd
3	Social relation of the firm	3.46	1.350	3 rd
4	Human relation management of the firm	3.33	1.396	4 th
5	Method of work schedule of the firm	3.28	1.353	5 th
6	Marketing techniques of the firm	3.20	1.332	6 th
7	Relations with other supporting institutes	2.93	1.403	7 th

Table 2: Mean and Rank of Managerial Practices of small Business owners
(Source: Primary source)

Table 2 presented above, summarizes the mean and standard deviation of the managerial practices of small business owners and were ranked based on higher efficiency factor to lower efficiency factor. As the effectiveness and efficiency of the entrepreneurs depend upon their managerial practices, the seven efficiency factor were ranked based on their opinion. The highest rank of 3.62 is associated to the efficacy of day-today business managerial planning of the entrepreneurs and hence ranked first. The second highest mean of 3.53 (ranked second) is relating to efficiency of customer relation to business enterprises. Third in order is efficiency of social and interaction relationship to others business with a mean score of 3.46. Next, fourth rank goes to efficiency in human relation management i.e. with employees within business premises with a mean score of 3.33. The efficiency on method of work schedule of the enterprises is ranked fifth with mean score of 3.28. The sixth with mean of 3.20 is the efficiency of marketing techniques of the

enterprise, and the least mean of 2.93 relates to efficiency of relationship to supporting institution of enterprise. The above findings shows that there is no major variation in the mean score of efficiency factor and managerial practices of the small business in South Andaman district. The result shows that owners of enterprises are highly involved in day today managerial practices and least interested in taking the assistance of institutional supporting agencies, in the small business in South Andaman district.

4.3. Multiple Regression Analysis

In multiple regression analysis, the average relationship between the variables is used to estimate the depended variable for the given independent variables. The dependent variable (effect) is called as the study variable and the independent variables (cause) are called the auxiliary information. In line with this, a model is developed to study the factors that determine the profitability of small business in South Andaman district and the same is given below.

$$\text{Profitability of small business } Y = \beta_1 \text{ Age} + \beta_2 \text{ Education} + \beta_3 \text{ Experience} + \beta_4 \text{ Education} + U$$

Whereas, Y is the dependent variable, the value of which is to be known, β_1 age, β_2 education, β_3 experience of entrepreneur, β_4 education and U is the error term. Accordingly, a hypothesis framed as follows; H_0 : There is no significant difference between entrepreneur characteristics and profitability of enterprises. H_1 : There is significant difference between entrepreneur characterizes and profitability of enterprises.

Model	R	R Square	Adjusted R Square	Sig.	Durbin-Watson
1	.780	.609	.605	.000	1.524

Table 3: Result of the Multiple Regression

- Predictors(constant):age, education, experience and working hours of entrepreneur
- Dependent Variable: Profitability of small business enterprises

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	69233.8	4	17308.46	153.580*	.000
Residual	44516.606	395	112.70		
Total	113750.478	399			

Table 4: Result of ANOVA

(*1% level of significant)

- Predictors (constant), age, education, experience and working hours of entrepreneur
- Dependent Variable: Profitability of small business enterprises

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	-13.259	3.261	-	-4.066	.000		
Age	1.170	0.071	0.717	16.407	.000	.518	1.929
Education	0.601	0.558	.035	1.078	.282	.915	1.093
Experience	0.076	0.071	0.045	1.074	.283	.567	1.765
Working Hours	0.552	0.277	0.067	1.995	.037	.888	1.126

Table 5: Result of Coefficients

- Dependent Variable: Profitability of small business enterprises

The results of multiple regression analysis is shown in Table 3. The findings of the study reveals that age, education, experience and working hours of entrepreneur are significantly related to the profitability of small enterprises in south Andaman district. The overall results of the regression analysis shows that this model is well constructed and it is well represented as reflected in the variables selected. The above Table 3, which gives the summary of the model on regression analysis, indicate that the R-square value is .609. This means that the four independent variables which include age, education, experience and daily working hours of entrepreneur lead to profitability of enterprises to the extent of 60.9 percent. The Durbin-Watson statistic shows that the serial correlation of residuals is 1.52, the value falls within the acceptance range (1.5 to 2.5). This means that there is no auto correlation problem in the data. The Condition Index, Variance Inflation Factors (VIF) and tolerance all fall within the acceptance range (Condition index, VIF = 1-10, tolerance = 0.1 -1.0). This means that there is no multi-collinearity problem in the regression model used for this study. The F-value 153.580* is found to be significant at 1% level ($P \text{ value} = 0.00$). Hence, the null hypothesis is rejected and alternative hypothesis was accepted. This concludes that the personal managerial ability such as the age, education, experience and daily working hours impact the profitability of small business enterprises. Hence, it can be concluded that the managerial ability of small business owner is vital for determining the success and failure of the small business in South Andaman district.

5. Conclusion

In conclusion, the research paper highlighted on the personal managerial abilities and managerial practices of the small business in the South Andaman Islands of the Andaman & Nicobar Islands. The study findings shows that most of the enterprises in South Andaman are efficiently managed by their owners. In particular, the result of the study shows that small business owners are efficient in

managerial planning and customer relation practices. The owners' efficiency is significantly influencing the profitability of small enterprises. In South Andaman region, most of enterprises are managed by male entrepreneurs, and exceptionally majority of entrepreneurs have good educational background of above higher secondary level. Majority of enterprises are service based enterprises in South Andaman. As the small enterprises are providing good opportunity for employment generation, utilization of local resources, and overall economic development of islands region, the outcome of this piece of research suggests that concentration on personal managerial skill and general managerial practices is vital for the success of business enterprises and small business, in particular.

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