Exploring the Factors Influencing the Decision Making Ability of the Entrepreneurs in the Small and Medium Scale Enterprises

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ABSTRACT

Small and medium sized enterprises (SMEs) play a key role in the modern market economy. The small businesses are the monolith fundament of every prosperous and effectively functioning state. They possess a number of advantages which place them into the centre of the economic and social goals of the society. The sector of the SME is being expected to provide more opportunities for employment generation, regional cohesion and sustainable development, generation of innovation and diversification of the economy structure, social inclusion and new technologies for the knowledge-based society. In such a research climate associated with the entrepreneurship development and management, the preset study has been undertaken for analyzing the relationship of Decision Making with the socio- psychological, socio-personal, socio-economic and communication related determinants associated with the enterprise. The present study was conducted in the eight blocks under Darjeeling district of West Bengal. The multistage purposive as well as random sampling procedures were followed for the selection of the respondents. The Decision Making was considered as the consequent variable for the study and the sixteen other variables were considered as antecedent variables for the study. The data were collected with the help of structured interview schedule through personal interview method. The collected data were processed into statistical analyses like coefficient of correlation, multiple regression and factor analysis.

Key words: *Decision making; Rural entrepreneur; Social change; Factor analysis, Employment generation;*

Decision-making skill is a fundamental characteristic of an entrepreneur. This implies the function of choosing a particular course of action at every stage of creation of an enterprise out of several alternative courses for the purpose of achieving specified goals. Hence, appropriate decision making is necessary at all phases of enterprise development and management and especially, at the time of uncertainty and risk.

Enterprises act in a certain environment in which different actors and forces are present (such as: competitors, the governmental regulations, the customers with their specific demands, the suppliers, the taxation, the investors etc.). Each of them plays more or less a significant role in company's performance by presenting opportunities and imposing threats on its activities (*Kotler, 1988*). Hence, every firm has to develop strategic decisions about how to act in the given environment and to adapt its activities with the characteristics of the actors. Strategic planning focuses largely on managing interaction with environmental forces, and the ability of the small business owner-manager to deal with these groups will determine the success of the strategic decision (*Bankova, 1991*).

Successful decision-making requires an accurate understanding of the environment in which that decision will be reinforced. Without that understanding, it is impossible to assess the probable consequences and choose thoughtfully among them (*Messick and Bazerman, 1996*). The decision environment is defined as the collection of information, alternatives, values, and preferences available at the time of the decision (*Harris, 1998*).

In such a research climate the present study has been carried out to explore the decision making ability and its relationship with the socio- psychological, socio-personal and communication related determinants embedded with the enterprise and entrepreneurs.

METHODOLOGY

The present study was conducted in the eight blocks of Darjeeling district of West Bengal. Purposive as well as multistage sampling and random sampling procedures were followed for the selection of the respondents. The Decision making ability is considered as the consequent variable for the study and the sixteen other variables were considered as antecedent variables for the study. The data were collected with the help of structured interview schedule through personal interview method from the 220 respondents. The collected data were processed into statistical analyses like coefficient of correlation, multiple regression and factor analysis.

RESULTS AND DISCUSSION

Table 1 presents the distribution of the entrepreneurs in Hill region of West Bengal according to their decision making ability. The results show that majority of the respondents are under the decision making ability group of 18 - 23 (70.00%) followed by decision making ability group of 24 - 29 (16.36%) and 12 -17 decision making ability group (13.63%) respectively. The mean score of total distribution is 21.14 and standard deviation of the distribution is 2.81. The coefficient of variation value within the distribution 13.29 percent signifies the high consistency level of the distribution for the variable 'decision making ability'.

Table 2 reflects the Pearson's coefficient of correlation of dependent variable i.e. Decision making ability (Y_3) with sixteen causal variables. The result shows that the variables education, family educational

Table 1. Descriptive distribution of the respondents according to their Decision making ability (Y_3) (N = 220)

Category	Score	No.	%
Low	12 -17	30	13.63
Medium	18 - 23	154	70.00
High	24 - 29	36	16.36

Range = 12 - 27
Mean = 21.14
SD= 2.81
CV = 13.29%

Table 2. Coefficient of correlation of Decision making ability (Y_3) with sixteen independent variables

Variables	(r)
Age (X_1)	-0.065
Education (X_2)	0.261**
Family Size (X_3)	0.084
Family educational status (X_4)	0.221**
Annual income (X_5)	0.371**
Land holding (X_6)	0.311**
Family occupation (X_7)	0.179**
Material possession (X_8)	0.455**
House type (X_9)	0.391**
Adoption leadership (X_{10})	0.045
Management orientation (X_{11})	0.564**
Risk orientation (X_{12})	0.401**
Social participation (X_{13})	0.503**
Cosmopoliteness (X_{14})	0.654**
Training exposure (X_{15})	0.706**
Mass media exposure (X_{16})	0.507**

** Significant at 1% level significance,

* Significant at 5% level significance

Table 3. Multiple regression analysis of Decision making (Y_3) with respect to sixteen predictor variables

Variables	β	(b)	'b'	t-value
Age (X_1)	0.036	0.007	0.011	0.647
Education (X_2)	0.050	0.113	0.129	0.873
Family Size (X_3)	0.046	0.304	0.292	1.044
Family edu. status (X_4)	0.167	0.543	0.165	3.290**
Annual income (X_5)	0.025	0.001	0.002	0.331
Land holding (X_6)	-0.020	-0.046	0.140	-0.332
Family occupation (X_7)	0.021	0.122	0.279	0.436
Material possession (X_8)	0.043	0.025	0.051	0.479
House type (X_9)	-0.159	-0.558	0.278	-2.007*
Adoption leadership (X_{10})	-0.079	-0.135	0.079	-1.713
Mgt. orientation (X_{11})	0.152	0.048	0.021	2.301*
Risk orientation (X_{12})	0.068	0.063	0.048	1.306
Social participation (X_{13})	-0.006	-0.025	0.280	-0.089
Cosmopoliteness (X_{14})	0.366	0.293	0.077	3.831**
Training exposure (X_{15})	0.489	0.634	0.088	7.237**
Media exposure (X_{16})	-0.161	-0.111	0.058	-1.894

R^2 = 0.625   Adjusted R^2 = 0.595
** Significant at 1% level of significance,
* Significant at 5% level of significance
(b)=Regression coefficient , 'b'=S.E.of 'b'
β =Stand-ardised regression coefficient,

status, annual income, land holding, family occupation, material possession, house type, management orientation, risk orientation, social participation, cosmopoliteness, training exposure and mass media exposure are positively and significantly associated with the decision making ability.

Table 3 reflects the multiple regression analysis of the predicted variable i.e. decision making with sixteen predictor variables. From the table it is observable that the variables family educational status, management orientation, cosmopoliteness and training exposure is positively and significantly contributing towards characterizing the decision making. The variable house type is contributing significantly and negatively in case of characterizing the predicted one, decision making.

House type and decision making ability of the entrepreneur : House type indicates the resource allocation of an individual in rural areas. The good quality house type reflects the optimum mobilization of resources which contributes towards income augmentation. The poor quality of house owner implies the resource poor entrepreneur and vice-versa. But in the study area the most people are living in poor quality house due to the frequent occurrence of natural disaster. But still those people are very efficiently managing their own small enterprises with the help of strong decision

making ability. That may be the possible reason behind the negative and significant contribution of house type in characterizing the decision making ability of entrepreneur.

The variable house type is negatively and significantly contributing 15.90% in case of characterizing the decision making ability of an entrepreneur. One unit change of the variable family education status is delineating the 0.558 unit change in the predicted variable, decision making ability.

The R^2 value being 0.625, it is to infer that sixteen predictive variables put together have explained 62.50% variation embedded with the predictive variables, decision making ability from the enterprise still 37.50% variable embedded with predictive one are unexplained. Thus it would be suggested that inclusion of some more contextual variables possessing direct bearing on the decision making ability have increases the level of applicability.

Table 4 presents the factor analysis for an intrinsic conglomeration of different predictor variables to form a homophiles group of predictor variables/ factors. The minimum level of factor loadings (> 0.497) is considered to have conglomeration. It is found that the association of variables of factor I has been comprised of Annual income (X_5), Land holding(X_6), Material

Table 4. Factor analysis of predictor variables through principal component analysis with Varimax rotation and renaming of factors

Factor	Variables	Factor loading	Eigen value	% of variance	Cu. %	Renamed factor
I	Annual income (X_5)	0.831				
	Land holding(X_6)	0.609				
	Material possession (X_8)	0.898				
	House type (X_9)	0.864				Economic and
	Management orientation (X_{11})	0.613	5.465	34.154	34.154	communication
	Risk orientation (X_{12})	0.497				belongingness
	Social participation (X_{13})	0.729				
	Cosmopoliteness (X_{14})	0.834				
	Training exposure (X_{15})	0.627				
	Mass media exposure (X_{16})	0.712				
II	Age (X_1)	-0.828	2.008	12.553	46.706	Socio personal
	Education (X_2)	0.710				competency
III	Family educational status (X_4)	0.829	1.381	8.630	55.336	Family education
IV	Family occupation (X_7)	0.926	1.302	8.136	63.473	Livelihood
V	Family size (X_3)	0.516	1.158	7.238	70.710	Family orientation and
	Adoption leadership (X_{10})	0.858				Leadership

Factor loading > 0.497

possession (X_8), House type (X_9), Management orientation (X_{11}), Risk orientation (X_{12}), Social participation (X_{13}), Cosmopoliteness (X_{14}), Training exposure (X_{15}), Mass media exposure (X_{16}) and the factor can be renamed as economic and communication belongingness. The percent of variance explained by this factor has been 34.154 and the eigen value is found 5.465

The II factor has encompassed two factor Age (X_1), Education (X_2) and can be renamed as *"socio personal competency"*. This has explained 12.553 percent of variance with eigen value 2.008.

The III factor has gone solitary with single variable Family educational status (X_4) and it may be renamed as *"family education"*. This factor has explained 8.630 percent with eigen value 1.381.

The IV factor has preferred to go solitary with single variable Family occupation (X_7) which may be renamed as *"livelihood"*. It has explained 8.136 percent variance with an eigen value 1.302.

The last factor has reticulated with two variables viz. Family size (X_3) and adoption leadership (X_{10}) and can be renamed as *"family orientation and leadership"*. It has explained 7.238 percent variance with eigen value 1.158.

CONCLUSION

In the present global scenario of market economy, small and medium sized enterprises have a pivotal role in the economy as well as development of a country. Successful development and management of these small and medium sized enterprises will help solve many a problem related to employment, income generation, livelihood security, innovative technology generation and also sustainable development. But, to run any enterprise effectively and profitably, the entrepreneur has to make right decisions at the right time in various aspects of the entrepreneurial activity. Therefore, decision making ability of an entrepreneur is a prerequisite quality for his/her success in the concerned area of entrepreneurship. Nowadays, with the advent of advanced information and communication technologies, everyone is able to access the required information related to market and get the required materials and products for running the business. So, there is a huge competition among different enterprises and only those entrepreneurs who have the sound decision making skill can win the race. Here, in this connection, the present study has rightly explored the decision making ability of the entrepreneurs and analyzed its relationship with the socio- psychological, socio-personal, socio-economic and communication related determinants associated with the enterprise. The study has identified that the family education status, cosmopoliteness and training exposure of the entrepreneurs have strong influence on their decision making ability. In future, the policy supports and interventions towards accurate development and management of small and medium scale enterprises should acknowledge the contribution of the factors like economic and community belongingness, socio-personal competency, family education, livelihood and family orientation and leadership. All these factors are making a cob-web structure to influence the decision making ability of the entrepreneurs in running their small and medium sized enterprises.

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